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This announcement is for information purposes only and does not constitute an invitation or solicitation of an offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

This announcement is not for distribution, directly or indirectly, in or into the United States. This announcement and the information contained herein does not constitute or form part of an offer to purchase, subscribe or sell securities in the United States. Securities may not be offered or sold in the United States unless registered pursuant to the U.S. Securities Act of 1933, as amended (the ***"Securities Act"****), or pursuant to an applicable exemption from such registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus that will contain detailed information about the Company and management, as well as financial statements. The securities referred to herein have not been and will not be registered under the Securities Act and no public offering of securities will be made in the United States. The securities described in this announcement will be sold in accordance with all applicable laws and regulations. No money, securities or other consideration is being solicited by this announcement or the information contained herein and, if sent in response to this announcement or the information contained herein, will not be accepted.*

This announcement is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

The communication of this announcement and any other document or materials relating to the issue of the securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the ***"Financial Promotion Order"****)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as* ***"relevant persons"****). In the United Kingdom, the securities offered hereby are only available to, and any investment or investment activity to which this announcement relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this announcement or any of its contents.*

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reference is made to the announcement (the "**Announcement**") of Geely Automobile Holdings Limited (the "**Company**") dated 28 November 2019 in relation to the Securities Issue. Capitalised terms used herein have the same meaning as defined in the Announcement unless otherwise defined.

Please refer to the attached offering circular dated 27 November 2019 in relation to the Securities (the "**Offering Circular**"), which was published on the website of Singapore Exchange Securities Trading Limited on 12 December 2019.

The posting of the Offering Circular on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Circular.

By order of the Board
Geely Automobile Holdings Limited
David C.Y. Cheung
Company Secretary

Hong Kong, 13 December 2019

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. Li Dong Hui, Daniel (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence and Ms. Wei Mei, and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular following this page. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that the access to the offering circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES (THE "SECURITIES") AS DESCRIBED IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have represented to the Joint Lead Managers as defined herein that: (1) you and any customers you represent are not in the United States (as defined under Regulation S under the Securities Act), (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The attached offering circular is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

The target market for the Securities by the managers who are distributors is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate.

Prohibition of sales to EEA retail investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

The communication of the attached offering circular and any other document or materials relating to the issue of the Securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Securities offered hereby are only available to, and any investment or investment activity to which the attached offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached offering circular or any of its contents.

The offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Company nor the Joint Lead Managers nor any of their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the offering circular distributed to you in electronic format or any difference between the offering circular distributed to you in electronic format and the hard copy version.

Restriction: The attached offering circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Securities.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the Securities or any of the Joint Lead Managers to subscribe for or purchase any of the Securities described in the attached offering circular. In addition, access to this electronic transmission has been limited so that it shall not constitute a general advertisement or general solicitation or directed selling efforts in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licenced broker or dealer and any of the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Managers and their respective affiliates on behalf of the issuer in such jurisdiction.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this offering circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to any of the foregoing restrictions, you are not authorised and will be unable to purchase any of the Securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR **CONFIDENTIAL**

US$500,000,000

GEELY AUTOMOBILE HOLDINGS LIMITED
吉利汽車控股有限公司

(incorporated in the Cayman Islands with limited liability)

SENIOR PERPETUAL CAPITAL SECURITIES
ISSUE PRICE: 99.641 PER CENT.

The senior perpetual capital securities (the "**Securities**") in the aggregate principal amount of U.S.$500,000,000 will be issued by Geely Automobile Holdings Limited（吉利汽車控股有限公司）(the "**Company**"). The Securities will constitute direct, unsubordinated, unconditional and (subject to the Terms and Conditions of the Securities, (the "**Conditions**")) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Securities shall (save for such exceptions as may be provided by applicable law and the Conditions) at all times rank at least equally with all the Company's other present and future unsecured, unconditional and unsubordinated obligations. Payments on the Securities will be made free and clear of, and without withholding or deduction for, any taxes to the extent described in "*Terms and Conditions of the Securities — Taxation*".

The Securities confer a right to receive distribution (each a "**Distribution**") (i) in respect of the period from, and including, 9 December 2019 (the "**Issue Date**") to, but excluding, 9 December 2024 (the "**First Call Date**"), at 4.0 per cent. per annum, in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date (as defined in the Conditions) falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, at the Relevant Reset Distribution Rate (as defined in the Conditions). Distributions shall be payable on the Securities semi-annually in arrear in equal instalments on 9 June and 9 December of each year (each, a "**Distribution Payment Date**"). The Company may, at its sole and absolute discretion, elect to defer any Distribution, in whole or in part, which is otherwise scheduled to be paid on a Distribution Payment Date to the immediate subsequent Distribution Payment Date by giving notice to the Securityholders (as defined in the Conditions), Citicorp International Limited as trustee (the "**Trustee**") and the Principal Paying Agent (as defined in the Conditions) in writing not more than 20 Payment Business Days (as defined in the Conditions) nor less than five Payment Business Days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event (as defined in the Conditions) has occurred. Any Distribution so deferred shall constitute "**Arrears of Distribution**" and the restrictions as described in "*Terms and Conditions of the Securities — Distribution — Distribution Deferral — Restrictions in the case of an Optional Deferral*" shall apply. Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the prevailing Distribution Rate (as defined in the Conditions) (the "**Additional Distribution Amount**"). The Company may further defer any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued Distribution and is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred. See "*Terms and Conditions of the Securities — Distribution — Distribution Deferral — Cumulative Deferral*".

Upon the occurrence of a Step-Up Event (as defined in the Conditions), unless (x) an irrevocable notice in writing to redeem the Securities has been given to Securityholders by the Company pursuant to the Conditions by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied or ceases to exist by the 30th day following its occurrence, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date or (b) if the date on which the relevant Step-Up Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, *provided* that the maximum aggregate increase in the Distribution Rate shall be 3.00 per cent. per annum, as further described in "*Terms and Conditions of the Securities — Distribution — Increase in Distribution Rate*".

The Securities are perpetual securities and have no fixed redemption date. The Securities may be redeemed at the option of the Company in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent and to the Securityholders in accordance with the Conditions at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) on the First Call Date or on any Distribution Payment Date after the First Call Date.

The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and to the Principal Paying Agent in writing and to the Securityholders in accordance with the Conditions at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) (i) in the event of certain changes affecting taxes of the PRC, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction); (ii) if a Breach of Covenant Event or a Relevant Indebtedness Default Event (each as defined in the Conditions) occurs; or (iii) if prior to the date fixed for redemption, at least 80 per cent. in principal amount of the Securities originally issued (including additional securities (if any) subsequently issued pursuant to Condition 14) has already been cancelled.

The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and to the Principal Paying Agent in writing and to the Securityholders in accordance with the Conditions at (x) 101 per cent. of their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date, or (y) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date, if a Change of Control (as defined in the Conditions) occurs or if the Company satisfies the Trustee that an Equity Disqualification Event (as defined in the Conditions) has occurred.

For a more detailed description of the Securities, see "Terms and Conditions of the Securities" beginning on page 54.

Investing in the Securities involves risks. See "Risk Factors" beginning on page 17.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Securities on, the SGX-ST are not to be taken as an indication of the merits of the Company or the Securities.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction, and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in offshore transactions in compliance with Regulation S ("**Regulation S**"). For a description of these and certain restrictions on offers and sales of the Securities and the distribution of this offering circular, see "Subscription and Sale."

The Company has received a corporate rating of "BBB-" with a stable outlook by Standard & Poor Services ("**S&P**") and "Baa3" with a stable outlook by Moody's Investors Service ("**Moody's**"). The Securities are expected to be assigned a rating of "Baa3" by Moody's. A rating is not a recommendation to buy, sell or hold the Securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知（發改外資[2015]2044號）(the "**NDRC Notice**") promulgated by National Development and Reform Commission (the "**NDRC**") of the PRC on 14 September 2015 which came into effect on the same day, the Company has registered the issuance of the Securities with NDRC and obtained a certificate from NDRC on 16 August 2019 evidencing such registration. Pursuant to the registration certificate, the Company will cause relevant information relating to the issue of the Securities to be reported to NDRC within 10 Registration Business Days (as defined in the Conditions) after the issue date of the Securities.

The Securities will be represented initially by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be as described herein, certificates for Securities will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Barclays **BNP PARIBAS** **BofA Securities** **HSBC** **UBS**

Joint Lead Managers and Joint Bookrunners

Bank of China **CLSA** **DBS Bank Ltd.** **Standard Chartered Bank**

(in alphabetical order)

The date of this offering circular is 27 November 2019.

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This offering circular does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering circular or that the information contained in this offering circular is correct as of any time after that date.

This offering circular is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

Prohibition of sales to EEA retail investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

The communication of this offering circular and any other document or materials relating to the issue of the Securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United

Kingdom, the Securities offered hereby are only available to, and any investment or investment activity to which this offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering circular or any of its contents.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING COORDINATOR (THE "STABILISING COORDINATOR") (OR PERSONS ACTING ON BEHALF OF THE STABILISING COORDINATOR) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT ANY STABILISING COORDINATOR (OR PERSONS ACTING ON BEHALF OF ANY STABILISING COORDINATOR) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

This offering circular is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Securities. You should read this offering circular before making a decision whether to purchase the Securities. You must not use this offering circular for any other purpose, or disclose any information in this offering circular to any other person.

We have prepared this offering circular, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Securities. By purchasing the Securities, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "Transfer Restrictions" below.

We, having made all reasonable enquiries, confirm that (i) this offering circular contains all information with respect to the Company and its subsidiaries, the Group's affiliates and the Securities which is material in the context of the issue and offering of the Securities (including the information which is required by applicable laws and according to the particular nature of the Company and the Securities and is necessary to enable you and your investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Company and the Group and of the rights relating to the Securities); (ii) the statements contained in this offering circular relating to the Company, the Group, the Group's affiliates and the Securities in this offering circular, are true and accurate and do not omit to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, misleading; (iii) the opinions and intentions relating to the Company, the Group or any affiliate of the Group expressed in this offering circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Company, the Group, any affiliate of the Group or the Securities, the omission of which would, in the context of the issue and offering of the Securities make any statement in this offering circular misleading; and (v) the Company has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

No representation or warranty, express or implied, is made by Barclays Bank PLC, BNP Paribas, Merrill Lynch (Asia Pacific) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Bank of China Limited, Singapore Branch, CLSA Limited, DBS Bank Ltd. and Standard Chartered Bank (in alphabetical order) (the "**Joint Lead Managers**", and each a "**Joint Lead Manager**"), Citicorp International Limited (the "**Trustee**"), Citibank, N.A., London Branch (the "**Calculation Agent**", "**Paying Agent**," "**Transfer Agent**" and "**Registrar**") or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

Nothing contained in the offering circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisors or representatives. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates have not independently verified any of the information contained in this offering circular and can give no assurance that this information is accurate, truthful or complete. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Company and the merits and risks involved in investing in the Securities. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Securities.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers accepts any responsibility for the contents of this offering circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or on their behalf in connection with the Company or the issue and offering of the Securities. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, representatives or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this offering circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers undertakes to review the results of operations, financial condition or affairs of the Company during the life of the arrangements contemplated by this offering circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

No action is being taken to permit a public offering of the Securities or the distribution of this offering circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities, and the circulation of documents relating thereto as set forth in the section titled "Subscription and Sale." By purchasing the Securities, you represent and agree to all of those provisions contained in that section of the offering circular. The offering circular to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Securities. Distribution of the offering circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised.

No person has been or is authorised to give any information or to make any representation concerning the Company or the Securities other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers. Neither the delivery of the offering circular nor any offering, sale or delivery made in connection with the issue of the Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This offering circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Lead Managers the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers to subscribe for or purchase the Securities and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

Any of the Joint Lead Managers and their respective affiliates may purchase the Securities for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of the Company or its subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities). Furthermore, investors in the Securities may include entities affiliated with the Company or the Group.

You should not construe anything in this offering circular as legal, business or tax advice. You should determine for itself the relevance of the information contained in this offering circular and consult your own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Securities under applicable laws or regulations.

Each person receiving this offering circular acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Joint Lead Managers or the Trustee or any person affiliated with the Joint Lead Managers or the Trustee in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorised to give any information or to make any representation concerning us, our subsidiaries and affiliates or the Securities (other than as contained herein and information given by our duly authorised officers and employees in connection with investors' examination of our company and the terms of the offering of the Securities) and, if given or made, any such other information or representation should not be relied upon as having been authorised by us, the Joint Lead Managers or the Trustee.

This offering circular summarises certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering circular. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of the Company, the Joint Lead Managers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or our or their respective directors, officers or advisors are making any representation to you regarding the legality of an investment in the Securities by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Securities.

We reserve the right to withdraw the offering of the Securities at any time, and the Joint Lead Managers reserve the right to reject any commitment to subscribe for or purchase the Securities in whole or in part and to allot to any prospective purchaser less than the full amount of the Securities sought by such purchaser. The Joint Lead Managers or any of their affiliates may acquire for their own account a portion of the Securities.

Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Law, 2017 of the Cayman Islands (the "**DPL**") on 18 May 2017 and it was brought into force on 30 September 2019. The DPL introduces legal requirements for the Company based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Securities and the associated interactions with the Company and its affiliates and/or delegates, or by virtue of providing the Company with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Company and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPL. The Company shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the Securities, the holders of the Securities shall be deemed to acknowledge that they have read in detail and understood the Privacy Notice set out below and that such Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Securities.

Oversight of the DPL is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPL by the Company could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Privacy Notice

Introduction

The purpose of this notice is to provide holders of the Securities with information on the Company's use of their personal data in accordance with the DPL.

In the following discussion, "Company" refers to the Company and its affiliates and/or delegates, except where the context requires otherwise.

Investor Data

By virtue of making an investment in the Company and the associated interactions between a holder of the Securities and the Company (including any subscription (whether past, present of future), including the recording of electronic communications or phone calls where applicable) or by virtue of a holder of the Securities otherwise providing the Company with personal information on individuals connected with the holder of the Securities as an investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), the holder of the Securities will provide the Company with certain personal information which constitutes personal data within the meaning of the DPL ("**Investor Data**"). The Company may also obtain Investor Data from other public sources. Investor Data includes, without limitation, the following information relating to a holder of the Securities and/or any individuals connected with a holder of the Securities as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the holder of the Securities's investment activity.

In the Company's use of Investor Data, the Company will be characterised as a "data controller" for the purposes of the DPL. The Company's affiliates and delegates may act as "data processors" for the purposes of the DPL.

Who this Affects

If a holder of the Securities is a natural person, this will affect such holder of the Securities directly. If a holder of the Securities is a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides the Company with Investor Data on individuals connected to such holder of the Securities for any reason in relation to the investment of such holder of the Securities with the Company, this will be relevant for those individuals and such holder of the Securities should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

How the Company May Use the Personal Data of a Holder of the Securities

The Company, as the data controller, may collect, store and use Investor Data for lawful purposes, including, in particular:

(i) where this is necessary for the performance of the Company's rights and obligations under any subscription agreements or purchase agreements;

(ii) where this is necessary for compliance with a legal and regulatory obligation to which the Company is subject (such as compliance with anti-money laundering and the Foreign Account Tax Compliance Act or the Common Reporting Standard requirements); and/or

(iii) where this is necessary for the purposes of the Company's legitimate interests and such interests are not overridden by the interests of the holder of the Securities, fundamental rights or freedoms.

Should the Company wish to use Investor Data for other specific purposes (including, if applicable, any purpose that requires a consent from the holder of the Securities), the Company will contact the applicable holders of the Securities.

Why the Company May Transfer the Personal Data of a Holder of the Securities

In certain circumstances the Company and/or its authorised affiliates or delegates may be legally obliged to share Investor Data and other information with respect to the interest of a holder of the Securities in the Company with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

The Company anticipates disclosing Investor Data to others who provide services to the Company and their respective affiliates (which may include certain entities located outside the Cayman Islands or the European Economic Area), who will process the personal data of a holder of the Securities on the Company's behalf.

The Data Protection Measures the Company Takes

Any transfer of Investor Data by the Company or its duly authorised affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPL.

The Company and its duly authorised affiliates and/or delegates shall apply appropriate technical and organisational information security measures designed to protect against unauthorised or unlawful processing of Investor Data, and against accidental loss or destruction of, or damage to, Investor Data.

The Company shall notify a holder of the Securities of any Investor Data breach that is reasonably likely to result in a risk to the interests, fundamental rights or freedoms of either such holder of the Securities or those data subjects to whom the relevant Investor Data relates.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY AND FINANCIAL INFORMATION PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our" and words of similar import, we are referring to Geely Automobile Holdings Limited itself or to Geely Automobile Holdings Limited and its subsidiaries, as the context requires. When we use the term the "Company," we are referring to Geely Automobile Holdings Limited itself and when we use the term the "Group," we are referring to Geely Automobile Holdings Limited and its subsidiaries.

Market data and certain industry forecasts and statistics in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Joint Lead Managers or their respective directors and advisors, and neither us, the Joint Lead Managers nor our or their respective directors, officers or advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Securities, including the merits and risks involved.

The information and statistics set forth in this offering circular relating to the PRC and the automobile market in the PRC were taken or derived from various government and private publications. The Joint Lead Managers do not make any representation as to the accuracy of such information and statistics, which may not be consistent with other information or statistics compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the information and statistics herein may be inaccurate and should not be unduly relied upon.

We record and publish our financial information in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.8650 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 28 June 2019, and all translations from Hong Kong dollar amounts to U.S. dollars were made at the rate of HK$7.8103 to US$1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on 28 June 2019. All such translations in this offering circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars and Hong Kong dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

In this offering circular, references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "**United States**" or "**U.S.**"); references to "HK$" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**" or "**HK**"); references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China; references to "Macau" are to the Macau Special Administrative Region of the PRC; references to the "PRC government" or "State" are to the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or, where the context requires, any of them; and references to the "PRC" and "China" are to the People's Republic of China and, for the purposes of this offering circular, do not include Hong Kong, Macau or Taiwan.

Unless the context otherwise requires, references to "2016," "2017" and "2018" in this offering circular are to our financial years ended 31 December 2016, 2017 and 2018, respectively. Unless the context otherwise requires, reference to "the first half of 2018" and to "the first half of 2019" in this offering circular are to our interim financial period for the six months ended 30 June 2018 and 30 June 2019, respectively.

Reference to the "2023 Bonds" are to our US$300,000,000 principal amount 3.625% bonds due 2023 issued by us on 25 January 2018.

References to the "Board of Directors" or "Board" are to our board of directors.

References to the "CAAM" are to the China Association of Automobile Manufacturers.

References to "CAGR" are to the compound annual growth rate.

References to the "central and western regions" are to Anhui, Chongqing, Gansu, Guangxi, Guizhou, Heilongjiang, Henan, Hubei, Hunan, Inner Mongolia, Jiangxi, Jilin, Ningxia, Qinghai, Shaanxi, Shanxi, Sichuan, Tibet, Xinjiang and Yunnan.

References to "CEVT" are to China-Euro Vehicle Technology Aktiebolag, a company incorporated in Sweden with limited liability and is engaged in research and development and wholly owned by Geely Holding which was established in Gothenburg, Sweden in May 2013.

References to the "C-NCAP" are to the China's New Car Assessment Programme (中國新車評價規程).

References to "connected person" and "controlling shareholder" each has the meaning ascribed to it in the Listing Rules (as defined below).

References to "Director(s)" are to the director(s) of the Company.

References to "EIT Law" are to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which came into effect on 1 January 2008.

References to the "Euro NCAP" are to the European New Car Assessment Programme, a European car safety performance assessment programme based in Brussels and founded in 1997.

References to "Geely Group" are to Geely Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Li Shu Fu, our chairman and Executive Director.

References to "Geely Holding", "Parent Company" or "our Parent Company" are to Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), a private limited liability company incorporated in Zhejiang province, the PRC, and is majority owned by Mr. Li Shu Fu. In 2010, Geely Holding completed the acquisition of a major stake in Volvo Car Corporation, a Swedish premium automobile manufacturer which is headquartered in Gothenburg, and since then, Volvo Car Corporation has become our sister company.

References to "HKFRS" are to Hong Kong Financial Reporting Standards.

References to the "Hong Kong Stock Exchange" are to The Stock Exchange of Hong Kong Limited.

References to the "Listing Rules" are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time.

References to "MIIT" are to Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).

References to "MOF" are to Ministry of Finance of the PRC (中華人民共和國財政部).

References to "MOFCOM" are to Ministry of Commerce of the PRC (中華人民共和國商務部).

References to the "NDRC" are to the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會).

References to the "PBOC" are to the People's Bank of China (中國人民銀行), the central bank of the PRC.

References to the "Parent Group Company(ies)" are to the company(ies) beneficially owned by Mr. Li Shu Fu, including associate company(ies) of Mr. Li Shu Fu.

References to "SAFE" are to PRC State Administration of Foreign Exchange (中國國家外滙管理局).

References to "SAT" are to PRC State Administration of Taxation (中國國家稅務總局).

References to the "SFO" are to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.

References to "Volvo Car" are to Volvo Car Corporation, a Swedish premium automobile manufacturer which is headquartered in Gothenburg and controlled by Mr. Li Shu Fu.

In this offering circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

This offering circular includes "forward-looking statements." All statements other than statements of historical fact contained in this offering circular, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "aim," "intend," "will," "may," "anticipate," "seek," "should," "estimate" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- relationship with Geely Holding and its affiliates;
- success of our research and development efforts;
- continuing operations of our production facilities;
- industry risks;
- our financial condition;
- the supply and price fluctuations of raw materials and automobile parts and components;
- the achievement of our expansion plans;
- our ability to maintain our established market position;
- availability and costs of bank loans and other forms of financing;
- changes in competitive conditions and our ability to compete under those conditions;
- regulatory restrictions to the pricing of our products;
- the regulatory environment of our industry in general; and

- changes in political, economic, legal and social conditions in China and other countries in which we have operations, including the specific policies of the relevant government affecting the markets where we operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this offering circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this offering circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering circular might not occur.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms and definitions used in this offering circular. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

"AT"	automatic transmission
"BMA"	B-segment modular architecture
"CBU(s)"	complete buildup unit(s), a completed vehicle after final assembly
"CMA platform"	compact modular architecture platform, a platform which will be used for developing compact models
"CKD kits"	complete knock down kits, a complete kit that needed to be assembled into a vehicle
"FE platform"	a platform which will be used for developing Sedan models
"hatchback(s)"	a car body configuration with a rear door that swings upward to provide access to a cargo area
"KC platform"	a platform which will be used for developing Sedan and SUV models
"CVT"	continuously variable transmission
"DCT"	dual-clutch transmission
"L"	litres
"MPV(s)"	multi-purpose vehicle(s)
"MT"	manual transmission
"OEM"	original equipment manufacturer
"PMA"	Pure-electric module architecture
"sedan(s)"	a body style of the modern automobile which at its most basic, is a car with two rows of seats and a separate trunk for luggage at the rear
"vehicle tool kits"	a tool kit for subsequent repairs and maintenance of the vehicle
"SRM"	supplier relationship management
"SUV(s)"	sport utility vehicle(s)
"T"	turbocharged

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Securities. You should read the entire offering circular, including the section entitled "Risk Factors" and our consolidated financial information and related notes thereto, before making an investment decision.

OVERVIEW

We are one of the leading indigenous automobile companies in China, focusing on sales of passenger vehicles and manufacturing and sales of automobile parts and components. According to the market data published by CAAM, the Group's market share in China's passenger vehicle market increased from 5.0% in 2017 to 6.2% in 2018, ranked third in China's top passenger vehicle brands and 5th among the top ten passenger vehicle manufacturers in China. According to the market data published by CAAM, our market share in China's retail passenger vehicle market increased from 6.3% for the first half of 2018 to 6.5% for the first half of 2019, ranked 1st among all indigenous passenger vehicle brands in China by sales volume and 4th among all passenger vehicle brands in China, according to the market data published by CAAM. We have been one of the "China's Top 500 Companies (中國企業500強)" for ten consecutive years since 2010 according to Fortune China (財富) and were ranked No. 85 in 2019. Through approximately 33 years' operating history, we have established our reputation as a leading indigenous passenger vehicle company in China. We endeavour to offer safe, environmentally friendly and fuel-efficient passenger vehicles in both the domestic and overseas markets. As of 30 June 2019, we offered a total of 17 major sedan, SUV and MPV models. In 2016, 2017, 2018 and the six months ended 30 June 2019, we sold approximately 765,970, 1,247,116, 1,500,838 and 651,680 units of passenger vehicles, respectively. As of 11 October 2019, we had a market capitalization of HK$125.5 billion (US$16.0 billion).

Historically, we sold our products under three product brands, namely, Emgrand, GLEagle and Englon, through 4S dealer shops and franchisee stores in China. Since the second quarter of 2014, we have commenced and completed a major restructuring of our distribution network in China by integrating our three existing product brands into a unified brand, Geely, and adopting a new marketing strategy by consolidating our existing distribution network and streamlining dealers and franchisees of the three product brands in China. Over the past few years, we further strengthened our sales and marketing system by launching the "Lynk&Co" brand (through distribution channel under the Lynk&Co JV) and the "Geometry" (through an independent distribution channel). "Geely" brand is still our mainstream mass market brand, "Geometry" brand is our new pure electric brand, whereas "Lynk&Co" is a joint-venture brand between us and Volvo Car, targeting the global premium market. As of 30 June 2019, our domestic distribution network comprised a total of 980 dealer shops, including 118 Geometry dealer shops and 263 Lynk&Co dealer shops, spanning over 370 cities and 23 provinces, autonomous regions and central government-administered municipalities in China. A small portion of our sales are to overseas markets, including developing countries in Asia, the Middle East, Eastern Europe and other countries.

Currently we own a 99% equity interest in 14 domestic manufacturing plants located in Zhejiang, Hunan, Shaanxi, Shanxi, Shandong, Guizhou and Sichuan provinces and a 100% equity interest in one domestic manufacturing plant located in Zhejiang province with a total designed annual production capacity of approximately 1.7 million units per two shifts on an annualised basis as of 30 June 2019. In the overseas market we aim to set up assembly plants in the local markets and work with local OEM partners to improve manufacturing efficiency and enhance profitability.

We have been continuously expanding our product offering to meet customers' evolving needs and preferences. We plan to leverage several platforms to develop new vehicle models, primarily including the FE platform, the KC platform and the CMA platform. In 2013, we set up a research and development center in Gothenburg, Sweden with Volvo Car, to jointly develop CMA. By the end of 2018, we have jointly developed several modular platforms, including BMA, CMA, DMA and PMA. In addition, we also independently developed AMA modules for new energy vehicles. We also seek cooperating opportunities with international players to develop and introduce more new products, such as electric vehicles. We are committed to developing and manufacturing products with safety and comfort. Most of the models we offered have received high scores in safety tests by the domestic and internationally authoritative vehicle safety testing programmes, including the C-NCAP and the Euro NCAP.

We have received strong support from Geely Holding, our Parent Company. We have benefited greatly from Geely Holding's assets injection, research and development support as well as intellectual property rights authorisation and guidance in various aspects of our operations. Since 2007, Geely Holding's subsidiaries have also been assembling CBUs for us, as certain of Geely Holding's subsidiaries are listed in the Public Notice of Automobile Vehicle Manufacturers and Products (車輛生產企業及產品公告) issued by MIIT while we are not. The inclusion on this public notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling CBUs. Pursuant to the arrangement with Geely Holding, we agree to sell CKD kits and vehicle tool kits to and purchase CBUs, automobile parts and components from the Parent Group Companies. We believe the strong support from Geely Holding enables us to enhance our production as well as research and development capabilities and corporate management.

In 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019, we recorded turnover of RMB53,721.6 million, RMB92,760.7 million, RMB106,595.1 million (US$15,527.3 million), RMB53,708.6 million and RMB47,558.6 million (US$6,927.7 million), respectively; and recorded net profit of RMB5,170.2 million, RMB10,735.4 million, RMB12,674.4 million (US$1,846.2 million), RMB6,735.9 million and RMB4,047.0 million (US$589.5 million), respectively, for the same periods.

RECENT DEVELOPMENTS

Proposed Volvo Car and Geely Holding Operations Merger

On 8 October 2019, we were advised by Zhejiang Geely Holding Group Company Limited ("**Geely Holding**"), a company in which Mr. Li Shu Fu, one of our executive directors and the controlling shareholders of the Company, owns a 91.08% interest, that Geely Holding and Volvo Car intend to merge their existing combustion engine operations into a stand-alone business. This merger is intended to establish a new global supplier that will seek to develop the next-generation combustion engines and hybrid powertrains. Geely Holding is our connected person but we are not a party to this transaction and are not partnering with either Geely Holding or Volvo Car in relation to the transaction.

GEP3 Licensing Agreement with Geely Holding

On 26 November 2019, we entered into the GEP3 licensing agreement with Geely Holding. Pursuant to the agreement, we agreed to license to Geely Holding Group certain intellectual properties, including, among other things, patents, inventions, designs and copyrights, associated with the GEP3 engine for the design, development, manufacture, sale, marketing and distribution of the GEP3 engine and related parts and components for a period of 20 years from the date of this agreement. The total license fee for us is approximately RMB300 million, which will be settled by Geely Holding in five equal annual installments over the course of five years.

Subsidiary Disposal Agreement with Geely Industry

On 26 November 2019, two of our subsidiaries, Jirun Automobile Company Limited (浙江吉潤汽車有限公司) ("**Jirun Automobile**") and Shanghai Maple Guorun Automobile Company Limited (上海華普國潤汽車有限公司) ("**Shanghai Maple**") entered into the an agreement with Zhejiang Geely Automobile Industry Company Limited (浙江吉利汽車實業有限公司) ("**Geely Industry**"). Pursuant to the agreement, Jirun Automobile conditionally agreed to sell 90% of the registered capital of Jinnan Geely Automobile Company Limited (濟南吉利汽車有限公司 ("**JN Target**"), and (ii) Shanghai Maple conditionally agreed to sell 10% of the registered capital of the JN Target; and (iii) Geely Industry conditionally agreed to acquire the entire registered capital of the JN Target for a cash consideration of approximately RMB507.1 million. Upon completion of the transaction, JN Target and its subsidiary will become wholly owned subsidiary of Geely Industry. Geely Industry will pay the total consideration for the acquisition within three months from the completion of the transaction.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success, distinguish us from our competitors and position us favourably to take advantage of future growth opportunities:

- leading indigenous automobile brand in China;
- strong support from Geely Holding and technical collaboration with Volvo;
- well positioned to capture the electrification trend in the largest PV market in the world;
- extensive and strategically managed distribution network and strong production capacity;
- prudent financial policies with proven track record; and
- experienced and stable management team.

BUSINESS STRATEGIES

We intend to grow and strengthen our business through the implementation of the following core business strategies:

- continue to focus on technological improvement and product development;
- continue to promote our brand image and strengthen our extensive distribution network;
- enhance our manufacturing capacity selectively and continue to improve our cost efficiency to further enhance profitability; and
- maintain prudent financial policies and a proactive approach to our capital structure.

GENERAL INFORMATION

We were incorporated in the Cayman Islands on 5 June 1996 as an exempted limited liability company. Our head office and principal place of business in Hong Kong is at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong. Our registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our website is http://www.geelyauto.com.hk. Information contained on our website does not constitute part of this offering circular.

SUMMARY OF THE OFFERING

The following is a brief summary of the offering and is qualified in its entirety by the remainder of this offering circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Securities" and "Summary of Provisions Relating to the Securities in Global Form" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Securities, see "Terms and Conditions of the Securities" in this offering circular.

Company	Geely Automobile Holdings Limited (吉利汽車控股有限公司) (the "**Company**")
Issue	U.S.$500,000,000 senior perpetual capital securities
Issue Price	99.641 per cent.
Status of the Securities	The Securities constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Securities shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all the Company's other present and future unsecured, unconditional and unsubordinated obligations.
Form and Denomination	The Securities will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	9 December 2019
Maturity Date	There is no maturity date.
Negative Pledge	The Securities contain a negative pledge provision, as further described in Condition 4(a).
Distribution	Subject to Condition 5(d), the Securities confer a right to receive Distribution from, and including, the Issue Date at the Distribution Rate in accordance with Condition 5. Subject to Condition 5(d), Distribution shall be payable on the Securities semi-annually in arrear in equal instalments on 9 June and 9 December of each year (each, a "**Distribution Payment Date**").

Distribution Rate	Subject to any increase pursuant to Condition 5(e), the rate of distribution (the "**Distribution Rate**") applicable to the Securities shall be: (i) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, 9 December 2024 (the "**First Call Date**"), 4.0 per cent. per annum (the "**Initial Distribution Rate**"); and (ii) in respect of the period (A) from, and including, the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate. Pursuant to Condition 5(e), upon the occurrence of a Step-Up Event, unless (A) an irrevocable notice in writing to redeem the Securities has been given to Securityholders by the Company pursuant to Condition 6 by the 30th day following the occurrence of the relevant Step-Up Event or (B) the relevant Step-Up Event is remedied or ceases to exist by the 30th day following the occurrence of the relevant Step-Up Event, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (aa) the next Distribution Payment Date or (bb) if the date on which the relevant Step-Up Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, provided that the maximum aggregate increase in the Distribution Rate pursuant to this Condition 5(e) shall be 3.00 per cent. per annum. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this Condition 5(e) is separate from and in addition to any increase in the Distribution Rate pursuant to Condition 5(b)(ii).
Optional Deferral	The Company may, at its sole and absolute discretion, elect to defer any Distribution, in whole or in part, which is otherwise scheduled to be paid on a Distribution Payment Date to the immediate subsequent Distribution Payment Date by giving an Optional Deferral Notice to the Securityholders in accordance with Condition 15 and to the Trustee and the Principal Paying Agent in writing not more than 20 Payment Business Days nor less than five Payment Business Days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred.

No Obligation to Pay	The Company shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it elects not to do so in accordance with Condition 5(d)(i). Notwithstanding any other provision in the Conditions or in the Trust Deed, the deferral of any Distribution in accordance with Condition 5(d) shall not constitute a default (including, without limitation, Condition 9) on the part of the Company under the Securities and the Trust Deed.
Cumulative Deferral	Any Distribution deferred pursuant to Condition 5(d) shall constitute "**Arrears of Distribution**". Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the prevailing Distribution Rate. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution. The Company may, at its sole and absolute discretion, elect (in the circumstances set out in Condition 5(d)(i)) to defer further any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued Distribution and is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred except that Condition 5(d)(v) shall be complied with until all outstanding Arrears of Distribution and Additional Distribution Amount have been paid in full.
Restrictions in the case of Deferral	If, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date (including any Distribution accrued but unpaid on the Securities (including any Arrears of Distribution and any Additional Distribution Amount)) is not made in full, the Company shall not: (a) declare or pay any discretionary dividends or discretionary distributions or make any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Company (except (i) in relation to the Parity Securities of the Company on a *pro rata* basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); or (b) at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Company or the Guarantor (except (i) in relation to the Parity Securities of the Company, on a *pro rata*

basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities),

in each case, unless and until (x) the Company has satisfied in full all outstanding Arrears of Distribution and the Additional Distribution Amount; or (y) the Company is permitted to do so by an Extraordinary Resolution.

Satisfaction of Arrears of Distribution by Payment . . . . .

The Company may satisfy any Arrears of Distribution and Additional Distribution Amount, in whole or in part, at any time by giving notice of such election to the Securityholders in accordance with Condition 15 and to the Trustee and the Principal Paying Agent in writing not more than 20 Payment Business Days nor less than five Payment Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Company to pay the relevant Arrears of Distribution and all Additional Distribution Amounts on the payment date specified in such notice); and in any event shall satisfy all outstanding Arrears of Distribution and Additional Distribution Amount on the earliest of:

(a) the date of redemption of the Securities in accordance with the redemption events set out in Condition 6;

(b) the next Distribution Payment Date following the occurrence of a breach of Condition 5(d)(v) or the occurrence of a Compulsory Distribution Payment Event; and

(c) the date such amount becomes due under Non-Payment or on a Winding-Up of the Company.

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Company shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.

Taxation	All payments of principal, premium (if any) and Distribution by or on behalf of the Company in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC, the Cayman Islands or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by or within the PRC up to, and including, the Applicable Rate, the Company will increase the amounts paid by it to the extent required, so that the net amount received by Securityholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Company is required to make any deduction or withholding by or within the Cayman Islands, or is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Company shall pay such Additional Tax Amounts as will result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to the exceptions specified in Condition 8.
Redemption at the Option of the Company	The Securities may be redeemed at the option of the Company in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent and to the Securityholders in accordance with Condition 15 at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), on the First Call Date or on any Distribution Payment Date after the First Call Date.
Redemption for Taxation Reasons	The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable written notice (which shall specify the date for redemption and the method by which payment shall be made) to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15, at their principal amount (together with any Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if the Company satisfies the Trustee immediately prior to the giving of such notice that a Gross-Up Event has occurred.

Redemption for a Change of Control	The Securities may be redeemed at the option of the Company in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15: (a) at 101 per cent. of their principal amount, together with any Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or (b) at their principal amount, together with Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date.
Redemption for Accounting Reasons	The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15: (c) at 101 per cent. of their principal amount, together with any Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or (d) at their principal amount, together with Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date, if, immediately before giving such notice, the Company satisfies the Trustee that an Equity Disqualification Event has occurred.
Redemption on the Occurrence of a Breach of Covenant Event	The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15 at their principal amount (together with any Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if a Breach of Covenant Event occurs.

Redemption on the Occurrence of a Relevant Indebtedness Default Event	The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15 at their principal amount (together with any Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if a Relevant Indebtedness Default Event occurs.
Redemption for Minimum Outstanding Amount	The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15 at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued (including additional securities (if any) subsequently issued pursuant to Condition 14) has already been cancelled.
Proceedings for Winding-Up	If there is a Winding-Up of the Company, or if the Company shall not make payment in respect of the Securities or under the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Company shall be deemed to be in default under the Trust Deed and the Securities, and the Trustee may, subject to the provisions of Condition 9(d), institute proceedings for the Winding-Up of the Company and/or prove in the Winding-Up of the Company and/or claim in the liquidation of the Company for such payment.
Limited Rights to Institute Proceedings	No Securityholder shall be entitled to proceed directly against the Company or to institute proceedings for the Winding-Up of the Company or claim in the liquidation of the Company or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or to prove in such Winding-Up or to claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Company as those which the Trustee is entitled to exercise as set out in Condition 9.
Clearing Systems	The Securities will be represented by interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for interests in the Global Certificate.

Clearance and Settlement	The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2078897928 Common Code: 207889792
Legal Entity Identifier	549300YS3T1KVQ2SNI84
Governing Law	English law
Trustee	Citicorp International Limited
Principal Paying Agent, Transfer Agent, Calculation Agent and Registrar	Citibank, N.A., London Branch
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in principle from, admission to the Official List of, and listing and quotation of the Securities on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Group or the Securities. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate evidencing the Securities is exchanged for Definitive Certificates, the Company shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate evidencing the Securities is exchanged for Definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Securities in definitive form, including details of the paying agent in Singapore.
Rating	The Securities are expected to be rated "Baa3" by Moody's. The security rating is not a recommendation to buy, sell or hold the Securities. Ratings are subject to revision or withdrawal at any time by the rating agencies.

Further Issues . . . . The Company may from time to time without the consent of the Securityholders create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distribution on them and the deadlines for making and completing the NDRC Post-Issuance Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. Any further securities shall be constituted by a deed supplemental to the Trust Deed.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information (except for EBITDA data) as of and for each of the years ended 31 December 2016, 2017 and 2018 has been derived from our consolidated financial statements for the years ended 31 December 2017 and 2018, which has been audited by Grant Thornton Hong Kong Limited, our independent auditor, and are included elsewhere in this offering circular. The following summary consolidated income statement for the six months ended 30 June 2018 and 2019 and the summary consolidated statement of financial position as of 30 June 2019 have been derived from our unaudited condensed consolidated interim financial information reviewed by Grant Thornton Hong Kong Limited, our independent auditor, and included elsewhere in this offering circular. Results for interim period are not indicative of the results for the full year. Our consolidated financial information has been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering circular.

SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	For the year ended 31 December				For the six months ended 30 June		
	2016[1]	2017[1]	2018[1]	2018[1]	2018[1]	2019[1]	2019[1]
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
	(in thousands, except for percentages)						
Turnover	53,721,576	92,760,718	106,595,133	15,527,332	53,708,605	47,558,617	6,927,694
Cost of sales	(43,879,859)	(74,779,337)	(85,081,727)	(12,393,551)	(42,871,336)	(39,089,518)	(5,694,030)
Gross profit	9,841,717	17,981,381	21,513,406	3,133,781	10,837,269	8,469,099	1,233,664
Other income	1,131,401	1,229,147	1,236,985	180,187	768,588	612,616	89,238
Distribution and selling expenses	(2,502,713)	(4,055,728)	(4,523,278)	(658,890)	(2,269,447)	(2,256,165)	(328,647)
Administrative expenses, excluding share-based payments	(2,559,915)	(2,922,798)	(3,777,155)	(550,203)	(1,608,650)	(2,454,944)	(357,605)
Share-based payments	(42,192)	(27,724)	(14,594)	(2,126)	(8,046)	(3,350)	(488)
Finance (cost)/income, net	(30,105)	(35,233)	78,992	11,506	17,393	48,646	7,086
Share of results of associates	31,014	39,211	(59,949)	(8,733)	(5,295)	41,769	6,084
Share of results of joint ventures	(39,684)	3,143	504,566	73,498	243,532	306,917	44,708
Gain on disposal of subsidiaries	–	562,562	–	–	–	–	–
Gain on disposal of interests in joint ventures	374,420	–	–	–	–	–	–
Profit before taxation	6,203,943	12,773,961	14,958,973	2,179,020	7,975,344	4,764,588	694,040
Taxation	(1,033,755)	(2,038,572)	(2,284,575)	(332,786)	(1,239,446)	(717,540)	(104,521)
Profit for the year/period	5,170,188	10,735,389	12,674,398	1,846,234	6,735,898	4,047,048	589,519
Attributable to:							
Equity holders of the Company	5,112,398	10,633,715	12,553,207	1,828,581	6,670,023	4,009,475	584,046
Non-controlling interests	57,790	101,674	121,191	17,653	65,875	37,573	5,473
Other financial data (unaudited):							
EBITDA[2]	7,644,620	14,550,412	17,241,938	2,511,573	9,149,622	6,553,826	954,672
EBITDA Margin[3]	14%	16%	16%	16%	17%	14%	14%

Notes:

(1) We have adopted certain new HKFRS and amendments to HKFRS that had become effective on 1 January 2018, including HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers." We also elected to adopt the amendments to HKFRS 9 "Prepayment Features with Negative Compensation" on 1 January 2018. The adoption of these new and amended HKFRS and the related changes in our accounting policies had an impact on the audited financial information for the year ended 31 December 2018 and as of 31 December 2018 of our Group. For more details of our adoption of the new and amended HKFRS and impact on our audited financial information for the year ended 31 December 2018 and as of 31 December 2018, see note 3 to the audited consolidated financial statements for the year ended 31 December 2018 included elsewhere in this offering circular. The comparative financial information for the year ended 31 December 2017 and as of 31 December 2017 has not been restated.

We have further adopted certain new HKFRS and amendments to HKFRS that had become effective on 1 January 2019, including the new HKFRS 16 "Leases." For more details of the impact of HKFRS 16 "Leases" on our financial position and results of operations for the six months ended 30 June 2019 and as of 30 June 2019, see note 2 to the unaudited condensed consolidated interim financial statements for six months ended 30 June 2019 included elsewhere in this offering circular. The comparative financial information for the six months ended 30 June 2018 and as of 30 June 2018 has not been restated.

However, investors should take note that, given the abovementioned changes to our accounting policies, the audited financial information for the year ended 31 December 2018 and the reviewed financial information for the six months ended 30 June 2019 may not be comparable to the corresponding periods from prior years. Investors should exercise caution and not place undue reliance on the relevant information. See "Risk Factors – Changes in our accounting policies may affect the comparability of our financial information from period to period, and undue reliance should not be placed on such information."

(2) We calculate EBITDA by adding taxes, depreciation and amortisation and finance cost, excluding other income other than government subsidies to profit for the year or period. EBITDA is not a standard measure under HKFRS and should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of liquidity, profitability or cash flows derived in accordance with HKFRS. We have included EBITDA herein because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(3) EBITDA margin is calculated by dividing EBITDA by turnover for the relevant period, expressed as a percentage.

The table below reconciles our profit before tax under HKFRS to our definition of EBITDA for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June		
	2016(1)	2017(1)	2018(1)		2018(1)	2019(1)	
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
				(in thousands)			
Profit for the year/period	5,170,188	10,735,389	12,674,398	1,846,234	6,735,898	4,047,048	589,519
Add:							
Taxation	1,033,755	2,038,572	2,284,575	332,787	1,239,446	717,540	104,521
Depreciation and amortisation	1,654,261	1,938,008	2,413,161	351,518	1,199,841	1,842,612	268,407
Finance cost	115,534	162,290	113,930	16,596	51,054	59,639	8,687
Less:							
Other income other than government subsidies	(329,118)	(323,847)	(244,126)	(35,561)	(76,617)	(113,013)	(16,462)
EBITDA	7,644,620	14,550,412	17,241,938	2,511,573	9,149,622	6,553,826	954,672

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 31 December				As of 30 June	
	2016[1]	2017[1]	2018[1]	2018[1]	2019[1]	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
			(in thousands)			
Non-current assets						
Property, plant and equipment	10,650,313	14,052,943	23,422,617	3,411,889	23,148,155	3,371,909
Intangible assets	6,461,809	10,551,773	14,993,188	2,184,004	16,188,409	2,358,108
Land lease prepayments	2,002,895	2,123,909	3,268,035	476,043	3,392,162	494,124
Goodwill	6,916	16,079	26,414	3,848	26,414	3,848
Interests in associates	304,686	369,360	404,669	58,947	446,438	65,031
Interests in joint ventures	697,330	4,435,530	5,917,618	861,998	7,824,535	1,139,772
Available-for-sale financial assets	21,779	21,650	–	–	–	–
Deferred tax assets	188,107	401,325	642,959	93,658	794,671	115,757
Trade and other receivables	–	–	–	–	262,661	38,261
Total non-current assets	20,333,835	31,972,569	48,675,500	7,090,387	52,083,445	7,586,810
Current assets						
Land lease prepayments	42,875	47,810	66,538	9,692	–	–
Inventories	3,065,807	6,027,312	4,097,380	596,851	3,547,999	516,824
Trade and other receivables	29,040,631	33,478,308	22,864,974	3,330,659	21,876,385	3,186,655
Income tax recoverable	14,891	4,072	–	–	4,622	673
Pledged bank deposits	39,304	36,043	19,392	2,825	27,730	4,039
Bank balances and cash	15,045,493	13,414,638	15,737,196	2,292,381	13,996,180	2,038,773
Total current assets	47,249,001	53,008,183	42,785,480	6,232,408	39,452,916	5,746,964
Current liabilities						
Trade and other payables	39,778,994	47,532,529	41,438,036	6,036,131	40,353,829	5,878,198
Income tax payable	676,830	1,072,958	947,085	137,958	446,829	65,088
Bank borrowings	174,375	1,296,460	1,375,280	200,332	1,373,120	200,017
Lease liabilities	–	–	–	–	22,784	3,319
Total current liabilities	40,630,199	49,901,947	43,760,401	6,374,421	42,196,562	6,146,622
Net current assets/(liabilities)	6,618,802	3,106,236	(974,921)	(142,013)	(2,743,646)	(399,658)
Total assets less current liabilities	26,952,637	35,078,805	47,700,579	6,948,374	49,339,799	7,187,152
CAPITAL AND RESERVES						
Share capital	162,708	164,286	164,470	23,958	166,756	24,291
Reserves	24,274,519	34,302,761	44,779,507	6,522,871	46,369,577	6,754,490
Equity attributable to equity holders of the Company	24,437,227	34,467,047	44,943,977	6,546,829	46,536,333	6,778,781
Non-controlling interests	249,022	343,787	430,741	62,745	452,019	65,844
Total equity	24,686,249	34,810,834	45,374,718	6,609,574	46,988,352	6,844,625
Non-current liabilities						
Deferred tax liabilities	198,072	267,971	278,039	40,501	270,229	39,363
Bonds payables	–	–	2,047,822	298,299	2,046,309	298,079
Senior notes	2,068,316	–	–	–	–	–
Lease liabilities	–	–	–	–	34,909	5,085
Total non-current liabilities	2,266,388	267,971	2,325,861	338,800	2,351,447	342,527
Total equity plus non-current liabilities	26,952,637	35,078,805	47,700,579	6,948,374	49,339,799	7,187,152

Notes:

(1) We have adopted certain new HKFRS and amendments to HKFRS that had become effective on 1 January 2018, including HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers." We also elected to adopt the amendments to HKFRS 9 "Prepayment Features with Negative Compensation" on 1 January 2018. The adoption of these new and amended HKFRS and the related changes in our accounting policies had an impact on the audited financial information for the year ended 31 December 2018 and as of 31 December 2018 of our Group. For more details of our adoption of the new and amended HKFRS and impact on our audited financial information for the year ended 31 December 2018 and as of 31 December 2018, see note 3 to the audited consolidated financial statements for the year ended 31 December 2018 included elsewhere in this offering circular. The comparative financial information for the year ended 31 December 2017 and as of 31 December 2017 has not been restated.

We have further adopted certain new HKFRS and amendments to HKFRS that had become effective on 1 January 2019, including the new HKFRS 16 "Leases." For more details of the impact of HKFRS 16 "Leases" on our financial position and results of operations for the six months ended 30 June 2019 and as of 30 June 2019, see note 2 to the unaudited condensed consolidated interim financial statements for six months ended 30 June 2019 included elsewhere in this offering circular. The comparative financial information for the six months ended 30 June 2018 and as of 30 June 2018 has not been restated.

However, investors should take note that, given the abovementioned changes to our accounting policies, the audited financial information for the year ended 31 December 2018 and the reviewed financial information for the six months ended 30 June 2019 may not be comparable to the corresponding periods from prior years. Investors should exercise caution and not place undue reliance on the relevant information. See "Risk Factors — Changes in our accounting policies may affect the comparability of our financial information from period to period, and undue reliance should not be placed on such information."

You should carefully consider the risks and uncertainties described below and other information contained in this offering circular before investing in the Securities. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Securities, and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We may not be able to identify or offer popular models to meet changing trends and consumer demands, or we may not be able to gain market acceptance of our new models.

Market trends, consumer demands and needs in the markets where we operate change and depend upon various factors, some of which are beyond our control, such as prevailing economic conditions, consumption patterns, disposable income and inherent uncertainty in market. We believe that our ability to anticipate, identify and respond to those trends in a timely manner is critical to our success. We may fail to accurately anticipate the shifts in customer needs, or fail to timely offer new models that meet those changing trends. To broaden our model portfolio, we plan to continue upgrading our existing models, and in the meantime, to develop new models. We launched the Vision X1 model, a new compact SUV, in the first half of 2017, the Vision X3 and Vision S1 SUV models in the second half of 2017 and two more new models namely "Lynk&Co 02" , "Lynk&Co 03" and the first NEEV model called "01 PHEV" in 2018. In addition, we also launched our first multi-purpose vehicle (MPV) model "Jiaji" (嘉際) in March 2019, a new premium electric vehicle sedan model "Geometry A" in April 2019 and a new higher end crossover SUV model "Xingyue" (星越) in May 2019. We cannot assure you that our model development will accurately reflect the prevailing market trends or customer needs at any given time, or that the new models we launch will be well received by the market or achieve the expected sales level. If our new models fail to gain market acceptance, our brand image, business, financial condition, results of operations and prospects will be materially and adversely affected.

Our continued growth depends on our research and development capabilities, and our research and development efforts may not be successful.

The automobile market is characterised by changing technologies, periodic new model introductions and evolving end-user customer and industry requirements. Our competitors are continuously developing automobiles that have adopted advanced technologies to operate more efficiently and cost effectively. Our continued success, therefore, depends on our ability to continue developing new products that can successfully compete with those offered by our competitors in terms of design, performance and price, which, in turn, depends largely on our research and development capabilities. If we are unable to enhance our research and development capabilities to improve our existing products and develop new products, or if we fail to anticipate end-user customers' changing needs, we may be at a disadvantage compared to our competitors and, consequently, our business, financial condition, results of operations and future development may be materially and adversely affected.

In addition, our research and development efforts may not be successful or yield the anticipated level of economic benefits. Even if our research and development efforts are successful, we may not be able to apply these newly developed technologies to products that will be accepted by the market or apply them in a timely manner to take advantage of the opportunities presented in the market. The level of economic benefit that can be derived from newly developed technologies or products may also be affected by the ability of our competitors to replicate such technologies or products or develop more advanced or cheaper alternatives. If our technologies or products are replicated, replaced or made redundant, or if the demand for our products is not as anticipated, our turnover associated with such technologies and products may not offset the costs that we incur in developing such new technologies and products. If any of the aforesaid occurs, it may have a material adverse effect on our business, financial condition, results of operations and future development.

We rely on support from Geely Holding and its affiliates and if they reduce their support to us, our business, financial position and results of operations may be materially and adversely affected.

We rely on support from Geely Holding, our Parent Company, and its affiliates. These supports include, among other things, assets injection, research and development support as well as intellectual property rights authorisations and guidance in various aspects of our operations. Since 2007, Geely Holding's subsidiaries have also been assembling CBUs for us, as certain of Geely Holding's subsidiaries are listed in the Public Notice of Automobile Vehicle Manufacturers and Products issued by MIIT while we are not. The inclusion on this public notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling CBUs. Pursuant to the arrangement with Geely Holding, we agree to sell CKD kits and vehicle tool kits to and purchase CBUs, automobile parts and components from the Parent Group Companies.

Subject to the economic and market conditions, Geely Holding may adjust its business strategies accordingly and may reduce its support to us, such as investing more on other businesses it holds. Geely Holding may terminate or not renew the purchase and sale of CBUs arrangement with us upon its expiration or such arrangement may be prohibited under PRC law if the PRC government changes the relevant law or policy in this regard. Geely Holding may also terminate or not renew its authorisation for us to use its certain patents and trademarks upon the expiration of the authorisation. Furthermore, as we do not have any equity interest in CEVT, we do not have any control as to whether the research and development plan and efforts related to the compact and SUV models will be sustained or the support which it would provide to us. If any of the aforesaid were to materialise, our business, financial position and results of operations may be materially and adversely affected.

Our sales performance fluctuated historically and may continue to fluctuate in the future.

Our sales performance fluctuated in the past. In 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019, our turnover amounted to RMB53,721.6 million, RMB92,760.7 million, RMB106,595.1 million (US$15,527.3 million), RMB53,708.6 million (US$7,823.5 million) and RMB47,558.6 million (US$6,927.7 million), respectively; and our net profit amounted to RMB5,170.2 million, RMB10,735.4 million, RMB12,674.4 million (US$1,846.2 million), RMB6,735.9 million (US$981.2 million) and RMB4,047.0 million (US$589.5 million), respectively, for the same periods. For the six months ended 30 June 2019, our turnover decreased by 11.5% compared to the corresponding period in 2018, primarily due to the decrease in our sales in the domestic market. Our ability to sustain continued growth depends on, among other things, the economic development and market conditions in China and our export destinations, our sales, ability to research and develop products catering our customers' needs, expand distribution network and market penetration, train and retain qualified employees, including technical and industry specialists, and continue to improve our management. We cannot assure you that we will be able to achieve sales growth in the near future due to factors that are beyond our control, for example, fluctuation in sales, increasing market saturation, competition and changes in industry policies or regulations. Failure to effectively manage any future growth may materially and adversely affect our business, results of operations, financial position and prospects.

Our efforts to develop, launch and market new products, such as electric vehicles, may not be successful, which may materially and adversely affect our future performance.

We plan to develop electric vehicles in China through partnerships and strategic alliances with international players with proven core technologies in the area of new energy vehicles. In November 2015, we launched the Emgrand EV model, which is our first new energy vehicle model, as part of our efforts to transform from a traditional automobile company to an industry leader in new energy vehicle technologies. We have also launched our hybrid-electric vehicle and plugin-hybrid electric vehicle in 2017. In addition, we launched "Geometry" our brand consisting entirely of electric vehicles, and the brand's first sedan model "Geometry A" in April 2019. Our success in launching the new products depends on our ability to offer products that appeal to the target customers, our marketing strategy, customer perception and our cooperation with our partners. As this represents a relatively new business area for us, we cannot assure you that our efforts to develop, launch and market this new product will be successful or completed within our anticipated timeframe. Unsuccessful development, launch and sale of our new products could materially and adversely affect our brand image, business, financial condition, results of operations and prospects.

We mainly rely on dealers, franchisees or sales agents for the sale of our products, and failure to maintain relationships with our existing dealers, franchisees or sales agents or effectively manage our dealers, franchisees or sales agents could materially and adversely affect our business, financial condition, result of operations and prospects.

We primarily sell substantially all of our products through 4S dealers and franchisees in China and sales agents outside China, which comprise our direct customer base. Therefore, our success depends on our ability to retain existing and attract new dealers, franchisees or sales agents. As of 30 June 2019, we had 980 dealer shops, including 118 Geometry dealer shops and 263 Lynk&Co dealer shops, covering the domestic market and 16 sales agents and 249 sales and service outlets covering 16 overseas markets. In 2016, 2017 and 2018, our five largest dealers or sales agents, who were also our five largest customers, accounted for approximately 5.0%, 5.8% and 6.5%, respectively, of our total turnover. Since the second quarter of 2014, we have commenced brand integration and sales network consolidation in China. In line with the new marketing strategy, we enter into new sales contracts with our dealers and franchisees for a term of three years, which are typically renewed upon expiration. However, there is no assurance that we will be able to successfully renew our existing sales contract upon their expiration on favourable terms, or at all. Competition for dealers, franchisees or sales agents is intense, as we must compete for dealers and franchisees in China and sales agents internationally with other leading passenger vehicle brands. Such competitors may benefit from higher visibility, greater brand recognition and financial resources and a broader product offering than we do, which may provide them with a competitive advantage in securing dealers, franchisees or sales agents. Our competitors may also enter into long-term or exclusive agreements that effectively prevent their dealers, franchisees or sales agents from selling our products. Consequently, engaging new dealers, franchisees or sales agents, maintaining relationships with existing dealers, franchisees or sales agents and replacing them can be difficult, disruptive to our operations and time consuming. Any disruption to our distribution network, including a failure on our part to renew our existing agreements with our preferred dealers, franchisees or sales agents or to attract new dealers, franchisees or sales agents, could negatively affect our ability to effectively sell our products to our end-user customers, which would materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, we have limited ability to manage and control the activities of our dealers, franchisees or sales agents. They could take certain actions that potentially have a material adverse effect on our brand reputation, business and prospects, such as selling products that compete with our products, focusing only on the sales of those products that provide them with higher margins or commissions thus undermining our efforts to maintain a well-balanced portfolio of our products, selling our products outside their designated territory, failing to adequately promote our products or conducting their business in violation of the relevant laws or regulations in their respective jurisdictions. Our reputation, business or prospects could be adversely affected as a result of any improper or illegal actions taken by our dealers, franchisees or sales agents.

Sales of our popular SUV models contribute a large portion to our total sales volume. Any decrease in demand for SUV products in China may materially and adversely affect our market position, business, financial condition and results of operations.

The sales of our most popular SUV passenger vehicles contributed a large portion to our total sales volume. For example "Geely Boyue", our mid-size SUV and one of our most popular models, accounted for approximately 13.7%, 21.8%, 15.1% and 15.5%, respectively, of our total sales volume in 2016, 2017, 2018 and the six months ended 30 June 2019. However, market demand for passenger vehicles is cyclical and volatile. We cannot assure you that the demand for SUV passenger vehicles will not fluctuate in the future. For example, PRC government policies which encourage the development and demand for other classes of passenger vehicles may have a negative impact on the demand for SUV passenger vehicles. Accordingly, a reduction in demand for SUV passenger vehicles would have a material adverse effect on our market position, business, financial condition and results of operations. In addition, a failure to maintain the competitiveness of our SUV vehicles could materially and adversely affect us more than such failure with respect to our other products, due to our reliance on SUV models for our sales volume. We cannot guarantee you that the demand for our SUV models will continue or increase in the future.

Our expansion to the sale of SUV markets may not continue to be successful and may materially and adversely affect our market position, business, financial condition and results of operations.

Seeing growth opportunities in the passenger vehicle consumption, we entered into the SUV segment in 2011 through launching the GX7 model. We have subsequently expanded our products offering under the SUV segment and certain models have been well received by the market. The contribution of sales volume from this segment has been steadily growing since we entered into those two markets. In 2016, 2017, 2018 and the six months ended 30 June 2019, sales from our SUV models accounted for approximately 22.7%, 37.6%, 56.9% and 58.3%, respectively, of our total sales volume. We cannot assure you that we could maintain the growth of our existing SUV models or that our new models in this segment will be well received by the market in the future. If demand for our existing models decreases or if the demand for our new models declines, our business, results of operations and financial condition may be materially and adversely affected.

A material disruption to our production facilities may materially and adversely affect our business, financial condition and results of operations.

A majority of our production facilities are located in China with some assembly plants in the overseas markets. Our production facilities typically operate eight-hour shifts per day. We cannot assure you that there will be no disruption to the operations of our production facilities. If operations at any of our facilities were to be materially disrupted as a result of equipment failure, natural disasters, power outages, explosions, adverse weather conditions, strikes, civil unrest or other factors, our business, financial condition and results of operations may be materially and adversely affected. The occurrence of any of these significant events could also require us to make significant unanticipated capital expenditures. Interruptions in production may increase our costs and delay our product deliveries. Production capacity limits caused by any such disruptions could cause a reduction or delay in sales. Lost sales or increased costs that we may incur due to disruption of operations may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of customers. If any of the aforesaid were to be materialised, our business, financial condition and results of operations may be materially and adversely affected.

Our production capacity expansion plans may not be successfully achieved.

We plan to expand our production capacity in stages based on our ongoing research and analysis of evolving market demand, through acquisition or construction of new production facilities as well as expansion and upgrade of existing production facilities. However, risks and uncertainties in a number of areas, including, without limitation, capital requirements, government approval requirements and operational risks, may adversely affect the acquisition or construction of additional facilities in a timely and cost-effective manner. We cannot assure you that any of our production capacity expansion plans will be successfully implemented within our planned timeframe, or at all. We may also experience quality control issues as we implement expansion plans. If there be any delay or failure in the implementation of our expansion plans, our financial position and results of operations may be adversely affected. In addition, our efforts to expand our production capacities may not achieve the expected benefits. We cannot assure you that the demand for our products will continue to increase or remain at current levels. Demand for our products is affected by various factors beyond our control, including government policies and the overall economic environment. If demand for our products is weaker than anticipated, we may experience overcapacity and under-utilisation of human resources, which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to successfully expand our sales, service and distribution network.

We intend to expand our sales and service network in China and overseas to expand our geographical coverage and increase our domestic and international market penetration. We plan to continue to localise our production in the new overseas markets through cooperating with selected OEM contractors or by setting up manufacturing plants there. The expansion of our sales and service network and the exploration of new markets will require significant capital expenditures as well as increased human resources. We cannot assure you that we can successfully implement our network expansion strategy or that network expansion can successfully improve our results of operations.

Changes in our accounting policies may affect the comparability of our financial information from period to period, and undue reliance should not be placed on such information.

Accounting standards applicable to our business may change or be amended from time to time. Any changes in these accounting standards may result in changes in the recognition, measurement and/or classification of our revenue, expenses, assets and liabilities, which could have material effects on our results of operations and financial position. In addition, in applying these accounting standards, we are required to make judgments, estimates and/or assumptions with respect to our revenue, expenses, assets, liabilities and other factors that we consider to be relevant.

For example, in preparing the financial information of our Group, we have adopted HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") at the same time as the adoption of HKFRS 9 and HKFRS 15 as of 1 January 2018. HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the "incurred loss" accounting model in HKAS 39. We applies the new ECL model to the financial assets measured at amortized cost (including bank balances and cash, pledged bank deposits and trade and other receivables). As a result of these changes in our accounting policies, we has recognized additional ECLs amounting to RMB38.0 million, which decreased accumulated profits by RMB34.3 million and non-controlling interests by RMB197,000 and increased gross deferred tax assets by RMB3.5 million as of 1 January 2018. See note 3 to the audited consolidated financial statements as of and for the year ended 31 December 2018 included elsewhere in this offering circular for more details. Similarly, we have further adopted HKFRS 16 "Leases" ("**HKFRS 16**") that had become effective on 1 January 2019. We have applied HKFRS 16 at 1 January 2019 using the modified retrospective approach, under which, the comparative information is not restated. See note 2 to the unaudited condensed consolidated interim financial statements as of and for the six months ended 30 the June 2019 included elsewhere in this offering circular for more details. Also see note 1 to "Summary Consolidated Financial Information" for more details regarding the financial information for the years ended and as of 31 December 2017 and 2018 and for the six months ended and as of 30 June 2018 and 2019. As such, the affected financial information may not be directly comparable to the corresponding information in the prior year or period. Potential investors are advised to exercise caution when using such information to evaluate our financial condition and results of operations, and should not place undue reliance upon such information.

In addition, the Hong Kong Institute of Certified Public Accountants may issue new and revised standards and interpretations in the future. Interpretation on the application of the HKFRS will also continue to develop. These factors may require us to adopt new accounting policies from time to time. The adoption of new accounting policies or new HKFRS in the future may have a material impact on our results of operations and financial position.

Our planned expansion into new businesses, such as the vehicle financing business, may not be successful, which may materially and adversely affect our financial condition and results of operations.

To cater to the varying needs of our customers and as part of our expansion plans, we may, from time to time, enter into new businesses, such as the vehicle financing business. In December 2013, we entered into an agreement with BNP Paribas Personal Finance to set up a joint venture, Genius AFC, to engage in the vehicle financing business in China. Genius AFC was established in August 2015 with 80% of its equity held by us and 20% by BNP Paribas Personal Finance. However, as certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors of Genius AFC, Genius AFC will be treated as a joint venture and the financial results of Genius AFC are not consolidated into our Group's financial statements. There are certain risks associated with the vehicle financing business, in particular, increasing risks relating to customer repayment defaults and increased costs for compliance with additional laws and regulations in the PRC finance industry. As we have no previous experience in such business, we cannot assure you that we will succeed in entering into such business or realise profits or maintain sustainable profits from such business. If such business and operation fail to meet our expectations, our reputation and results of operation may be materially and adversely affected.

Any failure to maintain an effective quality control system at our manufacturing facilities could have a material adverse effect on our reputation, business, financial condition and results of operations.

The performance, quality and safety of our products are critical to our end-user customers and our success. We have established and maintained stringent quality assurance standards and inspection procedures, including quality control with respect to the parts and components purchased from external suppliers. See "Business — Quality Control and Product Safety" for more details. The effectiveness of our quality control system is determined by various factors, including the design of the system, implementation of quality standards, quality of training programmes and our employees' adherence to our quality control policies and guidelines, and should cover all stages of production, including raw materials procurement, semi-finished and finished products. If we fail to maintain an effective or adequate quality control system, we may produce defective products that expose us to warranty claims which may include return or replacement of our product and other compensation and product liability. Any such claim, regardless of whether it is ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any such claim is ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our results of operations and financial condition.

We are subject to product liability exposure which could harm our reputation and materially and adversely affect our business, financial condition and results of operations.

Our products can expose us to potential product liability claims if they fail to perform as expected, or are proven to be defective, or if their use causes, results in or is alleged to have caused or resulted in personal injuries, project delays or damage or other adverse effects. Any product liability claim, whether relating to personal injuries, project delays or damages or regulatory action could prove costly and time-consuming to defend and have the potential to harm our brand reputation. If successful, product liability claims may require us to pay substantial damages. We currently do not maintain product liability insurance to cover potential product liability arising from the use of our products and may be unable to obtain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third party suppliers. Such third party suppliers may not indemnify us for defects as to such parts and components or would only provide us with limited indemnification that is insufficient to cover our damages resulting from the product liability claim. Product liability claims, with or without merit, may result in significant negative publicity and thus materially and adversely affect the marketability of our products and our reputation, as well as our business, financial condition and results of operations. Moreover, a material design, manufacturing or quality-related failure or defect in our products or other safety issues could warrant a product recall by us and result in increased product liability claims. If authorities in the jurisdictions in which we sell our products decide that our products fail to conform to applicable quality and safety requirements and standards, we could be subject to regulatory actions. In China, violation of PRC product quality and safety requirements may subject us to monetary and injunctive penalties, including orders to cease manufacturing and sales of relevant products or to cease operations pending the required rectification. Furthermore, if the violation is determined to be serious in nature, our business licences to manufacture or sell relevant products could potentially be revoked, and we could be subject to criminal liability.

We depend on OEM partners in certain overseas markets to assemble a portion of our products. Our brand image and business may be negatively affected by the performance of or disruption in supply of our OEM partners.

We engage local partners in certain overseas markets, such as Belarus and Tunisia, to assemble our products on an OEM basis. The products are assembled in the plants by our OEM partners with our technical supervision, and the final products are sold under our brand. We select our OEM partners on the basis of their production facilities, financial status, historical performance, management competence, quality control, technical know-how and growth potential. However, we cannot assure you that the products assembled by any of our OEM partners will be delivered in a timely manner or are of satisfactory quality. If the performance of any of our OEM partners is not satisfactory or an OEM partner decides to substantially reduce its volume of supply to us, substantially increase its fees or terminate its business relationship with us, we may need to replace that OEM partner or take other remedial actions, which could increase the cost and lengthen the time required to dispatch our products to our customers, if at all. In addition, we cannot ensure that our OEM partners will adhere to our quality control policies and guidelines all the time. Any defect in the products assembled by our OEM partners could subject us to product liability or damage our reputation and reduce demand for our products. Furthermore, we cannot ensure that our OEM partners will fully comply with applicable laws and regulations, such as labour laws and environmental laws, in the local markets, in which case our brand image may be damaged if there is any negative publicity regarding such non-compliance. Any of these factors could have a material adverse effect on our reputation, business, results of operations and financial condition.

If our brand integration and distribution network consolidation is not successful, our business, results of operations and prospects may be materially and adversely affected.

Since the second quarter of 2014, we have integrated our three existing product brands, namely, Emgrand, GLEagle and Englon, into a unified brand, Geely, to consolidate our marketing and brand building efforts to promote our brand awareness effectively in China. In line with the brand integration, we consolidated our existing domestic distribution network and streamline existing dealers and franchisees of the three product brands in China with unified store decoration and marketing materials. See "Business — Business Strategies — Continue to promote our brand image and strengthen our extensive distribution network." We cannot assure you that such brand integration and distribution network consolidation strategies can be successfully implemented in our future operations, nor can our unified brand building and marketing efforts be continuously supported by our dealers and franchisees or accepted by the market. It may also demand time and resources to realise the benefits of these initiatives and in the short-term we may have fewer dealers than those before such consolidation, which, in turn, could impact marketing and sales of our products. If any such event occurs, our business, results of operations and prospects may be materially and adversely affected.

Our business, financial condition and results of operations may be materially and adversely affected if we fail to manage our purchase costs or obtain raw materials, parts and components on a timely basis or at reasonable prices.

In order to remain competitive, we try to manage our costs efficiently, aiming to produce our products at competitive costs. We have reduced and plan to further reduce our costs in purchasing raw materials, parts and components for our production through the implementation of our cost control policies such as streamlining the supply chain and localisation of our production. As a result, we have generally been able to manage price fluctuations of raw material and parts and components and maintain a stable profit margin. In 2016, 2017, 2018 and the six months ended 30 June 2019, our net profit margin was 9.6%, 11.6%, 11.9% and 8.5%, respectively. Although we strive to improve our net profit margin through implementing our cost control policy, we cannot assure you that our cost reduction measures will be sustainable. If we fail to manage our purchase costs, our financial condition and results of operations may be materially and adversely affected.

Certain raw materials, parts and components for our manufacturing activities and operations are, and will continue to be, sourced from Geely Holding and other Parent Group Companies and third party suppliers. Although we usually source our important raw materials and parts and components from multiple suppliers in order to achieve a stable supply, we cannot assure you that our suppliers can always adequately serve our needs in a timely manner or at reasonable prices. Furthermore, the ongoing trade war between China and the United States may also affect both the sources and the prices of our raw materials, parts and components. In 2018, the United States government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on various categories of imports from China, and China responded with similarly sized tariffs on U.S. products in retaliation. The uncertainty surrounding the outcome of the trade war has caused significant interruption to the global economy. If there is any significant increase in the prices of raw materials, parts or components or if their supply is disrupted, we may incur additional costs to maintain our production schedules, which, in turn, may decrease our profitability and materially and adversely affect our business, financial condition and results of operations.

Any material disputes between us and our joint venture partners may adversely affect the results of operations and financial condition of the relevant joint venture and, if unresolved, could potentially lead to a termination of that joint venture.

We have established and will continue to establish joint ventures with third parties for the development of new business, investment, manufacturing of automobile parts and components, research and development and marketing and sales of passenger vehicles. If there is a material dispute between us and our joint venture partners in connection with the performance of a party's obligations or the scope of a party's responsibilities under a joint venture agreement, we may not be able to resolve such dispute through negotiation. In the event that a material dispute cannot be resolved, the business and operations of the joint venture may be adversely affected, and the joint venture agreement may be terminated by mutual consent of the parties or as a result of a material breach by one party. In addition, the operational, financial or other conditions of our joint venture partners may deteriorate, which may adversely affect their ability to continue to perform their obligations under the joint venture agreements or other contracts, which in turn could have an adverse impact on the business of the joint venture. In the event that any of the above events occurs, our financial condition and results of operations may be adversely affected.

We may be involved in disputes arising out of our operations and may face significant liability as a result.

We may from time to time be involved in contract or legal disputes or legal proceedings with various parties arising from the ordinary course of our business, including dealers, franchisees, sales agents, suppliers, business partners and third parties. These disputes may lead to protests and legal or other proceedings and may result in damage to our reputation, substantial costs, delay in our production and delivery schedule and diversion of resources and management's attention. The occurrence of any of the aforementioned events may have a material adverse effect on our business, financial position and operating results.

We may not be able to obtain external financing on favourable terms, or at all, to fund our ongoing operations and expansions.

To fund our ongoing operations, existing and future capital expenditure requirements, investment plans and other financing requirements and to competitively respond to technological change and market demand, we require sufficient internal sources of liquidity or access to additional financing from external resources. In particular, we require significant capital for research and development of new vehicle development platforms and new engines, and expansion and upgrade of production facilities of existing plants. We primarily fund our operations from a combination of cash generated from our business operations, securities offering and bank borrowings. We cannot assure you that in the future we will be able to secure sufficient capital to fund our working capital requirements and planned capital expenditures. In particular, the availability of external funding is subject to various factors, some of which are beyond our control, including obtaining governmental approvals, prevailing capital market conditions, credit availability, cost of financing including changes in interest rates and the performance of the businesses we operate. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to arrange sufficient funding in a timely manner or on terms that are satisfactory to us could adversely affect our business, results of financial condition and expansion plans.

Our results of operations will be adversely affected if we not receive sustainable government subsidies.

We have historically received subsidy from the PRC government mainly to encourage and support our research and development activities. In 2016, 2017, 2018 and the six months ended 30 June 2019, we recognised approximately RMB802.3 million, RMB905.3 million, RMB992.9 million (US$144.6 million) and

RMB499.6 million (US$72.8 million) in government subsidies, respectively. The government subsidies are subject to the sole discretion of the relevant governmental authorities and are granted in connection with the government's efforts to promote the development and innovation of the Chinese indigenous brands and other policies, and, thus, are subject to change and termination. We cannot assure you that we will continue to receive government subsidies in similar amounts, or at all. In the event that we lose such government subsidies, our results of operations could be adversely affected.

The discontinuation of or reduction in any preferential tax treatments currently available to us in the PRC may have a material adverse effect on our financial condition and results of operations.

Under the EIT Law, both foreign-invested and PRC-owned domestic enterprises generally are subject to a uniform 25% income tax rate. However, certain "High and New Technology Enterprises" and "Great Western Development Enterprises" are subject to a preferential income tax rate of 15%. Some of our PRC subsidiaries have obtained the High and New Technology Enterprises treatment and, accordingly, enjoy preferential income tax rate of 15% for three years from the year of qualification. In addition, two of our PRC subsidiaries, Chengdu Gaoyuan Automobile Industries Company Limited and Baoji Geely Automobile Components Company Limited, obtained the Great Western Development Enterprise treatment in 2012 and 2016, respectively, and accordingly, enjoys preferential income tax rate of 15% for nine years from qualification. There is no assurance that any of our eligible PRC subsidiaries will be able to renew its "High and New Technology Enterprises" or "Great Western Development Enterprise" status and continue to enjoy the 15% preferential tax treatments when its existing preferential tax treatment expires. In such case, our results of operations and profit margin may be materially and adversely affected.

Our failure to adequately protect, or uncertainty regarding the validity, enforceability or scope of, our intellectual property rights may undermine our competitive position, and seeking to protect our intellectual property rights through litigation may be costly.

We regard our intellectual property rights as critical to our success and rely on a combination of patents and trademarks registration to protect our intellectual property. See "Business — Intellectual Property Rights." However, implementation and enforcement of intellectual property-related laws in China is inconsistent and, consequently, protection of intellectual property and proprietary rights in China may not be as effective as in the United States or other countries. Our pending or future patent applications may not be approved or, if allowed, they may not be of sufficient strength or scope to protect our intellectual property. As a result, third parties may use the technologies and proprietary processes that we have developed and compete with us, which may negatively affect any competitive advantage we enjoy, dilute our brand and materially and adversely affect our business and results of operations.

In addition, policing the unauthorised use of our proprietary technology can be difficult and expensive. Litigation may be necessary to enforce our intellectual property rights. However, in part due to the relative unpredictability of China's legal system and potential difficulties of enforcing a court's judgement in China, there is no guarantee that litigation would result in an outcome favourable to us. Furthermore, litigation may be costly and may divert our management's attention from our core business. An adverse determination in any lawsuit involving our intellectual property is likely to jeopardise our business prospects and reputation. We have no insurance coverage against litigation costs so we would be forced to bear all litigation costs if we cannot recover them from other parties. Any of the foregoing factors may materially and adversely affect our business, financial condition and results of operations. Furthermore, we are authorised by Geely Holding to use certain of its patents that are registered in the PRC. The trademarks we use to market our products under the brands of Boyue, Borui, Binrui, Jiaji, Xingyue, Geometry, Emgrand, Englon, GLEagle and Geely are held by Geely Holding or Geely Group. We are authorised by Geely Holding or Geely Group to use these trademarks. If we fail to renew the authorisation to use such trademarks and patents or either Geely Holding or Geely Group suspends its authorisation of such trademarks and patents to us, our business, financial condition and results of operations may be materially and adversely affected.

Non-compliance with environmental regulations in China and overseas markets may result in significant monetary damages, fines or even criminal liability as well as negative publicity and damage to our brand name and reputation.

Under the relevant PRC environmental laws and regulations, the construction, expansion and operation of our production facilities are subject to certain environmental impact assessments, government inspections and other relevant PRC government environmental approvals. Some of our PRC subsidiaries have not obtained pollutant discharge permits or environmental inspection certificates issued by the local environmental authorities for various reasons including the inconsistency of interpretation and implementation of laws by local governments. The failure to obtain such permits or approvals may subject us to fines and penalties imposed by the relevant PRC environmental authorities and we may be required to suspend the use of production facilities or cease operations. If the violation is considered material, with the approval from the competent people's government, the competent environmental protection authority may order the relevant entity to suspend its business.

In addition, as our production processes generate noise, waste water, gases and other industrial waste, we are also required to comply with applicable national and local environmental regulations. Emissions standards in China and overseas also apply to certain of our products. If we fail to comply with present or future applicable regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use or to restrict adequately the discharge of hazardous substances could subject us to potentially significant monetary damages, fines or suspensions or closures of our business operations, which would have a material adverse effect on our business and results of operations. Moreover, we currently do not carry any insurance for potential liability relating to the release of hazardous materials. Therefore, if we are held liable for damages in the event of contamination or injury from hazardous materials, we could experience a material adverse effect on our financial condition and results of operations.

The interests of our controlling shareholder may conflict with the interests of the holders of the Securities.

As of 30 June 2019, our controlling shareholder, Mr. Li Shu Fu, beneficially owned approximately 44.36% of our issued share capital. See "Principal Shareholders" for more details. Subject to our memorandum and articles of association and applicable laws and regulations, our controlling shareholder will continue to have the ability to exercise a controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, and approving our annual budgets. We cannot assure you that our controlling shareholder will not cause us to enter into transactions or will take, or fail to take, other actions or make decisions that may conflict with the best interests of the holders of the Securities and affect the value of your investment in the Securities.

Our business may be severely disrupted if we are unable to secure our senior management's continuing services and maintain a skilled labour force.

We believe our business and future success depend, to a significant extent, on the capability, expertise and continued services of our management team. In particular, we rely on Mr. Li Shu Fu, our founder and chairman, who has over 32 years of experience in the automobile industry. If Mr. Li or any other of our senior management team members are unable or unwilling to continue in their present positions, we may not be able to identify and recruit suitable replacements in a timely manner or at an acceptable cost, or at all, and the implementation of our business strategies may be affected, which could materially and adversely affect our operations. Our ability to retain and attract other skilled professionals, including the members of our research and development and manufacturing, marketing teams is also crucial to our future success. Our domestic and international competitors, and companies in industries related to our industry, compete with us for personnel. Competition for skilled labour is intense and may require us to offer higher compensation and other benefits in order to attract and retain skilled labour, which could materially and adversely affect our financial condition and results of operations. We may be unable to attract or retain the personnel required to achieve our business objectives and the failure to do so could severely disrupt our business and prospects. In addition, as the process of hiring and training qualified personnel is often costly in terms of time and money, if our recruitment and retention efforts are unsuccessful, qualified personnel may not be integrated into our workforce in a sufficiently timely manner to meet the needs of our business.

We are exposed to risks relating to related party transactions.

As of 30 June 2019, our major related party transactions included: (i) purchase of CBUs from Geely Holding and other Parent Group Companies, which amounted to RMB38.6 billion (US$5.6 billion); and (ii) sales of CKD kits and vehicle tool kits to Geely Holding and other Parent Group Companies, which amounted to RMB39.5 billion (US$5.8 billion). Since 2007, Geely Holding's subsidiaries have been assembling CBUs for us, as certain of Geely Holding's subsidiaries are listed in the Public Notice of Automobile Vehicle Manufacturers and Products issued by MIIT while we are not. The inclusion on this public notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling CBUs. Pursuant to the arrangement with Geely Holding, we agree to sell CKD kits and vehicle tool kits to and purchase CBUs, automobile parts and components from the Parent Group Companies. In 2012, we entered into similar arrangements with Geely Holding with a term of three years. We expect the amount and percentage of related party transactions to increase in line with the growth in our business. While all related party transactions entered into by us thus far are on market price terms, related party transactions entered into on a non-arms-length basis in the future may erode our competitiveness and damage our reputation.

We require a number of approvals, permits, licences, filings and certificates in order to carry on our business, and the failure to obtain or maintain these approvals, permits, licences, filings and certificates may materially and adversely affect our business, financial condition, results of operations and prospects.

The manufacturing, export and sale of our products are subject to regulation in China and other countries where we sell our products. Government approvals may be revoked if our operations fail to comply with the stipulated standards. Some permits and licences are subject to periodic renewal. However, we cannot assure you that such permits, licences, filings, certificates and qualifications are all duly obtained or will be renewed upon their expiration or that we will continue to meet the standards imposed by the government. Failure to obtain or renew permits, licences, filings, certificates and registrations could have a material adverse effect on our business and prospects.

Our insurance coverage may be inadequate to protect us against operating risks.

We do not carry comprehensive insurance against all potential losses or damages relating to our operations. There is no assurance that we will not have any such complaints or claims, which may result in substantial costs and the diversion of resources. The occurrence of certain incidents, including earthquakes, typhoons, floods, wars and riots, and the consequences, damages and disruptions resulting from them, may not be covered adequately or at all by our insurance policies. There can be no assurance that we will be able to maintain adequate insurance in the future. Further, there can be no assurance that insurance will continue to be available on acceptable terms, or at all. Consistent with other automobile manufacturers in China, We currently do not maintain product liability insurance to cover potential product liability arising from the use of our products and may be unable to obtain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Any product liability claim, whether relating to personal injuries, project delays or damages or regulatory action could prove costly and time-consuming to defend and have the potential to harm our brand reputation. If successful, product liability claims may require us to pay substantial damages. The occurrence of an adverse claim in excess of our coverage could expose us to substantial costs, which may have a material adverse effect on our financial condition and results of operations.

We face risks associated with the sales of our products in overseas markets, and if we are not able to effectively manage these risks, our ability to manage and grow our business abroad will be limited.

A small portion of our turnover was derived from the sales of our products in overseas markets, including developing countries in Asia, the Middle East, Eastern Europe and other countries. See "Our sales performance fluctuated historically and may continue to fluctuate in the future." We intend to continue exploring business opportunities in selected overseas markets. Sales to foreign countries and territories expose us to various risks, including:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, and strained or altered foreign relations with China or other relevant countries;
- economic, financial and market instability and credit risks, including, for example, those relating to the potential deterioration of credit markets and other economic conditions in our overseas markets and other countries;
- changes in foreign government regulations or policies;
- dependence on foreign governments or entities controlled by foreign governments for electricity, water, transportation and other utility or infrastructure needs;
- unfamiliarity with local operating and market conditions;
- lack of understanding of local taxation, customs and other laws, regulations, standards and requirements;
- risks and uncertainty associated with using foreign agents or distributors in connection with our overseas operations and sales;
- preferential treatment or corrupt business practice;
- foreign currency controls and fluctuations;
- tax increases or adverse tax policies;
- trade barriers, such as tariffs or embargoes;

- sanctions imposed by certain countries, the European Union and the United Nations against transactions with or within countries in which we conduct business, which may limit our ability to operate in such countries or obtain funding for certain overseas projects;

- discrimination against ethnic Chinese or protectionism against Chinese companies;

- competition from other international and local companies;

- adverse labour conditions or employee strikes;

- stringent environmental protection laws;

- potential disputes with foreign partners, OEM contractors, customers, subcontractors, suppliers or local residents or communities;

- expropriation and nationalisation of our assets in foreign countries; and

- lack of a well-developed or independent legal system in the foreign countries in which we have overseas operations, which may create difficulties in the enforcement of contractual rights.

If any of the risks described above materialise, or if we are unable to manage these risks effectively, our ability to manage or grow our international business would be undermined, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our business may be affected by financial, geo-political and general economic events and circumstances prevailing from time to time in the Middle East, Belarus, Tunisia and other regions outside of China.

In 2016, 2017, 2018 and the first half of 2019, we had exports to the Middle East, Belarus, Tunisia and other overseas markets. We intend to continue our business in these markets. However, certain countries in the Middle East, including Syria, Tunisia, Libya and Egypt, and Ukraine experienced or are experiencing political unrest and, in some cases, armed conflict. Our business may be affected by financial, geo-political and general economic events and circumstances prevailing from time to time in the Middle East and other regions outside China, which may prevent us from selling our products or otherwise adversely affect our business operations in those regions. It is not possible to predict the occurrence of any financial, geo-political or economic events or circumstances, including war or hostilities, in the future and we cannot assure you that we would be able to develop our business in the Middle East, Ukraine and Russia markets if such adverse political events or circumstances were to occur.

We could be affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the United States government, the United Nations Security Council, the European Union and other relevant sanctions authorities, which could adversely affect your investment in the Securities.

The U.S. Government, including the State Department and the Department of the Treasury's Office of Foreign Assets Control (the "**OFAC**"), administers certain laws and regulations (the "**U.S. Economic Sanctions Laws**") that impose restrictions upon U.S. persons, including, in some instances, foreign entities owned or controlled by U.S. persons, as well as non-U.S. persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of the U.S. Economic Sanctions Laws (the "**Sanctions Targets**"). Under the U.S. Economic Sanctions Laws, U.S. persons are generally prohibited from facilitating such activities or transactions. Furthermore, the U.S. Department of Commerce, Bureau of Industry and Security administers U.S. export control regulations ("**U.S. Export Controls**"). The U.S. Export Controls are applicable to all companies, regardless of their location, engaging in export, re-export or transfer of U.S.-origin goods, and even non-U.S. origin goods that contain more than certain amount of U.S. components.

We provide our products to sales agents who have business or trading activities in countries that are the subject of trade embargoes under the U.S. Economic Sanctions Laws, including Cuba, Iran, Sudan and the Crimea region of Ukraine, which generated only an insignificant portion of our turnover and profit and revenue in 2016, 2017, 2018 and the six months ended 30 June 2019. The Company does not expect its business with such "Sanctioned Countries" or other Sanctions Targets to grow significantly in the future. As a non-U.S. based entity, the Company does not violate applicable sanctions by engaging in this business without involving any prohibited elements in it (such as U.S. persons, the U.S. financial system or U.S.-origin goods).

The Company has no intention to undertake any future business that would cause us or our investors to violate or become a target of the U.S. Economic Sanctions Laws and/or U.S. Export Controls. However, we can provide no assurances that our business is free of risk under such laws and regulations. Our business and reputation could be adversely affected if the U.S. government were to determine that any of our activities constitute violations of the U.S. Economic Sanctions Laws or the U.S. Export Control laws or provide a basis for a sanctions designation of the Company.

We may further expand our business in other regions or areas in the world and we cannot assure you that our current or future activities, including the provision of services or the sale of products, will not be subject to the U.S. Economic Sanctions Laws, the U.S. Export Controls, or similar sanctions regimes in other jurisdictions. In addition, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one of or more of our business activities being deemed to violate sanctions or to be otherwise sanctionable. Over the past few years, the U.S. has significantly increased the scope of its Iran sanctions, many of which now have direct extraterritorial effect. In the event that we were subject to sanctions, it would prevent us from engaging in certain trade transactions in the United States or obtaining certain types of financing from the United States or other jurisdictions with similar sanctions, and U.S. persons would be prohibited from engaging in any transactions related to the Securities.

Our results of operations and manufacturing activities may be adversely affected if there are failures in or inefficient management of our information technology systems

Our information technology systems, such as the manufacturing execution system (MES), the enterprise resource planning (ERP) system, the extended warehouse management (EWM) system and the SRM system, form a key part of our procurement of raw materials and parts and components, logistics and transportation, production, quality control to sales and distribution operations. Any disruptions to our information technology systems will likely have a negative impact on our operations. In 2016, 2017, 2018 and the six months ended 30 June 2019, we had not experienced any malfunction of our information technology systems that led to any material disruption to our operations. However, we cannot guarantee that we will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology systems in the future. If serious damage or significant interruption occurs, our operations may be disrupted and our financial condition and results of operations may be adversely affected. Furthermore, if our operations are disrupted by the introduction of a new information technology system, including migration from an existing system, our financial condition and results of operation may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

Increasing competition in the PRC automobile market could have a material adverse effect on our ability to maintain competitiveness.

Increasing consumer purchasing power in China has resulted in significant growth in the demand for automobiles. Such growth in the automobile market has encouraged, and is likely to continue to encourage, foreign competitors, sino-foreign equity joint ventures established in the PRC and new domestic auto companies to further expand their production capacity. Our current market share and profit margin may be diluted or reduced if there are increasing competition for vehicles or further price reductions caused by increased competition. The pricing, recognition and loyalty to our brand of products and the financial and technical resources allocated to our products may be materially and adversely affected if competing automobile products, domestic or foreign, gain a competitive advantage.

Volatility in demand in China for automobiles could materially and adversely affect our results of operations.

Demand for automobiles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect our financial condition and results of operations. For instance, in 2018, the automobile market in China experienced a contraction in demand in the first time in more than two decades amid trade tension between China and the United States.

Over the years, we have increased our production capacities in anticipation of a continuous growth in demand for automobiles in the PRC. Any slowdown in demand for automobiles in the PRC may lead to an inventory surplus and could result in a significant under-utilisation of our production capacity, which would in turn, result in diminished returns to the substantial resources invested in the expansion of our production capacities. If these events occur, our results of operations and financial condition could be materially and adversely affected.

The production and profitability of PRC automobile manufacturers may be materially and adversely affected by changes in the regulatory environment.

We are subject to various laws, rules and regulations in the PRC imposed at both the national and regional levels that regulate or affect the PRC automobile manufacturing industry and automobile parts and components manufacturing industry, including: (i) crash test requirements and other safety compliance standards in relation to automobile, auto parts and components; (ii) emission standards; (iii) maximum fuel consumption standards; (iv) automobile recall requirements; (v) noise, waste, discharge and other pollution controls relating to manufacturing of automobiles; and (vi) market entry requirements and minimum production requirements for automobile and automobile parts and components manufacturers. All models of automobiles manufactured must be submitted to, and approved and announced by, MIIT. This approval process can be lengthy and may materially and adversely impact on our ability to introduce new products in a timely manner. Accordingly, any delay in the approval process can limit our flexibility to respond to market conditions or competition in a timely manner. In addition, we are subject to various laws, rules and regulations overseas, where we have operations and plan to expand. Furthermore, the expenses of complying with the relevant policies and procedures in the approval process may increase our costs.

Challenges remain in 2019 in view of the rapid changes in economic and regulatory environment in China. Competitive pressure on indigenous brands in the Chinese market is expected to continue to intensify in the coming years as most major international brands have been strengthening their presence in the China market through more products offering, more aggressive pricing strategies, adding new production capacity and enhancing marketing efforts and customer services. The implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in China could put tremendous cost pressure on indigenous brands in China. Further, more major cities in China are expected to introduce local policies to restrict new car licences to ease traffic and combat air pollution, thus restricting the demand for passenger vehicles. The impact could be even bigger for indigenous brands, where their major competitive edges in pricing could be seriously undermined by the introduction of an auction and lottery system to kerb the growth of new vehicles.

Furthermore, existing PRC automobile industry and foreign investment policies impose regulations on investment by foreign vehicle companies in vehicle production projects in the PRC. If these regulatory requires were loosened, there could be a higher level of participation by foreign vehicle manufacturers in the PRC automobile market, which, in turn, could increase the level of competition throughout the market. Increased competition could lead to lower vehicle prices and profits for vehicle manufacturers, which may have a material adverse effect on the financial condition and results of operations of PRC domestic automobile companies like us.

Our operations are sensitive to changes in the PRC government's policies relating to all aspects of the automobile industry. The imposition of additional stringent requirements for product design may result in substantial increases in the cost to our automobile or automobile parts and components designs. In addition, our failure to comply with such laws and regulations may result in fines, penalties or lawsuits, which may have a material adverse effect on our financial condition and results of operations.

Volatility in fuel prices may materially and adversely affect demand for automobiles.

Fuel prices are inherently volatile and cyclical. Increases in fuel prices may have a material adverse impact on China's economy and thereby result in (i) a slowdown for automobile demand; (ii) an increase in our production costs due to the increase in costs of petrochemical products; (iii) a decrease in demand from customers for purchasing automobiles due to increased operating costs and (iv) change to our customers' needs. If fuel prices increase or remain at high levels in the future, consumers may choose to use alternative means of transportation which may materially and adversely affect the demand for our products and which may have a negative impact on our sales and profitability.

Our growth and profitability depend on the level of consumer confidence and spending in the PRC.

Our results of operations are sensitive to changes in overall economic and political conditions that affect consumer spending in the PRC. The passenger vehicle market, in particular, is very sensitive to broad economic changes, consumer purchases tend to decline during economic downturns. A large portion of our turnover is derived from income from sales of passenger vehicles in China. There are a number of factors that are beyond our control, including interest rates; recession, inflation and deflation; energy costs and availability; consumer credit availability and terms; availability of consumer finance; tax rates and policy and unemployment trends influencing consumer confidence and spending. The domestic and international political environment, including military conflicts and political instability, may also affect consumer confidence and spending and may lead to a general reduction in the level of consumer spending which could in turn materially and adversely affect our growth and profitability.

Currency fluctuation in the value of the Renminbi could materially affect our financial condition and results of operations.

While a majority of our revenue is generated from our sales of automobiles in the PRC, we also receive revenue from our sales of automobiles to countries outside the PRC, including but not limited to the Middle East, Eastern Europe, Africa and Central and South America. Therefore, a portion of our revenue and expenses are denominated in currencies other than the Renminbi. As our functional currency is the Renminbi, fluctuations in exchange rates, particularly between the Renminbi and the Japanese Yen, the Renminbi and the Euro dollar, and the Renminbi and the Russian Ruble, could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities, if any. In addition, we cannot assure you that our turnover and expenses denominated in currencies other than the Renminbi will not increase in the future. If such change occurs, our financial condition and results of operations may be materially and adversely affected by the fluctuations in exchange rates.

The PRC government has imposed certain control measures on the convertibility of the Renminbi into foreign currencies and the outflow of funds from China. See "— Risks Relating to the PRC — Government control over currency conversion may limit our ability to utilize our cash effectively" for more details. There is also international pressure on the PRC government to adopt a more flexible currency policy, which could result in further and appreciation of the Renminbi against the U.S. dollar. Given these currency control measures and unpredictable changes in the global currency environment, we cannot assure you that the Renminbi will not experience significant fluctuations against U.S. dollar or other currencies that are relevant to our business in the future. As a result, any significant fluctuation, particularly a significant increase in the value of the Renminbi against foreign currencies that are relevant to our business, could reduce the value of our foreign currency denominated revenue and assets, if any. If such changes occur, our financial condition and results of operations may be materially and adversely affected.

We may be adversely affected by fluctuations in the global economy and financial markets.

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. On 6 August 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. More recently, on 23 June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favoured the exit of the United Kingdom from the European Union ("**Brexit**"). With the impending Brexit date delayed to 31 January 2020, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty has increased volatility in global markets.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, purchasing power of our customers or potential customers, which may lead to a decline in the general demand for our products and, in turn, impair our profitability. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

RISKS RELATING TO THE PRC

Adverse changes in the PRC's political, economic and social conditions, laws, regulations and policies could have an adverse effect on overall economic growth in China, which may materially and adversely affect our business.

A majority of our assets are located in the PRC and a majority of our turnover is sourced from the PRC. Accordingly, our financial condition, results of operations and prospects are subject to, to a large extent, economic, political and legal developments in China. China's economy differs from the economies of most other countries in many respects, including the extent of government intervention in the economy such as government control of foreign exchange and the allocation of resources, the general level of economic development and growth rates.

While the PRC economy has experienced significant growth in the past 30 years, this growth has been uneven across different periods, regions and amongst various economic sectors. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. The PRC government also continues to play a significant role in regulating industry development by imposing industrial policies, exercising significant control over China's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, financial condition, results of operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, changes in interest rates and statutory reserve rates for banks or government control in bank lending activities.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may materially and adversely affect our business operations

On 21 October 2005, SAFE issued the Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("**Notice 75**"), which became effective on 1 November 2005. On 4 July 2014, Notice 75 was superseded by the Notice Regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Notice 37**") issued by SAFE. Notice 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an "**offshore SPV**") with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any individual PRC resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV, such as its company name, business term, shareholding by individual PRC resident, merger, division and, with respect to the individual PRC resident, in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increase in registered capital of, payment of dividends and other distributions to, and capital inflows from, the offshore SPV. Failure to comply with Notice 37 may also subject relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

If our PRC resident beneficial owners are unable or fail to comply with such procedures, they may be subject to fines and legal sanctions, and our PRC subsidiaries may not be able to remit foreign currency payment out of China, which would affect our ability to service our offshore indebtedness, including the Securities, and may materially and adversely affect our business operations.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

We may make loans to our PRC subsidiaries. Any loans we, as an offshore entity, make to our PRC subsidiaries, including those from the proceeds of the Securities, are subject to the PRC regulations. For example, according to the Provisional Measures on Administration of Foreign Debt (外債管理暫行辦法) jointly promulgated by the State Development and Planning Commission of the PRC, MOF and the SAFE on 8 January 2003 and became effective on 1 March 2003, the sum of cumulative accrued amounts of medium- to long-term foreign loans and balance amounts of short-term foreign loans taken by a foreign-invested enterprise shall be limited to the difference between the total investment amount and the amount of registered capital, and, if exceeding such difference, the total investment amount shall be examined and verified by the original approval department. On 30 April 2016, the People's Bank of China issued the Notice on Nationwide Implementation of Macro Prudential Administration on Comprehensive Cross-Border Financings (關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知), which was further revised by the Notice on Relevant Matters of Macro Prudential Administration on Comprehensive Cross-Border Financings (關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by People's Bank of China on 11 January 2017. Pursuant to these notices, a new administrative system on cross-border financing was established under which any cross-border financing balance that can be borrowed by a domestic institution from non-resident lenders is determined by various factors, including the balance of the cross-border financing in domestic and foreign currencies, conversion factor for term risk, conversion factor for category risk, balance of cross-border financing in foreign currencies and conversion factor for exchange rate risk. The conversion factor for term risk is set to be one for mid- to long term (i.e., over one year) financings and one and half for short term (no longer than one year) financings. In addition, the calculation method may be adjusted by the People's Bank of China according to macro-control needs.

We may also decide to finance our subsidiaries by means of capital contributions. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contribution by means of increase in subsidiaries' registered capitals may need filing with or approval from MOFCOM or its local branches, and registration with the Administration for Industry and Commerce of the PRC or its local branches.

We may not obtain or complete these government approvals, registrations and filings on a timely basis, if at all, with respect to loans and future capital contributions by us to our subsidiaries. If we fail to receive or complete such approvals, registrations and filings, our ability to use the proceeds of the Securities and to make loans or additional capital contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our PRC subsidiaries' liquidity and our ability to fund and expand our business.

Governmental control over currency conversion may limit our ability to utilise our cash effectively.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive the majority of our turnover in Renminbi. As a Cayman Islands holding company, we may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE. But approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. This could affect the ability of our PRC subsidiaries to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to satisfy our obligations under the Securities.

If we are classified in the future as a ''resident enterprise'' of China under the EIT Law, such classification could result in unfavourable tax consequences to the Securityholders.

Under the EIT Law, which was promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008 and subsequently amended on 24 February 2017, an enterprise established in the PRC or in a foreign country with a "de facto management body" located within the PRC is considered a "PRC tax resident enterprise" and will normally be subject to the enterprise income tax at the rate of 25% for either China-sourced or overseas-sourced income. Under the implementation regulations of the EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. In addition, a circular issued by the PRC State Administration of Taxation on 22 April 2009 sets out the standards and procedures for determining the location of the "effective management" of an enterprise registered outside of the PRC but funded by Chinese enterprises as controlling investors. This circular specifies that certain PRC-invested overseas enterprises will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights. Although this circular only applies to enterprises funded by Chinese enterprises as controlling investors, it is possible that such standards under this circular may be cited for reference when we are being considered as to whether we are a resident enterprise under the EIT Law.

As of the date of this offering circular, we have not been notified or informed by the PRC tax authorities that we are considered as a PRC tax resident enterprise for the purpose of the EIT Law. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income. If we were considered to be a PRC tax resident enterprise, any interest paid by us to non-resident Securityholders and any gains realised from transfer of Securities by such non-resident Securityholders may be regarded as income from sources within the PRC and therefore be subject to a 10% enterprise income tax if the Securityholders is a non-resident enterprise, or 20% individual income tax if the Securityholders is a non-resident individual (which tax may be withheld at source by us in the case of interest payments). The tax may be exempted or reduced under applicable tax treaties between the PRC and the Securityholder's home country, such as the tax arrangement with Hong Kong. In addition, if we were treated as a PRC resident enterprise, it is uncertain whether interest payments might be subject to PRC value added tax.

If we are required under the EIT Law to withhold PRC income tax from interest payments made to our foreign investors who are "non-resident enterprises", we will be required to pay such additional amounts as will result in receipt by a holder of the Securities of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Securities, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Securities, as well as their profitability and cash flow. In addition, if holders of Securities are required to pay the PRC income tax on the transfer of the Securities, the value of investments in the Securities may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise", the holders of the Securities might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiaries, and interest payables by us to our foreign investors and gain on the sale of our Securities may also become subject to withholding taxes under PRC tax laws.

The EIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to offshore investors that are deemed to be "non-resident enterprises," to the extent that such dividends are derived from income sources within the PRC. This rate has been reduced to 10% through the implementation regulation of the EIT Law, unless there is an applicable tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5% if a Hong Kong resident enterprise owns over 25% of a PRC company. On 27 August 2015, the State Administration of Taxation promulgated the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (非居民納稅人享受稅收協定待遇管理辦法), which became effective on 1 November 2015. According to this regulation, subject to the subsequent administration by the tax authorities, a tax return filing or withhold declaration is necessary for an enterprise which meets conditions to be entitled and enjoy the convention treatments. According to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate enjoyed by the relevant offshore entity. In addition, under the EIT Law, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered to be PRC resident enterprises for tax purposes.

Furthermore, as described in "Taxation — PRC," if we were treated as a PRC "resident enterprise," interest payable to certain "non-resident enterprise" holders on the Securities may be subject to PRC withholding tax at a rate of 10%, or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China, and capital gains realised by holders of Securities may be treated as income derived from sources within China and be subject to a 10% PRC withholding tax. In addition to the uncertainty as to the application of the new "resident enterprise" classification, there can be no assurance that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our operations.

The PRC legal system is based on written statutes. Unlike under common law systems, decided legal cases have little value as precedents in subsequent legal proceedings. Since 1979, the PRC government has promulgated a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. For example, we may have to resort to administrative and judicial proceedings in order to enforce the legal protections that we enjoy either by law or contract. As the PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcomes of administrative and judicial proceedings and the level of legal protections we enjoy. These uncertainties may impede our ability to enforce the contracts into which we have entered with our business partners, customers and suppliers. In addition, we cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorisations and approvals for our existing and future operations, which may not be obtainable in a timely manner, or at all. Any failure to obtain such permits or authorisations may have a material adverse effect on our financial condition and results of operations.

It may be difficult to serve process within the PRC or to enforce any judgement obtained from non-PRC courts against us or our Directors.

A majority of our operating subsidiaries are incorporated in the PRC, substantially all of our Directors currently reside within the PRC and a majority of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of civil and commercial judgements of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between China and Hong Kong on Reciprocal Recognition and Enforcement of Judgements of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was signed on 14 July 2006 and came into effect on 1 August 2008, subject to many restrictions on such arrangement. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil andCommercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), legally effective judgments of Hong Kong courts are likely to be recognized and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. In addition, on 18 January 2019, the Supreme People's Court of China (the "**SPC**") and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**").The New Arrangement extends the scope of judicial assistance, and the effective date shall be announced by SPC and Hong Kong after SPC issues the judicial interpretation and Hong Kong completes relevant procedures. However, there is still no certainty that a PRC court will enforce a judgment by a Hong Kong court or that parties will not have to relitigate the merits of the case before a PRC court. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our Directors resident in the PRC pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgements of courts outside the PRC might be difficult or impossible.

Our operations and financial performance may be materially and adversely affected by labour shortage, increase in labour costs and changes to the PRC labour-related law and regulations.

The PRC Labour Contract Law became effective on 1 January 2008, and it was amended on 28 December 2012, which has taken effect on 1 July 2013. The current PRC Labour Contract Law has imposed greater liabilities on employers and significantly increased the cost of an employer's decision to reduce its workforce. Further it requires certain terminations to be based upon seniority instead of merit. In the event that we decide to significantly change or decrease our workforce, the PRC Labour Contract Law could adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labour-related regulations after the promulgation of the PRC Labour Contract Law. Among other things, the paid annual leave provisions require that the paid annual leaves ranging from five to 15 days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions. On 28 October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labour protection, our labour costs may continue to increase. In addition, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practise will at all times be deemed fully in compliance, which may cause us to face labour disputes or governmental investigation. If we are deemed in violation of such labour law and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected. Furthermore, to support the growth of our business, we will need to increase our workforce of experienced management, skilled labour and other employees to implement our growth plans. In the event of labour shortage, we may have difficulties recruiting or retaining employees or may cause us to incur additional costs and result in delays or disruption to our production.

The PRC national economy and economies in different regions of the PRC may be materially and adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC, in particular, in regions where our production facilities are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and in April 2013, another earthquake and aftershocks hit Sichuan province again, both resulting in tremendous loss of lives, injury and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. In April 2013, there were reports of cases of H7N9 avian flu in southeast China, including deaths in Shanghai and Jiangsu, Zhejiang and Anhui provinces. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our production and sales, which in turn may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE SECURITIES

The Securities are perpetual securities and investors have no right to require redemption.

The Securities are perpetual and have no maturity date. We are under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Securityholders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, Securityholders should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

The Securities may not be suitable investment for all investors.

The Securities are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this offering memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;

(iv) understand thoroughly the terms of the Securities and be familiar with the behavior of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Securityholders may not receive Distribution payments if we elect to defer Distribution payments.

We may, at our sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. We are not subject to any limits as to the number of times we can defer Distributions, subject to compliance with certain restrictions and notwithstanding any increase in the Distribution Rate which may be provided for under the Conditions. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Conditions, we may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distribution shall not constitute a default for any purpose.

We are subject to certain restrictions in relation to the payment of discretionary dividends on our Junior Securities (as defined in the Conditions) and Parity Securities (as defined in the Conditions), the discretionary redemption and repurchase of our Parity Securities or Junior Securities until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Conditions. Such restrictions on discretionary payments act as the main deterrent against deferral of Distribution on the Securities. However, the effectiveness of such restrictions as a deterrent against deferral of Distribution is limited and uncertain. Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which there was an original issue discount or in respect of which interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in our business and/or financial condition.

All redemption rights are at our discretion and the timing of redemption of the Securities may not correspond with the Securityholders' expectations or preferences.

The Conditions provide that the Securities are redeemable at our option, in whole but not in part, on the First Call Date or on any Distribution Payment Date after the First Call Date.

In addition, we also have the right to redeem the Securities, in whole but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders if (a) we have or will become obliged to pay certain additional tax amounts as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax and such obligation cannot be avoided by taking reasonable measures available to us, (b) by reason of a Change of Control (as defined in the Conditions), (c) by reason of changes or amendments to the relevant accounting standards of us or Geely Holding such that the Securities must not or must no longer be recorded as "equity" for the purposes of preparing our or Geely Holding's consolidated financial statements, (d) by reason of a Breach of Covenant Event (as defined in the Conditions), (e) by reason of a Relevant Indebtedness Default Event (as defined in the Conditions) or (f) at least 80 per cent. in principal amount of the Securities originally issued (including additional securities (if any) subsequently issued pursuant to Condition 14) has already been cancelled prior to the date fixed for redemption.

The date on which we elect to redeem the Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to Securityholders in light of market conditions or the individual circumstances of the Securityholder. A Securityholder's ability to realise value at a certain time may be limited to selling the Securities into the secondary market. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

The Securities are redeemable in the event of certain withholding taxes being applicable.

Pursuant to the Conditions of the Securities, we are required to make gross up payments on account of withholding taxes or deductions withheld or assessed by or within the Cayman Islands or the PRC or any political subdivision, territory, possession thereof or authority therein having power to tax, as further described in Condition 8. However, we also have the right to redeem the Securities at any time in the event that we have or will become obliged to pay such additional tax amounts and we cannot take reasonable measures to avoid it.

The Securities confer Securityholders with limited rights upon the occurrence of a Change of Control, Breach of Covenant Event or Relevant Indebtedness Default Event.

Upon the occurrence of a Change of Control, a Breach of Covenant Event or a Relevant Indebtedness Default Event, we may, at any time, on giving irrevocable notice to the Trustee, the Principal Paying Agent and Securityholders, redeem the Securities in whole, but not in part. We are not, however, obliged to redeem the Securities upon the occurrence of any of such events. If we elect not to redeem the Securities upon the occurrence of such events, the Distribution Rate will increase by a certain percentage per annum pursuant to Condition 5(e) of the Conditions.

The insolvency laws of the Cayman Islands and PRC and other local insolvency laws applicable to us may differ from those of any other jurisdiction with which Securityholders are familiar.

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct substantially all of our business operations through PRC incorporated subsidiaries in China. We and our non-PRC subsidiaries, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the Securityholders are familiar. You should carefully analyze the risks and uncertainties in the insolvency laws of the Cayman Islands, the PRC and other jurisdictions applicable to us before you invest in the Securities.

There are limited remedies for non-payment under the Securities.

Any scheduled Distribution will not be due if we elect to defer that Distribution. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up (as defined in the Conditions) proceedings against us is limited to circumstances where a Winding-Up proceeding has been initiated or where payment has become due under the Securities and we have failed to make such payment for a period of 14 days or more after the date on which such payment is due. No Securityholder shall be entitled to proceed directly against us or to institute proceedings for our Winding-Up or claim in our liquidation or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or to prove in such Winding-Up or to claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Company as are the same as the Trustee.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

The Securities contain provisions regarding modification and waivers which may affect the rights of Securityholders.

The Conditions contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders, including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority. In addition, the Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Securities outstanding or a consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the Securityholders of not less than 90 per cent. of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held.

The Conditions also provide that the Trustee may, without the consent of Securityholders, (a) agree to any amendment or modification of the Conditions or the Trust Deed (other than in respect of a Reserved Matter (as defined therein)) which is not materially prejudicial to the interests of Securityholders and to any amendment or modification of the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error; and (b) authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if the interests of the Securityholders will not be materially prejudiced thereby.

Individual Certificates will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination.

The Securities will be issued in the denomination of US$200,000 and integral multiples of US$1,000 in excess thereof. The Conditions provide that, for so long as the Securities are represented by the Global Certificate and Euroclear and Clearstream (or any other relevant clearing system) so permit, the Securities will be tradable in nominal amounts equal to the minimum denomination and integral multiples of US$1,000 in excess thereof.

Individual Certificates will only be issued if Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to permanently cease business. If Individual Certificates are issued, such Securities will be issued only in respect of amounts equal to denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Any remaining nominal amount of Securities will be cancelled and Securityholders will have no rights against the Company (including rights to receive principal or interest or to vote) in respect of such Securities. Individual Certificates will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination and such Securities will be cancelled and Securityholders will have no rights against us (including rights to receive principal or interest or to vote) in respect of such Securities.

The Securities will initially be held in book-entry form, and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Securities will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Certificate will trade in book-entry form only, and Securities in definitive registered form, or definitive registered Securities, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Securities. Payments of principal, Distribution and other amounts owing on or in respect of the global certificate representing the Securities will be made to the paying agent which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the Global Certificate representing the Securities and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Company will have no responsibility or liability for the payment of Distribution, principal or other amounts to the owners of book-entry interests. Accordingly, if an investor owns a book-entry interest, the investor must rely on the procedures of Euroclear and Clearstream, and if the investor is not a participant in Euroclear and Clearstream, on the procedures of the participant through which interest is owned, to exercise any rights and obligations of a

Securityholder under the Trust Deed. Unlike the holders of the Securities themselves, owners of book-entry interests will not have the direct right to act upon the Group's solicitations for consents, requests for waivers or other actions from holders of the Securities. Instead, if an investor owns a book-entry interest, the investor will be permitted to act only to the extent the investor has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable the investor to vote on a timely basis. Similarly, upon the occurrence of an event of default under the Trust Deed, unless and until definitive registered Securities are issued in respect of all book-entry interests, if the investor owns a book-entry interest, the investor will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Securities.

A trading market for the Securities may not develop.

The Securities are new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Company's financial condition. We cannot assure you that an active trading market will develop. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the Securities. The Joint Lead Managers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The Trustee may request Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including without limitation the taking of action as contemplated in Condition 9 (Non-payment)), the Trustee may (as its sole and absolute discretion) request Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Securityholders. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Securityholders to take such actions directly.

Changes in accounting standards may impact our and Geely Holding's financial condition and/or the characterisation of the Securities.

Changes in PRC accounting standards may impact our and Geely Holding's financial condition or the characterisation of the Securities.

The MOF from time to time issues issue new and revised standards, guideline and interpretations which affect the preparation of Geely Holding's financial statements, including "Accounting Standards for Business Enterprises in China No. 37 — Presentation of Financial Instrument" issued in July 2018 and "Provisions on Accounting Treatment of Perpetual Bonds" issued in January 2019. There can be no assurance that the adoption of new accounting policies or new PRC GAAP will not have a significant impact on the Geely Holding's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to the general application or interpretation of, PRC GAAP may result in the reclassification of the

Securities such that the Securities must not or must no longer be recorded as "equity" of Geely Holding, and will give us the right to elect to redeem the Securities. See "Terms and Conditions of the Securities — Redemption and Purchase — Redemption for accounting reasons".

Similarly, any change or amendment to, or any change or amendment to the general application or interpretation of the Hong Kong Financial Reporting Standards may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" on our financial statements, and will give us the right to elect to redeem the Securities. See "Terms and Conditions of the Securities — Redemption and Purchase — Redemption for accounting reasons".

The rating of the Securities may be downgraded or withdrawn.

The Securities are expected to be assigned a rating of "Baa3" by Moody's. The rating represents only the opinions of the rating agency and its assessment of the ability of the Company to perform its obligations under the Securities and its credit risk in determining the likelihood that payments will be made when due under the Securities. A rating is not a recommendation to buy, sell or hold the Securities and may be subject to suspension, reduction or withdrawn at any time. We are not obligated to inform Securityholders if the rating is lowered or withdrawn. A downgrade or withdrawal of the rating may materially and adversely affect the market price of the Securities and our ability to access the debt capital markets.

We may raise other capital which affects the price of the Securities.

We may raise additional capital through the issue of other securities or other means. Other than certain restrictions on issuing certain secured indebtedness as set out in Condition 4(a) of the Conditions, there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which we may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a Winding-Up or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Securityholders to sell their Securities.

Uncertainties with respect to the implementation of the NDRC Notice may have adverse consequences for the Securities.

The NDRC issued the NDRC Notice on September 14, 2015, which came into effect on the same day. According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities.

The NDRC Notice itself is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Although we obtained the pre-issuance registration certificate in respect of the offering of the Securities, if the NDRC were to determine that we had fraudulently obtained a quota to issue offshore debt, the NDRC could blacklist or publish negative information about us on the national credit information platform. In a worst case scenario, it might become unlawful for us to perform or comply with our obligations under the Securities. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Notice. The post-issue notification is a procedural process which involves the reporting of certain post-issuance information in respect of the Securities to the NDRC. It is not a substantive approval or consent process, and any failure by us to complete the post-issue notification in accordance with the NDRC Notice will not impact the enforceability or validity of the Securities. We have undertaken to notify NDRC of the particulars of the issue of the Securities within 10 Registration Business Days after the Issue Date.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

We depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, in particular our PRC subsidiaries, to pay dividends to our shareholders and to satisfy our obligations. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Securities or pay dividends to our shareholders. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to make payments of Distribution or principal under the Securities.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10 per cent. withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Securities, and there could be restrictions on payments required for any early redemption of the Securities.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to make payments of Distribution or principal under the Securities.

Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment.

The Securities are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and is denominated in Renminbi. The exchange rates between the Renminbi and foreign currencies are affected by, among other things, changes in China's political and economic conditions. Since 21 July 2005, Renminbi-to-foreign currency exchange rates have been allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. There remains significant international pressure on the PRC government to adopt a more flexible currency policy and the PBOC have previously announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented, it is possible that they may result in a devaluation of the Renminbi against the U.S. dollar or other foreign currencies, in which case our financial condition and results of operations could be adversely affected because of our substantial foreign-currency-denominated indebtedness and other obligations.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy payments of Distribution and principal under the Securities depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10 per cent. (or 7 per cent. if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our ability to satisfy payments of Distribution and principal under the Securities.

Securityholders may suffer unforeseen losses due to fluctuations in interest rates.

Securityholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in security prices, resulting in a capital loss for Securityholders. However, Securityholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, security prices may rise. Securityholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates. In addition, the Securities may suffer a decline in Distribution Rate. A holder of securities with a fixed distribution rate which will be reset during the term of the securities (as will be the case for the Securities on and after the First Call Date (as defined in the Conditions) if not previously redeemed) by reference to the then yield of the applicable Treasury Rate (as defined in the Conditions) is exposed to the risk of fluctuating distribution rate levels and uncertain distribution income. Fluctuating Distribution Rate levels make it impossible to determine the yield of such securities in advance.

There may be less publicly available information about us than is available in certain other jurisdictions

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from GAAP in other jurisdictions, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAP and how those differences might affect the financial information contained in this offering memorandum.

Gains on the transfer of the Securities may be subject to income tax under PRC tax laws.

Under the PRC Enterprise Income Tax Law and its implementation rules (collectively, the "**EIT Law**"), any gains realised on the transfer of the Securities by holders who are non-resident enterprises under the EIT Law to non-PRC residents may be subject to PRC enterprise income tax if such gains are regarded as income sourced from China. Although the Company has not been identified as a resident enterprise under the EIT Law by the PRC tax authority, there is no assurance that the Company will not be identified as a resident enterprise in the future. In the event that the Company is identified as a resident enterprise under the EIT Law, the gains on the transfer of the Securities by the holders who are non-resident enterprises under the EIT Law to non-PRC residents may be deemed as income sourced from China and will be subject to PRC enterprise income tax at the rate of 10 per cent. unless otherwise provided in an applicable tax treaty or arrangement. In addition, there is uncertainty as to whether gains realised on the transfer of the Securities by individual holders who are non-resident individuals under the PRC Individual Income Tax Law to non-PRC residents will be subject to PRC individual income tax. If the Company is identified as a resident enterprise under the EIT Law, the gains on the transfer of the Securities by the holders who are non-resident individuals under the PRC Individual Income Tax Law to non-PRC residents may be deemed as income sourced from China and will be subject to the PRC individual income tax at the rate of 20 per cent. unless otherwise provided in an applicable tax treaty or arrangement. The taxable income will be the balance of the total income obtained from the transfer of the Securities minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

According to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, Securityholders who are Hong Kong residents, including both enterprise holders and individual holders, shall only pay the income tax in Hong Kong on the gains derived from the transfer of the Securities if such gains are not connected with the Securityholder's establishment in the PRC (if any). If a Securityholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains realised from the transfer of the Securities to non-PRC residents, the value of the relevant Securityholder's investment in the Securities may be materially and adversely affected. For more information, see "Taxation — PRC".

A change in English law which governs the Securities may adversely affect holders of the Securities.

The Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Securities and any such change could materially adversely impact the value of any Securities affected by it.

Additional procedures may be required to bring English law governed matters or disputes to the Hong Kong courts and there is no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts.

The Conditions and the Trust Deed are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken.

In addition, under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Securities will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

EXCHANGE RATE INFORMATION

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to 20 July 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On 18 May 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. In June 2010, the PBOC announced that it intended to further reform the RMB exchange rate regime by allowing greater flexibility in the RMB exchange rate, and on 16 April 2012 the band was further expanded to 1.0% and to 2.0% on 17 March 2014. On 11 August 2015, the PBOC announced plans to improve the central parity rate of the CNY against the U.S. dollar by authorising market-makers to provide parity to the China Foreign Exchange Trading Centre operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the CNY against the U.S. dollar depreciated by nearly 2.0% as compared to 10 August 2015, and further depreciated by nearly 1.6% on 12 August 2015 as compared to 11 August 2015. The International Monetary Fund announced on 30 September 2016 that the Renminbi had joined its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. In the second half of 2018 and thus far in 2019, the Renminbi has mainly depreciated against the U.S. dollar. The PRC government may make further adjustments to the exchange rate system in the future.

The following table sets forth the noon buying rate in Renminbi as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average[(1)]	High	Low
	(RMB per US$1.00)			
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.1870	6.4896
2016	6.9430	6.6534	6.9580	6.4480
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019				
May	6.9027	6.8519	6.9182	6.7319
June	6.8650	6.8977	6.9298	6.8510
July	6.8833	6.8775	6.8927	6.8487
August	7.1543	7.0629	7.1628	6.8972
September	7.1477	7.1137	7.1786	7.0659
October	7.0379	7.0961	7.1473	7.0379
November (through 1 November 2019)	7.0368	7.0368	7.0368	7.0368

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for average in 2014, which was determined by averaging the daily rates during the period.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Basic Law**"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. However, no assurance can be given that the Hong Kong government will maintain the link at HK$7.75 to HK$7.85 to US$1.00 or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HK$ per US$1.00)			
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7524	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019				
May	7.8387	7.8478	7.8497	7.8387
June	7.8103	7.8260	7.8430	7.8080
July	7.8275	7.8133	7.8275	7.7956
August	7.8403	7.8420	7.8469	7.8266
September	7.8401	7.8350	7.8425	7.8177
October	7.8376	7.8421	7.8454	7.8371
November (through 1 November 2019)	7.8365	7.8365	7.8365	7.8365

TERMS AND CONDITIONS OF THE SECURITIES

The following (subject to amendment and other than the text in italics) are the terms and conditions of the Securities substantially in the form in which they will be endorsed on the definitive Certificates (as defined below) and referred to in the global certificate.

The U.S.$500,000,000 senior perpetual capital securities (the "**Securities**", which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 14 and to be consolidated and forming a single series therewith) of Geely Automobile Holdings Limited吉利汽車控股有限公司 (the "**Company**") are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated 9 December 2019 (the "**Issue Date**") made between the Company and Citicorp International Limited (the "**Trustee**", which expression shall include any successor trustee and all persons for the time being trustee or trustees under the Trust Deed) as trustee for itself and the Securityholders (as defined below).

The Securities are the subject of an agency agreement dated 9 December 2019 (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Company, the Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time in connection with the Securities), as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Securities), as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Securities), as calculation agent (in such capacity, the "**Calculation Agent**", which expression shall include any successor appointed from time to time in connection with the Securities) and any other agents appointed thereunder. "**Paying Agents**" means the Principal Paying Agent, together with any additional or successor paying agent appointed from time to time in connection with the issue of the Securities, and "**Agents**" means the Principal Paying Agent and other Paying Agents, the Registrar, any Transfer Agent, the Calculation Agent and any other agent or agents and their successor(s) appointed from time to time under the Agency Agreement with respect to the Securities. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours by the holders at the principal place of business for the time being of the Trustee, being at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong and at the specified office of the Principal Paying Agent.

All capitalised terms that are not defined in these terms and conditions (these "**Conditions**") will have, unless the context otherwise requires, the meanings given to them in the Trust Deed.

1 FORM, AUTHORISED DENOMINATION AND TITLE

The Securities are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S. $1,000 in excess thereof (each an "**Authorised Denomination**"). The Securities are evidenced by registered certificates (the "**Certificates**", and each a "**Certificate**") and, save as provided in Condition 3(b), each Certificate shall evidence the entire holding of Securities by the same holder.

Title to the Securities shall pass by transfer and registration in the Register as described in Condition 3. The holder of any Security shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer, duly completed) evidencing it or the alleged destruction, theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Securityholder**", or in respect of a Security, "**holder**" means the person in whose name a Security is registered in the Register (or in the case of a joint holding, the first-named thereof).

*Upon issue, the Securities will be initially evidenced by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. The Conditions are modified by certain provisions contained in the Global Certificate in respect of any of the Securities that are evidenced by the Global Certificate. See "Summary of Provisions relating to the Securities in Global Form".*

2 STATUS

The Securities constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Securities shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured, unconditional and unsubordinated obligations.

3 TRANSFERS OF SECURITIES AND ISSUE OF CERTIFICATES

(a) Register

The Company will cause a register (the "**Register**") to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names, addresses and details of the registered account (as defined in Condition 7(a)(ii)) of the holders of the Securities and the particulars of the Securities held by them and of all transfers of the Securities. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Securities.

(b) Transfer

Subject to the Agency Agreement and Conditions 3(e) and 3(f), a Security may be transferred (in whole or in part but in any case in an Authorised Denomination) by surrendering the Certificate issued in respect of that Security, with the form of transfer on the back of the Certificate (or in the form obtainable from the Registrar or any Transfer Agent) duly completed and signed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of only part of a holding of Securities evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in an Authorised Denomination) and a further new Certificate in respect of the balance of the holding not transferred (which shall be in an Authorised Denomination) shall be issued to the transferor. In the case of a transfer of the Securities to a person who is already a holder of the Securities, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Security will be valid unless and until entered on the Register.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(c) Delivery of New Certificates

Each new Certificate to be issued upon transfer of Securities pursuant to Condition 3(b) shall be made available for delivery within seven business days (as defined below) of receipt of a duly completed form of transfer, surrender of the existing Certificate(s) and provision of any other evidence required by the Registrar or the relevant Transfer Agent as provided in Condition 3(b). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Certificate and evidence shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

Except in the limited circumstances described in the Global Certificate (See "Summary of Provisions relating to the Securities in Global Form"), owners of interests in the Securities evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Securities. The Securities are not issuable in bearer form.

(d) Formalities Free of Charge

Registration of a transfer of Securities and issuance of new Certificates will be effected without charge by or on behalf of the Company or any Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Company, the Registrar or the relevant Transfer Agent (as the case may be) may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent (as the case may be) (after consultation with the Company if so required) being satisfied that the Regulations (as defined in Condition 3(f)) have been complied with.

(e) Closed Periods

No Securityholder may require the transfer of a Security to be registered (i) during the period of 14 business days ending on, and including, the due date for any payment of principal (or premium) in respect of that Security; or (ii) during the period of 14 business days ending on, and including, any Record Date (as defined in Condition 7(a)); or (iii) after a notice of redemption has been delivered by the Company pursuant to Condition 6.

(f) Regulations

All transfers of Securities and entries on the Register will be made subject to the detailed regulations (the "**Regulations**") concerning transfer and registration of Securities, the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Company, with the prior written approval of the Registrar and the Trustee, or by the Trustee, with the prior written approval of the Registrar. A copy of the current Regulations will be mailed (free of charge to the Securityholders and at the Company's expense) by the Registrar to any Securityholder who requests one in writing and upon satisfactory proof of holding and identity.

4 COVENANTS

(a) Negative Pledge

So long as any Security remains outstanding (as defined in the Trust Deed), the Company will not, and the Company will ensure that none of its Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any such Relevant Indebtedness, without at the same time or prior thereto according to the Securities (a) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (b) such other security as shall be approved by an Extraordinary Resolution.

(b) Notification to NDRC

The Company undertakes that it will, (i) within 10 Registration Business Days after the Issue Date, file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective on 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**"), and (ii) will comply with all applicable PRC laws and regulations in relation to the issue of the Securities.

(c) Notification of Completion of the NDRC Post-Issue Filing

The Company shall, within five Registration Business Days after the completion of the NDRC Post-issue Filing, provide the Trustee with (i) a certificate in English signed by an Authorised Signatory confirming the completion of the NDRC Post-issue Filing, and (ii) copies of the relevant documents evidencing due filing with the NDRC, each certified in English as true and complete copies of the originals by an Authorised Signatory.

The Trustee shall have no obligation or duty to monitor or ensure the filing or completion of the NDRC Post-issue Filing before the relevant deadlines specified and may rely on the certificate conclusively without liability to any Securityholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(d) Financial Information

So long as any Security remains outstanding (as defined in the Trust Deed) the Company will furnish the Trustee a copy of the Audited Financial Reports, as soon as available but in any event not more than 14 calendar days after such reports are filed with the Stock Exchange or any other securities exchange on or by which the Company's common shares are at any time listed for trading; *provided* however that if at any time the common shares of the Company cease to be listed for trading on or by any such exchange, the Company shall furnish the Trustee with:

(i) a copy of the relevant Audited Financial Reports within 120 calendar days of the end of each Relevant Period prepared in accordance with HKFRS (audited by an internationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Securityholder or any other person); and

(ii) a copy of the Unaudited Financial Statements within 90 calendar days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) an internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Securityholder or any other person).

(e) Compliance Certificate

So long as any Security remains outstanding (as defined in the Trust Deed), the Company shall send a Compliance Certificate to the Trustee at the same time as the Audited Financial Reports are provided pursuant to Condition 4(d). The Trustee may rely on the certificate conclusively without liability to any Securityholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(f) Ratings

For so long as any Security remains outstanding, save with the approval of an Extraordinary Resolution, the Company shall use its best endeavours to maintain a rating on the Securities by a Rating Agency.

5 DISTRIBUTION

(a) Distributions

Subject to Condition 5(d), the Securities confer a right to receive distribution (each a "**Distribution**") from 9 December 2019 at the applicable Distribution Rate in accordance with this Condition 5. Subject to Condition 5(d), Distribution shall be payable on the Securities semi-annually in arrear on 9 June and 9 December of each year (each, a "**Distribution Payment Date**").

If Distribution is required to be calculated in respect of a period of less than a complete Distribution Payment Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, the period beginning on, and including, the Issue Date and ending on but excluding the first Distribution Payment Date and each successive period beginning on and including a Distribution Payment Date and ending on but excluding the next succeeding Distribution Payment Date is called a "**Distribution Payment Period**".

Interest in respect of any Security shall be calculated per U.S.$1,000 in principal amount of the Securities (the "**Calculation Amount**"). The amount of Distribution payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of Distribution specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(b) Rate of Distribution

Subject to any increase pursuant to Condition 5(e), the rate of Distribution ("**Distribution Rate**") applicable to the Securities shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, 9 December 2024 (the "**First Call Date**"), the Initial Distribution Rate; and

(ii) in respect of the period (A) from, and including, the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

(c) Distribution Accrual

Unless otherwise provided for in these Conditions, each Security will cease to bear Distribution from the due date for redemption unless, upon surrender of the Certificate evidencing such Security, payment of principal or premium (if any) is improperly withheld or refused. In such event the right to a Distribution will continue to accrue at the applicable Distribution Rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Security up to that day are received by or on behalf of the relevant holders, and (ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Securityholders of receipt of all sums due in respect of all the Securities up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(d) Distribution Deferral

(i) **Optional Deferral**: The Company may, at its sole and absolute discretion, elect to defer any Distribution, in whole or in part, which is otherwise scheduled to be paid on a Distribution Payment Date to the immediate subsequent Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Securityholders in accordance with Condition 15 and to the Trustee and the Principal Paying Agent in writing not more than 20 Payment Business Days nor less than five Payment Business Days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred (an "**Optional Deferral Event**"). In the event that the payment of Distribution is partially deferred pursuant to this Condition 5(d)(i), the payment of the remaining amount of the Distribution by the Company shall be shared by the holders of all outstanding Securities on a *pro-rata* basis.

(ii) **No obligation to pay**: The Company shall have no obligation to pay any Distribution (including any Arrears of Distribution (as defined below) and any Additional Distribution Amount (as defined below)) on any Distribution Payment Date if it elects not to do so in accordance with Condition 5(d)(i).

(iii) **Requirements as to Notice**: Together with an Optional Deferral Notice, the Company shall deliver to the Trustee and the Principal Paying Agent a certificate in English, in substantially the form scheduled to the Trust Deed, signed by an Authorised Signatory confirming that no Compulsory Distribution Payment Event has occurred. The Trustee shall be entitled to accept such Optional Deferral Notice and certificate as sufficient evidence of the occurrence of an Optional Deferral Event in which event such certificate shall be conclusive and binding on the Securityholders.

(iv) **Cumulative Deferral**: Any Distribution deferred pursuant to this Condition 5(d) shall constitute "**Arrears of Distribution**". The Company may, at its sole and absolute discretion, elect (in the circumstances set out in Condition 5(d)(i)) to defer further any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of accrued Distribution. The Company is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 5(d) except that Condition 5(d)(v) shall be complied with until all outstanding Arrears of Distribution and Additional Distribution Amount have been paid in full.

Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 5 and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) **Restrictions in the case of an Optional Deferral:** If, on any Distribution Payment Date, payment of all Distribution scheduled to be made on such date (including any Distribution accrued but unpaid on the Securities (including any Arrears of Distribution and any Additional Distribution Amount)) is not made in full by reason of Condition 5(d)(i), the Company shall not:

(A) declare or pay any discretionary dividends or discretionary distributions or make any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Company (except (x) in relation to the Parity Securities of the Company on a *pro-rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); or

(B) at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Company prior to its stated maturity (except (x) in relation to the Parity Securities of the Company on a *pro-rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (z) as a result of the exchange or conversion of its Parity Securities for its Junior Securities),

in each case, unless and until (aa) the Company has satisfied in full all outstanding Arrears of Distribution and the Additional Distribution Amount, or (bb) the Company is permitted to do so by an Extraordinary Resolution.

(vi) **Satisfaction of Arrears of Distribution by payment:** The Company:

(A) may satisfy any Arrears of Distribution and Additional Distribution Amount, in whole or in part, at any time by giving notice of such election to the Securityholders in accordance with Condition 15 and to the Trustee and the Principal Paying Agent in writing not more than 20 Payment Business Days nor less than five Payment Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Company to pay the relevant Arrears of Distribution and all Additional Distribution Amounts on the payment date specified in such notice); and

(B) in any event shall satisfy in whole all outstanding Arrears of Distribution and Additional Distribution Amount on the earliest of:

(x) the date of redemption of the Securities in accordance with the redemption events set out in Condition 6;

(y) the next Distribution Payment Date following the occurrence of a breach of Condition 5(d)(v) or the occurrence of a Compulsory Distribution Payment Event; and

(z) the date of a Winding-Up of the Company.

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Company shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.

(vii) **No default:** Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution in accordance with this Condition 5(d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9) on the part of the Company under the Securities and the Trust Deed.

(e) Increase in Distribution Rate

(i) Upon the occurrence of a Step-Up Event, unless (A) an irrevocable notice in writing to redeem the Securities has been given to Securityholders by the Company pursuant to Condition 6 by the 30th day following the occurrence of the relevant Step-Up Event or (B) the relevant Breach of Covenant Event or Relevant Indebtedness Default Event is remedied or the relevant Change of Control ceases to exist, as applicable, by the 30th day following the occurrence of the relevant Step-Up Event, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (aa) the next Distribution Payment Date or (bb) if the date on which the relevant Step-Up Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, *provided* that the Distribution Rate, after an increase pursuant to this Condition 5(e), shall in no event exceed the Maximum Distribution Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this Condition 5(e) is separate from and in addition to any increase in the Distribution Rate pursuant to Condition 5(b)(ii).

(ii) Any increase in the Distribution Rate pursuant to this Condition 5(e) shall be notified by the Company to the Securityholders in accordance with Condition 15 and to the Trustee and the Agents in writing no later than the 14th day following (A) the 60th day following the occurrence of the Change of Control, (B) the occurrence of the Breach of Covenant Event or (C) the occurrence of the Relevant Indebtedness Default Event.

(f) Decrease in Distribution Rate

If following an increase in the Distribution Rate after the occurrence of a Step-Up Event pursuant to Condition 5(e)(i) the relevant Breach of Covenant Event or Relevant Indebtedness Default Event is cured or the relevant Change of Control ceases to exist, upon written notice of such facts being given to the Securityholders in accordance with Condition 15 and to the Trustee and the Agents in writing, together with evidence showing such facts to the satisfaction of the Trustee, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from, and including, the Distribution Payment Date immediately following the date falling 30 days after the date such Breach of Covenant Event or Relevant Indebtedness Default Event is cured or such Change of Control ceases to exist (as the case may be), *provided* that the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 5(e) shall be 3.00 per cent. per annum.

6 REDEMPTION AND PURCHASE

(a) No fixed redemption

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Company shall (without prejudice to Condition 9) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

(b) Redemption at the option of the Company

The Securities may be redeemed at the option of the Company in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent and to the Securityholders in accordance with Condition 15 at their principal amount, together with any Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), on the First Call Date or on any Distribution Payment Date after the First Call Date (each, a "**Call Date**").

On expiry of any such notice as is referred to in this Condition 6(b), the Company shall be bound to redeem the Securities in accordance with this Condition 6(b).

(c) Redemption for Taxation Reasons

The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice (which shall specify the date for redemption and the method by which payment shall be made) to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15, at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if the Company satisfies the Trustee immediately prior to the giving of such notice that:

(i) the Company has or will become obliged to pay Additional Tax Amounts (as defined below) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 27 November 2019, and

(ii) such obligation cannot be avoided by the Company taking reasonable measures available to it,

(such event, a "**Gross-Up Event**"),

provided that no notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts (as defined below) were a payment in respect of the Securities then due.

Prior to the giving of any notice of redemption pursuant to this Condition 6(c), the Company shall deliver to the Trustee:

(A) a certificate in English signed by an Authorised Signatory who is also a director stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Company taking reasonable measures available to it, and

(B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Company has or will become obliged to pay such Additional Tax Amounts (as defined below) as a result of such change or amendments.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Securityholders or any other person) of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(c), in which event they shall be conclusive and binding on the Securityholders.

(d) Redemption for a Change of Control

Following the occurrence of a Change of Control, the Securities may be redeemed at the option of the Company in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15,

(i) at 101 per cent. of their principal amount, together with Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or

(ii) at their principal amount, together with Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date.

Prior to the giving of any notice of redemption pursuant to this Condition 6(d), the Company shall deliver or procure that there is delivered to the Trustee a certificate in English, signed by an Authorised Signatory, stating that the circumstances referred to above in this Condition 6(d) prevail and setting out the details of such circumstances. The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Securityholders. The Trustee shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with any Change of Control and shall not be liable to holders, the Company or any other person for not doing so.

Upon the expiry of any such notice as is referred to in this Condition 6(d), the Company shall be bound to redeem the Securities in accordance with this Condition 6(d).

(e) Redemption for accounting reasons

The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on the Company giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15:

(i) at 101 per cent. of their principal amount, together with Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or

(ii) at their principal amount, together with Distribution accrued to, but excluding, the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date, if, immediately before giving such notice, the Company satisfies the Trustee that:

(1) as a result of any changes or amendments to HKFRS or any other internationally generally accepted accounting standards that may be adopted by the Company for the purposes of preparing its consolidated financial statements (the "**Company Relevant Accounting Standards**"), the Securities must not or must no longer be recorded as "equity" of the Company pursuant to the Company Relevant Accounting Standards (a "**Company Equity Disqualification Event**"); or

(2) as a result of any changes or amendments to PRC GAAP or any other generally accepted accounting standards that may be adopted by Zhejiang Geely Holding Group Company Limited for the purposes of preparing its consolidated financial statements (the "**Zhejiang Geely Relevant Accounting Standards**"), the Securities must not or must no longer be recorded as "equity" of Zhejiang Geely Holding Group Company Limited pursuant to the Zhejiang Geely Relevant Accounting Standards (a "**Zhejiang Geely Equity Disqualification Event**" and, together with a Company Equity Disqualification Event, the "**Equity Disqualification Events**" and each an "**Equity Disqualification Event**").

Prior to the giving of any notice of redemption pursuant to this Condition 6(e), the Company shall deliver or procure that there is delivered to the Trustee:

(a) a certificate in English, signed by an Authorised Signatory, stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred; and

(b) an opinion of the independent auditors of the Company or the independent auditors of Zhejiang Geely Holding Group Company Limited (as the case may be) in form and substance reasonably satisfactory to the Trustee, stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Company Relevant Accounting Standards or the Zhejiang Geely Relevant Accounting Standards (as the case may be) is due to take effect,

provided, however that no notice of redemption may be given under this Condition 6(e) earlier than 90 days prior to the date on which the relevant change or amendment to the Company Relevant Accounting Standards or the Zhejiang Geely Relevant Accounting Standards (as the case may be) is due to take effect in relation to the Company or Zhejiang Geely Holding Group Company Limited (as the case may be).

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (a) and (b) of this Condition 6(e), in which event the same shall be conclusive and binding on the Securityholders. Upon the expiry of any such notice as is referred to in this Condition 6(e), the Company shall be bound to redeem the Securities in accordance with this Condition 6(e).

(f) Redemption on the occurrence of a Breach of Covenant Event

The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15 at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if a Breach of Covenant Event occurs.

Prior to the giving of any notice of redemption pursuant to this Condition 6(f), the Company shall deliver or procure that there is delivered to the Trustee a certificate in English, signed by an Authorised Signatory, providing the details of the Breach of Covenant Event that occurred. The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(f), the Company shall be bound to redeem the Securities in accordance with this Condition 6(f).

(g) Redemption on the occurrence of a Relevant Indebtedness Default Event

The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15 at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if a Relevant Indebtedness Default Event occurs.

Prior to the giving of any notice of redemption pursuant to this Condition 6(g), the Company shall deliver or procure that there is delivered to the Trustee a certificate in English, signed by an Authorised Signatory, providing the details of the Relevant Indebtedness Default Event that occurred. The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(g), the Company shall be bound to redeem the Securities in accordance with this Condition 6(g).

(h) Redemption for minimum outstanding amount

The Securities may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15 at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued (including additional securities (if any) subsequently issued pursuant to Condition 14) has already been cancelled.

Upon the expiry of any such notice as is referred to in this Condition 6(h), the Company shall be bound to redeem the Securities in accordance with this Condition 6(h).

(i) No other redemption

The Company shall not be entitled to redeem the Securities and the Company shall not have any obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 6(b) to 6(h) inclusive.

(j) Notice of redemption

If there is more than one notice of redemption given in respect of any Security, the notice given first in time shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption and shall not be liable to holders, the Company or any other person for not doing so.

(k) Purchase

The Company or any of its Subsidiaries may at any time purchase Securities in the open market or otherwise at any price. The Securities so purchased, while held by or on behalf of the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders and shall be deemed not to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 9(c) and Condition 12(a).

(l) Cancellation

All Certificates evidencing Securities purchased by or on behalf of the Company and its Subsidiaries shall be surrendered to the Registrar for cancellation and, upon surrender thereof, all such Securities and Certificates shall be cancelled forthwith. Any Certificates so surrendered for cancellation and the relevant Securities may not be reissued or resold and the obligations of the Company in respect of any such Securities shall be discharged.

7 PAYMENTS

(a) Method of Payment

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent if no further payment falls to be made in respect of the Securities evidenced by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Distribution on each Security shall be paid to the Securityholders at their registered accounts shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of Distribution on each Security shall be made in U.S. dollars by wire transfer to the registered account of the holder of such Security. In these Conditions, the **"registered account**" of a holder means the U.S. dollar account maintained by or on behalf of such holder with a bank, details of which appear in the Register at the close of business on the Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Company or a Securityholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or Distribution being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or Distribution so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or an Alternative Clearing System (as defined in the Trust Deed), each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 1 January and 25 December.*

(b) Payments subject to Fiscal Laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Securityholders in respect of such payments.

(c) Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (if this is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Paying Agent, on the first Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Appointment of Agents

The Principal Paying Agent, the Registrar, the Calculation Agent and the Transfer Agent initially appointed by the Company and their respective specified offices are listed below. The Agents act solely as agents of the Company and do not assume any obligation or relationship of agency or trust for or with any Securityholder. The Company reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent, the Calculation Agent or any of the other Agents and to appoint additional or other Agents, *provided* that the Company shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent, (iv) a Calculation Agent and (v) such other agents as may be required by any stock exchange on which the Securities may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Company to the Securityholders in accordance with Condition 15.

(e) Delay in Payment

Securityholders will not be entitled to any Distribution or other payment for any delay after the due date in receiving the amount due on a Security if the due date is not a Payment Business Day or is not a day on which the bank where a registered account is maintained is open for receipt of such transfers, or if the Securityholder is late in surrendering its Certificate (if required to do so) or if a transfer made in accordance with Condition 7(a)(ii) reaches the registered account of the Securityholder after the due date for payment.

(f) Non-Payment Business Days

If any date for payment in respect of any Security is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any Distribution or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in Hong Kong and New York City and the place in which the specified office of the relevant Paying Agent is located.

8 TAXATION

All payments of principal, premium (if any) and Distribution by or on behalf of the Company in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC, the Cayman Islands or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by or within the PRC up to, and including, the aggregate rate applicable on 27 November 2019 (the "**Applicable Rate**"), the Company will increase the amounts paid by it to the extent required, so that the net amount received by Securityholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Company is required to make any deduction or withholding by or within the Cayman Islands, or is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Company shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Security:

(i) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with the PRC, the Cayman Islands other than the mere holding of the Security;

(ii) **Presentation more than 30 days after the Relevant Date**: in respect of which the Certificate evidencing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting the Certificate evidencing such Security for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day); or

(iii) **Tax declaration**: to a Securityholder (or to a third party on behalf of a Securityholder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such Securityholder fails to do so within any applicable period prescribed by such relevant tax authority.

References in these Conditions to principal, premium (if any) and Distribution shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

"**Relevant Date**" in respect of any Security means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Securityholders that, upon further surrender of the Certificate evidencing such Security being made in accordance with these Conditions, such payment will be made, *provided* that payment is in fact made upon such surrender.

If the Company becomes subject at any time to any taxing jurisdiction other than the PRC, references in Condition 6(c) and this Condition 8 to the PRC shall be construed as references to the PRC and/or such other jurisdiction (as the case may be).

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Company or the Securityholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Securities in connection with payment of such tax, duty, charges, withholding or other payment.

9 NON-PAYMENT

(a) Non-payment when due

Notwithstanding any of the provisions below in this Condition 9, the right of the Trustee or Securityholder to institute proceedings for Winding-Up of the Company is limited to circumstances where payment in respect of the Securities has become due. In the case of any Distribution, such Distribution will not be due if the Company has elected to defer that Distribution in accordance with Condition 5(d).

(b) Proceedings for Winding-Up

If there is a Winding-Up of the Company, or if the Company shall not make payment in respect of the Securities or under the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Company shall be deemed to be in default under the Trust Deed and the Securities, and the Trustee may, subject to the provisions of Condition 9(d), institute proceedings for the Winding-Up of the Company and/or prove in the Winding-Up of the Company and/or claim in the liquidation of the Company for such payment.

(c) Enforcement

Without prejudice to Condition 9(b) but subject to the provisions of Condition 9(d), the Trustee may, at its discretion and without notice to the Company, institute such proceedings against the Company as it thinks fit to enforce any term or condition binding on the Company under the Trust Deed or the Securities (other than any payment obligation of the Company under or arising from the Securities or the Trust Deed including, without limitation, payment of any principal, premium (if any) or Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Company, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. No Securityholder may proceed directly against the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

(d) Entitlement of Trustee

The Trustee shall not and shall not be obliged to take any of the actions referred to in Condition 9(b) or Condition 9(c) above against the Company to enforce the terms of the Trust Deed or the Securities unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the Securityholders of at least 25 per cent. in aggregate principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) Right of Securityholders

No Securityholder shall be entitled to proceed directly against the Company or to institute proceedings for the Winding-Up of the Company or claim in the liquidation of the Company or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or to prove in such Winding-Up or to claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Company as those which the Trustee is entitled to exercise as set out in this Condition 9.

(f) Extent of Securityholders' remedy

No remedy against the Company, other than as referred to in this Condition 9, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Company of any of its obligations under or in respect of the Securities or the Trust Deed.

10 PRESCRIPTION

Claims against the Company for payment in respect of the Securities shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of Distribution (including any Arrears of Distribution and any Additional Distribution Amount)) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Company, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF HOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of the Securityholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Trustee or the Company and shall be convened by the Trustee upon request in writing from Securityholders holding not less than 10 per cent. in aggregate principal amount of the Securities for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Securityholders whatever the principal amount of the Securities held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (each, a "**Reserved Matter**"), including consideration of proposals, *inter alia*, (i) to modify the circumstances in which the Securities may be redeemed or the circumstances in which Distributions (including any Arrears of Distribution or Additional Distribution Amounts) are payable in respect of the Securities, (ii) to reduce or cancel the principal amount of, or Distributions (including any Arrears of Distribution or Additional Distribution Amounts) on or to vary the method of calculating the Distribution Rate or to reduce the Distribution Rate on, the Securities (other than as provided under these Conditions), (iii) to change the currency of payment of the Securities or (iv) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any such meeting adjourned for lack of quorum not less than 25 per cent., in aggregate principal amount of the Securities then outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders, whether or not they were present at the meeting at which such resolution was passed or whether they voted contrary to the majority.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Securities outstanding (a "**Written Resolution**") or a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Securityholders of not less than 90 per cent. in aggregate principal amount of the Securities for the time being outstanding (an "**Electronic Consent**") shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more

Securityholders. A Written Resolution and/or Electronic Consent will be binding on all Securityholders whether or not they participated in the way of such Written Resolution and/or Electronic Consent, as the case may be.

(b) Modification, Waiver and Authorisation

The Trustee may, but shall not be obliged to, agree, without the consent of the Securityholders, to any modification (other than any modification relating to a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed and/or the Agency Agreement which in its opinion is not materially prejudicial to the interests of the Securityholders, or may agree, without any such consent as aforesaid, to any modification thereof which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable law. Any such modification, waiver or authorisation shall be binding on the holders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified by the Company to the Securityholders in accordance with Condition 15 as soon as practicable thereafter.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Securityholders as a class and shall not have regard to the consequences of such exercise for individual Securityholders and the Trustee shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Company (save as provided in Condition 8) or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders.

(d) Substitution and Variation

If a Special Event has occurred and is continuing, then the Company may, subject to Condition 5 (*Distribution*) (without any requirement for the consent or approval of the Securityholders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to in this Condition 12(d) that the provisions of this Condition 12(d) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Securityholders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 12(d) and subject to the receipt by it of the certificate of one Authorised Signatory) agree to such substitution or variation.

Upon expiry of such notice period, the Company shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 12(d).

The Trustee shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction, use all commercially reasonable endeavours to assist the Company in the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as appropriate, become, Qualifying Securities, *provided that* the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, obligations upon it which are more onerous than the obligations set out in the Trust Deed.

In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) shall be satisfied in full in accordance with the provisions of Condition 5(D)(vi) (*Satisfaction of Arrears of Distribution by payment*).

In connection with any substitution or variation in accordance with this Condition 12(d), the Company shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions of this Condition 12(d) shall not be permitted if any such substitution or variation would (i) directly give rise to a further Special Event or (ii) result in the same Special Event continuing to subsist with respect to the Securities or the Qualifying Securities.

13 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for any liabilities incurred by it in priority to the claims of Securityholders. The Trustee is entitled to enter into business transactions with the Company and/or any entity related to the Company (including any of their affiliates) without accounting for any profit.

The Trustee and the Agents shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions, or ascertain whether a Step-Up Event has occurred, and shall not be liable to the holders or any other person for not doing so. Each Securityholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Company, and the Trustee shall not at any time have any responsibility for the same and each Securityholder shall not rely on the Trustee in respect thereof.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from any such action, making any such decision, or giving any such direction, to seek directions from the Securityholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Company, the Securityholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction where the Trustee is seeking such directions from Securityholders or in the event that no such directions are received by the Trustee.

None of the Trustee or any of the Agents shall be responsible for the performance by the Company and any other person appointed by the Company in relation to the Securities of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Company to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any Agent shall be liable to any Securityholder, the Company or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Securityholders or the Company, respectively. The Trustee shall be entitled to rely on any direction, request or resolution of

Securityholders given by Securityholders holding the requisite principal amount of Securities outstanding or passed at a meeting of Securityholders convened and held in accordance with the Trust Deed as further provided in the Trust Deed.

The Trustee may rely without liability to Securityholders on any report, confirmation or certificate or any opinion or advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice and, in such event, such report, confirmation, certificate, opinion or advice shall be binding on the Company and the Securityholders.

14 FURTHER ISSUES

The Company may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects save for the first payment of Distribution on them and the deadlines for making and completing the NDRC Post-issue Filing and the notification of the completion of the NDRC Post-issue Filing) and so that the same shall be consolidated and form a single series with the outstanding Securities. Any further securities shall be constituted by a deed supplemental to the Trust Deed.

15 NOTICES

All notices to the holders will be valid if mailed to them by uninsured mail at their respective addresses in the Register. The Company shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any notice shall be deemed to have been given on the second day after being mailed or, as the case may be, on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Securities are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or an Alternative Clearing System, notices to the holders of the Securities shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or an Alternative Clearing System, as applicable, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions.

16 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Securities and the Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any rights or remedies which exist or are available apart from such Act.

17 GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Agency Agreement and the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Securities, the Trust Deed and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Securities, the Trust Deed and the Agency Agreement ("**Proceedings**") may be brought in such courts. The Company has, in the Trust Deed, irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Agent for Service of Process

If for any reason the Company no longer maintains a place of business in Hong Kong to receive service of process in any Proceedings in Hong Kong, the Company shall forthwith appoint an agent in Hong Kong to accept service of process on behalf of the Company and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days. Nothing shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

The Company has waived any right to claim sovereign, crown, state or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

18 DEFINITIONS

In these Conditions,

"**Additional Distribution Amount**" has the meaning ascribed to it in Condition 5(d)(iv);

"**Additional Tax Amounts**" has the meaning ascribed to it in Condition 8;

"**Affiliate**" means, with respect to any person, any other person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such person; (2) who is a director or officer of such person or any Subsidiary of such person or of any person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise;

"**Arrears of Distribution**" has the meaning ascribed to it in Condition 5(d)(iv);

"**Audited Financial Reports**" means, for a Relevant Period, the annual audited consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statements of changes in owners' equity of the Company together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Authorised Signatory**" means any director or any other officer of the Company who has been duly authorised by the Board of Directors to sign any certificate or document required in connection with the offering of the Securities on behalf of, and so as to bind, the Company and which the Company has notified in writing to the Trustee and the Agents as provided in accordance with the Agency Agreement;

"**Board of Directors**" means the board of directors elected or appointed by the directors or shareholders of the Company to manage the business of the Company or any committee of such board duly authorised to take the action purported to be taken by such committee;

"**Breach of Covenants Event**" means a non-compliance and/or non-performance by the Company of any one or more of its obligations and covenants set out in Condition 4 or Condition 5(d)(v);

"**business day**" means, in respect of Condition 3(c), a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be);

"**Calculation Agent**" means an independent bank of international repute acting as a calculation agent as selected by the Company (at the expense of the Company) and notified in writing to the Trustee;

"**Call Date**" has the meaning ascribed to it in Condition 6(b);

"**Certificate**" has the meaning ascribed to it in Condition 1;

"**Change of Control**" means the occurrence of one or more of the following events:

(i) the merger, amalgamation or consolidation of the Company with or into another person (other than one or more Permitted Holders) or the merger or amalgamation of another person (other than one or more Permitted Holders) with or into the Company, or the direct or indirect sale of all or substantially all of the consolidated assets of the Company to another person (other than one or more Permitted Holders);

(ii) the Permitted Holders are the beneficial owners (as such term is used in Rule 13d.3 of the United States Securities Exchange Act of 1934, as amended) of less than 30 per cent. of the total voting power of the Voting Stock of the Company;

(iii) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the United States Securities Exchange Act of 1934, as amended) is or becomes the "beneficial owner" (as defined above), directly or indirectly, of the total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders; or

(iv) the first day on which a majority of the members of the Board of Directors are not Continuing Directors.

"**Company Equity Disqualification Event**" has the meaning ascribed to it in Condition 6(e);

"**Company Relevant Accounting Standards**" has the meaning ascribed to it in Condition 6(e);

"**Comparable Treasury Issue**" means the US Treasury security selected by the Calculation Agent as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years;

"**Comparable Treasury Price**" means, with respect to a Reset Date, the average of three Reference Treasury Dealer Quotations for such Reset Date;

"**Compliance Certificate**" means a certificate in English issued by the Company signed by at least one Authorised Signatory, confirming that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company, as at a date not more than five days before the date of the certificate, (i) the Company has complied with all of its obligations under the Trust Deed and the Securities or, if non-compliance has occurred, giving details of it and (ii) no Enforcement Event or Potential Enforcement Event has occurred or, if such event has occurred, giving details of it;

"**Compulsory Distribution Payment Event**" means circumstances in which during the six-month period ending on the day before the relevant scheduled Distribution Payment Date either or both of the following have occurred:

(i) the Company has declared or paid any discretionary dividends or distributions or made any other discretionary payment, or has procured that such discretionary dividend, distribution or other discretionary payment is made, on any Parity Securities or Junior Securities of the Company, except (x) in relation to Parity Securities of the Company on a *pro rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Company;

(ii) the Company has at its discretion redeemed, reduced, cancelled, bought-back or otherwise acquired for any consideration any Parity Securities or Junior Securities of the Company prior to its stated maturity, except (x) in relation to Parity Securities of the Company on a *pro rata* basis, or (y) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Company or (z) as a result of the exchange or conversion of its Parity Securities for its Junior Securities;

"**Continuing Directors**" means, as of any date of determination, any member of the Board of Directors who: (1) was a member of the Board of Directors on the Issue Date or (2) was nominated for election or elected to the Board of Directors with the approval of a majority of the Continuing Directors who were members of the Board of Directors at the time of such nomination or election;

"**Distribution**" has the meaning ascribed to it in Condition 5(a);

"**Distribution Payment Date**" has the meaning ascribed to it in Condition 5(a);

"**Distribution Rate**" has the meaning ascribed to it in Condition 5(b);

"**Exchangeable Debt**" means any indebtedness incurred outside the PRC which is in the form of or represented or evidenced by, bonds, notes, or other securities, and the terms of such indebtedness provide that the holders of such indebtedness shall have the right to exchange such indebtedness for shares of a company;

"**Equity Disqualification Event**" has the meaning ascribed to it in Condition 6(e);

"**First Call Date**" has the meaning ascribed to it in Condition 5(b)(i);

"**Gross-Up Event**" has the meaning ascribed to it in Condition 6(c);

"**HKFRS**" means the Hong Kong Financial Reporting Standards as in effect from time to time issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of applicable laws, statutes and ordinances;

"**Indebtedness for Borrowed Money**" means any indebtedness for borrowed money (whether being principal, premium, Distribution or other amounts and includes any notes, bonds, debentures, debenture stock, loan stock or other securities);

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected by the Company and notified in writing to the Trustee;

"**Initial Distribution Rate**" means 4.0 per cent. per annum;

"**Junior Securities**" means (i) any class of the Company's share capital (including preference shares); (ii) any instrument or security entered into or issued by the Company which ranks or is expressed to rank junior to the Company's obligations under the Securities; and (iii) any instrument or security guaranteed by the Company or for which the Company has otherwise assumed liability where the Company's obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank junior to the Company's obligations under the Securities;

"**Maximum Distribution Rate**" means (i) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, the First Call Date, the Initial Distribution Rate plus 3.00 per cent. per annum; and (ii) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate plus 3.00 per cent. per annum.

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**Optional Deferral Event**" has the meaning ascribed to it in Condition 5(d)(i);

"**Optional Deferral Notice**" has the meaning ascribed to it in Condition 5(d)(i);

"**Parity Securities**" means any instrument or security issued, entered into or guaranteed by the Company, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* to the Securities;

"**Qualifying Securities**" means securities that have terms not materially less favourable to an investor than the terms of the Securities (as determined by the Trustee in its discretion, and *provided that* certifications to such effect (and confirming that the conditions set out in (1), (2) and (3) below of this definition have been satisfied) of (a) an Authorised Signatory and (b) an Independent Investment Bank, shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities upon which certificates the Trustee shall rely absolutely (without further investigation or enquiry), *provided that* (1) they are issued by the Company or any wholly-owned direct or indirect finance Subsidiary of the Company and unconditionally and irrevocably guaranteed by the Company; and (2) they shall rank *pari passu* on a Winding-Up with the Securities and shall contain terms which provide for the same Distribution Rate from time to time applying to the Securities and otherwise have substantially identical terms (as determined by the Trustee in its discretion) to the Securities, save for the modifications or amendments to such terms that are specifically required to be made in order to avoid the occurrence of a Gross-Up Event or, as the case may be, an Equity Disqualification Event; and (3) are listed on the Official List of the main board of either the Singapore Stock Exchange or the Hong Kong Stock Exchange or such other stock exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets;

"**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London, New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to or through an account maintained with a bank in New York City in US dollars, the place on which foreign exchange transactions may be carried on in US dollars in the principal financial centre of the country of such currency;

"**Permitted Holders**" means any or all of the following:

(i) Mr. Li Shu Fu, the spouse and children of Mr. Li Shu Fu, and any trust set up by any person listed in this clause (i);

(i) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of, or any person acting in concert with, the persons specified in clause (i); and

(ii) any person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80.0 per cent. or more by one or more of the persons specified in clauses (i) and (ii).

"**person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**PRC**" means the People's Republic of China, which shall for the purpose of these Conditions only, exclude the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**PRC GAAP**" means the generally accepted accounting principles in the PRC as in effect from time to time;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing;

"**Proceedings**" has the meaning ascribed to it in Condition 17(b);

"**Rating Agency**" means (i) S&P Global Ratings, a division of S&P Global, Inc. ("**S&P**"); (ii) Moody's Investors Service, Inc. and its successors ("**Moody's**"); (iii) Fitch Ratings Limited and its successors ("**Fitch**"); and (iv) if one or more of S&P, Moody's or Fitch shall not make a rating of the Securities publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

“**Reference Treasury Dealer**” means each of the three nationally recognised investment banking firms selected by the Company that are primary U.S. Government securities dealers;

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any Reset Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of the principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such Reset Date;

“**Register**” has the meaning ascribed to it in Condition 3(a);

“**registered account**” has the meaning ascribed to it in Condition 7(a)(ii);

“**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing, the PRC;

“**Relevant Date**” has the meaning ascribed to it in Condition 8;

“**Relevant Indebtedness**” means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market but excluding any Exchangeable Debt. For the avoidance of doubt, Relevant Indebtedness shall not include any indebtedness under any bilateral bank loan or syndicated bank loan (including any drawing down of any existing credit line or facility of the Company or any of its Subsidiaries);

“**Relevant Period**” means (i) in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Company’s financial year (being 31 December of that financial year); and (ii) in relation to the Unaudited Financial Statements, each period of six months ending on the last day of the Company’s first half of the financial year (being 30 June of that financial year);

“**Relevant Indebtedness Default Event**” means the occurrence of one or more of the following events: (i) any other present or future Indebtedness for Borrowed Money of the Company or any of its Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any Indebtedness for Borrowed Money is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) any security given by the Company for any Indebtedness for Borrowed Money becomes enforceable, or (iv) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness for Borrowed Money (as extended by any originally applicable grace period); *provided* that the aggregate amount of the relevant Indebtedness for Borrowed Money, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred in aggregate equals or exceeds U.S.$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this provision operates);

“**Relevant Reset Distribution Rate**” means a rate of distribution expressed as a percentage per annum equal to the sum of (a) the initial spread of 2,449 per cent., (b) the Treasury Rate and (c) a margin of 3.00 per cent. per annum;

"**Reset Date**" means the First Call Date and each day falling every five calendar years after the First Call Date;

"**Reset Distribution Period**" means the period beginning on and including the First Call Date and ending on but excluding the following Reset Date, and each successive period beginning on and including a Reset Date and ending on but excluding the next succeeding Reset Date;

"**Securityholder**" has the meaning ascribed to it in Condition 1(b);

"**Special Event**" means a Gross-Up Event, an Equity Disqualification Event or any combination of the foregoing;

"**Step-Up Event**" mean a Change of Control, a Breach of Covenant Event, a Relevant Indebtedness Default Event or any combination of the foregoing;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Subsidiary**" means, with respect to any person, (i) any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person; or (ii) any corporation, association or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; *provided* that the joint venture company established by the Company and BNP Paribas Personal Finance pursuant to an equity joint venture contract dated 16 December 2013 (as may be amended or supplemented from time to time) and its Subsidiaries shall be deemed not a Subsidiary of the Company;

"**Treasury Rate**" means the rate notified by the Calculation Agent to the Company, the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 15 in per cent. per annum equal to the yield, under the heading that represents the average for the week immediately prior to two business days prior to each Reset Date for calculating the Relevant Reset Distribution Rate under Condition 5(b)(ii), appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury Securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date referred to above in this definition (as applicable) or does not contain such yields, "Treasury Rate" means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Reset Date under Condition 5(b);

"**Unaudited Financial Statements**" means, for a Relevant Period, the semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statements of changes in owners' equity of the Company together with any statements, reports and notes (if any) attached to or intended to be read with any of them, if any;

"**Voting Stock**" means, with respect to any person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person;

"**Winding-Up**" means a final and effective court order or effective resolution for the winding-up, liquidation, receivership or similar proceedings in respect of the Company;

"**Zhejiang Geely Equity Disqualification Event**" has the meaning ascribed to it in Condition 6(e); and

"**Zhejiang Geely Relevant Accounting Standards**" has the meaning ascribed to it in Condition 6(e).

The Global Certificate contains provisions which apply to the Securities while they are in global form, some of which modify the effect of the Terms and Conditions of the Securities set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions of the Securities set out in this Offering Circular have the same meaning in the paragraphs below.

The Securities will be initially evidenced by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Company, for value received, promises to pay the amount payable upon redemption under the Conditions in respect of the Securities represented by the Global Certificate and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of such Securities to the Securityholder in such circumstances as the same may become payable in accordance with the Conditions.

Owners of interests in the Securities in respect of which the Global Certificate is issued will be entitled to have title to the Securities registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Securities scheduled thereto and, in particular, shall be effected without charge to any holder of the Securities or the Trustee, but against such indemnity and/or bond and/or pre-funding as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Company will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Securities. A person with an interest in the Securities in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Company and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Conditions as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

PAYMENT

So long as the Securities are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Securities in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means Monday to Friday, inclusive except 1 January and 25 December.

NOTICES

So long as the Securities are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Securities shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Securities in substitution for notification as required by the Conditions.

MEETINGS

For the purposes of any meeting of Securityholders, the holder of the Securities evidenced by this Global Certificate shall (unless the Global Certificate represents only one Security) be treated as two persons for the purposes of any quorum requirements of a meeting of Securityholders and as being entitled to one vote in respect of each US$1,000 in principal amount of Securities for which the Global Certificate is issued.

TRANSFERS

Transfers of interests in the Securities will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

Cancellation of any Security by the Company following its redemption or purchase by the Company or its Subsidiaries will be effected by a reduction in the principal amount of the Securities in the Register.

TRUSTEE'S POWERS

In considering the interests of Securityholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Securities and (b) consider such interests on the basis that such accountholders were the holders of the Securities in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be US$498.2 million, which we plan to use for business development and general corporate purposes.

CAPITALISATION

The following table sets forth our indebtedness and capitalisation as of 30 June 2019 on an actual basis and on an adjusted basis after giving effect to the issuance of the Securities in this offering before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with our consolidated financial information and related notes included in this offering circular.

	As of 30 June 2019			
	Actual		As adjusted	
	(RMB in millions)	(US$ in millions)	(RMB in millions)	(US$ in millions)
Bank balances and cash[1]	13,996.2	2,038.8	17,416.4	2,537.0
Current borrowings:				
Bank borrowings[2]	1,373.1	200.0	1,373.1	200.0
Non-current borrowings[3]:				
The 2023 Bonds	2,046.3	298.1	2,046.3	298.1
Equity:				
Equity attributable to equity holders of the Company	46,536.3	6,778.8	46,536.3	6,778.8
Non-controlling Interests	452.0	65.8	452.0	65.8
Securities to be issued[4]	–	–	3,420.2	498.2
Total equity[5]	46,988.3	6,844.6	50,408.5	7,342.8
Total capitalisation[6]	49,034.6	7,142.7	52,454.8	7,640.9

Notes:

(1) Our bank balances and cash excludes pledged bank deposits of RMB27.7 million (US$4.0 million).

(2) We have fully repaid the bank borrowings on 31 July 2019.

(3) Our non-current borrowings do not include any accrual for capital expenditure commitments or contingent liabilities. As of 30 June 2019, our capital expenditure commitments were RMB5,077.0 million (US$739.5 million). On 2 July 2019, we have entered into a facility agreement for a term loan in the aggregate principal amount of US$300.0 million. See "Description of Other Material Indebtedness — Offshore Facility Agreement — CITI Facility" for more details. As of the date of this offering circular, we have fully drawn down the loans pursuant to the agreements. These additional borrowings or guarantees are not reflected in the table above.

(4) In accordance with HKFRS, the Securities should be recorded at their fair value net of transaction costs incurred upon initial recognition, which may be substantially different from the aggregate principal amount of the Securities. For illustrative purposes only, the Securities have been recorded at their aggregate principal amount, before deducting the underwriting fees, commissions and other estimated expenses payable in connection with this offering, in the "Adjusted" column of the table above.

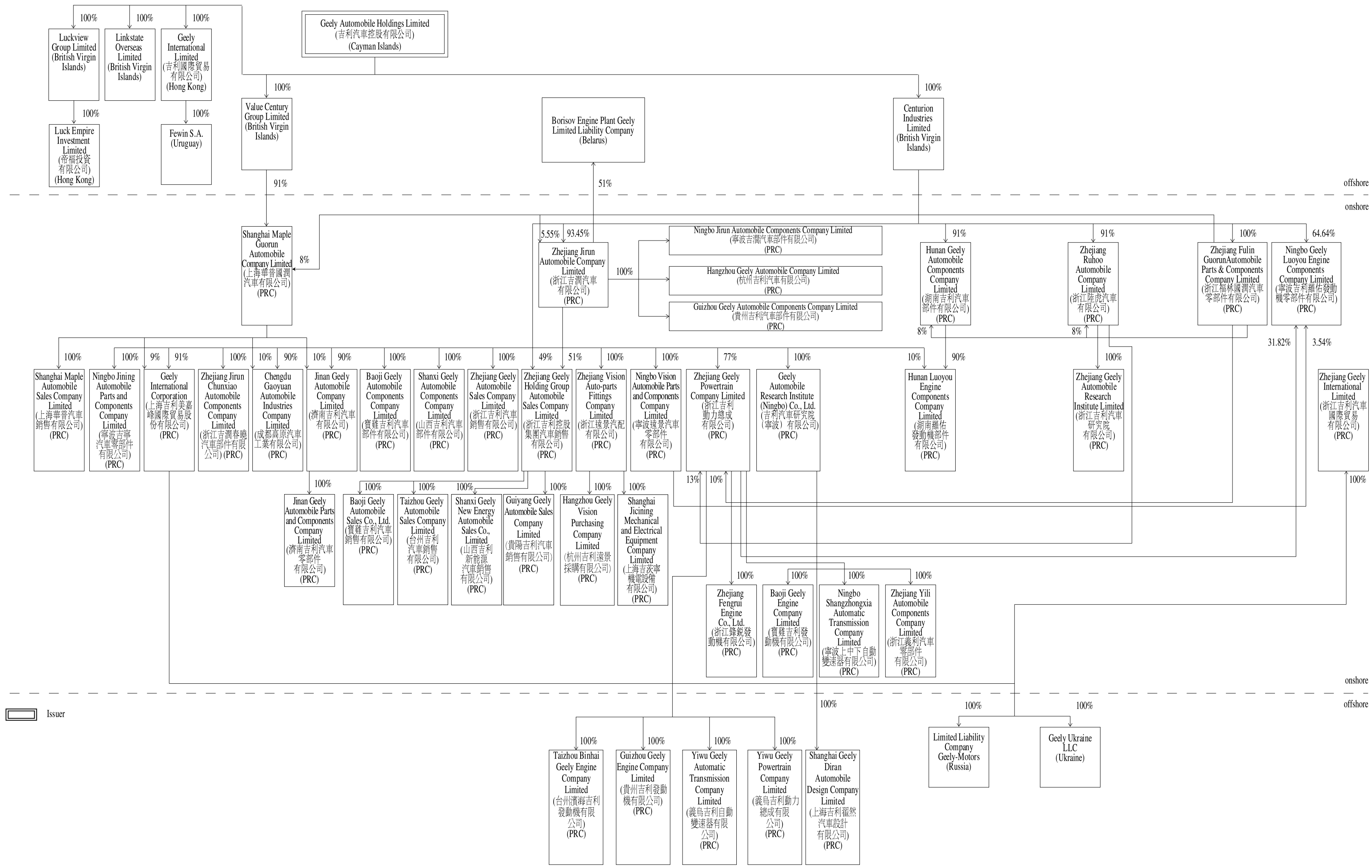
(5) Total equity equals equity attributable to owners of the Company plus non-controlling interest.

(6) Total capitalisation includes total non-current borrowings plus total equity.

Except as otherwise disclosed in this offering circular, there has been no material adverse change in our indebtedness or capitalisation since 30 June 2019.

CORPORATE STRUCTURE

The following chart sets forth our corporate structure as of the date of this offering circular:



OVERVIEW

We are one of the leading indigenous automobile companies in China, focusing on sales of passenger vehicles and manufacturing and sales of automobile parts and components. According to the market data published by CAAM, the Group's market share in China's passenger vehicle market increased from 5.0% in 2017 to 6.2% in 2018, ranked third in China's top passenger vehicle brands and 5th amongst the top ten passenger vehicle manufacturers in China. According to the market data published by CAAM, our market share in China's retail passenger vehicle market increased from 6.3% for the first half of 2018 to 6.5% for the first half of 2019, ranked 1st among all indigenous passenger vehicle brands in China by sales volume and 4th among all passenger vehicle brands in China, according to the market data published by CAAM. We have been one of the "China's Top 500 Companies (中國企業500強)" for ten consecutive years since 2010 according to Fortune China (財富) and were ranked no. 85 in 2019. Through approximately 33 years' operating history, we have established our reputation as a leading indigenous passenger vehicle company in China. We endeavour to offer safe, environmentally friendly and fuel-efficient passenger vehicles in both the domestic and overseas markets. As of 30 June 2019, we offered a total of 17 major sedan, SUV and MPV models. In 2016, 2017, 2018 and the six months ended 30 June 2019, we sold approximately 765,970, 1,247,116, 1,500,838 and 651,680 units of passenger vehicles, respectively. As of 11 October 2019, we had a market capitalization of HK$125.5 billion (US$16.0 billion).

Historically, we sold our products under three product brands, namely, Emgrand, GLEagle and Englon, through 4S dealer shops and franchisee stores in China. Since the second quarter of 2014, we have commenced a major restructuring of our distribution network in China by integrating our three existing product brands into a unified brand, Geely, and adopting a new marketing strategy by consolidating our existing distribution network and streamlining dealers and franchisees of the three product brands in China. Over the past few years, we further strengthened our sales and marketing system by launching the "Lynk&Co" brand (through distribution channel under the Lynk&Co JV) and the "Geometry" (through an independent distribution channel). "Geely" brand is still our mainstream mass market brand, "Geometry" brand is our new pure electric brand, whereas "Lynk&Co" is a joint-venture brand between us and Volvo Car, targeting the global premium market. As of 30 June 2019, our domestic distribution network (excluding any shop/store set up with joint ventures) comprised a total of 980 dealer shops, including 118 Geometry dealer shops and 263 Lynk&Co dealer shops, spanning over 370 cities and 23 provinces, autonomous regions and central government-administered municipalities in China. A small portion of our sales are to overseas markets, including developing countries in Asia, the Middle East, Eastern Europe and other countries.

Currently we own a 99% equity interest in 14 domestic manufacturing plants located in Zhejiang, Hunan, Shaanxi, Shanxi, Shandong, Guizhou and Sichuan provinces and a 100% equity interest in one domestic manufacturing plant located in Zhejiang province with a total designed annual production capacity of approximately 1.7 million units per two shifts on an annualised basis as of 30 June 2019. In the overseas market we aim to set up assembly plants in the local markets and work with local OEM partners to improve manufacturing efficiency and enhance profitability.

We have been continuously expanding our product offering to meet customers' evolving needs and preferences. We plan to leverage several platforms to develop new vehicle models, primarily including the FE platform, the KC platform and the CMA platform. In 2013, we set up a research and development center in Gothenburg, Sweden with Volvo Car, to jointly develop CMA. By the end of 2018, we have jointly developed several modular platforms, including BMA, CMA, DMA and PMA. In addition, we also independently developed AMA modules for new energy vehicles. We also seek cooperating opportunities with international players to develop and introduce more new products, such as electric vehicles. We are committed to developing and manufacturing products with safety and comfort. Most of the models we offered have received high scores in safety tests by the domestic and internationally authoritative vehicle safety testing programmes, including the C-NCAP and the Euro NCAP.

We have received strong support from Geely Holding, our Parent Company. We have benefited greatly from Geely Holding's assets injection, research and development support as well as intellectual property rights authorisation and guidance in various aspects of our operations. Since 2007, Geely Holding's subsidiaries have also been assembling CBUs for us, as certain of Geely Holding's subsidiaries are listed in the Public Notice of Automobile Vehicle Manufacturers and Products (車輛生產企業及產品公告) issued by MIIT while we are not. The inclusion on this public notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling CBUs. Pursuant to the arrangement with Geely Holding, we agree to sell CKD kits and vehicle tool kits to and purchase CBUs, automobile parts and components from the Parent Group Companies. We believe the strong support from Geely Holding enables us to enhance our production as well as research and development capabilities and corporate management.

In 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019, we recorded turnover of RMB53,721.6 million, RMB92,760.7 million, RMB106,595.1 million (US$15,527.3 million), RMB53,708.6 million and RMB47,558.6 million (US$6,927.7 million), respectively; and recorded net profit of RMB5,170.2 million, RMB10,735.4 million, RMB12,674.4 million (US$1,846.2 million), RMB6,735.9 million and RMB4,047.0 million (US$589.5 million), respectively, for the same periods.

RECENT DEVELOPMENTS

Proposed Volvo Car and Geely Holding Operations Merger

On 8 October 2019, we were advised by Geely Holding, a company in which Mr. Li Shu Fu, one of our executive directors and the controlling shareholders of the Company, owns a 91.08% interest, that Geely Holding and Volvo Car intend to merge their existing combustion engine operations into a stand-alone business. This merger is intended to establish a new global supplier that will seek to develop the next-generation combustion engines and hybrid powertrains. Geely Holding is our connected person but we are not a party to this transaction and are not partnering with either Geely Holding or Volvo Car in relation to the transaction.

GEP3 Licensing Agreement with Geely Holding

On 26 November 2019, we entered into the GEP3 licensing agreement with Geely Holding. Pursuant to the agreement, we agreed to license to Geely Holding Group certain intellectual properties, including, among other things, patents, inventions, designs and copyrights, associated with the GEP3 engine for the design, development, manufacture, sale, marketing and distribution of the GEP3 engine and related parts and components for a period of 20 years from the date of this agreement. The total license fee for us is approximately RMB300 million, which will be settled by Geely Holding in five equal annual installments over the course of five years.

Disposal Agreement with Geely Industry

On 26 November 2019, two of our subsidiaries, Jirun Automobile and Shanghai Maple entered into the an agreement with Geely Industry. Pursuant to the agreement, Jirun Automobile conditionally agreed to sell 90% of the registered capital of JN Target, and (ii) Shanghai Maple conditionally agreed to sell 10% of the registered capital of the JN Target; and (iii) Geely Industry conditionally agreed to acquire the entire registered capital of the JN Target for a cash consideration of approximately RMB507.1 million. Upon completion of the transaction, JN Target and its subsidiary will become wholly owned subsidiary of Geely Industry. Geely Industry will pay the total consideration for the acquisition within three months from the completion of the transaction.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success, distinguished us from our competitors and positioned us favourably to take advantage of future growth opportunities;

Leading Indigenous Automobile Brand in China

We are one of the leading indigenous automobile companies in China, focusing on sales of passenger vehicles and manufacturing and sales of automobile parts and components. According to the market data published by CAAM, the Group's market share in China's passenger vehicle market increased from 5.0% in 2017 to 6.2% in 2018, ranked third among all passenger vehicle brands and first among all indigenous PV brands and third among all PV brands in China. In 2016, 2017, 2018 and the six months ended 30 June 2019, we sold approximately 765,970, 1,247,116, 1,500,838 and 651,680 units of passenger vehicles, respectively.

We have been a "China's Top 500 Companies (中國企業500強)" for ten consecutive years since 2010 according to *Fortune China (財富)*. Our history dates back to the late 1990s, when Mr. Li Shu Fu, our founder and chairman, started the business of manufacturing and marketing automobiles. With extensive experience in the automobile manufacturing industry, we have established our reputation as a leading indigenous passenger vehicle company in China striving to offer safe, environmental-friendly and fuel-efficient passenger vehicles in both the domestic and overseas markets. In 2011, our EC7 model received a five-star rating and scored 46.8 points in the crash safety test by the C-NCAP, the domestic authoritative vehicle safety testing programme. In the same year, the EC7 model received a four-star rating in the crash safety test by the Euro NCAP, the European authoritative vehicle safety testing programme, which makes EC7 the first model among the Chinese indigenous passenger vehicle brands to obtain a four-star rating with the Euro NCAP. In addition, in 2012, our SUV GX7 model, received a five-star rating and scored 50.3 points in the crash safety test by the C-NCAP. The safety test score was ranked high in the SUV class among the Chinese indigenous passenger vehicle brands. In 2015, our Geely GC9 model received a five-star rating with a score of 55.8 points in the C-NCAP safety test. In the same year, our GX9 received a five-star rating with a score of 55.2 points in the C-NCAP safety test. In 2016, our Geely Boyue model received a five-star rating with a score of 58.2 points in the C-NCAP safety test. In 2018, our Lynk&Co 01 model received a score of 60.1 in the C-NCAP safety test. In the same year, our Emgrand GL received a four-star rating with a scoring rate of 77% in the C-NCAP safety test. In 2019, our Lynk&Co 02 received a five-star rating with a scoring rate of 95%, the highest in the C-NCAP safety test.

As an indigenous passenger vehicle brand, we receive strong support from the PRC government. The PRC government adopted policies, for example, the 13th Five-Year Plan, to encourage indigenous brand development and innovation and we are well positioned to benefit from such policies. In a draft catalogue of car models for government procurement released in March 2012, it included only indigenous car models, which further illustrates the PRC government's support for indigenous automobile brands. At the 19th National Congress of the Communist Party of China, the final report emphasised the continued commitments to support the development of real economy, including the automobile industry. In addition, under the framework of the "Belt and Road" initiative, the PRC government provides policies and directions that will help Chinese automobile manufacturers to further develop and expand their global presence in the overseas markets and build

Chinese car brands with international competitiveness. In 2016, 2017, 2018 and the six months ended 30 June 2019, we recognised government subsidies of RMB802.3 million, RMB905.3 million, RMB992.9 million (US$144.6 million) and RMB499.6 million (US$72.8 million), respectively.

Strong Support from Geely Holding and Technical Collaboration with Volvo Car

Geely Holding, our Parent Company, who holds 44.11% of our equity interests as of 30 June 2019, has been a Fortune Global 500 company for eight consecutive years since 2012. Geely Holding has provided us with strong support, which we believe enables us to enhance our production, research and development capabilities and corporate management.

We have benefited greatly from the assets injection, research and development support from Geely Holding and its affiliates as well as intellectual property rights authorisation and guidance in various aspects of our operations. Since 2003, Geely Holding has gradually transferred an aggregate of 99% interest in its manufacturing facilities to us, through which we own fourteen domestic manufacturing plants located in Zhejiang, Hunan, Shaanxi, Shanxi, Shandongz, Guizhou and Sichuan provinces and a 100% interest in its manufacturing facility to us, through which we own one domestic manufacturing plant located in Zhejiang province with a total designed annual production capacity of approximately 1.7 million units per two shifts on an annualised basis as of 30 June 2019. Since 2007, Geely Holding's subsidiaries have also been assembling CBUs for us, as certain subsidiaries of Geely Holding are listed in the Public Notice of Automobile Vehicle Manufacturers and Products (車輛生產企業及產品公告) issued by MIIT while we are not. The inclusion on this public notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling CBUs. Pursuant to the arrangement with Geely Holding, we agree to sell CKD kits and vehicle tool kits to and purchase CBUs, automobile parts and components from the Parent Group Companies. Geely Holding has also provided us with valuable technical guidance and strong research and development support. In May 2013, Geely Holding established CEVT, a company engaged in research and development in Gothenburg, Sweden. CEVT has developed the CMA platform. We intend to develop sedan and SUV models on this CMA platform with Geely Holding's research and development support. In addition, Geely Holding has authorised us to use some of its patents and trademarks when developing and selling our automobile products. Geely Holding has also provided us with valuable management guidance, including planing and establishing our quality control system and supervising the operation of our quality control system.

In 2010, Geely Holding completed the acquisition of Volvo Car. Geely Holding entered into agreements to acquire Proton Holdings Bhd and Lotus Cars. Geely Holding has worked with Volvo Car to develop the research and development centre called China-Euro Vehicle Technology AB ("**CEVT**") in Lindholmen Science Park in Gothenburg, Sweden. The CEVT is staffed by around 2,300 employees as of 30 June 2019. CEVT has engaged in the development of new car technologies with the aim to deliver advanced and cost-saving technologies and new vehicle model using the CMA platform. In October 2019, Geely Holding merged its existing combustion engine operations with that of Volvo Car. The merger will result in a stand-alone business that will act as a global supplier for the next-generation combustion engines and hybrid powertrains. See "— Recent Developments — Proposed Volvo Car and Geely Holding Operations Merger" for more details.

With strong support from Geely Holding and collaboration with Volvo Car, we believe we are able to further improve our product quality and strengthen our competitiveness domestically and internationally.

Well Positioned to capture the electrification trend in the largest PV market in the world

We believe our success stems from our effective and strategic positioning. We focus on passenger vehicles, a stable market in China, with a comprehensive product portfolio covering several product segments, growing our new energy vehicle offerings, including electrified vehicles, in view of the potential large PV market in China.

In addition, we have experienced success with our new energy vehicles ("**NEV**") in terms of sales volume in 2017 and 2018. In 2018, our new energy and electrified vehicles ("**NEEV**") models, achieved a total sales volume of 67,069 units, which represents an increase of 165% as compared to 2017. We started a five-year campaign named "Blue Geely Initiative" in November 2015 to highlight our commitment to become an industry leader in NEV technologies. According to Frost and Sullivan, there has been significant and rapid growth in the Chinese PV market in terms of sales volume over the last few years, as the sales volume for electric passenger vehicles grew from approximately 59,000 units in 2014 to approximately 1.1 million units in 2018. We believe that that our experiences and success with PV products thus far make us well position to capture additional shares in the growing PV market in China. Our aim to continue to offer our consumers with PHEVs at affordable prices, to successfully develop hydrogen or metal fuel battery vehicles and to become an industry leader in new energy technologies. Since 2015, we have increased our NEV product offerings and also launched certain hybrid-electric vehicle and plugin-hybrid-electric vehicle models. In addition, we launched "Geometry" our brand consisting entirely of electric vehicles, and the brand's first sedan model "Geometry A" in April 2019. The move signified our strategy to quickly help expand NEEV sales via tailor-made products and services to our NEEV customers.

In addition, we built Geely Automobile Research Institute in Ningbo, Zhejiang province in the PRC with the goal to develop our "iNTEC" technologies, which are smart technologies that will assist drivers to make their journeys safer and more enjoyable. Further, we believe our continued investment in innovation will help us to achieve our goals under the 20200 Strategy, which are to, among others, introduce a large number of new models, significantly expand our dealership network globally and to become one of the top automobile manufacturers in the world in terms of sales volume.

We believe that we are well positioned to capitalise on the electrification trend in the largest PV market in the world in the coming years.

Extensive and Strategically Managed Distribution Network and Strong Production Capacity

As of 30 June 2019, we sold our products through a total of 980 dealer shops, including 118 Geometry dealer shops and 263 Lynk&Co dealer shops, throughout China, spanning over 370 cities and 23 provinces, autonomous regions and central government-administered municipalities in China. We also exported our products through 16 sales agents and 249 sales and service outlets, covering 16 overseas markets, mainly developing countries in Asia, the Middle East, Eastern Europe and other countries, as of 30 June 2019.

We believe our footprint and early entrance in the central and western regions and second- and third-tier cities in China provide us with a solid foundation to further penetrate into lower-tier cities and regions with high growth potentials. Our dealers and franchisees entered into Guiyang in Guizhou province, Kunming in Yunnan province and Changsha in Hunan province in 2005, and have been able to strengthen their retail presence in those regions since then.

We believe our extensive and strategically managed distribution network and strong production capacity has contributed to our success in capturing future growth opportunities arising from both the domestic and overseas markets, while acting as a barrier to new market entrants.

We have built up our domestic manufacturing plants over the years. Currently, we own a 99% equity interest in fourteen domestic manufacturing plants that are located in Zhejiang, Shaanxi, Shanxi, Hunan, Shandong, Guizhou and Sichuan provinces and a 100% equity interest in one domestic manufacturing plant in Zhejiang province, with a combined total annual production capacity of approximately 1.7 million units per two shifts on an annualised basis as of 30 June 2019.

Prudent Financial Policies with Proven Track Record

We strive to maintain a strong financial performance through prudent financial management. We consider cash flow management one of our top priorities in managing our operations. We have implemented various financial policies to maintain adequate cash flow. We closely monitor our capital structure, actively explore diversified financing sources, including bank loans, equity and debt financing, effectively establish receivables management system to conduct comprehensive credit assessment on our clients and frequent monitoring on receivables, and strategically manage our payables by focusing on cooperation with strategically selected suppliers. As such, we are able to record positive net operating cash flows while achieving stable growth in recent years. In 2016, 2017, 2018 and the six months ended 30 June 2019, we recorded net profit of RMB5,170.2 million, RMB10,735.4 million, RMB12,674.4 million (US$1,846.2 million) and RMB4,047.0 million (US$589.5 million), respectively; and recorded net operating cash inflow of RMB8,337.8, RMB11,993.5 million, RMB13,925.1 million (US$2,028.4 million) and RMB5,154.2 million (US$750.8 million), respectively, for the same periods.

We also take a prudent approach towards investment. We have established comprehensive investment management procedures. We set our budget for capital expenditure for the upcoming year at the beginning of that year and submit our capital expenditure plan to our senior management for review and approval. When making an investment decision, we consider various factors, including investment return, integration and synergies with our existing core business, improvement of overall business performance and management of risks. We also monitor our key leverage ratios to maintain our financial soundness. As of 30 June 2019, our total debt to EBITDA ratio (the sum of our current and non-current borrowings, bonds payables and senior notes as a percentage of EBITDA) was 0.23 times and EBITDA to interest expense ratio (our EBITDA as a percentage of interest expense) was 119.5 times.

We believe our prudent financial policies and management will enable us to further expand in our target markets, provide us with greater flexibility in capital management and help us achieve a sustainable long-term growth.

Experienced and Stable Management Team

We have an experienced and reputable senior management team with substantial expertise and experience in the automobile industry, including automobile manufacturing and automobile engineering. The industry experience and knowledge of our senior management team has significantly contributed to the success of our operations. Mr. Li Shu Fu, our founder and chairman, has over 32 years of experience in the automobile manufacturing industry and was awarded as one of the "25 most influential entrepreneurs in China in the 20th Century (20世紀影響中國的25位企業家)" in 2012, ranked one of the top 50 most influential business persons in China by Fortune Magazine in 2012 and the Person of the Year for 2016 by the CBU (中國汽車要聞) in 2017. Some of our senior management team members have extensive experience in investment banking and financing, technological development and marketing and had worked with reputable state-owned or global conglomerates before joining our Group. Our key management team members have, on average, worked for us for over 10 years. The stability of our management team is critical to our long-term development and the continued growth of our business.

OUR BUSINESS STRATEGIES

We intend to grow and strengthen our business through the implementation of the following core business strategies:

Continue to Focus on Technological Improvement and Product Development

As a result of the PRC government's continued encouragement to improve the supply and consumption of energy-saving and environmentally friendly vehicles, we believe the prospects for new energy vehicles is promising and will present new business opportunities. We plan to capitalise on such new opportunities to further expand our product offering.

In particular, we plan to develop electric vehicles in China through research and development on various hybrid or pure electric vehicle technology, flexible fuel technology and other new energy technologies and through partnership and strategic alliance with international players with proven core technologies in the area of new energy vehicles. In 2016 and 2017, we launched a number of new car models, including NEV models such as the NEV versions under the Emgrand series. We introduced new SUV models named Geely Boyue and Vision SUV and our first crossover vehicle model called Emgrand GS in 2016 and new SUV models such as "Vision X1" in May 2017, the "Vision X3" and "Vision S1" SUV models in the second half of 2017, and two more new models namely "Lynk&Co 02" , "Lynk&Co 03" and the first NEEV model called "01 PHEV" in 2018. The aggregate sales volume of our SUV models which included three mid-size SUV models namely "Geely Boyue" (吉利博越), "Vision SUV" and "Lynk&Co 01", four compact SUV models "Vision X3", "Vision X1", "Vision S1" and "Bin Yue" (繽越), and two cross-over models "Emgrand GS" and "Lynk&Co 02", amounted to 379,728 units in the first half of 2019. In addition, we also launched our first multi-purpose vehicle (MPV) model "Jiaji" (嘉際) in March 2019, a new premium electric vehicle sedan model "Geometry A" in April 2019 and a new higher end crossover SUV model "Xingyue" (星越) in May 2019.

We also intend to further refine our existing product lines and continue to introduce new products to address our customers' evolving needs and preferences. We launched the LYNK01 model in 2017 through the CMA platform being developed by CEVT, Geely Holding's wholly owned subsidiary which is engaged in research and development. We will continue to replace old models with more sophisticated new models using more advanced powertrain technologies and designs.

Continue to Promote our Brand Image and Strengthen our Extensive Distribution Network

We intend to enhance our brand awareness by implementing our brand and distribution network consolidation strategies. Over the past few years, we have restructured our distribution channel and consolidated our three brands, namely, Emgrand, GLEagle and Englon and sales channels into a unified "Geely" brand distribution and network, enabling us to further improve our brand image and after-sale services. In line with the brand integration, we adopted a new marketing strategy by consolidating our existing distribution network and streamlining existing dealers and franchisees of the three product brands with unified store decoration and marketing materials. As a part of the optimisation of our distribution network, we implemented a more comprehensive evaluation mechanism to select high quality dealers and franchisees and provide them with strong support to help improve their operational capability, and, in the meantime, terminate business relationships with underperforming dealers and franchisees. Through the consolidation and optimisation of our distribution network, we believe all of our carefully selected dealers and franchisees sell our Geely products together to achieve economies of scale.

Enhance our Manufacturing Capacity Selectively and Continue to Improve our Cost Efficiency to Further Enhance Profitability

We plan to expand our manufacturing capacity and selectively acquire new manufacturing plants according to the growing demand for our products. For example, we plan to expand production capacity for SUV models to meet the growing market demand for those products. In addition, we plan to further localise our production in the overseas market through cooperating with selected OEM contractors or setting up assembly plants in selected overseas markets to reduce exposure to foreign exchange risk, avoid tariff barriers and minimise operational risks. We also plan to enhance our sourcing strategies to maintain the continuous supply of automobile parts and components from our suppliers at competitive costs. By executing these initiatives we hope to continue to reduce our reliance on export agents and suppliers, improve our cost efficiency and further enhance our profitability.

Maintain Prudent Financial Policies and a Proactive Approach to our Capital Structure

Our business expansion and development require sufficient and stable financing. We plan to adhere to our prudent financial policies and maintain our sound financial profile. As of 30 June 2019, we had total net current liabilities of RMB2,743.6 million (US$399.7 million) and our bank balances and cash (excluding pledged bank deposits) amounted to RMB13,996.2 million (US$2,038.8 million). We believe we are in a strong financial position to support our growth and development for the foreseeable future. We will continue to closely monitor and manage our capital and cash position, as well as our procurement costs and other operating expenses.

We plan to continue to closely monitor the maturity profiles of our borrowings, take advantage of our diversified funding platforms and manage the level of our liquid assets to ensure the availability of sufficient cash flows to service our indebtedness and meet capital requirements arising from our business. We will remain disciplined in our capital commitments and proactive in managing our capital structure to meet our ongoing capital requirements.

PRODUCTS

Our principal automobile products offering are divided into three classes, namely, sedan, SUV and MPV. Our products mainly target mass market customers. As of 30 June 2019, we offered a total of 17 major automobiles, including six major models of sedan, ten major models of SUV and one major model of MPV. We sold most of our products in the domestic and overseas market under one product brand, namely, Geely. In 2016, 2017, 2018 and the six months ended 30 June 2019, the sales of passenger vehicles amounted to approximately RMB52,846.4 million, RMB91,282.9 million, RMB102,651.4 million (US$14,952.9 million) and RMB44,979.3 million (US$6,552.0 million), respectively, which accounted for approximately 98.4%, 98.4%, 96.3% and 94.6%, respectively, of our total turnover during the same periods.

Sedan

We currently offer six major model under this class. The following table sets forth the specifications of some of our major models:

Product	Key Features	Year of Launch
Emgrand GL 	1.4T/1.5TD/1.82 engine displacement and 6DCT/6MT/CVT/7DCT	2016

Product	Key Features	Year of Launch
New Vision 	1.5L engine displacement and 5MT/AT	2014
New Emgrand 	1.3T/1.5L engine displacement and 5MT/CVT, 6MT/CVT	2014
Binrui 	1.0T engine displacement and 6MT/ 6DCT	2018
Borui GE 	1.5TD+BSG/1.5TD+EV MOTOR engine displacement and 7DCT	2018

SUV

Observing the fast growth potential in the China's SUV market, we officially entered the SUV market in 2012 by launching our first SUV model, GX7. We launched Geely Boyue and Vision SUV in 2016 and Vision X1, Vision X3 and Vision S1 in 2017.

The following table sets forth the specifications of six of the major models:

Product	Key Features	Year of Launch
Geely Boyue 	1.8T/2.0L engine displacement and 6MT/6AT	2016
Vision X6 	1.4T engine displacement and 6MT/8CVT	2019
Vision X3 	1.5L engine displacement and 5MT/5CVT	2018
Emgrand GS 	1.3T/1.8L engine displacement and 6DCT/6MT	2016
Vision S1 	1.5L/1.4T engine displacement and 5MT/CVT	2017

Product	Key Features	Year of Launch
Xingyue 	1.5TD+48BSG/2.0T/1.5TD+EV MOTOR engine displacement and 8AT/7DCT	2019

MPV

Our first MPV model, Jiaji, details of which is set forth below, was launched in March 2019 and received positive response from the customers. A total of 16,252 units of Jiaji were sold in the last four months of the first half in 2019.

Product	Key Features	Year of Launch
Jiaji 	1.5TD/1.8TD engine displacement and 6MT/7DCT/6AT/7DCTH	2019

Other Products

In addition to passenger vehicles, we engage in the development, manufacturing and sale of automobile parts and components, including automatic transmissions. In 2016, 2017, 2018 and the six months ended 30 June 2019, sales of automobile parts and components amounted to approximately RMB875.2 million, RMB1,477.8 million, RMB3,943.7 million (US$574.5 million) and RMB2,151.1 million (US$313.3 million), respectively, representing approximately 1.6%,1.6%, 3.7% and 4.5%, respectively, of our total turnover.

Products Under Development and to be Developed

To address to our customers' evolving needs and preferences, we intend to further refine our existing product lines and will continue to improve the quality of our products and introduce designs with more modern elements. For example, we launched a series of products such as Geely Boyue SUV, Emgrand GS, Vision SUV and Emgrand GL in 2016. We set forth below the models under development and to be developed based on our product development plans:

Estimated launch year	Class	Key features
2019	Sedan	1.3T engine displacement and DCT
	Sedan	1.8L/1.3T engine displacement and MT/DCT
	SUV	2.0L/1.8T engine displacement and MT/AT
	SUV	1.8L/2.0L engine displacement and MT/AT
2020	Sedan	1.8L/1.3T engine displacement and MT/DCT
	Sedan	1.5L engine displacement and MT/CVT

In addition, we intend to leverage our strong research and development to develop and introduce new models with innovative technologies. See "— Business Strategies — Continue to focus on technological improvement and product development" above.

PRODUCTION

Currently we own a 99% equity interest in 14 domestic manufacturing plants located in Zhejiang, Hunan, Shaanxi, Shanxi, Shandong, Guizhou and Sichuan provinces and a 100% equity interest in one domestic manufacturing plant located in Zhejiang province. These manufacturing plants have a total designed annual production capacity of 1.7 million units per two shifts on an annualised basis as of 30 June 2019. In the overseas market, to improve manufacturing efficiency and enhance profitability, we aim to set up assembly plants in the local markets and also work with local OEM partners.

We believe we have established an advanced production system. We have adopted information technology systems, such as the manufacturing execution system (MES), the enterprise resource planning (ERP) system, the extended warehouse management (EWM) system and the SRM system, which enable us to efficiently connect key components of our business operations, from procurement of raw materials, logistics and transportation, production, quality control to sales and distribution.

Production Capacity

The table below sets forth the designed annual production capacity, actual production volume and utilisation rates of our domestic production facilities for the periods indicated:

	For the year ended 31 December								
	2016			2017			2018		
Production facility	Designed annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Designed annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Designed annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]
	(units)	(units)	(%)	(units)	(units)	(%)	(units)	(units)	(%)
Beilun/Cixi plants	200,000	230,663	115.3	300,000	275,197	91.7	300,000	316,137	105.4
Chunxiao/Baoji plants	300,000	151,989	50.7	360,000	329,645	91.6	360,000	299,994	83.3
Luqiao plant	100,000	63,412	63.4	150,000	67,959	45.3	150,000	133,904	89.3
Linhai plant	–	–	–	–	–	–	–	–	–
Chengdu plant	100,000	50,327	50.3	130,000	127,042	97.7	130,000	113,309	87.2
Jinan plant	50,000	–	–	50,000	–	–	50,000	11,911	23.8
Xiangtan plant	120,000	160,251	133.5	200,000	166,565	83.3	240,000	167,212	69.7
Linhai/Jinzhong plants	200,000	90,596	45.3	310,000	274,696	88.6	480,000	337,957	70.4
Total	**1,070,000**	**747,238**		**1,500,000**	**1,241,104**		**1,710,000**	**1,380,424**	

Notes:

(1) Designed annual production capacity is calculated assuming two shifts per day and 300 working days per year.

(2) Utilisation rate for any production facility means the actual production volume divided by the designed annual production capacity.

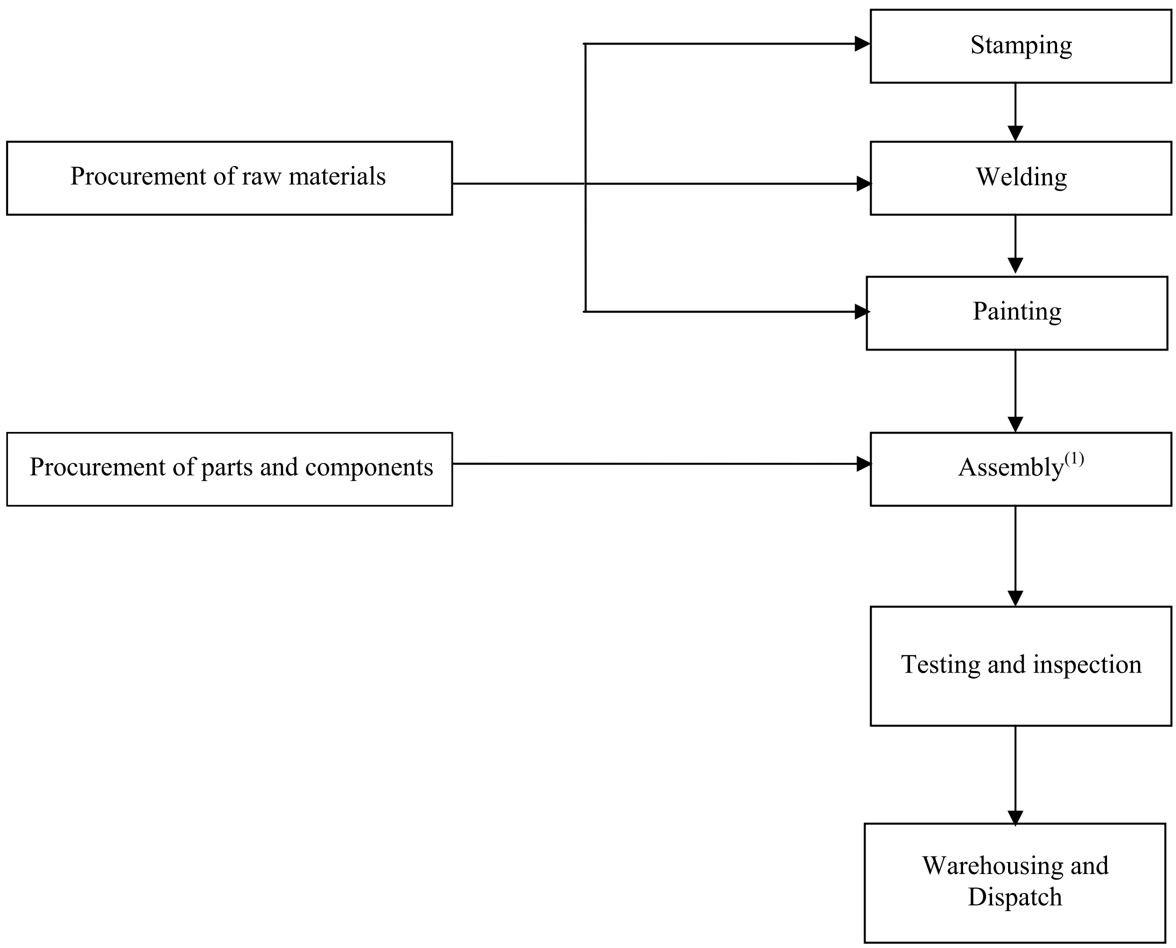
Production Facilities

Domestic Production Facilities

The table below sets forth certain information of our ten production facilities located in China as of 31 December 2018:

Name	Interests	Usable Annual Production Capacity *(Units Per Double Shift)*	Models
Luqiao plant	99%	150,000	Geely Kingkong Series (1.5L) Vision X3 (1.5L)
Ningbo/Cixi plants	99%	300,000	New Emgrand (1.5L, 1.8L, 1.3T) Vision S1 (1.4T, 1.5L) Emgrand EV, Emgrand HEV, Emgrand PHEV Binrui (1.4T)
Chunxiao plant	99%	160,000	Geely GC9 (1.8L, 2.4L) Borui GE PHEV, Borui GE MHEV Geely Boyue (1.8T, 2.0L)
Xiangtan plant	99%	240,000	Vision Series (1.5L, 1.8L) Binyue (1.0T, 1.5T)
Jinan plant	99%	50,000	Vision X1 (1.3L)
Chengdu plant	99%	130,000	Vision SUV (1.3T, 1.4T, 1.8L)
Baoji plant	99%	200,000	Geely Boyue (1.8T, 2.0L)
Linhai plant	99%	300,000	Emgrand GL (1.4T, 1.8L) Emgrand GL PHEV Emgrand GS (1.3T, 1.4T, 1.8L)
Jinzhong plant	99%	180,000	Emgrand GS (1.3T, 1.8L), Emgrand GSe Emgrand EV, Emgrand HEV, Emgrand PHEV
Total		**1,710,000**	

The flowchart below illustrates the key production processes for our products:



Note:

(1) We sell CKD kits and vehicle tool kits to and purchase CBUs from Geely Holding. For details, see the production process of "Assembly" below.

Procurement of raw materials, parts and components. Principal raw materials, parts and components include steel, steel plates, engines, gearboxes, tyres, wheel rims, water tanks and other electrical components.

Stamping. Steel plates are stamped onto body parts of vehicles. Most of the stamping operation is completed at our production facilities.

Welding. Welding is a process whereby the vehicle bodies are formed by welding together the relevant vehicle body parts produced by our stamping workshops and other stamped parts and accessories procured from our suppliers.

Painting. All semi-finished components and external parts are treated on the surface and painted using advanced and automated processes.

Assembly. All semi-finished components, external parts, tyres, engines and other standard outsourced parts are assembled to form the finished goods. Since 2007, Geely Holding's subsidiaries have been assembling CBUs for us, as certain of Geely Holding's subsidiaries are listed in the Public Notice of Automobile Vehicle

Manufacturers and Products issued by MIIT while we are not. The inclusion on this public notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling CBUs. Pursuant to the arrangement with Geely Holding, we agree to sell CKD kits and vehicle tool kits to and purchase CBUs, automobile parts and components from the Parent Group Companies. In 2012, we entered into similar arrangements with Geely Holding with a term of three years.

Testing and inspection. Finished products are sent for testing and further adjustments and fine-tuning followed by comprehensive overall inspection.

Warehousing and dispatch. Final products are delivered to our sales agents' warehouses for storage.

RAW MATERIALS, PARTS AND COMPONENTS AND PROCUREMENT

Raw Materials, Automobile Parts and Components

We mainly procure three categories of raw materials, parts and components used in our products, namely, core parts and components, steel and others, from our Parent Group Companies and third party suppliers. Core parts and components include engines, gearboxes and electronic power steering gear, which are developed and sold by our Parent Group Companies and third party suppliers. We source steel from third party suppliers in China through one of our Parent Group Companies as a whole. Geely Holding has maintained good relationships with our steel suppliers and Geely Holding usually enters into one-year procurement agreements with them to ensure the stable supply of steel at reasonable costs. According to the procurement agreements, Geely Holding has agreed to provide its inventory list on a monthly basis in order to determine whether there will be any adjustments to the procurement quantity and Geely Holding is required to prepay in one lump sum for the amount of steel it procures. Other parts and components include tyres, seats, bumpers, dashboards and seat belts are procured from third party suppliers through our Parent Group Companies as a whole. Raw materials, parts and components procured are delivered directly to our production facilities. We have adopted the enterprise resource planning (ERP) system and the extended warehouse management (EWM) system to improve our management efficiency and inventory level.

Suppliers

We maintain a pool of suppliers consisting of both domestic and international suppliers. We have adopted the SRM information system in order to streamline and centralise our raw materials, parts and components procurement process, manage suppliers' performance and eliminate suppliers which fail to meet our standards. We have cooperated with the local governments to established industrial parks at various locations near our manufacturing plants, such as Hangzhou and Chengdu, which allows our suppliers to build their production facilities and as a result, simplifying the logistics, shortening transportation distance and improving procurement efficiency. As of 30 June 2019, there were nine major industrial parks located in Cixi, Luqiao, Linhai and Ningbo in Zhejiang province, Xiangtan in Hunan province, Jinan in Shandong province, Baoji in Shaanxi province, Jinzhong in Shanxi province and Chengdu in Sichuan province, near our manufacturing plants attracting domestic and international suppliers of us to operate in those parks. We aim to enter into long-term strategic cooperation agreements with suppliers in order to obtain more favourable terms. We believe this also provides us an opportunity to expand our business into the upstream of the industry value chain to help support our production.

Our payment terms depend on our relationship with the suppliers. In general, we seek to obtain favourable credit terms by establishing cooperation with strategically-selected suppliers. Usually, our strategically-selected suppliers grant shorter payment term to us as compared to 60 days in average granted by general suppliers. We generally settle our trade balances by means of cash, bankers' acceptance or endorsing notes receivables by the end of the credit terms.

Procurement Control

According to our arrangement with Geely Holding, Geely Holding is responsible for the provision of standardised raw materials, parts and components that can be used by several of our manufacturing plants. Geely Holding evaluates our suppliers based on their production capabilities, quality control capabilities, financial stability and ability to timely deliver raw materials, parts and components. Geely Holding also monitors and evaluates our supply sources for raw materials, parts and components to ensure the quality and suitability of commonly purchased raw materials, parts and components.

We believe we have adopted an advanced logistics systems. We have been organising the logistics for the raw materials and automobile parts and components needed for our production. We have adopted a standard model configuration for transportation of our automobile parts and components. Based on the distance between suppliers and us, we have different logistics arrangements:

- For suppliers which locate exceeding 200 kilometres of our production facilities, we usually arrange third party logistics companies to collect goods from several suppliers and deliver them together to our designated warehouse at a designated time, using a designated route and transportation method.

- For suppliers which locate ranging from 50 kilometres to 200 kilometres of our production facilities, we adopt the MILK-RUN logistics model, which is a round trip that facilitates both distribution and collection. The MILK-RUN logistics model is similar to our arrangement with the suppliers located exceeding 200 kilometres of our production facilities, except for more frequent transportation under this model.

- For suppliers which locate within 50 kilometres of our production facilities, suppliers will arrange for the delivery of automobile parts and components to our designated warehouses according to our request indicated through our SRM system. According to our arrangement with those suppliers, they will check our latest inventory status through the SRM system and arrange replenishment of goods if needed.

In addition, we have adopted a zero inventory policy for raw materials. According to the agreements for procurement of automobile parts and components for our production with our suppliers, generally we only hold custody of the raw materials and automobile parts and components, the ownership of which remains with the suppliers until we use them for our production. We aim to strictly control our inventory level for raw materials by sharing inventory information with our suppliers and requesting for raw materials in lesser quantities but more frequently. We also aim to manage our inventory level for finished goods through production upon demand.

QUALITY CONTROL AND PRODUCT SAFETY

Geely Holding's quality management department is responsible for the planning and establishment of our quality control system and supervising our operation of the quality control system. Geely Holding's quality management system was established according to the Quality Management System Requirements GB/T19001-2008, ISO/TS 16949-2009, Quality Management System Requirements under Chinese Military Standards GJB9001B-2009 and the standards as set out in the Automotive Compulsory Recognition Implementing Rules CNCA-02C-023:2008.

Our products have obtained the Quality System Certification ISO9000, Quality Management System Certification TS 16949:2002, Environmental Management System ISO4001, Occupational Healthy and Safety Management System Certification OHSAS18001 and Environmental Labelled Product Certification. We have also obtained the certification of the Gulf Corporation Counsel and the Economic Commission for Europe or European Economic Community for certain of our products. Each of our manufacturing plants has set up its own TS16949 quality management system and passed the relevant certification and quality assurance. In addition, we have established a system to improve our quality satisfaction by investigating on our customers satisfaction through various means, including third party surveys, online surveys, on-site interviews and telephone interviews. We have also promoted the informatisation and standardised quality management by establishing the Quality Net System (QNS), a quality control and management system of the Company.

We generally provide warranty on the quality of the products we sell to dealers according to applicable laws and regulations. Since 2004, we have established procedures and measures in respect of product recall according to PRC laws and regulations.

We remain committed to improving product safety, quality and comfort. In 2011, our EC7 model received a five-star rating with a score of 46.8 points in the C-NCAP safety test. In the same year, the same model received a four-star rating by the Euro NCAP. In 2011, our Emgrand EC8 model received a five-star rating with a score of 49.6 points in the C-NCAP safety test. In 2012, GX7 model received a five-star rating with a score of 50.3 points in the C-NCAP safety test. In 2015, our Geely GC9 model received a five-star rating with a score of 55.8 points in the C-NCAP safety test. In the same year, our GX9 received a five-star rating with a score of 55.2 points in the C-NCAP safety test. In 2016, our Geely Boyue model received a five-star rating with a score of 58.2 points in the C-NCAP safety test. In 2018, our Lynk&Co 01 model received a score of 60.1 in the C-NCAP safety test. In the same year, our Emgrand GL received a four-star rating with a scoring rate of 77% in the C-NCAP safety test. In 2019, our Lynk&Co 02 received a five-star rating with a scoring rate of 95%, the highest in the C-NCAP safety test.

BRAND, MARKETING AND SALES

Brand and Marketing

We have integrated our three existing product brands into a unified brand, Geely, to consolidate our brand building marketing efforts to promote our brand awareness effectively. In 2015, we started a five-year campaign named "Blue Geely Initiative" to highlight our commitment to becoming an industry leader in NEV technologies. Since 2015, we have increased our NEV product offerings and launched hybrid-electric vehicle and plugin-hybrid-electric vehicle models. See "— Business Strategies — Continue to promote our brand image and strengthen our extensive distribution network" above.

Our marketing and promotional strategy targets to enhance our brand image and to increase consumer awareness of our products in our markets. In addition to our efforts in creating a unified brand and a consistent retail experience through a unified store layout and design in our dealer stores, we engage in different marketing activities to promote our brands. For example, we have adopted new marketing methods in second- and third-tier markets, such as vehicle television shopping, online shopping, vehicle supermarket and offer marketing experience, created "hand-to-hand" chain store nationally by providing vehicle services. We have been continuously improving our automobile service station services, developed vehicles services in the rural areas, established a rescue management system and upgraded the repair consultation system, adopting a quality information feedback mechanism in the market. Our call centre has been awarded the five-star certification under CCCS-OP.

Sales

Geographic Coverage and Sales Network

Domestic Markets

We sell our products solely through dealers and franchisees in the domestic market. As of 30 June 2019, we sold our products through a total of 980 dealer shops, including 118 Geometry dealer shops and 263 Lynk&Co. dealer shops, throughout China, spanning over 370 cities and 23 provinces, autonomous regions and central government-administered municipalities in China. We have been continuously expanding our distribution network coverage. Prior to our commencement of brands integration and distribution network consolidation, we typically entered into sales contracts with our dealers for a term of one year. We set annual sales target and minimum inventory level to our dealers. If a dealer fails to meet that sales target or minimum inventory level for any three months during the term of the contract, we shall have the right to terminate the contract. According to the contract, dealers were required to make a deposit to us in an amount of ranging from RMB50,000 to RMB300,000 per unit. Our dealers were usually required to bear delivery costs (except the first-time delivery costs which will be born by us) of their purchase from our production facilities to their respective designation. We have established an evaluation system, appraising the dealers based on their market shares, terminal sales and client satisfaction. We require the dealers and franchisees to comply with our retail policy, inventory policy and after-sale service policy. We also provide the dealers and franchisees training and assistance on a variety of topics, including our brand culture and image, marketing strategies and product knowledge. In addition, we provide incentives to the dealers and franchisees by supporting their marketing activities, encouraging them to participate in promotion and advertising activities and helping them in shop opening and decoration.

Overseas Markets

As of 30 June 2019, we exported our products to 16 overseas markets, mainly including developing countries in Asia, the Middle East, Eastern Europe and other countries.

Set forth below is a breakdown of turnover and sales volume by region for the periods indicated:

	For the year ended 31 December									
	2016			2017			2018			
	(RMB in thousands)	(%)	Sale Volume	(RMB in thousands)	(%)	Sale Volume	(RMB in thousands)	(US$ in thousands)	(%)	Sale Volume
PRC	52,287,552	97	744,191	92,168,021	99	1,235,361	105,157,280	15,317,885	99	1,473,070
Overseas	1,434,024	3	21,779	592,697	1	11,755	1,437,853	209,447	1	27,768
Total	**53,721,576**	**100**	**765,970**	**92,760,718**	**100**	**1,247,116**	**106,595,133**	**15,527,332**	**100**	**1,500,838**

The sales volume in the overseas markets surged significantly by 344% to 38,619 units in the first half of 2019, as a result of the successful introduction of more updated models to the export markets and the upgrading of our sales network and channels in the major export markets. Export sales accounted for 5.9% of the Group's total sales volume in the first half of 2019, compared with only 1.1% in the same period in 2018.

Our sales to top five dealers, franchisees or sales agents in 2016, 2017 and 2018 amounted for approximately 5.0%, 5.8% and 6.5%, respectively, of our turnover; and our sales to the largest dealer or sales agent for the same periods amounted for approximately 1.2%, 3.0% and 4.2%, respectively, of our turnover.

Pricing Policy

We have adopted market-oriented pricing strategies, which we aim to use to compete with the sino-foreign joint venture auto brands. Currently, our suggested retail price varies based on different models of our products. In determining the suggested retail price for our products, we typically take into account the availability and pricing of comparable products in the market, our cost of goods or services and the positioning of our products and services in the target market. When we launch our new products, we will adjust the pricing of our old products accordingly. Pricing for our new products will be monitored regularly to ensure competitiveness of our new products.

Payment Arrangements

For the domestic market, we generally require advance cash payment before delivery. For certain dealers and franchises which are unable to make advance cash payments, we may accept bankers' acceptance with interests charged. For the overseas market, we sell our products to dealers and franchisees generally on cash on open account.

We offer credit terms to our dealers and franchisees on a case-by-case basis, depending on our relationship with, and the location of, credibility and volume of purchases of, each dealer. We generally grant no credit period to our domestic dealers or franchisees and offer a credit period ranging from 30 to 90 days to our Parent Group Companies to which we sell CKD kits and vehicle tool kits. We generally require letters of credit from our overseas trade customers grant a credit period ranging from 30 to 720 days to our overseas trade customers.

RESEARCH AND DEVELOPMENT

We believe technology is a key driver of our sustained growth and, therefore, we place significant emphasis on research and development. Our research and development team was first established in 2003 and had more than 20,000 members as of 30 June 2019. We seek to develop new products to cater to changing market preference. Set forth below is a summary of our major research and development events and developments:

Year	Major events and developments
2016	Launched new models of Geely Boyue and Vision SUV.
2017	Launched new models of Vision series.
2018	Launched the first NEEV model
2019	Launched the first multi-purpose vehicle (MPV) model and SUV model

We incurred research and development costs amounted to approximately RMB211.5 million, RMB331.2 million, RMB548.7 million (US$79.9 million) and RMB371.0 million (US$54.0 million), respectively, in 2016, 2017, 2018 and the six months ended 30 June 2019, representing approximately 0.4%, 0.4%, 0.5% and 0.8%, respectively, of our total turnover for the same period. We intend to maintain our research and development investment.

In addition to our continuous efforts in research and development, we have received strong research and development support from Geely Holding, our Parent Company. Since 2015, in line with our "Blue Geely Initiative", we have accelerated our transformation from an automobile company using traditional technologies to one that develops and adopts new and more environmentally-friendly technologies. In 2017, we developed our certain new models from the CMA under the joint venture brand "Lynk&Co".

INTELLECTUAL PROPERTY RIGHTS

We are committed to the development and protection of our intellectual property portfolio. We regard our patents, trademarks, trade secrets and other intellectual property rights as crucial to our continued success. Drawing upon the talents of our research and development team and the research and development support from Geely Holding, our research and development activities have resulted in over 10,892 registered patents in the PRC, which are mainly utility model patents and jointly owned by Geely Holding and us. These patents primarily pertain to our major product lines and key parts and components. In addition, there are over 1,835 patent registration applications pending with the State Intellectual Property Office of the PRC, which were jointly applied by Geely Holding and us. Furthermore, we are authorised by Geely Holding to use certain of its patents that are registered in the PRC.

We licensed certain intellectual property rights and recorded revenue of RMB428.2 million for the six months ended 30 June 2019. The trademarks we use to market our products under the brand of Geely are held by Geely Holding or Geely Group. We are authorised by Geely Holding and Geely Group to use these trademarks. The Geely brand name has been recognised as a "Well-Known Trademark" in the PRC by the State Administration for Industry and Commerce since 2006. We may be involved in legal disputes or proceedings regarding our intellectual property rights from time to time. In 2017, Ford Motor Company has filed oppositions against our trademark application for our joint venture brand "Lynk&Co" in several countries or areas, including, among others, the United States, China, the European Union, and the United Kingdom, arguing that there might be insufficient distinction between the "Lynk&Co" brand and Ford Motor Company's "Lincoln" brand. We have been in negotiations with Ford Motor Company to reach solutions with respect to the dispute, and as of the date of this offering circular, this is no pending or threatened disputes regarding "Lynk&Co" trademarks which would have a material adverse effect on our business, results of operations or financial condition. We have been granted authorisation to register our "Lynk&Co" trademark in, among others, the United States, China, the European Union and the United Kingdom. See "Risk Factors — Risks Relating to Our Business — We may be involved in disputes arising out of our operations and may face significant liability as a result." Save as disclosed above, as of the date of this offering circular, we are not aware of any legal, arbitration or administrative proceedings against us that would have a material adverse effect on our business, results of operations or financial position.

COMPETITION

The industry in which we operate is characterised by intense competition among indigenous automobile companies and sino-foreign joint venture automobile companies as well as international automobile companies. We consider our major domestic competitors to be other automobile companies in China with a national presence, such as Great Wall Motors, China Chang'an Automobile, BYD and Chery. We also compete across all of our product lines with sino-foreign joint venture automobile companies as well as international automobile companies

However, we believe we are able to compete on the basis of our reputation, extensive sales network, continuous research and development efforts, and leveraging support from Geely Holding. We believe the entry barriers to our industry are substantial due to the significant amount of capital required to construct manufacturing facilities, high production volumes needed to bring down unit costs, significant technological know-how, research and development capabilities needed to develop high-end products and time and capital required to establish a sales network.

ENVIRONMENTAL PROTECTION AND WORKPLACE SAFETY

Environmental Protection

We are subject to the environmental laws and regulations in jurisdictions where we have operations. These laws and regulations in general empower government authorities to impose fees for the discharge of wastes, levy fines for offences, or order closure of any manufacturing facilities which fail to comply with related laws and regulations. Under the relevant PRC environmental laws and regulations, the construction, expansion and operation of our production facilities are subject to certain environmental impact assessments, government inspections and other relevant PRC government environmental approvals.

As of 30 June 2019, some of our PRC subsidiaries in the PRC had not received the pollutant discharge permit. The failure to obtain such permits or approvals may subject us to fines and penalties imposed by the relevant PRC environmental authorities and we may be required to suspend the use of production facilities or cease operations, provided that such failure is not in compliance with applicable national and local environmental regulations. If the violation is considered material, with the approval from the competent people's government, the competent environmental protection authority may order the relevant entity to suspend its business.

In addition, as our production processes generate noise, waste water, gases and other industrial waste, we are also required to comply with applicable national and local environmental regulations. Any failure by us to control the use or to restrict adequately the discharge of hazardous substances could subject us to potentially significant monetary damages and fines, suspensions or closures of our business operations.

Safety Management

Our Parent Company has established safety production management systems and we implement those through our safety and environmental protection management department, which is mainly responsible for the supervision and inspection of the implementation of the systems in our production site, workplace and employees' conduct. In particular, we have established equipment safety operation guidelines, conducted regular equipment inspections, adopted advance technologies and well designed machineries and equipments, obtained safety certifications from various certification bodies and provided mandatory staff safety training to ensure the safety of our employees and reduce their exposure to safety risks.

INSURANCE

We currently maintain property commercial insurance, employer's liability insurance, cash insurance and public liability insurance for major operational risks. Our insurance policies do not cover business interruptions or environmental damage not arising from our operations or caused by natural disasters, such as floods. We currently do not maintain product liability insurance to cover potential product liability arising from the use of our products. Accordingly, there may be circumstances in which we will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect our financial position and results of operations. See "Risk Factors – Risks Relating to Our Business – We are subject to product liability exposure which could harm our reputation and materially and adversely affect our business, financial condition and results of operations" for more details. For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, we had not filed any material claims against our insurers or had material disputes with our insurers.

Separately, we maintain and contribute to insurance coverage that is mandatorily required by PRC law for our employees, namely, pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance.

EMPLOYEES

As of 30 June 2019, we had a total of approximately 45,500 employees. Set forth below is a breakdown of our employees by function:

The remuneration package of our employees includes salary, bonus, share options and other cash subsidies. In general, we determine employee salaries based on each employee's merits, qualifications and competence. We are subject to social insurance contribution plans organised by the PRC local governments. In accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing reserve fund.

LEGAL PROCEEDINGS

We may from time to time be involved in contract disputes or legal proceedings arising from the ordinary course of our business. As of the date of this offering circular, except as otherwise disclosed in this offering circular, we are not involved in any material legal disputes, and we are not aware of any legal, arbitration or administrative proceedings against us or any of our Directors or senior management members which may have a material adverse effect on our business, results of operations or financial position.

The following discussion summarises the principal PRC laws, regulations, policies and administrative directives to which we are subject.

POLICIES AFFECTING THE PRC AUTOMOBILE INDUSTRY

The PRC government principally monitors the PRC automobile industry through the following authorities:

(1) the NDRC;

(2) the PRC State Administration for Market Regulation (the "**SAMR**");

(3) the MIIT;

(4) the Ministry of Ecology and Environment of the PRC (the "**MEE**"); and

(5) the MOFCOM.

The above authorities have different functions, but they work collaboratively with each other to effectively monitor the PRC automobile industry. The NDRC is principally responsible for determining the policy of the PRC automobile industry and the long-term planning of the industry development. MIIT is responsible for administering the PRC automobile industry. The SAMR specialises in products quality control. The MEE is responsible for restraining the level of emission of automobiles. The MOFCOM is responsible for the formulation of policies or regulations concerning automobile sales and the pertinent services nationwide.

On 21 May 2004, the NDRC promulgated the Policy on the Development of Automobile Industry (汽車產業發展政策) (the "**Policy**"), which became effective on the same day and was further amended by the NDRC and MIIT on 15 August 2009. The Policy contains provisions relating to, among other things, the PRC automobile industry policies and aims, technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automobile consumption.

The Plan on Adjusting and Revitalising the Automobile Industry (汽車產業調整和振興規劃) (the "**Plan**") was promulgated by the General Office of the State Council and became effective on 20 March 2009. The Plan specified the main tasks for the adjustment and revitalisation of the automobile industry from 2009 to 2011, which include, without limitation, fostering the automobile consumption market, supporting enterprises' independent innovations, promoting new-energy automobiles, indigenous brands and auto product export. In order to fulfil those tasks, the Plan also provides a number of policies and measures including (1) reducing the purchase tax on passenger vehicles; (2) implementing a programme for bringing automobiles to rural areas; (3) accelerating the retirement and upgrade of old and used cars; (4) revoking unreasonable restrictions on automobile purchase; (5) promoting and regulating the automobile consumption credit loans; (6) standardising and promoting the development of the second-hand vehicle market; (7) accelerating the construction of the urban road transportation system; (8) improving the automobile enterprise reorganisation policies; (9) increasing technology and innovation investments; (10) promoting the use of energy-efficient and new-energy automobiles; and (11) implementing and improving the Policy. The Medium and Long Term Plan on the Automobile Industry (汽車產業中長期發展規劃) (the "**Medium Plan**") was promulgated by the NDRC, the MIIT and the Ministry of Science and Technology of the PRC (the "**MOST**") and became effective on 6 April 2017. The Medium Plan specified that by 2020, a few auto parts companies of RMB100 billion scale shall be formed and post-car market and services sector shall be more than 45% in the value chain. By 2025, the sales of a number of Chinese brand automobile companies will be among the top ten of the world.

Foreign Investment in Automobile Industry

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) which was jointly promulgated by the NDRC and the MOFCOM on 30 June 2019 and became effective on 30 July 2019, except for specialty vehicles and new energy vehicles, the proportion of shares Chinese shareholders held in automobile manufacturing shall be no less than 50%. A foreign company may establish no more than two joint ventures producing the same category of vehicles in China. Furthermore, the restrictions on the foreign-invested shares of commercial vehicles will be eliminated in 2020 while the restrictions on the foreign-invested shares of passenger vehicles and the restrictions on the establishment of no more than two joint ventures for the same foreign-invested products of the same foreign-owned enterprises in China will be eliminated in 2022.

According to the Policy, in the case of a listed company that manufactures vehicles, specialty vehicles, agricultural transport vehicles or motorcycles, where any legal persons' shares in such listed company are offered, there must be one Chinese legal person shareholder whose shareholding is relatively controlling and is more than the sum of legal persons' shares held by foreign parties in such listed company after such offering. A foreign company may establish no more than two automobile manufacturing joint ventures in China that produce the same category of vehicles (passenger vehicles, commercial vehicles and motorcycles), but this restriction does not apply to those foreign companies cooperating with their respective Chinese joint venture partners to acquire other Chinese automobile manufacturing enterprises. In the event an overseas enterprise with legal person status controls the shares of another enterprise, it shall be regarded as one foreign company.

Manufacturers' Qualification and Compulsory Authentication of Automobile Products

Since 1 January 2001, the government authorities, from time to time, released the Public Notice of Automobile Vehicle Manufacturer and Products (車輛生產企業及產品公告) (the "**Public Notice**") to administer the new automobile vehicle products of manufacturers. The inclusion on the Public Notice is a prerequisite for automobile manufacturers to be able to manufacture automobiles, including assembling complete built-ups (the "**CBUs**"), and for customers to be able to register their automobiles with the public security authorities. The MIIT has been the authority in charge of the release of the Public Notice since August 2008. The automobile manufacturers listed in the Public Notice shall only manufacture and sell the vehicle models authorised by the Public Notice. Any manufacturers that produce or sell automobile products or vehicles not included in the Public Notice shall be subject to penalties. The Policy provides that in order to be registered in the Public Notice, the automobile products must pass compliance tests of various safety standards, technical specifications and environmental protection requirements.

Further, the MIIT promulgated various admission regulations for different types of vehicle manufacturers and products, such as the Administrative Rules on Admission of Commercial Vehicle Manufacturers and Products (商用車生產企業及產品准入管理規則) promulgated on 15 December 2010, the Administrative Rules on Admission of Passenger Vehicle Manufacturers and Products (乘用車生產企業及產品准入管理規則) promulgated on 4 November 2011, and the Administrative Provisions on Admission of New-Energy Vehicle Manufacturers and Products (新能源汽車生產企業及產品准入管理規定) on 6 January 2017. In order to optimize the administration on admission of the vehicle manufacturers and products, the MIIT promulgated the Administrative Regulation on Admission of Road Motor Vehicle Manufacturers and Products (道路機動車輛生產企業及產品准入管理辦法, the "**New Admission Regulation**") on 27 November 2018, which took effect on

1 June 2019. The New Admission Regulation unifies various admission regulations for different types of road vehicle manufacturers and products and simplifies the admission administrative procedures on the vehicle manufacturing.

The PRC government may also remove automobile products from the Public Notice if the government determines that such automobile products no longer meet the relevant regulatory requirements. Such removal will deprive the relevant manufacturer of its right to continue to manufacture or sell the removed automobile products in China.

The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the "**GAQSIQ**") had been in charge of the administration of automobile product quality certifications until March 2018 and after that the SMAR takes over such responsibilities due to the State Council's institutional reform in 2018. According to the Administrative Rules for Compulsory Product Certification issued by the GAQSIQ in 2009, automobile products, including imported vehicles, parts and components, are subject to compulsory certification tests conducted by government-designated certification agencies for compliance with various safety and technical standards and requirements. An automobile product may only be sold in China or imported into China after passing such an authentication and receiving a China Compulsory Certification. This is commonly known as a 3C or CCC certification.

Emissions and Pollution

The PRC government has adopted various measures to establish a uniform supervision and administration system with respect to vehicle emissions, including an automobile product authentication procedure and a network of testing centres across China. The MEE from time to time publishes notices to inform the public of new vehicle models that comply with its regulatory emission standards. Automobile manufacturers are not allowed to produce or register any vehicle model or automobile product that has failed to comply with such regulatory emission standards. The MEE limits exhaust emission on the basis of China I, II, III, IV and V Standards. Different limits of exhaust emission and tests in such standards shall be applied to different types of vehicles.

Starting from 1 September 2003, the PRC government ceased to follow China I Standards and began to implement China II Standards. The PRC government began implementing China III Standards in selected cities such as in Beijing in December 2005 and in Guangzhou in September 2006, and the implementation has expanded to other places in China since 2008. The PRC government further implemented China IV Standards effective from 1 July 2011, and all compression ignition engines and automobiles produced, imported, sold and registered shall be in compliance with China IV Standards. Then China V Standard was implemented by the PRC government in 2013 and became effective from 1 January 2018. The MEE further issued the Limit and Measurement Methods of Emission from Light Vehicles (China VI Standards) (輕型汽車污染物排放限值及測量方法(中國第六階段)) on 23 December 2016, pursuant to which China VI Standards became effective on 1 July 2020 and replaced China V Standard. These emission standards will impose higher compliance expenditures on the PRC automobile manufacturers, including the research and development costs, to satisfy engine and vehicle design and engineering requirements.

Automobile Sales and After Sales Services

The sale of automobiles is subject to the Measures for Implementing the Administration of Automobile Sales (汽車銷售管理辦法) (the "**Automobile Sales Measures**"), which were promulgated on 5 April 2017 and came into force on 1 July 2017. The Automobile Sales Measures apply to activities in the automobile sales and related services within the territory of the PRC. The MOFCOM is responsible for the formulation of policies or regulations concerning automobile sales and the pertinent services nationwide. The automobile suppliers and dealers shall perform record-filing of the basic information through the information system for the national automobile circulation operated by the MOFCOM within 90 days of the receipt date of business licences. Where there is any change to the information concerned, its update shall be made within 30 days upon the date of the change. Any automobile suppliers and dealers established prior to the implementation of the Automobile Sales Measures shall perform record-filing as prescribed in the former paragraph within 90 days of the date of implementation of the Automobile Sales Measures. Such suppliers and dealers shall, subject to the requirements of the MOFCOM, serve sale volume, types and other information through the information system for the national automobile circulation in a timely manner.

Furthermore, automobile suppliers and distributors in the China shall build up an integrated system for automobile sales and after-sales services, ensure the related auto accessory supply, provide timely and effective after-sales services, and strictly comply with regulations concerning, among others, 3R (i.e. "**replace, repair and refund**") and recall of household automobiles to protect consumers' legitimate rights and interests. The automobile suppliers shall announce to the public the vehicle models ceasing to be manufactured or sold in a timely manner, and ensure the accessories supply and the corresponding after-sales services for at least 10 years.

Automobile Financing

The China Banking Regulatory Commission (the "**CBRC**") promulgated a new set of Administrative Rules Governing Auto Financing Companies (汽車金融公司管理辦法) on 24 January 2008, and established legal constraints on auto financing companies to ensure their rapid development with effective risks control. The eligibility requirements and permitted scope of business stress that auto financing companies should demonstrate professionalism and be its core businesses. It is emphasized that the principal capital contributor in establishing an auto financing company shall be an enterprise that engages in the production or the sales of vehicles or non-banking financial institution. It also specified that at least one of the capital contributors shall have over five years experience in auto financing business management and risks control, or otherwise, a professional management team shall be introduced. In addition to providing automobile finance lease service (excluding sale and leaseback business), an auto financing company is also permitted to engage in issuing financial securities upon approval and interbank lending, which has widened the financing channels of an auto financing company. In respect of risk control, an auto financing company shall comply with the regulatory requirements, including that the balance of the credits shall be no more than 15% of its net capital if granted to a single borrower and shall be no more than 50% of its net capital if granted to a single group client.

The PBOC and the CBRC jointly promulgated the Administrative Measures on Automobile Loans (汽車貸款管理辦法) (the "**Loans Measures**") on 16 August 2004, which were subsequently amended on 13 October 2017 and the amendment became effective on 1 January 2018. The Loans Measures stipulate the conditions for a borrower to apply for automobile loans. The time limit (including extensions) on automobile loans shall not exceed five years. The time limit (including extensions) on automobile loans for second-hand automobiles shall not exceed three years. The time limit on automobile loans for dealers shall not exceed one year. In order to obtain the financing, an automobile dealer's balance sheet ratio, or asset liability ratio, which equals to its indebtedness divided by its total assets, must not exceed 80%, and it must have sufficient stable and lawful income or assets to repay both the principal and interest incurred on the loan. The lender shall set up a separate credit file for each auto dealer borrower, and timely update such file. However, the frequency of the reviews and inspections is not specified in the Loans Measures. Furthermore, the granting of auto loans shall be subject to a system of maximum percentage requirements, and the percentage of an auto loan amount granted by a lender to a borrower in the total price of the automobile purchased by the borrower shall not exceed such applicable maximum percentage requirement; such maximum percentage requirements shall be set separately by the PBOC and the CBRC in light of the development of the macro-economy and the industry and other actual conditions.

Recall of Defective Automobiles

The Administration Rules on Recalls of Defective Automotive Products (缺陷汽車產品召回管理條例) (the "**Recall Regulations**") was promulgated by the State Council (國務院) on 22 October 2012 and became effective on 1 January 2013, and revised on 2 March 2019 according to Decision of the State Council on Revising Certain Administrative Regulations (國務院關於修改部分行政法規的決定). Implementing Measures for the Administrative Regulations on the Recall of Defective Auto Products (缺陷汽車產品召回管理條例實施辦法) (the "**Measures on Recall Regulations**") were promulgated by the GAQSIQ on 27 November 2015 and became effective on 1 January 2016. The Recall Regulations require the automobile manufacturer, upon learning of a potential defect in its automobile products, to forthwith investigate, analyse, and truthfully report the results to the product quality supervising department of the State Council. The Recall Regulations also require the manufacturers to forthwith cease manufacturing, selling, or importing the defective automotive products and conduct a recall upon confirmation of a defect in its automobile products. To conduct a recall, the manufacturer shall formulate a recall plan as required by the product quality supervising department of the State Council, file the recall plan therewith for record, and implement the recall accordingly. When filing the recall plan for record, the manufacturer shall also inform the sellers concerned, who shall in turn cease the sales of the defective automobile product. Implementing the recall, the automobile manufacturers shall release information in a way to facilitate public knowledge, and inform the auto owners of the defects existing in the auto products, the emergency treatment method to avoid damage, the measures taken by the manufactures to eliminate the defects and other items.

Under the Measures on Recall Regulations, automobile manufacturers shall formulate recall plans according to the provisions of the GAQSIQ, and file them with the GAQSIQ within five working days from the date of confirmation of a defect or from the date of receiving the recall order. In the meantime, automobile manufacturers shall timely and effectively notify relevant dealers of the recalls. Furthermore, automobile manufacturers shall submit recall reports to the GAQSIQ every three months from the date of implementation of a recall plan. Where the GAQSIQ has special requirements, automobile manufacturers shall submit recall reports as required. Automobile manufacturers shall submit a final recall report to the GAQSIQ within fifteen working days after implementing a recall plan.

Repair, Replacement and Return Liability

According to the Provisions on the Liabilities for the Repair, Replacement and Return of Household Automobile Products (家用汽車產品修理、更換、退貨責任規定) (the "**3R Provisions**"), which were promulgated by the GAQSIQ on 29 December 2012 and became effective on 1 October 2013, the dealer who distributes the household automobile products within the PRC bears the liabilities for repair, replacement and return of household automobile products (the "**Three Warranties**"). If the liabilities can be attributed to the manufacturers or other operators after the dealer has performed the Three Warranties obligations within its valid period, the dealer will be entitled to seek remedies from the responsible parties.

Manufacturers shall file for record and timely update the filings in case of any change thereto with the GAQSIQ the basic information about themselves, vehicle types, agreed sale and repair outlet information, product manual, Three Warranties certificate, repair and maintenance manual, Three Warranties dispute settlement, information about replacement or return of cars and other information relating to the Three Warranties of household automobile products.

The warranty period of household automobile products must not be less than three years or 60,000 kilometres in driving distance, whichever is reached first. The validity period of the Three Warranties of household automobile products will be no less than two years or 50,000 kilometres in driving distance, whichever is reached first. The warranty period of household automobile products and the validity period of the Three Warranties both commence from the date on which the vendor issues the purchase invoice. Within the validity period of the Three Warranties of a household automobile product, the consumer has the right to request the vendor to replace or return the product relying on the Three Warranties certificate and the purchase invoice, when the conditions of replacement or return under the 3R Provisions are met.

Fuel-Efficient Automobiles & New-Energy Automobiles

According to the Plan on Industry Development of Energy-Saving and New-Energy Automobiles (節能與新能源汽車產業發展規劃), which was promulgated by the State Council on 28 June 2012 and became effective on the same day, the framework of the development of fuel-efficient automobiles and new-energy automobiles has been established. For the purposes of this plan, new-energy automobiles means automobiles adopting new types of power systems that are fully or mainly reliant on new types of energy. The new-energy automobiles referred to in this plan mainly include battery electric vehicles, plug-in range extended electric vehicles and fuel cell vehicles. Fuel-efficient automobiles mean vehicles with the internal-combustion engine as the main power system and with the comprehensive operating mode fuel consumption superior to the target values for the next stage. In this plan, the government, depending on a technical route, sets up long-term goals, in the term from 2012 to 2020, in connection with the fuel-efficient automobiles and new-energy automobiles for the automobile industry, which includes accelerating the industrialization, improving fuel utilization efficiency, promoting technological progress, easing contradiction between the demand and supply of key automobile parts and components and bettering the management system in the automobile industry. In order to achieve the above goals, the government determines to conduct more energy saving and new-energy automobile technology innovation projects, including without limitation to developing battery materials, lowering battery price and boosting the speed of fuel-efficient automobiles and new-energy automobiles, to strengthen the qualified automobile manufacturers' whole new-energy automobile production capacity and to promote charging facilities construction in cities. Mainly, the government further makes subsidy measures to offer financial support to the fuel-efficient automobiles and new-energy automobiles industry.

Pursuant to the Implementation Provisions for the Promotion of Fuel-Efficient Automobiles (Passenger Vehicles of 1.6 Litres and Below) under the "Project to Benefit People with Energy-Saving Products" ("節能產品惠民工程"節能汽車(1.6升及以下乘用車)推廣實施細則), which were jointly promulgated by the NDRC, the MIIT and the MOF on 26 May 2010, the PRC government provides a subsidy of RMB3,000 for each fuel-efficient automobile that has a 1.6-liter or smaller engine. The NDRC, the MIIT and the MOF are responsible for determining and publishing the catalogue of the fuel-efficient automobile models eligible for such subsidy (the "**Fuel-Efficient Automobiles Catalogue**") and making amendments to the Fuel-Efficient Automobiles Catalogue from time to time.

On 7 September 2011, the NDRC, the MIIT and the MOF jointly promulgated the Notice on the Adjustment of Promotion and Subsidy Policy for Fuel-Efficient Automobiles (關於調整節能汽車推廣補貼政策的通知), which adjusted the integrated fuel consumption standards of the fuel-efficient automobile models eligible for such subsidy. The amount of subsidy remains RMB3,000 per automobile. To implement this notice, the NDRC, the MIIT and the MOF further amended the Fuel-Efficient Automobiles Catalogue and reduced the number of eligible fuel-efficient automobile models.

According to the Notice on Continuing to Promote the Application of New-Energy Automobiles (關於繼續開展新能源汽車推廣應用工作的通知), which was jointly promulgated by the MOF, the MOST, the MIIT and the NDRC on 13 September 2013 and became effective on the same day, the PRC government determined not only to provide diverse subsidies to consumers when buying new-energy automobiles, including battery electric automobiles, plug-in hybrid automobiles and fuel cell automobiles, but also to offer financial incentives to charging facilities construction in demonstration cities. The MOF, the MOST, the MIIT and the NDRC further jointly promulgated the Notice on Further Promoting the Application of New-Energy Automobiles (關於進一步做好新能源汽車推廣應用工作的通知) on 28 January 2014, and the Notice on Financial Support Policy re Promoting the Application of the New-Energy Automobiles from 2016 to 2020 (關於2016-2020年新能源汽車推廣應用財政支持政策的通知) on 22 April 2015. Pursuant to the aforesaid policies, the PRC government will continuously provide subsidies to customers who purchase the new-energy automobiles set forth in the Directory of Recommended Vehicle Models for Projects Promoting the Applications of New-Energy Automobiles until the end of 2020. According to the Notice on Further Improvement of the Subsidy Policies to Popularize the New-Energy Automobiles (關於進一步完善新能源汽車推廣應用財政補貼政策的通知) promulgated by the NDRC, the MIIT, the MOF and the MOST on 26 March 2019, the government shall adjust and improve the subsidy policies on the new-energy automobiles by raising the technical thresholds, optimizing the subsidy standards and adjusting the operating miles requirements.

In order to popularize new-energy vehicles, the relevant governmental authorities promulgated various tax preference policies on new-energy vehicles. According to the Announcement on the Exemption of Vehicle Purchase Tax on New-Energy Automobiles (關於免征新能源汽車車輛購置稅的公告) taking effect on 1 January 2018, the vehicle purchase tax can be exempted for the consumers who purchase the new-energy vehicles during the period from 1 January 2018 to 31 December 2020. Further, according to the Notice of the Preferential Policies on Vehicle and Vessel Tax Applicable to the Energy-Saving and New-Energy Vehicles and Vessels (關於節能、新能源車船享受車船稅優惠政策的通知) taking effect on 10 July 2018, the eligible energy-saving vehicles and vessels are entitled to reduction of 50% of the vehicle and vessel tax and the eligible new-energy vehicles and vessels are entitled to exemption from the vehicle and vessel tax.

Automobile Exports

On 6 September 2012, the MOFCOM, the MIIT, the General Administration of Customs of the PRC, the GAQSIQ and the Certification and Accreditation Administration of the PRC (中國國家認證認可監督管理委員會) jointly promulgated the Notice on Further Regulating the Export Order of Automobile and Motorcycle Products (關於進一步規範汽車和摩托車產品出口秩序的通知) (the "**Export Order Notice**"), which became effective on the same day. According to the Export Order Notice, manufacturers applying for export qualifications should meet the following conditions: (1) automobile manufacturers shall be listed in the Announcement of Automobile Manufacturing Enterprises and Automobile Products (車輛生產企業及產品公告) (the "**Public Announcement**") released by the MIIT, and shall hold a valid 3C certification; (2) low-speed automobile manufacturers shall be listed in the Public Announcement released by the MIIT; and (3) manufacturers of all types of products shall have the maintenance service capability compatible with the export volume. From 2013, the MOFCOM, the MIIT, the General Administration of Customs of the PRC, the GAQSIQ and the Certification and Accreditation Administration of the PRC shall apply categorised administration to the export delegation of manufacturers according to the examination of the overseas after-sales maintenance service outlets reported by manufacturers and the export scale of enterprises. A qualified enterprise shall submit the application to the competent local commerce authority. The MOFCOM shall, jointly with the MIIT, the General Administration of Customs, the GAQSIQ and the Certification and Accreditation Administration, publish and issue a List of Enterprises Qualified to Apply for Automobile or Motorcycle Export Licences (符合申領汽車和摩托車出口許可證條件企業名單).

Policies Relating to the Issue of the Securities

The NDRC issued the NDRC Notice (國家發展改革委關於推進企業發行外債備案登記管理改革的通知) on 14 September 2015, which came into effect on the same day.

The NDRC Notice provides that, among others, (i) the issuance of foreign debts by enterprises shall be applied to the record-filing and the registration system instead of the quota review and approval system by the NDRC and (ii) the enterprises must make the registration of the foreign debts with the NDRC prior to the issuance of foreign debts (the "**NDRC Pre-issuance Registration**") and then report the actual information of such issuance to the NDRC within 10 working days following the completion of such issuance (the "**Post-issuance Filing**"). The term "foreign debts" referred to in the NDRC Notice means RMB-denominated or foreign currency-denominated debt instruments with a maturity of more than one year which are issued overseas by the domestic enterprises and their controlled overseas enterprises or branches and of which the principal and interest are repaid as agreed, including bonds (e.g. perpetual securities) issued overseas and long-term and medium-term international commercial loans, etc.

We have completed the NDRC Pre-issuance Registration in relation to the Securities by receiving the registration certificate dated 16 August 2019 from NDRC which granted us the permission of issuance of the foreign debts up to US$500.0 million. Such registration certificate will expire on 15 August 2020. We or our PRC holding company shall make the NDRC Post-issuance Filing within 10 working days following the completion of the issuance of the Securities.

DIRECTORS

Our Board of Directors is responsible and has general powers for the management and conduct of our business.

The rights and obligations of each member of the Board of Directors are regulated by our articles of association and by our shareholders during our general meetings.

Our Board of Directors is responsible for the leadership and control of our Company, and is responsible for setting up the overall strategy as well as reviewing our operational and financial performance.

Our governance framework provides for checks and balances while allowing our management to retain flexibility for prompt decision making in the ordinary course of business. Post-implementation audits of significant expenditures are conducted and reviewed by designated committees and by our Board of Directors.

The members of the Board of Directors are as follows:

Name	Age	Position
Li Shu Fu	55	Chairman and Executive Director
Yang Jian	57	Vice Chairman and Executive Director
Li Dong Hui, Daniel	49	Vice Chairman and Executive Director
Gui Sheng Yue	55	Chief Executive Officer and Executive Director
An Cong Hui	49	Executive Director
Ang Siu Lun, Lawrence	59	Executive Director
Wei Mei	50	Executive Director
Lee Cheuk Yin, Dannis	48	Independent Non-executive Director
Yeung Sau Hung, Alex	69	Independent Non-executive Director
An Qing Heng	74	Independent Non-executive Director
Wang Yang	44	Independent Non-executive Director

Executive Directors

Mr. Li Shu Fu (李書福), aged 55, is our Chairman and Executive Director. Mr. Li joined our Group on 9 June 2005 and is responsible for our overall strategic planning, Board leadership, corporate governance and formulation of the corporate policies. Mr. Li is also the controlling shareholder, founder, chairman of the board of directors of Geely Holding. Mr. Li has over 32 years of experience in the investment and management of the automobile manufacturing business in the PRC. Mr. Li is a member of the Chinese People's Political Consultative Conference. Mr. Li was accredited as one of the "50 Most Influential Persons in China's Automotive Industry in the 50 Years" in 2003 by *China Automotive News (中國汽車報)*. Mr. Li holds a master's degree in engineering from Yan Shan University (燕山大學).

Mr. Yang Jian (楊健), aged 57, is our Vice Chairman and Executive Director. Mr. Yang joined our Group on 9 June 2005 and is responsible for assisting the Chairman in our Board leadership and corporate governance. Mr. Yang was appointed as the Vice Chairman of our Board on 1 July 2008, and subsequently, as the vice chairman of the board of directors of Geely Holding on 29 December 2011. Mr. Yang was also the chairman of four of our key operating subsidiaries, namely, Zhejiang Jirun Automobile Co., Ltd. (浙江吉潤汽

車有限公司) ("**Zhejiang Jirun**"), Shanghai Maple Guorun Automobile Co., Ltd. (上海華普國潤汽車有限公司), Zhejiang Ruhoo Automobile Co., Ltd. (浙江陸虎汽車有限公司) and Hunan Geely Automobile Components Co., Ltd. (湖南吉利汽車部件有限公司). Since joining Geely Holding in 1996, Mr. Yang was involved in a number of different job functions within our Group including product research and development, engineering and construction, manufacturing, quality improvement, marketing, after-sales service and our operation and management in the PRC and overseas. Mr. Yang graduated from Zhejiang Radio and Television University (浙江廣播電視大學) with focus on production management. Mr. Yang holds the designations of senior economist and senior engineer in the PRC.

Mr. Li Dong Hui, Daniel (李東輝), aged 49, is our Vice Chairman and Executive Director, joined our Group in July 2016 and was appointed an executive vice president and Chief Financial Officer ("**CFO**") of Geely Holding in June 2016, a board member of Geely Holding in April 2011, and a member of the board of directors of Volvo Car in April 2012. Mr. Li is also a director of certain subsidiaries of our Group. He is responsible for our overall strategic planning of accounting and financing system which includes accounting and financial management, cost control management, budget management, accounting reconciliation, accounting control, internal control review, taxation management, cash flow management, capital operation management, operational risk control, and investment and financing activities monitoring, etc. Mr. Li was a vice president and CFO of Geely Holding from April 2011 to March 2014, and an executive director of our Company from May 2011 to March 2014. Mr. Li has extensive professional and senior managerial experiences with both the PRC and sino-foreign multinational companies, particularly in the fields of accounting and financial management, financing structure, strategic planning and business development. Prior to joining Geely Holding, he held key accounting, financing and corporate management positions as vice president, CFO, general manager and business development director in the PRC companies including Guangxi Liugong Machinery Company Ltd. (2010) and China Academy of Post and Telecommunication (1991), and sino-foreign multinational companies including headquarter of Cummins Inc., and its China Division (2006- 2009), BMW Brilliance Automotive Ltd (2001-2005), ASIMCO Braking System (Guangzhou) Co., Ltd., ASIMCO Braking System (Zhuhai) Co., Ltd. (1997-2001) and Danfoss (Tianjin) Ltd. (1996); his last position was the vice chairman and the president (finance) of Beijing Orient Landscape Co., Ltd. (北京東方園林生態股份有限公司) (Stock Code of Shenzhen Stock Exchange: 002310) (2014-2016). Mr. Li graduated from the Kelley School of Business of Indiana University in the USA with a master's degree in business administration in 2010 and graduated from the Beijing Institute of Machinery in the PRC with a master's degree in management engineering with a major in financial management in 1997. Also, Mr. Li graduated from the Renmin University of China in the PRC with a bachelor's degree in philosophy in 1991. He is currently the independent director of China CYTS Tours Holding Co., Ltd. (中青旅控股股份有限公司) (Shanghai Stock Exchange Stock Code: 600138) and independent non-executive director of YTO Express (International) Holdings Limited (Stock Code of Hong Kong Stock Exchange ("**HKEx**"): 6123).

Mr. Gui Sheng Yue (桂生悅), aged 55, is our Chief Executive Officer and Executive Director. Mr. Gui joined our Group on 9 June 2005 and is responsible for our overall administration, risk management and compliance. Mr. Gui has been our Chief Executive Officer since 23 February 2006. He was also the chairman of DSI Holdings Pty Limited, our former wholly owned subsidiary. He has been appointed as an independent non-executive director of Eagle Rider Investment Ltd. (Hong Kong Stock Exchange Stock Code: 901) since 1 November 2013. Mr. Gui has over 32 years of experience in administration and project management. Mr. Gui previously worked with China Resources (Holdings) Co., Ltd. Mr. Gui holds a bachelor of science degree in mechanical engineering from Xi'an Jiaotong University (西安交通大學) and a master's degree in business administration from University of San Francisco.

Mr. An Cong Hui (安聰慧), aged 49, is our Executive Director. Mr. An joined our Group on 30 December 2011, and is responsible for our overall administration. Mr. An had been a vice president of Geely Holding since 2003, then became the president of Geely Holding with effect from 29 December 2011. Mr. An is currently the chairman of our principal operating subsidiary, namely Zhejiang Jirun, and a director of certain of our subsidiaries. Mr. An joined Geely Holding since 1996 and has held various key positions in Geely Holding including chief engineering officer and general manager. Mr. An has extensive professional knowledge and senior managerial experience in the automotive industry, particularly in the field of automotive engineering. Mr. An was previously in charge of the overall operation under the "Emgrand" product brand following our implementation of the multi-brand strategy and our production of gearboxes, engines and drivetrain systems. From 1996 to now, Mr. An has held various key positions in Geely Holding including chief engineering officer and general manager. He has a diploma in contemporary accounting from the Hubei University of Economic and Management (湖北經濟管理大學).

Mr. Ang Siu Lun, Lawrence (洪少倫), aged 59, is our Executive Director. Mr. Ang joined our Group on 23 February 2004 and is mainly responsible for our international business development, capital market and investors' relationship. Prior to joining us, Mr. Ang worked in a number of major international investment banks for 17 years with extensive experience in equity research, investment banking and financial analysis, focusing on China asset market, automobile industry and investment banking business. Mr. Ang is also a non-executive director of Honbridge Holdings Limited (Hong Kong Stock Exchange Stock Code: 8137). Previously, he was an independent non-executive director of Genvon Group Limited (Hong Kong Stock Exchange Stock Code: 2389). Mr. Ang holds a bachelor of science degree in physics and computer science and a master of business administration degree from the Chinese University of Hong Kong.

Ms. Wei Mei (魏梅), aged 50, is our Executive Director. Ms. Wei joined our Group on 17 January 2011. Ms. Wei is also a vice president of Geely Holding and is responsible for the human resources management and training of Geely Holding since June 2009. From 2003 to 2007, Ms. Wei was the group human resources director of Beiqi Foton Motor Co., Ltd. ("**Foton Motor**") and focused on Foton Motor's human resources management, control and training. Prior to that, Ms. Wei worked in the group of Qingdao Haier Co., Ltd. ("**Qingdao Haier**") from 1991 to 2002 and served a number of positions in the department of integration and dishwashers business unit of Qingdao Haier Refrigerator Co., Ltd., participating in the development, diversification and globalisation of Qingdao Haier. Ms. Wei was in charge of organisational management, operation appraisal, quality system management and human resources, and was also directing the operation management of Haier dishwashers and other small appliances. Ms. Wei holds a bachelor's degree in science and a master's degree in management from the Ocean University of China (中國海洋大學), and a doctoral degree in management from the Northwest A&F University (西北農林科技大學).

Independent Non-executive Directors

Mr. Lee Cheuk Yin, Dannis (李卓然), aged 48, is our Independent Non-executive Director. He joined our Group on 28 June 2002. Mr. Lee is a managing director of DLK Advisory Limited, and is an independent non-executive director of each of Tiangong International Company Limited (Hong Kong Stock Exchange Stock Code: 826), Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited, (Stock Code of HKEx: 1573) and CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited, Stock Code of HKEx: 1141). Mr. Lee has over 24 years of experience in accounting and auditing. He was an executive director of Guojin Resources Holdings Limited (Hong Kong Stock Exchange Stock Code: 630) and AMVIG Holdings Limited (Hong Kong Stock Exchange Stock Code: 2300), and a non-executive director of Kam Hing International Holdings Limited (Hong Kong Stock Exchange Stock Code: 2307), and an independent non-executive director of U-Home Group Holdings Limited (Hong Kong Stock

Code: 2327). He obtained the bachelor of business administration degree from Texas A&M University in the United States. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

Mr. Yeung Sau Hung, Alex (楊守雄), aged 69, is our Independent Non-executive Director. Mr. Yeung joined our Group on 6 June 2005. He was the chief executive officer and responsible officer of LW Asset Management Advisors Limited, a regulated fund management company in Hong Kong, after his retirement from the role of chief executive officer of DBS Vickers (Hong Kong) Ltd ("**DBS Vickers**"). He currently is the Responsible Officer of another regulated fund management company and a non-executive director of GRST Technology Research Company. Mr. Yeung has more than 36 years of experience in the financial services industry. Prior to joining DBS Vickers, he was the deputy chairman of the management committee of a listed consumer electronics company for four years and was the country head of the division of Greater China Equities and the managing director of Deutsche Securities Limited (Hong Kong). Mr. Yeung graduated with a master of business administration degree from University of Southern California.

Mr. An Qing Heng (安慶衡), aged 74, is our Independent Non-executive Director. Mr. An joined our Group on 17 April 2014. Mr. An is currently the director of the Advisory Committee of China Automotive Industry and the chairperson of Beijing Association of Automobile Manufacturers, and was the independent director of Yechiu Metal Recycling (China) Limited (Shanghai Stock Exchange Stock Code: 601388), Liaoning SG Automotive Group Co., Ltd. (Shanghai Stock Exchange Stock Code: 600303) and Henan Province Xixia Automobile Water Pump Co., Ltd. (Stock Code of Shenzhen Stock Exchange: 002536). Mr. An has extensive professional and management experience in the automotive industry, particularly in the fields of automotive engineering and manufacturing. Mr. An had held various positions with Beijing Gear Works Factory, Beijing United Automobile and Motorcycle Manufacturing Company and Beijing Automotive Industry Company including the vice factory director, chief engineer and general manager. He then served as the chairman and the Communist Party Committee Secretary (黨委書記) of Beijing Automotive Industry Holding Company Limited and was once concurrently the chairman of Foton Motor, Beijing Jeep Corporation and Beijing Benz Automotive Company Limited. Mr. An has been a member of the 8th and 10th sessions of Beijing Political Consultative Conference (北京市政治協商委員會), a representative of the 11th session of the Beijing Municipal People's Congress (北京市人民代表大會), and a member of the Standing Committee of the 4th, 5th, 6th and 7th sessions of the Beijing Association for Science and Technology (北京市科學技術協會常委會). Mr. An holds a professional qualification in automotive tractors and engines of the Department of Agricultural Machinery (currently known as the Department of Automotive Engineering) of Tsinghua University (清華大學) in 1968. Mr. An has the qualification of senior engineering (professor level) accredited by the Senior Vocational Title Inspecting Committee of Beijing Municipality (北京市高級專業技術職務評審委員會).

Mr. Wang Yang (汪洋), aged 44, is our Independent Non-executive Director. Mr. Wang joined our Group on 15 September 2010 as our Non-executive Director and was re-designated as our Independent Non-executive Director on 17 May 2012. Mr. Wang is presently a partner of Primavera Capital Group. Mr. Wang worked in China International Capital Corporation's ("**CICC**") Private Equity Group from 2000 to 2001. From 2002 to 2006, Mr. Wang worked in CICC's investment banking division as a vice president, focusing on China-based companies' initial public offerings and restructurings. From 2006 to 2010, Mr. Wang worked in Goldman Sachs Principal Investment Area as a managing director and focused on private equity investments in China. Mr. Wang holds a bachelor of engineering dual-degree in management engineering and computer science and a master of science degree in management science and engineering from Shanghai Jiaotong University (上海交通大學).

SENIOR MANAGEMENT

Mr. Cheung Chung Yan, David (張頌仁), aged 43, is our Financial Controller and Company Secretary. Mr. Cheung joined our Group on 17 May 2005. Mr. Cheung was also a director of DSI Holdings Pty Limited, our former wholly owned subsidiary. He was an independent non-executive director of Ourgame International Holdings Limited (Hong Kong Stock Exchange Stock Code: 6899). Mr. Cheung has over 21 years of experience in auditing, accounting and financial management. Mr. Cheung holds a bachelor's degree of business administration in accounting from the Hong Kong University of Science and Technology. Mr. Cheung is a fellow member of the Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors.

Mr. Dai Yang, Daniel (戴陽), aged 64, is our Vice President (International Business). Mr. Dai joined our Group on 5 May 2005 and is responsible for our investor relation and international business in Hong Kong. Prior to joining us, Mr. Dai has mainly focused his career on projects investment. Mr. Dai previously was an assistant general manager of China Resources Investment Co., Ltd., and a general manager of Da Fang Investment Co., Ltd. in Hong Kong. Mr. Dai holds a bachelor's degree of arts from Beijing Normal College (北京師範學院) and a master's degree of linguistics from Beijing Foreign Language Institute (北京外國語學院).

Mr. Poon Chi Kit (潘志傑), aged 39, joined our Group on 1 July 2011. He was appointed as the Head of Internal Audit of our Company with effect from 1 October 2015 and is in charge of our risk assessment and monitoring, internal audit, and internal control infrastructure development. He was the group financial controller of Kandi Electric Vehicles Group Co., Ltd., our former joint venture. Mr. Poon holds a bachelor's degree in civil engineering from the National University of Singapore. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 11 years of experience in auditing, accounting and financial management.

COMPANY SECRETARY

Mr. Cheung Chung Yan, David (張頌仁), details of Mr. Cheung's biography are set out above.

BOARD COMMITTEES

Remuneration Committee

We established the remuneration committee on 31 December 2004 with written terms of reference which deal clearly with its duties and authorities. The terms of reference was updated on 31 December 2014. The remuneration committee is mainly responsible for determining the policy for the remuneration package of Executive Directors and senior management with access to independent professional advice at our expense if necessary; assessing performance of Executive Directors and senior management; approving the terms of service contracts of Executive Directors and senior management; and making recommendations to the Board on the remuneration of Non-executive Directors.

The remuneration committee has four members, comprising Mr. Yeung Sau Hung, Alex, Mr. Lee Cheuk Yin, Dannis and Mr. Wang Yang, all being our Independent Non-executive Directors, and Ms. Wei Mei, our Executive Director. The remuneration committee is chaired by Mr. Yeung Sau Hung, Alex.

Audit Committee

We established the audit committee on 31 December 2004 with written terms of reference which deal clearly with its duties and authorities. The terms of reference was updated on 31 December 2015. The audit committee is responsible for investigating any activity within its terms of reference fairly and independently and take appropriate follow-up action if necessary; seeking any information it requires from any employee, whereas all employees are directed to cooperate with any request made by the committee; and reviewing and ensuring that proper arrangements are in place for our employees to raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee also acts as the key representative body for overseeing our relations with the external auditor.

The audit committee has four members, comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang, all being our Independent Non-executive Directors. The Committee is chaired by Mr. Lee Cheuk Yin, Dannis.

Nomination Committee

We established the nomination committee on 30 December 2011 with written terms of reference which deal clearly with its duties and authorities. The terms of reference was updated on 31 December 2014. The Nomination Committee is responsible for determining the policy for the nomination of Directors with the right to seek independent professional advice at our expense if necessary.

The nomination committee has four members, comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex and Mr. Wang Yang, all being our Independent Non-executive Directors, and Mr. Gui Sheng Yue, our Chief Executive Officer and Executive Director. The nomination committee is chaired by Mr. Wang Yang.

SHARE OPTION SCHEME

Our share option scheme was adopted pursuant to the shareholders' resolution passed on 18 May 2012. See note 18 to the unaudited interim financial statements as of and for the six months ended 30 June 2019 starting on page F-30 of this offering circular. Our board may, at its discretion, offer to grant an option to subscribe for such number of new shares as it may determine at a price to any of our full-time employees, Directors and any such other persons who in the sole opinion of our board, will contribute or have contributed to us. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time. As of the date of this offering circular, we had a total of 82,411,000 shares options granted by the Company to the Group's directors, employees and other eligible participants and remained outstanding.

PRINCIPAL SHAREHOLDERS

As of 30 June 2019, according to the register we maintain in accordance with Section 336 of the SFO, the following parties had interests or short positions in 5% or more of our issued share capital:

Name	Capacity	Number of shares held	Approximate percentage of shareholding[3]
Mr. Li Shu Fu[1]	Interest in controlled corporation	4,019,478,000	44.11%(L)
	Personal interest	23,140,000	0.25%(L)
Geely Holding[1]	Interest in controlled corporation	4,019,391,000	44.11%(L)
Proper Glory[1]	Beneficial owner	2,636,705,000	28.94%(L)
Geely Group Limited[1] . . .	Interest in controlled corporation	2,636,705,000	28.94%(L)
	Beneficial owner	87,000	0.001%(L)
Zhejiang Geely[2]	Beneficial owner	796,562,000	8.74%(L)

Notes:

(1) Proper Glory Holding Inc. ("**Proper Glory**") is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, a brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporation in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) Zhejiang Geely Automobile Company Limited ("**Zhejiang Geely**") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate and interested entities.

(3) "(L)" means long position.

As of the date of this offering circular, approximately 44.2% of our outstanding shares were beneficially owned by our controlling shareholders. See "Management – Share Option Scheme."

Except as disclosed above, no other parties were recorded in the register of the Company required to be maintained under Section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as of 30 June 2019.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between us or our consolidated subsidiaries and our Directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

TRANSACTIONS

The table below sets forth certain material transactions between us and our related parties for the periods indicated:

Names of related parties	Nature of transactions	For the year ended 31 December 2016	2017	2018	2018	For the six months ended 30 June 2018	2019	2019
		(RMB)	(RMB)	(RMB)	(US$) (in thousands)	(RMB)	(RMB)	(US$)
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司)[(1)]	Sales of complete knock down kits and vehicle tool kits	26,768,993	28,966,961	26,619,927	3,877,630	14,331,475	13,558,826	1,975,066
	Sales of automobile parts and components	1,009	3,720	1,094	159	–	–	–
	Claims income on defective materials purchased	114,687	184,019	230,108	33,519	82,393	121,954	17,765
	Purchase of complete buildup units	27,039,398	29,719,819	27,101,271	3,947,745	14,978,160	14,032,557	2,044,072
	Purchase of automobile parts and components	6,066	4,438	678	99	–	–	–
	Sub-contracting fee paid	31,188	18,711	18,571	2,705	9,960	–	–
	Claims paid on defective materials sold	114,619	197,170	217,071	31,620	93,047	66,888	9,743
	Acquisition of property, plant and equipment	3,369	–	–	–	–	–	–
	Research and development services rendered	64	–	–	–	–	–	–
	Disposal of property, plant, and equipment	1,364	–	–	–	–	–	–
	Disposal of intangible assets	13,386	–	–	–	–	–	–
	Acquisition of subsidiaries	–	597,550	–	–	–	–	–
	Acquisition of a subsidiary	–	–	1,169,399	170,342	–	–	–
	Sales of powertrain and related components	–	–	212	31	–	–	–
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	–	–	253,892	36,984	–	2,239,586	326,232

Names of related parties	Nature of transactions	For the year ended 31 December 2016 (RMB)	2017 (RMB)	2018 (RMB)	2018 (US$) (in thousands)	For the six months ended 30 June 2018 (RMB)	2019 (RMB)	2019 (US$)
Shanghai Maple Automobile Company Limited (上海華普汽車有限公司)	Sales of complete knock down kits and vehicle tool kits	–	43	–	–	–	–	–
	Sales of automobile parts and components	521	2,365	75	11	–	–	–
	Rental income	66	–	–	–	–	–	–
	Research and development services rendered	68	–	–	–	–	–	–
	Acquisition of a subsidiary	–	242,550	–	–	–	–	–
	Sales of powertrain and related components	–	–	306	45	–	–	–
Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司)	Sales of complete knock down kits and vehicle tool kits	23,859,407	57,052,068	63,422,157	9,238,479	32,612,847	25,917,888	3,775,366
	Sales of complete knock down kits (Electric Vehicles)	128,283	826,298	175,319	25,538	174,334	–	–
	Sales of automobile parts and components	1,139	–	–	–	–	–	–
	Claims income on defective materials purchased	110,864	192,985	249,713	36,375	88,973	153,641	22,380
	Purchase of complete buildup units	24,619,656	59,314,043	63,063,671	9,186,259	33,441,168	24,594,159	3,582,543
	Purchase of automobile parts and components	35	821	1	–	–	–	–
	Sub-contracting fee paid	14,850	–	–	–	–	–	–
	Claims paid on defective materials sold	110,914	198,850	266,859	38,872	119,176	153,714	22,391
	Acquisition of property, plant and equipment	2,261	–	–	–	–	–	–
	Rental income	154	–	–	–	–	–	–
	Disposal of a subsidiary	–	1,241,687	–	–	–	–	–
Zhejiang Geely Automobile Parts and Components Company Limited (浙江吉利汽車零部件採購有限公司)	Claims income on defective materials purchased	36,319	24	71,624	10,433	32,476	14,774	2,152
	Purchase of automobile parts and components	9,070,513	16,575,792	16,723,802	2,436,096	8,263,981	2,184,136	318,155
	Acquisition of property, plant and equipment	939	–	–	–	–	–	–
	Sales of automobile parts and components	–	3	–	–	–	–	–
	Claims paid on defective materials sold	–	56,276	–	–	–	–	–
Taizhou Haoqing Automobile Sales Services Company Limited (台州豪情汽車銷售服務有限公司)	Sales of complete buildup units	507,913	580,737	–	–	–	–	–
	Sales of automobile parts and components	5,782	7,057	–	–	–	–	–
	Claims income on defective materials purchased	2,546	–	–	–	–	–	–

Names of related parties	Nature of transactions	For the year ended 31 December				For the six months ended 30 June		
		2016	2017	2018	2018	2018	2019	2019
		(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
					(in thousands)			
Shanghai LTI Automobile Company Limited (上海英倫帝華汽車有限公司)	Sales of automobile parts and components	4	33	843	123	–	–	–
	Purchase of automobile parts and components	7,883	12,893	19,783	2,882	–	–	–
	Rental income	7,494	–	–	–	–	–	–
Ningbo Geely Automobile Research Development Co., Ltd (寧波吉利汽車研究開發有限公司)	Sales of complete knock down kits and vehicle tool kits	973	1,702	4,112	599	–	–	–
	Sales of automobile parts and components	3,631	16	–	–	–	–	–
	Purchase of automobile parts and components	–	214	14,664	2,136	–	–	–
	Sales of powertrain and related components	–	–	25,984	3,785	–	–	–
	License fee income receivable	–	–	–	–	–	480,000	69,920
Hangzhou Geely New Energy Automobile Sales Company Limited (杭州吉利新能源汽車銷售有限公司)	Sales of complete buildup units (Electric Vehicles)	2,218,473	2,733,212	4,445,741	647,595	1,475,309	129,487	18,862
	Claims income on defective materials purchased	38	–	–	–	–	–	–
	Sales of automobile parts and components	–	–	4	1	–	–	–
	Purchase of complete buildup units	–	–	817	119	–	–	–
Shenzhen Geely Automobile Sales Company Limited (深圳吉利汽車銷售有限公司)	Sales of complete buildup units (Electric Vehicles)	11,435	23,993	529,904	77,189	33,752	385,296	56,125
Shanxi New Energy Automobile Industrial Company Limited (山西新能源汽車工業有限公司)	Sales of automobile parts and components	2,015	1,291	291	42	–	–	–
	Sales of complete knock down kits and vehicle tool kits	–	–	1,495	218	–	–	–
	Acquisition of a subsidiary	720,244	–	–	–	–	–	–
Baoji Geely Automobile Company Limited (寶雞吉利汽車有限公司)	Acquisition of a subsidiary	702,207	–	–	–	–	–	–
Hangzhou Geely Yiyun Technology Company Limited (杭州吉利易雲科技有限公司)	IT services expenses	28,919	29,374	69,234	10,085	–	–	–
Zhejiang Geely Business Services Company Limited (浙江吉利商務服務有限公司)	Business travel services expenses	30,110	92,114	125,619	18,298	37,610	44,122	6,427

Names of related parties	Nature of transactions	For the year ended 31 December 2016 (RMB)	2017 (RMB)	2018 (RMB)	2018 (US$) (in thousands)	For the six months ended 30 June 2018 (RMB)	2019 (RMB)	2019 (US$)
Viridi E-Mobility Technology (Suzhou) Co., Ltd (威睿電動汽車技術(蘇州)有限公司)	Purchase of automobile parts and components	–	26,476	87,113	12,689	19,327	3,929	572
	Sales of automobile parts and components	–	–	386	56	–	–	–
Kandi Electric Vehicles (Shanghai) Co., Ltd. (康迪電動汽車(上海)有限公司)(2)	Sales of automobile parts and components	15,563	37,945	85,053	12,389	–	–	–
	Purchase of automobile parts and components	973	–	–	–	–	–	–
	Sales of complete knock down kits (Electric Vehicles)	–	127	–	–	–	–	–
Kandi Electric Vehicles Group Co., Ltd. (康迪電動汽車集團有限公司)(2)	Sales of complete knock down kits (Electric Vehicles)	–	469	–	–	–	–	–
Zhejiang Kingkong Automobile Company Limited (浙江金剛汽車有限公司)	Sales of automobile parts and components	–	21,162	–	–	–	–	–
	Purchase of automobile parts and components	–	–	71	10	–	–	–
Xiamen Geely Automobile Sales Company Limited (廈門吉利汽車銷售有限公司)	Sales of complete buildup units (Electric Vehicles)	–	–	8,804	1,282	–	–	–
Yiwu Geely Engine Company Limited (義烏吉利發動機有限公司)	Sales of powertrain and related components	–	–	22,054	3,213	–	–	–
	Sales of automobile parts and components	–	–	101	15	–	–	–
	Purchase of automobile parts and components	–	–	50	7	–	–	–
Yaou Automobile Manufacturing (Taizhou) Company Limited (亞歐汽車製造(台州)有限公司)	Sales of powertrain and related components	–	–	249,267	36,310	98,528	75,125	10,943
	Sales of automobile parts and components	–	–	50	7	–	–	–
	Purchase of automobile parts and components	–	–	120	17	–	–	–
Shanghai Meihuan Trade Company Limited (上海美寰貿易有限公司)	Sales of automobile parts and components	–	–	5,621	819	–	–	–
Guiyang Geely Engine Company Limited (貴陽吉利發動機有限公司)	Acquisition of a subsidiary	–	–	484,003	70,503	–	–	–
	Sales of powertrain and related components	–	–	12,788	1,863	–	–	–

Names of related parties	Nature of transactions	For the year ended 31 December 2016 (RMB)	2017 (RMB)	2018 (RMB)	2018 (US$) (in thousands)	For the six months ended 30 June 2018 (RMB)	2019 (RMB)	2019 (US$)
Taizhou Geely Luoyou Engine Company Limited (台州吉利羅佑發動機有限公司)	Acquisition of a subsidiary	–	–	781,274	113,805	–	–	–
	Sales of powertrain and related components	–	–	3,352	488	–	–	–
Hangzhou Geely Automobile Components Company Limited (杭州吉利汽車部件有限公司)	Acquisition of a subsidiary	–	–	930,620	135,560	–	–	–
Guizhou Geely New Energy Automobile Company Limited (貴州吉利新能源汽車有限公司)	Acquisition of a subsidiary	–	–	1,074,309	156,491	–	–	–
	Sales of automobile parts and components	–	–	196	29	–	–	–
	Sales of powertrain and related components	–	–	733	107	–	–	–
Guangzhou Geely New Energy Automobile Sales Company Limited (廣州吉利新能源汽車銷售有限公司)	Sales of complete buildup units (Electric Vehicles)	–	–	245,727	35,794	–	374,715	54,583
Fuzhou Geely Emgrand New Energy Automobile Sales Company Limited (福州吉利帝豪新能源汽車銷售有限公司)	Sales of complete buildup units (Electric Vehicles)	–	–	5,467	796	–	146,529	21,344
Xian Geely New Energy Automobile Sales Company Limited (西安吉利新能源汽車銷售有限公司)	Sales of complete buildup units (Electric Vehicles)	–	–	102,101	14,873	–	115,611	16,841
London EV Company Limited	Sales of powertrain and related components	–	–	25,920	3,776	–	–	–
Hangzhou Youhang Technology Company Limited (杭州優行科技有限公司)	Sales of complete buildup units (Electric Vehicles)	–	–	–	–	–	555,893	80,975
Hubei Ecarx Company Limited (湖北億咖通科技有限公司)	Purchase of automobile parts and components	–	–	–	–	–	503,732	73,377

Names of related parties	Nature of transactions	For the year ended 31 December 2016 (RMB)	2017 (RMB)	2018 (RMB)	2018 (US$) (in thousands)	For the six months ended 30 June 2018 (RMB)	2019 (RMB)	2019 (US$)
Associates								
Mando (Ningbo) Automotive Parts Co., Limited (萬都(寧波)汽車零部件有限公司)	Purchase of automobile parts and components	1,199,332	3,346,577	3,074,562	447,860	939,221	648,672	94,490
	Service fee income	5,257	–	–	–	–	–	–
Closed Joint Stock Company BELGEE	Sales of complete buildup units	214,541	–	–	–	–	–	–
	Sales of automobile parts and components	–	–	205,659	29,958	67,179	–	–
Joint venture and its Subsidiary								
Kandi Electric Vehicles (Shanghai) Co., Ltd. (康迪電動汽車(上海)有限公司)(2)	Sales of complete buildup units	303	–	–	–	–	–	–
	Sales of automobile parts and components	65,880	–	–	–	–	–	–
	Purchase of automobile parts and components	308	–	–	–	–	–	–
Genius Auto Finance Company Limited (吉致汽車金融有限公司)	Service fee income	9,920	–	–	–	–	–	–
LYNK&CO Investment Co., Ltd. (領克投資有限公司)	Disposal of a subsidiary	–	100,000	–	–	–	–	–
LYNK&CO Automobile Sales Company Limited (領克汽車銷售有限公司)	Sales of powertrain and related components	–	–	1,356	198	–	–	–
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd. (凱悅汽車大部件製造(張家口)有限公司)	Sales of powertrain and related components	–	–	906,175	131,999	101,732	545,317	79,434
Ultimate holding company								
Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司)(3)	Disposal of joint ventures	1,346,487	–	–	–	–	–	–
	Acquisition of a subsidiary	–	993,100	–	–	–	–	–
	Acquisition of property, plant and equipment	–	–	32,869	4,788	–	–	–

Notes:

(1) On 26 November 2019, we entered into a number of agreements with Zhejiang Geely Holding Group Company Limited. Pursuant to the agreements, we agreed to sell the CBUs and related after-sales parts, components and accessories manufactured by us to Zhejiang Geely Holding Group Company Limited from 1 January 2020 to 31 December 2021. The proposed annual caps for these transactions for the two years ending 31 December 2020 and 2021 are approximately RMB1,528.2 million and RMB2,628.6 million, respectively.

(2) In October 2016, the Company disposed of Kandi Electric to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries became related companies of the Group.

(3) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and vehicle tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

On 26 November 2019, we, Zhejiang Geely Holding Group Company Limited and Lynk&Co entered into a tri-party R&D and technology support agreement. Pursuant to the agreement, we agreed to provide to Zhejiang Geely Holding Group Company Limited and its subsidiaries (together, "**Geely Holding Group**") and Lynk&Co and its subsidiaries (together, "**Lynk&Co Group**") with relevant technology support services related to our proprietary technologies, and we also agreed to procure relevant technology support services from Zhejiang Geely Holding Group Company Limited relevant technology support service, from 26 November 2019 to 31 December 2021. The proposed annual caps of the service fees receivable by us under this agreement for the three years ending 31 December 2019, 2020 and 2021 are approximately RMB76.2 million, RMB539.7 million and RMB550.9 million, respectively. The proposed annual caps of the service fees payable by us under this agreement for the same years are approximately RMB52.4 million, RMB408.1 million and RMB478.8 million, respectively.

On 26 November 2019, we, Zhejiang Geely Holding Group Company Limited and Lynk&Co entered into an operation services agreement. Pursuant to the agreement, we agreed to provide Geely Holding Group and Lynk&Co Group with operational services and to procure certain operational services from Geely Holding Group, from 26 November 2019 to 31 December 2021. The proposed annual caps of the service fees receivable by us under this agreement for the three years ending 31 December 2019, 2020 and 2021 are approximately RMB159.1 million, RMB1,198.4 million and RMB1,964.5 million, respectively. The proposed annual caps of the service fees payable by us under this agreement for the three years ending 31 December 2019, 2010 and 2021 are approximately RMB51.8 million, RMB207.3 million and RMB269.5 million, respectively.

PLEDGE OF ASSETS AND FINANCIAL GUARANTEE CONTRACTS

As of 30 June 2019, we had provided no guarantee with respect to banking facilities granted to our ultimate holding company.

To fund our existing business operations and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks. As of 30 June 2019, our total borrowings amounted to RMB3,419.4 million (US$498.1 million). Since 30 June 2019, we have from time to time incurred additional indebtedness in the ordinary course of business. We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

OFFSHORE FACILITY AGREEMENT

CITI Facility

On 2 July 2019, we entered into a facility agreement with, among others, various financial institutions as lenders and Citigroup Global Markets Asia Limited as facility agent for a US$ term loan facility in an aggregate amount of US$300.0 million for the term of three years commencing from 2 July 2019 (the "**CITI Facility**"). As of the date of this offering circular, the CITI Facility is still outstanding.

Interest

The principal amounts outstanding under the CITI Facility generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate.

Covenants

The CITI Facility contains customary covenants and restrictions, including, among others, negative pledge on assets (with certain exemptions), financial covenant consolidated EBITDA, consolidated fixed charges, consolidated net borrowings and consolidated tangible net worth.

Events of default

The CITI Facility contains certain customary events of default, including non-payment of principal or interest, cross default, insolvency, and breaches of its terms. If any event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

2023 BONDS

On 25 January 2018, we entered into a trust deed (as amended and supplemented from time to time, the "**2023 Bonds Trust Deed**") pursuant to which we issued US$300,000,000 principal amount of 3.625% Bonds due 2023 (the "**2023 Bonds**"). As of the date of this offering circular, the entire principal amount of the 2023 Bonds is outstanding.

Interest

The 2023 Bonds bear an interest rate of 3.625% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2023 Bonds Trust Deed contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things, creating, or having outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of our present or future undertaking, assets or revenues to secure any Relevant Indebtedness (as defined in the 2023 Bonds Trust Deed) or to secure any guarantee or indemnity in respect of any such Relevant Indebtedness.

Events of Default

The 2023 Bonds Trust Deed contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2023 Bonds, when such payments become due, default in payment of interest which continues for 14 days, breaches of covenants, insolvency and other events of default specified in the 2023 Bonds Trust Deed. If an event of default occurs, the trustee under the 2023 Bonds Trust Deed may, and if so requested in writing by the holders of at least 25% of the outstanding 2023 Bonds, or if so directed by an Extraordinary Resolution as defined in the 2023 Bonds Trust Deed, give written notice to the Company that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

Change of Control

Upon the occurrence of a change of control (as defined in the 2023 Bonds Trust Deed), holders of the 2023 Bonds have the right to redeem their Bonds at a price equal to 101% of their principal amount plus any accrued interest.

Maturity

The maturity date of the 2023 Bonds is 25 January 2023.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC income tax consequences of the purchase, ownership and disposition of Securities is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Securities should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Securities.

CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Securities. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Securities will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or premium to any holder of the Securities, as the case may be, nor will gains derived from the disposal of the Securities be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Securities. An instrument of transfer in respect of a Security or the Global Certificate in respect of the Securities is stampable if executed in or brought into the Cayman Islands.

HONG KONG

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Securities) or distributions in respect of the Securities.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposition or redemption of the Securities where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest payments on the Securities will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such distribution is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Securities where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security (for so long as the register of holders of the Securities is maintained outside Hong Kong).

PRC

Income Tax

Under the EIT Law, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "tax resident enterprise" of the PRC. Under the implementing rules to the EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances, properties, etc. of an enterprise. In addition, a circular issued by SAT on 22 April 2009 specifies that certain offshore enterprises controlled by a PRC company or a PRC company group will be classified as resident enterprises if the following are located or resident in the PRC: the places where senior management personnel and departments that are responsible for daily production, operation and management perform their duties; financial and personnel decision-making or approval-making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders meetings; and half or more of the senior management or directors having voting rights. Although the circular only applies to offshore enterprises controlled by PRC enterprises and not to those controlled by PRC individuals, the determining criteria set forth in the circular may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals.

We hold our shareholders' meeting and Board meetings outside China and keep our shareholders' list outside China. However, most of our directors and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities to determine whether we are a PRC resident enterprise for tax purposes.

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently intend to take the position that we are not a PRC resident enterprise for tax purpose. We cannot assure you that tax authorities will respect this position. Our PRC legal advisors, Zhong Lun, has advised us that if we are deemed to be a PRC resident enterprise for enterprise income purpose, among other things, we would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income, possibly excluding dividends from PRC subsidiaries. Furthermore, if we were treated as a PRC tax resident enterprise under the PRC law, any interest paid by us to non-resident Holders and any gains realised from transfer of Securities by such non-resident Holders may be regarded as income from sources within the PRC and therefore be subject to a 10% enterprise income tax if the Holders is a non-resident enterprise, or 20% individual income tax if the Holders is a non-resident individual (which tax may be withheld at source by us in the case of interest payments). The tax may be exempted or reduced under applicable tax treaties between the PRC and the Holders's home country, such as the tax arrangement with Hong Kong.

VAT

On 19 November 2017, the State Counsel promulgated the Interim Regulations on the Value-added Tax of the PRC (Revision 2017), according to which, the sales of services within the territory of the PRC was brought into the scope of the items which shall be subject to the VAT. Prior to that, on 23 March 2016, the MOF and the SAT issued Circular 36, which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by and be subject to VAT.

According to Circular 36, the entities and individuals providing the services within PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services potentially subject to VAT include the provision of financial services such as the provision of the loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Securities is likely to be treated as the Holders providing the loans to us, which thus shall be regarded as the financial services for VAT purposes. In the event the issuer was deemed to be in the PRC by the PRC tax authorities, the Holders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by us to any non-resident Holders may subject to withholding VAT at the rate of 6 per cent. plus related surcharges.

Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties, and the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Stamp Duty

No PRC stamp duty will be imposed on non-resident Holders under PRC tax laws either upon the issue of the Securities or upon a subsequent transfer of the Securities to the extent that the register of Securityholders is maintained outside the PRC and that the issue and the sale of the Securities is made outside the PRC.

SUBSCRIPTION AND SALE

We have entered into a subscription agreement with the Joint Lead Managers dated 27 November 2019 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, we have agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Securities indicated in the following table.

	Principal amount of the Securities to be subscribed for
	(US$)
Barclays Bank PLC	90,000,000
BNP Paribas	90,000,000
Merrill Lynch (Asia Pacific) Limited	90,000,000
The Hongkong and Shanghai Banking Corporation Limited	90,000,000
UBS AG Hong Kong Branch	90,000,000
Bank of China Limited, Singapore Branch	12,500,000
CLSA Limited	12,500,000
DBS Bank Ltd.	12,500,000
Standard Chartered Bank	12,500,000
Total	500,000,000

The Subscription Agreement provides that the Joint Lead Managers and their respective subsidiaries, affiliates or any person who controls any of them or any of their respective directors, officers, employees, affiliates or agents will be indemnified against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to us.

Certain Joint Lead Managers and their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, us and our subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for us and our subsidiaries in the ordinary course of business.

In connection with the offering of the Securities, each of the Joint Lead Managers and/or its respective affiliate(s) may act as an investor for its own account and may take up Securities in the offering and in that capacity may retain, purchase or sell for its own account such securities and any of our securities and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Securities being "offered" should be read as including any offering of the Securities to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Each of the Joint Lead Managers or its respective affiliates may purchase the Securities for its own account or for the accounts of its customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of us and our subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

In connection with the issue of the Securities, any of the Joint Lead Managers appointed and acting in its capacity as a Stabilising Manager or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and regulations, over-allot the Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as our agent. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Securities is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the Issue Date of the Securities and 60 days after the date of the allotment of the Securities. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilising Manager.

General

The distribution of this offering circular or any offering material and the offering, sale or delivery of the Securities are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by us or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Securities, or possession or distribution of this offering circular, any amendment or supplement thereto issued in connection with the proposed resale of the Securities or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering circular comes are required by us and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or have in their possession, distribute or publish this offering circular or any other offering material relating to the Securities, in all cases at their own expense.

United States

The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and agreed to us that:

(i) it has not offered or sold, and will not offer or sell, any Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S; and

(ii) neither it nor any of its Affiliates (nor any person acting on behalf of such Joint Lead Manager or any of its Affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Securities.

United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of the Securities in circumstances in which Section 21 (1) of the FSMA) does not apply to the Company; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each of the Joint Lead Managers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The People's Republic of China

Each of the Joint Lead Managers has represented and agreed that the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each of the Joint Lead Managers has acknowledged that this offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments), (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**") and, accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Securities unless we are listed on the Cayman Islands Stock Exchange.

RATINGS

The Securities are expected to be rated "Baa3" by Moody's. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Securities. The rating does not address the payment of any tax gross-ups and do not constitute recommendations to purchase, hold or sell the Securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Securities, on other securities of ours, or on us. Additionally, we have been rated "BBB-" with a stable outlook by S&P and "Baa3" with a stable outlook by Moody's. We cannot assure you that the rating will remain in effect for any given period or that the rating will not be revised by such rating agency in the future if in its judgement circumstances so warrant. Such rating should be evaluated independently of any other rating on the Securities, on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the Securities will be passed upon for us by Sidley Austin as to matters of English law and Hong Kong Law, Maples and Calder (Hong Kong) LLP as to matters of Cayman Islands law, and Zhong Lun Law Firm as to matters of PRC law. Certain legal matters will be passed upon for the Joint Lead Managers by King & Wood Mallesons as to matters of English and PRC law.

AUDITOR

The published consolidated financial statements as of and for the years ended 31 December 2017 and 2018 reproduced in this offering circular have been audited by Grant Thornton Hong Kong Limited, certified public accountants, as stated in their reports appearing herein, and in our annual reports for the years ended 31 December 2017 and 2018. The published condensed consolidated financial statements as of and for the six months ended 30 June 2019 reproduced in this offering circular have been reviewed by Grant Thornton Hong Kong Limited, certified public accountants. This information is not audited and accordingly the degree of reliance on such information should be restricted in light of the limited nature of the review procedure applied. The condensed consolidated financial information as of and for the six months ended 30 June 2018 is included for comparison purposes in the condensed consolidated financial statements as of and for the six months ended 30 June 2019.

CONSENTS

We have obtained all necessary consents, approvals and authorisations in the Cayman Islands and Hong Kong in connection with the issue and performance of the obligations under the Securities. The entering into of the Trust Deed and the Agency Agreement governing the Securities and the issue of the Securities have been authorised by a resolution of our Board of Directors dated 7 November 2019.

LITIGATION

Except as disclosed in this offering circular, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Securities.

NO MATERIAL ADVERSE CHANGE

Except as disclosed in this offering circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since 30 June 2019 that is material in the context of the issue of the Securities.

DOCUMENTS AVAILABLE

For so long as any of the Securities are outstanding, upon prior written request and satisfactory proof of holding, copies of the Trust Deed and the Agency Agreement relating to the Securities governing the Securities may be inspected during normal business hours on any weekday (except public holidays) at the principal place of business for the time being of the Trustee and the specified office of the Principal Paying Agent.

CLEARING SYSTEM AND SETTLEMENT

The Securities have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Securities is set forth below:

	ISIN	Common Code
Regulation S Global Certificate	XS2078897928	207889792

LISTING OF THE SECURITIES

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Securities on, the SGX-ST are not to be taken as an indication of the merits of the Company or the Securities. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for definitive Certificates, we will appoint and maintain a paying agent in Singapore where the Securities may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for definitive Certificates, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL INFORMATION

Notes:

(1) The unaudited condensed consolidated interim financial statements set out herein have been reproduced from our interim report for the six months ended 30 June 2019 and page references are references to pages set forth in such report.

(2) The audited consolidated financial statements set out herein have been reproduced from our annual report for the year ended 31 December 2018 and page references are references to pages set forth in such report.

(3) The audited consolidated financial statements set out herein have been reproduced from our annual report for the year ended 31 December 2017 and page references are references to pages set forth in such report.

INDEPENDENT REVIEW REPORT

Grant Thornton
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To the Board of Directors of Geely Automobile Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report of Geely Automobile Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 4 to 39 which comprises the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

21 August 2019

Chiu Wing Ning
Practising Certificate No.: P04920

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Note)
Revenue	3	**47,558,617**	53,708,605
Cost of sales		**(39,089,518)**	(42,871,336)
Gross profit		**8,469,099**	10,837,269
Other income	4	**612,616**	768,588
Distribution and selling expenses		**(2,256,165)**	(2,269,447)
Administrative expenses, excluding share-based payments		**(2,454,944)**	(1,608,650)
Share-based payments	21	**(3,350)**	(8,046)
Finance income, net	5(a)	**48,646**	17,393
Share of results of associates		**41,769**	(5,295)
Share of results of joint ventures	12	**306,917**	243,532
Profit before taxation	5	**4,764,588**	7,975,344
Taxation	6	**(717,540)**	(1,239,446)
Profit for the period		**4,047,048**	6,735,898
Attributable to:			
Equity holders of the Company		**4,009,475**	6,670,023
Non-controlling interests		**37,573**	65,875
Profit for the period		**4,047,048**	6,735,898
Earnings per share			
Basic	8	**RMB44.39 cents**	RMB74.33 cents
Diluted	8	**RMB43.92 cents**	RMB72.65 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 11 to 39 are an integral part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Note)
Profit for the period	**4,047,048**	6,735,898
Other comprehensive (expense)/income (after tax of RMBNil) for the period:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**(58,586)**	46,304
Total comprehensive income for the period	**3,988,462**	6,782,202
Attributable to:		
Equity holders of the Company	**3,951,490**	6,715,853
Non-controlling interests	**36,972**	66,349
Total comprehensive income for the period	**3,988,462**	6,782,202

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 11 to 39 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited) (Note)
Non-current assets			
Property, plant and equipment	9	**23,148,155**	23,422,617
Intangible assets	10	**16,188,409**	14,993,188
Land lease prepayments		**3,392,162**	3,268,035
Goodwill		**26,414**	26,414
Interests in associates	11	**446,438**	404,669
Interests in joint ventures	12	**7,824,535**	5,917,618
Trade and other receivables	14	**262,661**	–
Deferred tax assets		**794,671**	642,959
		52,083,445	48,675,500
Current assets			
Land lease prepayments		**–**	66,538
Inventories	13	**3,547,999**	4,097,380
Trade and other receivables	14	**21,876,385**	22,864,974
Income tax recoverable		**4,622**	–
Pledged bank deposits		**27,730**	19,392
Bank balances and cash		**13,996,180**	15,737,196
		39,452,916	42,785,480
Current liabilities			
Trade and other payables	16	**40,353,829**	41,438,036
Bank borrowings	17	**1,373,120**	1,375,280
Lease liabilities	23	**22,784**	–
Income tax payable		**446,829**	947,085
		42,196,562	43,760,401
Net current liabilities		**(2,743,646)**	(974,921)
Total assets less current liabilities		**49,339,799**	47,700,579

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	Note	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited) (Note)
CAPITAL AND RESERVES			
Share capital	18	**166,756**	164,470
Reserves		**46,369,577**	44,779,507
Equity attributable to equity holders of the Company		**46,536,333**	44,943,977
Non-controlling interests		**452,019**	430,741
Total equity		**46,988,352**	45,374,718
Non-current liabilities			
Bonds payables	15	**2,046,309**	2,047,822
Lease liabilities	23	**34,909**	–
Deferred tax liabilities		**270,229**	278,039
		2,351,447	2,325,861
		49,339,799	47,700,579

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 11 to 39 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Statutory reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Accumulated profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Balance at 1 January 2018	164,286	6,641,202	164,790	179,587	(123,575)	381,898	27,024,546	34,432,734	343,590	34,776,324
Profit for the period	–	–	–	–	–	–	6,670,023	6,670,023	65,875	6,735,898
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	45,830	–	–	45,830	474	46,304
Total comprehensive income for the period	–	–	–	–	45,830	–	6,670,023	6,715,853	66,349	6,782,202
Transactions with owners:										
Share issued under share option scheme	116	32,284	–	–	–	(9,893)	–	22,507	–	22,507
Equity settled share-based payments (note 21)	–	–	–	–	–	8,046	–	8,046	–	8,046
Transfer upon forfeiture of share options	–	–	–	–	–	(1,920)	1,920	–	–	–
Final dividend declared and approved in respect of the previous year (note 7)	–	–	–	–	–	–	(2,160,828)	(2,160,828)	–	(2,160,828)
Total transactions with owners	116	32,284	–	–	–	(3,767)	(2,158,908)	(2,130,275)	–	(2,130,275)
Balance at 30 June 2018	164,402	6,673,486	164,790	179,587	(77,745)	378,131	31,535,661	39,018,312	409,939	39,428,251

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Statutory reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Accumulated profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Balance at 1 January 2019	164,470	6,692,297	164,790	310,398	(32,117)	378,096	37,266,043	44,943,977	430,741	45,374,718
Profit for the period	-	-	-	-	-	-	4,009,475	4,009,475	37,573	4,047,048
Other comprehensive expense:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(57,985)	-	-	(57,985)	(601)	(58,586)
Total comprehensive income for the period	-	-	-	-	(57,985)	-	4,009,475	3,951,490	36,972	3,988,462
Transactions with owners:										
Share issued under share option scheme	2,286	622,555	-	-	-	(181,565)	-	443,276	-	443,276
Equity settled share-based payments (note 21)	-	-	-	-	-	3,350	-	3,350	-	3,350
Transfer upon forfeiture of share options	-	-	-	-	-	(13,331)	13,331	-	-	-
Transfer of reserves	-	-	-	45,240	-	-	(45,240)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(15,694)	(15,694)
Final dividend declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	(2,805,760)	(2,805,760)	-	(2,805,760)
Total transactions with owners	2,286	622,555	-	45,240	-	(191,546)	(2,837,669)	(2,359,134)	(15,694)	(2,374,828)
Balance at 30 June 2019	166,756	7,314,852	164,790	355,638	(90,102)	186,550	38,437,849	46,536,333	452,019	46,988,352

The notes on pages 11 to 39 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Note)
Cash flows from operating activities			
Profit before taxation		**4,764,588**	7,975,344
Adjustments for non-cash items		**1,491,101**	1,057,219
Operating profit before working capital changes		**6,255,689**	9,032,563
Net changes in working capital		**280,419**	(1,936,818)
Cash generated from operations		**6,536,108**	7,095,745
Income taxes paid		**(1,381,940)**	(1,419,331)
Net cash generated from operating activities		**5,154,168**	5,676,414
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,165,560)**	(1,830,298)
Additions of intangible assets	10	**(2,311,344)**	(2,140,824)
Additions of land lease prepayments		**(95,895)**	(44,089)
Settlement of payables for acquisition of subsidiaries		**(1,265,277)**	–
Proceeds from disposal of property, plant and equipment		**70,469**	1,048
Proceeds from disposal of intangible assets	10	**–**	18,459
Change in pledged bank deposits		**(8,338)**	34,010
Additional capital injection in a joint venture	12	**(1,600,000)**	(880,000)
Additional capital injection in an associate	11	**–**	(51,077)
Interest received		**98,114**	68,447
Net cash used in investing activities		**(7,277,831)**	(4,824,324)
Cash flows from financing activities			
Dividends paid to non-controlling interests		**(15,694)**	–
Proceeds from issuance of shares upon exercise of share options	18	**443,276**	22,507
Proceeds from issuance of bonds, net of transaction costs	15	**–**	1,927,161
Payment of lease liabilities		**(6,366)**	–
Interest paid		**(57,896)**	(49,413)
Net cash generated from financing activities		**363,320**	1,900,255
Net (decrease)/increase in cash and cash equivalents		**(1,760,343)**	2,752,345
Cash and cash equivalents at the beginning of the period		**15,737,196**	13,414,638
Effect of foreign exchange rate changes		**19,327**	4,442
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**13,996,180**	16,171,425

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 11 to 39 are an integral part of this interim financial report.

1. BASIS OF PREPARATION

The interim financial report (the "Interim Financial Report") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 21 August 2019.

The Interim Financial Report is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") as disclosed in note 2.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company and its subsidiaries' (together referred to as the "Group") annual financial statements for the year ended 31 December 2018.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(i) New and amended HKFRSs adopted as at 1 January 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 16 "Leases" ("HKFRS 16") is relevant to the Group's financial statements.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this Interim Financial Report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16

HKFRS 16 replaces HKAS 17 "Leases" ("HKAS 17") along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC)-Int 4"), HK(SIC) Int-15 "Operating Leases-Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of accumulated profits for the current period. Prior periods have not been restated.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) New and amended HKFRSs adopted as at 1 January 2019 *(Continued)*

HKFRS 16 *(Continued)*

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4. The Group has already recognised the land lease prepayments where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Land lease prepayments" under non-current assets.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average of the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.75% per annum.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) New and amended HKFRSs adopted as at 1 January 2019 *(Continued)*

***HKFRS 16** (Continued)*

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments at 31 December 2018 (note 19)	76,634
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases with remaining lease term ending on or before 31 December 2019	(7,358)
	69,276
Less: discounted using incremental borrowing rate as at 1 January 2019	(5,217)
Total lease liabilities recognised at 1 January 2019	64,059

The remaining contractual maturities of the Group's lease liabilities at the date of transition to HKFRS 16 are as follows:

	As at 1 January 2019	
	Present value of the minimum lease payments RMB'000 (Unaudited)	**Total minimum lease payments RMB'000 (Unaudited)**
Within 1 year	17,623	20,371
After 1 year but within 2 years	23,331	25,033
After 2 years but within 5 years	23,105	23,872
	46,436	48,905
	64,059	69,276
		(5,217)
		64,059

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) New and amended HKFRSs adopted as at 1 January 2019 *(Continued)*

HKFRS 16 *(Continued)*

The following table summarises the impacts of transition to HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount as at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount as at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	23,422,617	68,721	23,491,338
Land lease prepayments (non-current)	3,268,035	66,538	3,334,573
Total non-current assets	**48,675,500**	**135,259**	**48,810,759**
Land lease prepayments (current)	66,538	(66,538)	–
Trade and other receivables	22,864,974	(4,662)	22,860,312
Total current assets	**42,785,480**	**(71,200)**	**42,714,280**
Lease liabilities (current)	–	17,623	17,623
Total current liabilities	**43,760,401**	**17,623**	**43,778,024**
Net current liabilities	**(974,921)**	**(88,823)**	**(1,063,744)**
Total assets less current liabilities	**47,700,579**	**46,436**	**47,747,015**
Lease liabilities (non-current)	–	46,436	46,436
Total non-current liabilities	**2,325,861**	**46,436**	**2,372,297**
Net assets	**45,374,718**	**–**	**45,374,718**

(ii) Issued but not yet effective HKFRSs

In the current period, the HKICPA has issued a number of new and amended HKFRSs but not yet effective and which have not been adopted in this Interim Financial Report. These development include the following which may be relevant to the Group.

Amendments to HKFRS 3	Definition of a business[3]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective date not yet determined

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(iii) Significant accounting policies

The Interim Financial Report has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying HKFRS 16.

As described in note 2(i), the Group has applied HKFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under HKAS 17 and HK(IFRIC)-Int 4.

Accounting policy applicable from 1 January 2019

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of office and factory premises in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(iii) Significant accounting policies *(Continued)*

Accounting policy applicable from 1 January 2019 (Continued)

The Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise small items of office equipment.

On the condensed consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns. The prepaid lease payments for leasehold land are presented as “Land lease prepayments”.

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of certain portion of its leasehold land and building and plant and machinery. Rental income is recognised on a straight-line basis over the term of lease.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue from sales of automobiles and automobile parts and components and licensing of intellectual properties, net of value-added taxes ("VAT") or related sales taxes and net of discounts, was generally recognised at a point in time when the customers obtain possession of and control of the promised goods or the right to use of the intellectual properties in the contract. Revenue was mainly derived from customers located in the PRC.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of automobiles	**44,979,288**	52,809,518
– Sales of automobile parts and components	**2,151,102**	899,087
– Licensing of intellectual properties	**428,227**	–
	47,558,617	53,708,605

Segment information

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components and licensing of its intellectual properties. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants and subsidies (note)	**499,603**	691,971
Gain on disposal of scrap materials	**17,010**	11,328
Rental income	**12,209**	14,280
Sundry income	**83,794**	51,009
	612,616	768,588

Note: Government grants and subsidies mainly related to cash subsidies in respect of operating and research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Note)
(a) Finance income and costs		
Finance costs		
Effective interest expense on bonds payables	**1,194**	1,691
Coupon expense on bonds payables	**37,331**	30,683
Interest on lease liabilities	**1,489**	–
Interest on bank borrowings wholly repayable within five years	**19,625**	18,680
	59,639	51,054
Finance income		
Bank and other interest income	**(108,285)**	(68,447)
Net finance income	**(48,646)**	(17,393)
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**2,726,948**	2,466,241
Retirement benefit scheme contributions	**200,666**	158,743
Equity settled share-based payments (note 21)	**3,350**	8,046
	2,930,964	2,633,030
(c) Other items		
Amortisation of intangible assets (related to capitalised product development costs)	**1,116,123**	594,390
Research and development costs	**370,958**	223,479
Amortisation of land lease prepayments	**38,306**	23,400
Cost of inventories	**39,089,518**	42,871,336
Depreciation		
– owned assets	**676,518**	582,051
– right-of-use assets	**11,665**	–
Impairment loss on trade and other receivables	**34,072**	–
Net foreign exchange loss	**1,601**	115,793
Net loss on disposal of property, plant and equipment	**17,155**	21,546

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6. TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC enterprise income tax	**888,100**	1,392,143
– Over-provision in prior years	**(11,038)**	(2,054)
	877,062	1,390,089
Deferred tax	**(159,522)**	(150,643)
	717,540	1,239,446

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the six months ended 30 June 2019 and 2018.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (six months ended 30 June 2018: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the six months ended 30 June 2019 (six months ended 30 June 2018: 15%).

The share of results of associates and joint ventures in the condensed consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

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

7. DIVIDENDS

During the current period, a final dividend for the year ended 31 December 2018 of HK$0.35 (six months ended 30 June 2018: HK$0.29) per ordinary share, amounting to approximately RMB2,805,760,000 (six months ended 30 June 2018: RMB2,160,828,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2018 final dividend was paid in July 2019 and is reflected as dividends payable in the Interim Financial Report.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB4,009,475,000 (six months ended 30 June 2018: RMB6,670,023,000) and the weighted average number of ordinary shares of 9,033,162,673 shares (six months ended 30 June 2018: 8,974,042,761 shares), calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	**8,981,612,540**	8,970,514,540
Effect of shares options exercised	**51,550,133**	3,528,221
Weighted average number of ordinary shares at 30 June	**9,033,162,673**	8,974,042,761

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB4,009,475,000 (six months ended 30 June 2018: RMB6,670,023,000) and the weighted average number of ordinary shares of 9,128,450,173 shares (six months ended 30 June 2018: 9,181,127,007 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic) at 30 June	**9,033,162,673**	8,974,042,761
Effect of deemed issue of shares under the Company's share options scheme	**95,287,500**	207,084,246
Weighted average number of ordinary shares (diluted) at 30 June	**9,128,450,173**	9,181,127,007

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately RMB432,624,000 (six months ended 30 June 2018: RMB3,109,697,000). Property, plant and equipment with net book value of approximately RMB87,624,000 (six months ended 30 June 2018: RMB22,594,000) were disposed of during the period, resulting in a net loss on disposal of approximately RMB17,155,000 (six months ended 30 June 2018: RMB21,546,000).

The Group has obtained the right to use office and factory premises through the tenancy agreement. The leases typically run on an initial period of two to ten years. The Group makes fixed payments during the contract period.

As at 30 June 2019, the carrying amount of the Group's right-of-use assets in relation to the office and factory premises are RMB57,056,000 (as at 1 January 2019: RMB68,721,000).

10. INTANGIBLE ASSETS

During the period, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to approximately RMB2,311,344,000 (six months ended 30 June 2018: RMB2,140,824,000).

No intangible asset (six months ended 30 June 2018: net book value of approximately RMB18,459,000) was disposed during the period.

11. INTERESTS IN ASSOCIATES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Share of net assets	**449,787**	408,018
Goodwill	**663**	663
Impairment loss recognised	**(4,012)**	(4,012)
	446,438	404,669

During the six months ended 30 June 2018, Closed Joint Stock Company BELGEE ("BELGEE") effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to Belarusian ruble ("BYN") 15,350,000 (equivalent to approximately RMB51,077,000) and BYN18,018,000 (equivalent to approximately RMB60,405,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN97,565,000 (equivalent to approximately RMB394,249,000) to BYN130,933,000 (equivalent to approximately RMB505,731,000).

12. INTERESTS IN JOINT VENTURES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Share of net assets	**7,824,535**	5,917,618
Represented by:		
Cost of unlisted investments	**7,047,522**	5,447,522
Unrealised gain on disposal of a subsidiary to a joint venture	**(14,943)**	(14,943)
Share of post-acquisition results and other comprehensive income	**791,956**	485,039
	7,824,535	5,917,618

Details of the Group's joint ventures as at 30 June 2019 and 31 December 2018 are as follows:

Name of joint venture	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group As at 30 June 2019	Proportion of ownership interest held by the Group As at 31 December 2018	Principal activities
Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB4,000,000,000 (as at 31 December 2018: RMB2,000,000,000)	**80%**	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	**50%**	50%	Manufacturing and sales of vehicles under the "Lynk&Co" brand
Zhejiang Geely AISIN Automatic Transmission Company Limited#^ ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司	PRC	Incorporated	US$117,000,000	**40%**	40%	Manufacturing and sale of front-wheel drive 6-speed automatic transmissions and related parts and components

\# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

^ On 24 April 2018, the Group entered into a joint venture agreement with AISIN AW Co., Ltd. ("AISIN AW"), an independent third party and a subsidiary of AISIN SEIKI Company Limited, pursuant to which the parties agreed to establish a joint venture company, Zhejiang AISIN. Pursuant to the joint venture agreement, the Group and AISIN AW will contribute to the capital of Zhejiang AISIN by cash as to 40% (equivalent to US$46,800,000) and 60% (equivalent to US$70,200,000), respectively. As at 30 June 2019, the Group contributed US$14,000,000 (equivalent to approximately RMB97,522,000) to Zhejiang AISIN. Details of the capital commitments as at 30 June 2019 are set out in note 19.

12. INTERESTS IN JOINT VENTURES *(Continued)*

During the six months ended 30 June 2019, the registered capital of Genius AFC had been increased by RMB2,000,000,000 from RMB2,000,000,000 as at 31 December 2018 to RMB4,000,000,000 as at 30 June 2019 whereby the Company and the joint venture partner injected additional capital in proportional to their existing shareholding to Genius AFC amounted to RMB1,600,000,000 and RMB400,000,000, respectively.

During the six months ended 30 June 2018, the registered capital of Genius AFC had been increased by RMB1,100,000,000 from RMB900,000,000 as at 31 December 2017 to RMB2,000,000,000 as at 30 June 2018 whereby the Company and the joint venture partner injected additional capital in proportional to their existing shareholding to Genius AFC amounted to RMB880,000,000 and RMB220,000,000, respectively.

Summarised financial information of the Genius AFC, LYNK & CO Investment and its subsidiaries ("LYNK & CO Group") and Zhejiang AISIN, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the condensed consolidated statement of financial position, are disclosed below:

	LYNK & CO Group		**Genius AFC**	
	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
Non-current assets	**9,474,440**	7,011,983	**600,309**	614,708
Current assets	**7,532,036**	7,802,938	**25,490,252**	21,237,842
Current liabilities	**(7,492,782)**	(6,345,875)	**(17,884,039)**	(15,134,857)
Non-current liabilities	**(1,150,253)**	(371,789)	**(3,737,607)**	(4,481,478)
Net assets	**8,363,441**	8,097,257	**4,468,915**	2,236,215
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	**830,839**	774,368	**2,259,525**	2,225,622
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**(15,785,265)**	(13,160,936)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**(3,737,607)**	(4,481,478)

12. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information of the Genius AFC, LYNK & CO Group and Zhejiang AISIN, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the condensed consolidated statement of financial position, are disclosed below *(Continued)*:

	Zhejiang AISIN	
	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets	**106,935**	322
Current assets	**132,160**	241,626
Current liabilities	**(32,532)**	(4,547)
Non-current liabilities	**–**	–
Net assets	**206,563**	237,401
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**123,328**	240,872
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	LYNK & CO Group		**Genius AFC**		**Zhejiang AISIN**
	Six months ended 30 June				
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)	**2019 RMB'000 (Unaudited)**
Revenue	**7,609,439**	7,358,921	**1,002,965**	571,607	**–**
Profit/(loss) for the period	**266,184**	341,863	**232,700**	90,751	**(30,838)**
Other comprehensive income for the period	**–**	–	**–**	–	**–**
Total comprehensive income/(expense) for the period	**266,184**	341,863	**232,700**	90,751	**(30,838)**
Dividend received from the joint venture	**–**	–	**–**	–	**–**
The above profits/(losses) for the period including the following:					
Depreciation and amortisation	**(455,804)**	(274,160)	**(6,248)**	(3,864)	**(93)**
Interest income	**5,253**	3,452	**978,305**	563,353	**463**
Interest expense	**(31)**	(15)	**(470,764)**	(240,237)	**–**
Income tax expense	**(95,815)**	(109,692)	**(77,567)**	(30,250)	**–**

12. INTERESTS IN JOINT VENTURES *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in joint ventures recognised in the condensed consolidated statement of financial position is as follows:

	LYNK & CO Group		**Genius AFC**	
	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
Net assets of the joint venture	**8,363,441**	8,097,257	**4,468,915**	2,236,215
The Group's effective interests in the joint venture	**50%**	50%	**80%**	80%
The Group's share of the net assets of the joint venture	**4,181,721**	4,048,629	**3,575,132**	1,788,972
Unrealised gain on disposal of a subsidiary to a joint venture	**(14,943)**	(14,943)	**–**	–
Carrying amount of the Group's interests in the joint venture	**4,166,778**	4,033,686	**3,575,132**	1,788,972

	Zhejiang AISIN	
	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Net assets of the joint venture	**206,563**	237,401
The Group's effective interests in the joint venture	**40%**	40%
Carrying amount of the Group's interests in the joint venture	**82,625**	94,960

13. INVENTORIES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Raw materials	**2,280,486**	1,890,315
Work in progress	**256,004**	328,753
Finished goods	**1,011,509**	1,878,312
	3,547,999	4,097,380

14. TRADE AND OTHER RECEIVABLES

	Note	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
Trade and notes receivables			
Trade receivables, net of loss allowance			
– Third parties		**473,358**	338,158
– Joint ventures		**77,375**	145,183
– Associates		**414,862**	269,538
– Related companies controlled by the substantial shareholder of the Company		**797,677**	330,812
	(a)	**1,763,272**	1,083,691
Notes receivables	(b)	**16,013,097**	16,988,253
		17,776,369	18,071,944
Deposits, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		**380,086**	151,444
– Related companies controlled by the substantial shareholder of the Company		**7,918**	1,974
		388,004	153,418
Deposits paid for acquisition of property, plant and equipment		**408,596**	609,953
VAT and other taxes receivables		**2,573,530**	3,592,041
Utility deposits and other receivables		**981,002**	414,586
		4,351,132	4,769,998
Amounts due from related companies controlled by the substantial shareholder of the Company	(c)	**11,545**	23,032
		4,362,677	4,793,030
		22,139,046	22,864,974
Representing:			
– Current		**21,876,385**	22,864,974
– Non-current		**262,661**	–
		22,139,046	22,864,974

14. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0 – 60 days	**1,211,643**	478,099
61 – 90 days	**17,847**	26,919
Over 90 days	**44,290**	80,998
	1,273,780	586,016

For overseas customers, the Group allows credit periods ranged from 30 days to 720 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date and net of loss allowance, at the reporting date:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0 – 60 days	**207,898**	285,290
61 – 90 days	**111,043**	10,233
91 – 365 days	**138,909**	148,989
Over 365 days	**31,642**	53,163
	489,492	497,675

(b) Notes receivables

All notes receivables are denominated in RMB. As at 30 June 2019 and 31 December 2018, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

(c) Amounts due from related companies

The amounts due are unsecured, interest-free and repayable on demand.

15. BONDS PAYABLES

On 18 January 2018, the Company issued bonds with an aggregate principal amount of United States dollars ("US$") 300,000,000 (equivalent to approximately RMB1,944,690,000) (the "Bonds"). The Bonds carried interest at 3.625% per annum, payable semi-annually in arrears on 25 January and 25 July of each year, and the maturity date was 25 January 2023.

The Bonds were listed on Singapore Exchange Securities Trading Limited. They constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to the terms and conditions of the Bonds, at all times rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The carrying amount of the Bonds at initial recognition net of transaction costs amounted to US$297,296,000 (equivalent to approximately RMB1,927,161,000) and the effective interest rate was 3.825% per annum. The Bonds were carried at amortised cost.

The movements of the Bonds for the period/year are set out below:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Carrying amount		
At the beginning of the period/year	**2,047,822**	–
Initial fair value on the date of issuance	**–**	1,927,161
Exchange differences	**(2,707)**	112,037
Interest expenses	**1,194**	8,624
At the end of the period/year	**2,046,309**	2,047,822

16. TRADE AND OTHER PAYABLES

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade and notes payables			
Trade payables			
– Third parties		**24,375,710**	23,562,370
– Associates		**1,108,796**	726,074
– Related companies controlled by the substantial shareholder of the Company		**912,660**	916,316
	(a)	**26,397,166**	25,204,760
Notes payables	(b)	**1,436,914**	2,076,400
		27,834,080	27,281,160
Other payables			
Receipts in advance from customers	(c)		
– Third parties		**1,709,751**	1,885,021
– Related companies controlled by the substantial shareholder of the Company		**1,158**	5,751
		1,710,909	1,890,772
Deferred government grants which conditions have not been satisfied		**1,713,530**	3,190,186
Payables for acquisition of property, plant and equipment		**1,559,507**	2,017,144
Payables for acquisition of subsidiaries		**–**	1,265,277
Accrued staff salaries and benefits		**587,259**	1,224,556
VAT and other taxes payables		**137,502**	167,710
Dividends payable		**2,810,195**	–
Other accrued charges		**3,776,742**	2,427,879
		12,295,644	12,183,524
Amounts due to related companies controlled by the substantial shareholder of the Company	(d)	**183**	1,752,809
Amount due to ultimate holding company	(d)	**223,922**	220,543
		12,519,749	14,156,876
		40,353,829	41,438,036

16. TRADE AND OTHER PAYABLES *(Continued)*

(a) Trade payables

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0 – 60 days	**22,016,466**	20,013,747
61 – 90 days	**1,673,374**	2,586,200
Over 90 days	**2,707,326**	2,604,813
	26,397,166	25,204,760

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

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 30 June 2019 and 31 December 2018, all notes payables have maturities of less than six months from the reporting date.

As at 30 June 2019, the Group has no pledged bank deposits (as at 31 December 2018: RMB19,392,000) to secure the notes payables.

(c) Receipts in advance from customers

The amounts represent the advance payments from customers for goods, which revenue will be recognised when the performance obligation was satisfied through the goods were transferred to the customers.

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue recognised during the period that was included in the receipts in advance from customers at the beginning of the period	**(1,890,772)**	(7,984,472)

The Group's contracts with customers are for period of one year or less. The entire receipts in advance from customer balance at the period end would be recognised into revenue in the next period. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

(d) Amounts due to related companies/ultimate holding company

The amounts due are unsecured, interest-free and repayable on demand.

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

17. BANK BORROWINGS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Bank loans, unsecured	**1,373,120**	1,375,280

As at 30 June 2019 and 31 December 2018, the Group's bank borrowings were carried at amortised cost, repayable in October 2019 and interest-bearing at the London Interbank Offered Rates plus 1.05% per annum. Pursuant to the facility agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

18. SHARE CAPITAL

	Number of shares	**Nominal value RMB'000**
Authorised:		
Ordinary shares of HK$0.02 each		
At 31 December 2018 and 30 June 2019 (unaudited)	**12,000,000,000**	**246,720**
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At 1 January 2018	8,970,514,540	164,286
Shares issued under share option scheme	11,098,000	184
At 31 December 2018 and 1 January 2019	8,981,612,540	164,470
Shares issued under share option scheme (note)	129,911,000	2,286
At 30 June 2019 (unaudited)	**9,111,523,540**	**166,756**

Note:

During the six months ended 30 June 2019, share options were exercised to subscribe for 129,911,000 ordinary shares (six months ended 30 June 2018: 7,031,000 ordinary shares) of the Company at a consideration of approximately RMB443,276,000 (six months ended 30 June 2018: RMB22,507,000) of which approximately RMB2,286,000 (six months ended 30 June 2018: RMB116,000) was credited to share capital and approximately RMB440,990,000 (six months ended 30 June 2018: RMB22,391,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB181,565,000 (six months ended 30 June 2018: RMB9,893,000) has been transferred to the share premium account.

19. COMMITMENTS

Capital commitments

At the reporting date, the Group had the following capital commitments:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Contracted but not provided for		
– purchase of property, plant and equipment	**3,394,271**	4,070,570
– investments in joint ventures (notes 12 and (c))	**870,558**	225,546
– investment in an associate (note (a))	**490,000**	490,000
– acquisition of a subsidiary (note (b))	**322,206**	–
	5,077,035	4,786,116

Note:

(a) On 20 December 2018, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 ("Jirun Automobile"), an indirect 99% owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 1") with Contemporary Amperex Technology Company Limited# 寧德時代新能源科技股份有限公司 ("CATL Battery"), an independent third party, pursuant to which the parties agreed to establish an associate company (the "Associate Company") to principally engage in the research and development, manufacture and sale of battery cells, battery modules and battery packs. Pursuant to the terms of the Investment Agreement 1, the Associate Company will be owned as to 49% by Jirun Automobile and as to 51% by CATL Battery. The registered capital of the Associate Company will be RMB1,000,000,000, and will be contributed as to 49% (equivalent to RMB490,000,000) in cash by Jirun Automobile and as to 51% (equivalent to RMB510,000,000) in cash by CATL Battery. As at 30 June 2019, the formation of the Associate Company was not yet completed. Please refer to the Company's announcement dated 20 December 2018 for further details.

(b) On 29 April 2019, Zhejiang Geely Powertrain Company Limited# 浙江吉利動力總成有限公司 ("Zhejiang Powertrain"), an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zhejiang Powertrain has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司 ("Yiwu Powertrain") for a cash consideration of approximately RMB322,206,000. Yiwu Powertrain is engaged in the technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC. As at 30 June 2019, the acquisition of Yiwu Powertrain was not yet completed. Please refer to the Company's announcement and circular dated 29 April 2019 and 22 May 2019, respectively, for further details.

(c) On 12 June 2019, Shanghai Maple Guorun Automobile Company Limited# 上海華普國潤汽車有限公司 ("Shanghai Maple Guorun"), an indirect 99% owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 2") with LG Chem Ltd. ("LG Chem"), an independent third party, pursuant to which the parties agreed to establish a joint venture company (the "JV") to principally engage in the production and sales of batteries for electric vehicles. Pursuant to the terms of the Investment Agreement 2, the JV will be owned as to 50% by Shanghai Maple Guorun and as to 50% by LG Chem. The registered capital of the JV will be US$188,000,000 (equivalent to approximately RMB1,290,732,000), and will be contributed as to 50% (US$94,000,000 or equivalent to approximately RMB645,366,000) and 50% (US$94,000,000 or equivalent to approximately RMB645,366,000) by Shanghai Maple Guorun and LG Chem, respectively. As at 30 June 2019, the formation of the JV was not yet completed. Please refer to the Company's announcement dated 12 June 2019 for further details.

19. COMMITMENTS *(Continued)*

Operating lease commitments – as lessee

At 31 December 2018, the total future minimum lease payments in respect of office and factory premises under non-cancellable operating leases are payable as follows:

	As at 31 December 2018 RMB'000 (Audited)
Office and factory premises	
– Within one year	26,561
– In the second to fifth years inclusive	50,073
	76,634

The Group is the lessee in respect of office and factory premises held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2(iii), and the details regarding the Group's future lease payments are disclosed in note 23.

Operating lease commitments – as lessor

At the reporting date, the total future minimum lease receipts in respect of certain portion of leasehold land and buildings and plant and machinery under non-cancellable operating leases are receivable as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Leasehold land and buildings		
– Within one year	**8,098**	7,021
– In the second to fifth years inclusive	**19,614**	21,026
– After five years	**11,544**	13,642
	39,256	41,689
Plant and machinery		
– Within one year	**6,811**	4,001
– In the second to fifth years inclusive	**16,004**	16,004
– After five years	**11,003**	13,003
	33,818	33,008
	73,074	74,697

Leases are negotiated and rental are fixed for an initial period of five to fourteen years (31 December 2018: five to fourteen years).

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

20. RETIREMENT BENEFITS SCHEME

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' relevant income to the scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB25,000) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employees' basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in these countries.

For the six months ended 30 June 2019, the aggregate employer's contributions made by the Group and charged to the condensed consolidated income statement amounted to RMB200,666,000 (six months ended 30 June 2018: RMB158,743,000).

21. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has operated a share option scheme for eligible participants of the Group. Details of the terms of the scheme have been set out in the Group's annual financial statements for the year ended 31 December 2018.

2019 (Unaudited)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the period	Forfeited during the period	Outstanding at 30 June
Directors	18 January 2010 to 17 January 2020	4.07	37,300,000	(37,200,000)	–	100,000
	23 March 2012 to 22 March 2022	4.07	8,500,000	(6,100,000)	–	2,400,000
	9 January 2016 to 8 January 2020	2.79	14,130,000	(13,280,000)	–	850,000
			59,930,000	(56,580,000)	–	3,350,000
Employees	18 January 2010 to 17 January 2020	4.07	150,134,000	(64,873,000)	(10,000)	85,251,000
	21 April 2010 to 20 April 2020	4.07	4,210,000	–	–	4,210,000
	23 March 2012 to 22 March 2022	4.07	5,850,000	(600,000)	–	5,250,000
	9 January 2016 to 8 January 2020	2.79	7,670,000	(6,275,000)	–	1,395,000
	2 June 2016 to 1 June 2020	4.08	800,000	–	–	800,000
	7 September 2019 to 6 September 2023	15.96	600,000	–	–	600,000
			169,264,000	(71,748,000)	(10,000)	97,506,000
Other eligible participants	2 June 2016 to 1 June 2010	4.08	11,450,000	(1,583,000)	–	9,867,000
	31 March 2018 to 30 March 2022	12.22	5,500,000	–	–	5,500,000
			16,950,000	(1,583,000)	–	15,367,000
			246,144,000	**(129,911,000)**	**(10,000)**	**116,223,000**

21. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

2018 (Unaudited)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the period	Forfeited during the period	Outstanding at 30 June
Directors	18 January 2010 to 17 January 2020	4.07	37,500,000	(200,000)	–	37,300,000
	23 March 2012 to 22 March 2022	4.07	8,500,000	–	–	8,500,000
	9 January 2016 to 8 January 2020	2.79	14,750,000	(620,000)	–	14,130,000
			60,750,000	(820,000)	–	59,930,000
Employees	18 January 2010 to 17 January 2020	4.07	159,477,000	(5,561,000)	(125,000)	153,791,000
	21 April 2010 to 20 April 2020	4.07	4,710,000	–	(500,000)	4,210,000
	23 March 2012 to 22 March 2022	4.07	6,450,000	(100,000)	(400,000)	5,950,000
	9 January 2016 to 8 January 2020	2.79	8,820,000	(550,000)	–	8,270,000
	2 June 2016 to 1 June 2020	4.08	800,000	–	–	800,000
			180,257,000	(6,211,000)	(1,025,000)	173,021,000
Other eligible participants	2 June 2016 to 1 June 2010	4.08	11,450,000	–	–	11,450,000
	31 March 2018 to 30 March 2022	12.22	5,500,000	–	–	5,500,000
			16,950,000	–	–	16,950,000
			257,957,000	(7,031,000)	(1,025,000)	249,901,000

During the six months ended 30 June 2019, the Group recognised a total expense of RMB3,350,000 (six months ended 30 June 2018: RMB8,046,000) in relation to share options granted by the Company and the share-based payments were shown as a separate line item on the condensed consolidated income statement.

22. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these Interim Financial Report, during the period, the Group had the following material transactions with related parties:

Name of related parties	Nature of transactions	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Related companies (notes (a) and (b))			
Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司	Sales of complete knock down kits and vehicle tool kits	**13,558,826**	14,331,475
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	**2,239,586**	–
	Claims income on defective materials purchased	**121,954**	82,393
	Purchase of complete buildup units	**14,032,557**	14,978,160
	Sub-contracting fee paid	**–**	9,960
	Claims paid on defective materials sold	**66,888**	93,047
Shenzhen Geely Automobile Sales Company Limited# 深圳吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	**385,296**	33,752
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expense	**44,122**	37,610
Yaou Automobile Manufacturing (Taizhou) Company Limited# 亞歐汽車製造(台州)有限公司	Sales of powertrain and related components	**75,125**	98,528
Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司	Sales of complete knock down kits and vehicle tool kits	**25,917,888**	32,612,847
	Sales of complete knock down kits (electric vehicles)	**–**	174,334
	Claims income on defective materials purchased	**153,641**	88,973
	Purchase of complete buildup units	**24,594,159**	33,441,168
	Claims paid on defective materials sold	**153,714**	119,176
Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司	Claims income on defective materials purchased	**14,774**	32,476
	Purchase of automobile parts and components	**2,184,136**	8,263,981
Guangzhou Geely New Energy Automobile Sales Company Limited# 廣州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	**374,715**	–
Xian Geely New Energy Automobile Sales Company Limited# 西安吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	**115,611**	–
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	**129,487**	1,475,309

22. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions/information disclosed elsewhere in these Interim Financial Report, during the period, the Group had the following material transactions with related parties: *(Continued)*

Name of related parties	Nature of transactions	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components	**3,929**	19,327
Fuzhou Geely Emgrand New Energy Automobile Sales Company Limited# 福州吉利帝豪新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	**146,529**	–
Hangzhou Youhang Technology Company Limited# 杭州優行科技有限公司	Sales of complete buildup units (electric vehicles)	**555,893**	–
Hubei Ecarx Company Limited# 湖北億咖通科技有限公司	Purchase of automobile parts and components	**503,732**	–
Ningbo Geely Automobile Research Development Co., Ltd.# 寧波吉利汽車研究開發有限公司	License fee income receivable	**480,000**	–
Associate			
Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	**648,672**	939,221
Joint venture			
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd.# 凱悅汽車大部件製造(張家口)有限公司	Sales of powertrain and related components	**545,317**	101,732

Note:

(a) The Group and the related parties are under the common control of the substantial shareholder of Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司, the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and vehicle tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the condensed consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

23. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	As at 30 June 2019		As at 1 January 2019	
	Present value of the minimum lease payments RMB'000 (Unaudited)	**Total minimum lease payments RMB'000 (Unaudited)**	Present value of the minimum lease payments RMB'000 (Unaudited)	Total minimum lease payments RMB'000 (Unaudited)
Within 1 year	**22,784**	**25,033**	17,623	20,371
After 1 year but within 2 years	**22,958**	**24,102**	23,331	25,033
After 2 years but within 5 years	**11,951**	**12,286**	23,105	23,872
	34,909	**36,388**	46,436	48,905
	57,693	**61,421**	64,059	69,276
		(3,728)		(5,217)
		57,693		64,059

During the six months ended 30 June 2019, the total cash outflows for the leases are RMB7,855,000.

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018 due to their short-term maturities.

25. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

To the members of Geely Automobile Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Geely Automobile Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 97 to 226 which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intangible assets

Refer to note 15 to the consolidated financial statements and the accounting policies as set out in note 4(e) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We identified the impairment of intangible assets as a key audit matter due to the judgement being made about future results of the business in assessing the recoverability of intangible assets. As at 31 December 2018, intangible assets of RMB14,993,188,000 consisted of capitalised product development costs related to multiple cash-generating units ("CGUs"). The Company's management performed impairment assessment of the Group's intangible assets by allocating the intangible assets to CGUs, the recoverable amount of each CGU was determined based on value-in-use calculations using future cash flow projections. Based on the results of the impairment assessment which involved significant management's judgement and key assumptions, including growth rates and discount rates applied to the value-in-use calculations, the Company's management has concluded that there was no impairment of intangible assets for the year ended 31 December 2018.	Our audit procedures to assess the impairment testing of the Group's intangible assets by the Company's management included the following: – Assessing the valuation methodology adopted by the management. – Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included any assumptions that were overly optimistic. – Assessing the reasonableness of key assumptions, including growth rates and discount rates, based on our knowledge of the business and industry. – Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Revenue recognition

Refer to note 6 to the consolidated financial statements and the accounting policies as set out in note 4(l) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue recognition is identified as a key audit matter because of its financial significance to the consolidated financial statements and is one of key performance indicators of the Group. Accordingly, there may be risks of material misstatements related to revenue recognition.	Our audit procedures in relation to revenue recognition included the following: – Reviewing sales agreements, on a sample basis, to understand the terms of the sales transactions to assess whether the Group's accounting policies in relation to revenue recognition were applied appropriately and consistently throughout the year. – Performing analytical review on revenue and gross margin by automobile products categories to identify significant or unusual fluctuation on revenue. – Assessing, on a sample basis, whether specific revenue transactions around the reporting date had been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including customers' receipts, goods delivery notes and the terms of sales as set out in the distributor agreements. – Sending confirmations to distributors, and performing inventory count, on a sample basis, at the reporting date.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the 2018 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

21 March 2019

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000 (Note)
Revenue	6	**106,595,133**	92,760,718
Cost of sales		**(85,081,727)**	(74,779,337)
Gross profit		**21,513,406**	17,981,381
Other income	8	**1,236,985**	1,229,147
Distribution and selling expenses		**(4,523,278)**	(4,055,728)
Administrative expenses, excluding share-based payments		**(3,777,155)**	(2,922,798)
Share-based payments	31	**(14,594)**	(27,724)
Finance income/(costs), net	9(a)	**78,992**	(35,233)
Share of results of associates	18	**(59,949)**	39,211
Share of results of joint ventures	19	**504,566**	3,143
Gain on disposal of subsidiaries		**–**	562,562
Profit before taxation	9	**14,958,973**	12,773,961
Taxation	10	**(2,284,575)**	(2,038,572)
Profit for the year		**12,674,398**	10,735,389
Attributable to:			
Equity holders of the Company		**12,553,207**	10,633,715
Non-controlling interests		**121,191**	101,674
Profit for the year		**12,674,398**	10,735,389
Earnings per share			
Basic	12	**RMB1.40**	RMB1.19
Diluted	12	**RMB1.37**	RMB1.16

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 105 to 226 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
		(Note)
Profit for the year	**12,674,398**	10,735,389
Other comprehensive income (after tax of RMBNil) for the year:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**92,418**	14,680
Total comprehensive income for the year	**12,766,816**	10,750,069
Attributable to:		
Equity holders of the Company	**12,644,665**	10,648,293
Non-controlling interests	**122,151**	101,776
Total comprehensive income for the year	**12,766,816**	10,750,069

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 105 to 226 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**2018 RMB'000**	2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	14	**23,422,617**	14,052,943
Intangible assets	15	**14,993,188**	10,551,773
Land lease prepayments	16	**3,268,035**	2,123,909
Goodwill	17	**26,414**	16,079
Interests in associates	18	**404,669**	369,360
Interests in joint ventures	19	**5,917,618**	4,435,530
Available-for-sale financial assets		**-**	21,650
Deferred tax assets	26	**642,959**	401,325
		48,675,500	31,972,569
Current assets			
Land lease prepayments	16	**66,538**	47,810
Inventories	20	**4,097,380**	6,027,312
Trade and other receivables	21	**22,864,974**	33,478,308
Income tax recoverable		**–**	4,072
Pledged bank deposits		**19,392**	36,043
Bank balances and cash		**15,737,196**	13,414,638
		42,785,480	53,008,183
Current liabilities			
Trade and other payables	24	**41,438,036**	47,532,529
Bank borrowings	25	**1,375,280**	1,296,460
Income tax payable		**947,085**	1,072,958
		43,760,401	49,901,947
Net current (liabilities)/assets		**(974,921)**	3,106,236
Total assets less current liabilities		**47,700,579**	35,078,805

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000 (Note)
CAPITAL AND RESERVES			
Share capital	27	**164,470**	164,286
Reserves	28	**44,779,507**	34,302,761
Equity attributable to equity holders of the Company		**44,943,977**	34,467,047
Non-controlling interests		**430,741**	343,787
Total equity		**45,374,718**	34,810,834
Non-current liabilities			
Bonds payables	23	**2,047,822**	-
Deferred tax liabilities	26	**278,039**	267,971
		2,325,861	267,971
		47,700,579	35,078,805

Approved and authorised for issue by the Board of Directors on 21 March 2019.

Li Shu Fu
Director

Gui Sheng Yue
Director

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 105 to 226 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 27)	Share premium RMB'000 (note 28(a))	Capital reserve RMB'000 (note 28(c))	Statutory reserve RMB'000 (note 28(b))	Translation reserve RMB'000 (note 28(d))	Share option reserve RMB'000 (note 28(e))	Accumulated profits RMB'000 (note 28(f))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	162,708	6,212,325	164,790	170,420	(138,153)	478,714	17,386,423	24,437,227	249,022	24,686,249
Profit for the year	–	–	–	–	–	–	10,633,715	10,633,715	101,674	10,735,389
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	14,578	–	–	14,578	102	14,680
Total comprehensive income for the year	–	–	–	–	14,578	–	10,633,715	10,648,293	101,776	10,750,069
Transactions with owners:										
Transfer of reserves	–	–	–	9,167	–	–	(9,167)	–	–	–
Shares issued under share option scheme	1,578	428,877	–	–	–	(116,598)	–	313,857	–	313,857
Equity settled share-based payments (note 31)	–	–	–	–	–	27,724	–	27,724	–	27,724
Transfer upon forfeiture of share options	–	–	–	–	–	(7,942)	7,942	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(7,011)	(7,011)
Dividends paid to equity holders of the Company (note 11)	–	–	–	–	–	–	(960,054)	(960,054)	–	(960,054)
Total transactions with owners	1,578	428,877	–	9,167	–	(96,816)	(961,279)	(618,473)	(7,011)	(625,484)
Balance at 31 December 2017 (Note)	164,286	6,641,202	164,790	179,587	(123,575)	381,898	27,058,859	34,467,047	343,787	34,810,834

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 27)	Share premium RMB'000 (note 28(a))	Capital reserve RMB'000 (note 28(c))	Statutory reserve RMB'000 (note 28(b))	Translation reserve RMB'000 (note 28(d))	Share option reserve RMB'000 (note 28(e))	Accumulated profits RMB'000 (note 28(f))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017 (Note)	164,286	6,641,202	164,790	179,587	(123,575)	381,898	27,058,859	34,467,047	343,787	34,810,834
Impact on initial application of HKFRS 9 (note 3)	–	–	–	–	–	–	(34,313)	(34,313)	(197)	(34,510)
Adjusted balance at 1 January 2018	164,286	6,641,202	164,790	179,587	(123,575)	381,898	27,024,546	34,432,734	343,590	34,776,324
Profit for the year	–	–	–	–	–	–	12,553,207	12,553,207	121,191	12,674,398
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	91,458	–	–	91,458	960	92,418
Total comprehensive income for the year	–	–	–	–	91,458	–	12,553,207	12,644,665	122,151	12,766,816
Transactions with owners:										
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,030	1,030
Transfer of reserves	–	–	–	130,811	–	–	(153,609)	(22,798)	–	(22,798)
Shares issued under share option scheme	184	51,095	–	–	–	(15,669)	–	35,610	–	35,610
Equity settled share-based payments (note 31)	–	–	–	–	–	14,594	–	14,594	–	14,594
Transfer upon forfeiture of share options	–	–	–	–	–	(2,727)	2,727	–	–	–
Dividends paid to equity holders of the Company (note 11)	–	–	–	–	–	–	(2,160,828)	(2,160,828)	–	(2,160,828)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(36,030)	(36,030)
Total transactions with owners	184	51,095	–	130,811	–	(3,802)	(2,311,710)	(2,133,422)	(35,000)	(2,168,422)
Balance at 31 December 2018	164,470	6,692,297	164,790	310,398	(32,117)	378,096	37,266,043	44,943,977	430,741	45,374,718

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 105 to 226 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	**2018** **RMB'000**	2017 RMB'000 (Note)
Cash flows from operating activities			
Profit before taxation		**14,958,973**	12,773,961
Adjustments for:			
Bad debts written off	9(c)	**2,219**	67,371
Bargain purchase gain arising from acquisition of a subsidiary	8	**–**	(3,402)
Depreciation and amortisation		**2,413,161**	1,938,008
Equity settled share-based payments	31	**14,594**	27,724
Finance costs	9(a)	**113,930**	162,290
Gain on disposal of an associate	8	**–**	(1,192)
Gain on disposal of subsidiaries		**–**	(562,562)
Impairment loss on trade and other receivables	9(c)	**9,659**	–
Interest income	9(a)	**(192,922)**	(127,057)
Net foreign exchange loss/(gain)		**225,520**	(4,105)
Net loss on disposal of property, plant and equipment	9(c)	**64,482**	34,074
Share of results of associates		**59,949**	(39,211)
Share of results of joint ventures		**(504,566)**	(3,143)
Operating profit before working capital changes		**17,164,999**	14,262,756
Inventories		**2,175,291**	(2,870,040)
Trade and other receivables		**11,664,380**	(4,238,240)
Trade and other payables		**(14,458,627)**	6,597,957
Cash generated from operations		**16,546,043**	13,752,433
Income taxes paid		**(2,620,921)**	(1,758,931)
Net cash generated from operating activities		**13,925,122**	11,993,502

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	**2018 RMB'000**	2017 RMB'000 (Note)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,312,931)**	(3,451,567)
Proceeds from disposal of property, plant and equipment		**104,723**	55,790
Proceeds from disposal of available-for-sale financial assets		**–**	129
Additions of land lease prepayments	16	**(178,985)**	(240,128)
Additions of intangible assets	15	**(5,031,452)**	(3,949,951)
Additional capital injection in an associate	18	**(95,258)**	(38,131)
Additional capital injection in a joint venture	19	**(880,000)**	–
Investment in a joint venture	19	**(97,522)**	(3,750,000)
Proceeds from disposal of intangible assets		**4,644**	6,439
Change in pledged bank deposits		**16,651**	3,261
Net cash outflows on acquisition of subsidiaries	33	**(3,063,151)**	(1,728,634)
Net cash inflows on disposal of subsidiaries		**–**	1,040,728
Proceeds from disposal of an associate		**–**	13,860
Proceeds from disposal of financial assets at fair value through profit or loss		**21,650**	–
Interest received		**192,922**	127,057
Net cash used in investing activities		**(11,318,709)**	(11,911,147)
Cash flows from financing activities			
Dividends paid	11(b)	**(2,160,828)**	(960,054)
Dividends paid to non-controlling interests		**(36,030)**	–
Capital contribution from non-controlling interests		**1,030**	–
Proceeds from issuance of bonds, net of transaction costs	22	**1,927,161**	–
Proceeds from issuance of shares upon exercise of share options	27	**35,610**	313,857
Proceeds from bank borrowings	22	**–**	1,296,460
Repayments of bank borrowings	22	**–**	(174,375)
Redemption of senior notes	22	**–**	(2,033,536)
Interest paid	22	**(73,298)**	(126,950)
Net cash used in financing activities		**(306,355)**	(1,684,598)
Net increase/(decrease) in cash and cash equivalents		**2,300,058**	(1,602,243)
Cash and cash equivalents at the beginning of the year		**13,414,638**	15,045,493
Effect of foreign exchange rate changes		**22,500**	(28,612)
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**15,737,196**	13,414,638

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 105 to 226 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

Geely Automobile Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section to the annual report. As at 31 December 2018, the directors consider the immediate holding company of the Company is Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the "BVI"). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司, which is incorporated in the People's Republic of China (the "PRC") and is beneficially owned by Mr. Li Shu Fu and his associates.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 37 to the consolidated financial statements.

\# The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 97 to 226 have been prepared in accordance with all applicable 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"), accounting principles generally accepted in Hong Kong 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"). Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out in note 4 below.

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

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

3.1 New and amended HKFRSs adopted as at 1 January 2018

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") are relevant to the Group's financial statements.

The Group has early adopted the amendments to HKFRS 9 "Prepayment Features with Negative Compensation" at the same time as the adoption of HKFRS 9 as at 1 January 2018.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 3.1(a) for HKFRS 9 and note 3.1(b) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	As at 31 December 2017 RMB'000	Impact on initial application of HKFRS 9 RMB'000	As at 1 January 2018 RMB'000
Trade and other receivables	33,478,308	(37,993)	33,440,315
Total current assets	**53,008,183**	**(37,993)**	**52,970,190**
Deferred tax assets	401,325	3,483	404,808
Total non-current assets	**31,972,569**	**3,483**	**31,976,052**
Net assets	**34,810,834**	**(34,510)**	**34,776,324**
Reserves	34,302,761	(34,313)	34,268,448
Equity attributable to equity holders of the Company	**34,467,047**	**(34,313)**	**34,432,734**
Non-controlling interests	343,787	(197)	343,590
Total equity	**34,810,834**	**(34,510)**	**34,776,324**

Further details of these changes are set out in sub-sections (a) and (b) of this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 New and amended HKFRSs adopted as at 1 January 2018 (Continued)

(a) *HKFRS 9 including the amendments to HKFRS 9 "Prepayment Features with Negative Compensation"*

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. According to the transitional relief, the Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated profits, non-controlling interests and the related tax impact as at 1 January 2018.

	RMB'000
Accumulated profits	
Recognition of additional expected credit losses on financial assets measured at amortised cost	(37,762)
Related taxation	3,449
Net decrease in accumulated profits as at 1 January 2018	(34,313)
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests as at 1 January 2018	(197)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 New and amended HKFRSs adopted as at 1 January 2018 (Continued)

(a) HKFRS 9 including the amendments to HKFRS 9 "Prepayment Features with Negative Compensation" (Continued)

Further details of the nature and effect of the changes of the previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 New and amended HKFRSs adopted as at 1 January 2018 (Continued)

(a) HKFRS 9 including the amendments to HKFRS 9 "Prepayment Features with Negative Compensation" (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

	HKAS 39 carrying amount as at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	HKFRS 9 carrying amount as at 1 January 2018 RMB'000
Financial assets carried at amortised cost				
Trade and other receivables (excluding prepayment to suppliers and VAT and other taxes receivables)	30,624,347	–	(37,993)	30,586,354
Pledged bank deposits	36,043	–	–	36,043
Bank balances and cash	13,414,638	–	–	13,414,638
	44,075,028	-	(37,993)	44,037,035
Financial assets measured at FVPL				
Unlisted equity securities (note)	–	21,650	–	21,650
Financial assets classified as available-for-sale financial assets under HKAS 39 (note)	21,650	(21,650)	–	–

Note: Under HKAS 39, unlisted equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 4(h) and 4(k).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 New and amended HKFRSs adopted as at 1 January 2018 (Continued)

(a) HKFRS 9 including the amendments to HKFRS 9 "Prepayment Features with Negative Compensation" (Continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including bank balances and cash, pledged bank deposits and trade and other receivables).

Financial assets measured at fair value, including unlisted equity securities measured at FVPL, are not subject to the ECL assessment.

For further details on the Group's accounting policy for accounting for credit losses, see note 4(h).

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB37,993,000, which decreased accumulated profits by RMB34,313,000 and non-controlling interests by RMB197,000 and increased gross deferred tax assets by RMB3,483,000 as at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance as at 31 December 2017 under HKAS 39	–
Additional credit loss recognised as at 1 January 2018 on trade receivables	37,993
Loss allowance as at 1 January 2018 under HKFRS 9	37,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 New and amended HKFRSs adopted as at 1 January 2018 (Continued)

(a) HKFRS 9 including the amendments to HKFRS 9 "Prepayment Features with Negative Compensation" (Continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated profits as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed as at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – The determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(b) HKFRS 15

Sales of automobiles and automobile parts and components

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts", which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 New and amended HKFRSs adopted as at 1 January 2018 (Continued)

(b) HKFRS 15 (Continued)

Sales of automobiles and automobile parts and components (Continued)
Revenue are generally recognised at a point in time when the customers obtain possession of and control of the promised goods in the contract.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under "Trade and other payables" as receipts in advance from customers in the consolidated statement of financial position.

The directors of the Company consider that the adoption of HKFRS 15 has no material impact on the Group's financial position and results of operation.

3.2 Issued but not yet effective HKFRSs

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amended HKFRSs which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 16	Leases[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective date not yet determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

The Group is in the process of making an assessment of what the impact of these new and amended HKFRSs is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 "Leases" ("HKFRS 16") which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16

As discussed in the note 4(p), currently the Group classifies leases into operating leases. The Group enters into some leases as the lessor and others as the lessee. HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for office and factory premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. Furthermore, the Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16 (Continued)

However, based on an initial assessment, the Group expects that the adoption of HKFRS 16 will not materially affect the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2018 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial assets at fair value through profit or loss (see note 4(h)) are stated at fair value.

The consolidated financial statements have been prepared on a going concern basis, although the Group was in net current liabilities position as at 31 December 2018, the directors consider the cash inflow of the profitable operations and the stand-by bank facilities available which the Group has sufficient financial resources to meet its present requirements.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

A subsidiary is an entity, directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

Changes in the Group's interests in subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to accumulated profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss (see note 4(j)) unless the investments are held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(c) Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, if any, the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses (see note 4(j)). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

On disposal of a cash-generating unit or an associate and a joint venture, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Interests in associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities measured and contingent liabilities assumed of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities measured over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate and joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in associates and joint ventures (Continued)

Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with those used by the Group.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as they would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

In the Company's statement of financial position, interest in a joint venture is stated at cost less impairment losses (see note 4(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 4(j)). Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

Research and development costs

Costs associated with research activities are recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

The costs capitalised include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

Capitalised product development costs are amortised over 3 to 10 years. All other development costs are recognised as an expense in the period in which it is as incurred.

Both the period and method of amortisation are reviewed annually.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Foreign currency translation

In preparing the financial statements of each individual group entity, foreign currency transactions are translated into the functional currency of the individual group entity at exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates and not retranslated.

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary assets and liabilities that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign currency translation (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi ("RMB")) at the exchange rates prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, in case of financial assets or liabilities not at FVPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets (Policy applicable from 1 January 2018)

Non-equity investments held by the Group are classified into amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 4(l)).

An investment in equity securities is classified as financial assets measured at FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as "Other income".

Credit losses

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including bank balances and cash, pledged bank deposits and trade and other receivables).

Financial assets measured at fair value, including unlisted equity securities measured at FVPL, are not subject to the ECL assessment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Policy applicable from 1 January 2018) (Continued)

Credit losses (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls on bank balances and cash, pledged bank deposits and trade and other receivables are discounted using effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Policy applicable from 1 January 2018) (Continued)

Credit losses (Continued)
Significant increases in credit risk
In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Policy applicable from 1 January 2018) (Continued)

Credit losses (Continued)

Significant increases in credit risk (Continued)

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 35.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Policy applicable from 1 January 2018) (Continued)

Credit losses (Continued)

Write-off policy (Continued)

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Financial assets (Policy applicable prior to 1 January 2018)

Financial assets are classified into the following categories:

– loans and receivables; and

– available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Policy applicable prior to 1 January 2018) (Continued)

Impairment of financial assets

An "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL. Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data including but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition), where the effect of discounting is material. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Policy applicable prior to 1 January 2018) (Continued)

Impairment of financial assets (Continued)

(ii) Financial assets carried at cost

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and it is not reversed in subsequent periods.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity investment and unquoted equity investment carried at cost are not reversed in a subsequent period.

Financial liabilities

The Group's financial liabilities include bank borrowings, bonds payables and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(r)).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial liabilities (Continued)

Trade and other payables

Trade and other payables are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

Interest bearing borrowings

Interest bearing borrowings, including bank borrowings and bonds payables, are classified as financial liabilities and recognised initially at fair value, less transaction costs incurred. Interest bearing borrowings are subsequently stated at amortised cost, using the effective interest method.

Interest bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “Trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial liabilities (Continued)

Financial guarantees issued (Continued)

(i) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "Trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(ii) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the group was expected to exceed the amount carried in "Trade and other payables" in respect of the guarantee.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expired or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in profit or loss.

For financial liabilities, they are derecognised from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(j)). Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives less their estimated residual values, if any, using the straight-line method as follows:

Leasehold buildings	30 years
Plant and machinery	7 to 10 years
Leasehold improvements	Over the shorter of the unexpired lease terms and 3 years
Furniture and fixtures, office equipment and motor vehicles	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses (see note 4(j)). Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of non-current assets

Internal and external sources of information are reviewed at the reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– land lease prepayments;

– intangible assets;

– goodwill; and

– investments in subsidiaries and interest in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of non-current assets (Continued)

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the interim reporting date, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 4(h).

(l) Revenue recognition

Sales of automobiles and automobile parts and components and scrap materials

Revenue is generally recognised at a point in time when the customers obtain possession of and control of the promised goods in the contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue excludes value added tax ("VAT") or related sales taxes and net of discounts.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under "Trade and other payables" as receipts in advance from customers in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue recognition (Continued)

Sales of automobiles and automobile parts and components and scrap materials (Continued)
Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Sales-related warranties associated with automobiles cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

Claim income on defective materials purchased
Claim income on defective materials purchased is recognised when the claim has been made to and confirmed by relevant suppliers.

Rental income from operating leases
Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Interest income
Interest income is recognised as it accrues using the effective interest method.

(m) Taxation

Income tax expense comprises current tax and deferred tax.

Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the year. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The carrying amount of a deferred tax asset is reviewed at the reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and current tax liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and deferred tax liabilities, if they relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(n) Equity settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company’s shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share premium for the shares issued) or the option expires (when it is released directly to accumulated profits).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Equity settled share-based payments (Continued)

If the share options granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the PRC and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

(p) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(q) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The government grants relating to the purchase of land lease prepayments, intangible assets and property, plant and equipment for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation and amortisation expenses.

Government grants relating to income is presented in gross under “Other income” in the consolidated income statement.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any members of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for bad and doubtful debts

Starting from 1 January 2018, the loss allowance for trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For the year ended 31 December 2018, the impairment loss of RMB9,659,000 was recognised on trade and other receivables.

Prior to 1 January 2018, the provision for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables (note 21). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required. Bad debts of RMB67,371,000 have been written off during the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Write-down of inventories

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. No inventories has been written down during the year (2017: RMBNil).

Impairment of long-lived assets

If circumstances indicate that the net book value of a long-lived asset, including property, plant and equipment and intangible assets (notes 14 and 15), may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. No impairment was provided for long-lived assets during the year (2017: RMBNil).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Depreciation and amortisation

Property, plant and equipment and intangible assets (notes 14 and 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

Impairment of investments

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy as set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. No impairment loss was provided for interests in associates and joint ventures during the year (2017: RMBNil).

Income taxes

Subsidiaries of the Group are subject to income taxes according to different tax rates of different regions in the PRC. As certain tax affairs are pending the confirmation of relevant tax authorities, the Group shall make reliable estimates and judgements for the expected tax adjustments and amounts resulting from such affairs based on the current tax laws and relevant policies. Subsequently, if differences exist between the initial estimates of such affairs and the actual amount of tax payable due to certain objective reasons, such difference will affect the taxes for the current period and tax payables of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Deferred tax

As at 31 December 2018, deferred tax assets of RMB114,846,000 (2017: RMBNil) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,239,044,000 (2017: RMB2,163,395,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

As at 31 December 2018, deferred tax liabilities of RMB278,039,000 (2017: RMB267,971,000) relating to the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries have been recognised in the Group's consolidated statement of financial position. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB12,219,028,000 (2017: RMB11,557,434,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future. Further details are disclosed in note 26.

Critical accounting judgements

Interests in joint ventures and associates

As disclosed in note 19, the Group invested in Genius Auto Finance Company Limited[#] ("Genius AFC") 吉致汽車金融有限公司 as at 31 December 2018 and 2017. Unanimous consent from the Group and the other investor, BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC for certain key corporate matters is needed. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance, despite the Group has an equity interest of 80%. Also, the Group and BNP Paribas Personal Finance have rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC is classified as a joint venture of the Group and accounted for using equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical accounting judgements (Continued)

Interests in joint ventures and associates (Continued)

Meanwhile, the Group invested in LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司 as at 31 December 2018 and 2017. Unanimous consent from the Group and the two remaining shareholders of LYNK & CO Investment (the "JV Parties") or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment for certain key corporate matters is needed. Therefore, LYNK & CO Investment is under the joint control of the Group and the JV Parties. Accordingly, the investment in LYNK & CO Investment is classified as a joint venture of the Group and accounted for using equity method.

Also, the Group invested in Zhejiang Geely AISIN Automatic Transmission Company Limited# ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司 as at 31 December 2018. Unanimous resolution of all directors of Zhejiang AISIN for certain key corporate matters is needed. Therefore, Zhejiang AISIN is a joint venture of the Group and its financial results were accounted for using the equity method.

As disclosed in note 18, the Group retains significant influence over Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術 (寧波) 有限公司 through the power to nominate representative on the board of directors, despite the Group's equity interest is 9%. As a result, the investment is classified as an associate of the Group and accounted for using equity method.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

6. REVENUE

Revenue from sales of automobiles and automobile parts and components, net of VAT or related sales taxes and net of discounts, was generally recognised at a point in time when the customers obtain possession of and control of the promised goods in the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. REVENUE (Continued)

	2018 **RMB'000**	2017 RMB'000 (Note)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of automobiles	**102,651,387**	91,282,893
– Sales of automobile parts and components	**3,943,746**	1,477,825
	106,595,133	92,760,718

Note: The Group has initially applied HKFRS 15 using the cumulative effect transition method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18. See note 3.

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

7. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

7. SEGMENT INFORMATION (Continued)

Geographical information

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

	2018 RMB'000	2017 RMB'000
Revenue from external customers		
PRC	**105,157,280**	92,168,021
Eastern Europe	**618,281**	180,560
Middle East	**488,135**	187,756
Africa	**190,818**	76,443
Central and South America	**138,220**	67,536
Other countries	**2,399**	80,402
	106,595,133	92,760,718
Specified non-current assets		
Hong Kong, place of domicile	**196**	232
PRC	**47,896,705**	31,442,068
Other countries	**135,640**	107,294
	48,032,541	31,549,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. OTHER INCOME

	2018	2017
	RMB'000	RMB'000
Rental income	**32,715**	25,215
Gain on disposal of scrap materials	**30,187**	26,751
Gain on disposal of an associate	**–**	1,192
Net claims income on defective materials purchased	**–**	31,095
Net foreign exchange gain	**–**	89,974
Bargain purchase gain arising from acquisition of a subsidiary	**–**	3,402
Government grants and subsidies (note)	**992,859**	905,300
Sundry income	**181,224**	146,218
	1,236,985	1,229,147

Note: Government grants and subsidies mainly related to cash subsidies in respect of operating and research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

9. PROFIT BEFORE TAXATION

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

		2018 RMB'000	2017 RMB'000 (Note a)
(a)	**Finance income and costs**		
	Finance costs		
	Effective interest expense on senior notes	**–**	8,908
	Coupon expense on senior notes	**–**	96,714
	Loss on early redemption of senior notes	**–**	52,015
	Effective interest expense on bonds payables (note 23)	**8,624**	–
	Coupon expense on bonds payables	**67,769**	–
	Interest on bank borrowings	**37,537**	4,653
		113,930	162,290
	Finance income		
	Bank and other interest income	**(192,922)**	(127,057)
	Net finance (income)/costs	**(78,992)**	35,233
(b)	**Staff costs (including directors' emoluments (note 13)) (note b)**		
	Salaries, wages and other benefits	**5,679,709**	4,241,354
	Retirement benefit scheme contributions	**378,262**	269,085
	Equity settled share-based payments (note 31)	**14,594**	27,724
		6,072,565	4,538,163
(c)	**Other items**		
	Cost of inventories (note b)	**85,081,727**	74,779,337
	Auditor's remuneration	**7,203**	7,443
	Depreciation (note b)	**978,233**	742,679
	Amortisation of land lease prepayments	**57,223**	48,072
	Amortisation of intangible assets (related to capitalised product development costs)	**1,377,705**	1,147,257
	Research and development costs	**548,653**	331,241
	Net loss on disposal of property, plant and equipment	**64,482**	34,074
	Net foreign exchange loss/(gain)	**328,355**	(89,974)
	Net claims paid/(income) on defective materials purchased	**53,470**	(31,095)
	Operating leases charges on premises	**17,589**	18,525
	Impairment loss on trade and other receivables	**9,659**	–
	Bad debts written off	**2,219**	67,371

Notes:

(a) The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

(b) Cost of inventories included RMB4,851,363,000 (2017: RMB3,643,052,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. TAXATION

	2018	2017
	RMB'000	RMB'000
Current tax:		
– PRC enterprise income tax	**2,500,577**	2,283,957
– Over-provision in prior years	**(1,457)**	(118,079)
	2,499,120	2,165,878
Deferred tax (note 26)	**(214,545)**	(127,306)
	2,284,575	2,038,572

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2018 and 2017.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2017: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2018 and 2017.

The share of results of associates and joint ventures in the consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. TAXATION (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	**14,958,973**	12,773,961
Tax at the PRC enterprise income tax rate of 25% (2017: 25%)	**3,739,743**	3,193,490
Tax effect of expenses not deductible	**185,479**	207,029
Tax effect of non-taxable income	**(105,529)**	(11,152)
Tax effect of unrecognised tax losses	**60,197**	42,594
Utilisation of previously unrecognised tax losses	**(20,482)**	(38,438)
Tax effect of different tax rates of entities operating in other jurisdictions	**15,860**	(65,338)
Deferred tax charge on distributable profits withholding tax (note 26)	**10,068**	69,899
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	**(1,599,304)**	(1,241,433)
Over-provision in prior years	**(1,457)**	(118,079)
Tax expense for the year	**2,284,575**	2,038,572

The Group is also liable to withholding tax on dividends to be distributed from the Group's subsidiaries in the PRC in respect of their profits generated from 1 January 2008. Deferred tax liabilities of RMB10,068,000 (2017: RMB69,899,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

11. DIVIDENDS

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

	2018 RMB'000	2017 RMB'000
Final dividend proposed after the reporting date of Hong Kong dollars ("HK$") 0.35 (2017: HK$0.29) per ordinary share	**2,767,091**	2,159,774

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2018.

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

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.29 (2017: HK$0.12) per ordinary share	**2,160,828**	960,054

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12. 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 RMB12,553,207,000 (2017: RMB10,633,715,000) and weighted average number of ordinary shares of 8,976,494,672 shares (2017: 8,932,151,751 shares), calculated as follows:

Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares as at 1 January	**8,970,514,540**	8,882,861,540
Effect of shares options exercised	**5,980,132**	49,290,211
Weighted average number of ordinary shares as at 31 December	**8,976,494,672**	8,932,151,751

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB12,553,207,000 (2017: RMB10,633,715,000) and the weighted average number of ordinary shares (diluted) of 9,174,027,477 shares (2017: 9,155,568,487 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018	2017
Weighted average number of ordinary shares (basic) as at 31 December	**8,976,494,672**	8,932,151,751
Effect of deemed issue of shares under the Company's share option scheme	**197,532,805**	223,416,736
Weighted average number of ordinary shares (diluted) as at 31 December	**9,174,027,477**	9,155,568,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

2018

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note)	Total RMB'000
Executive directors								
Mr. An Cong Hui	8	–	–	–	–	8	111	119
Mr. Ang Siu Lun, Lawrence	–	2,781	1,412	–	30	4,223	543	4,766
Mr. Gui Sheng Yue (Chief Executive Officer)	–	2,998	1,522	553	30	5,103	611	5,714
Mr. Li Dong Hui, Daniel (Vice Chairman)	8	–	–	–	–	8	243	251
Mr. Li Shu Fu (Chairman)	–	324	–	–	15	339	–	339
Ms. Wei Mei	8	–	–	–	–	8	368	376
Mr. Yang Jian (Vice Chairman)	8	–	–	–	–	8	213	221
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster	–	–	–	–	–	–	56	56
Independent non-executive directors								
Mr. An Qing Heng	149	–	–	–	–	149	36	185
Mr. Lee Cheuk Yin, Dannis	149	–	–	–	–	149	16	165
Mr. Wang Yang	149	–	–	–	–	149	56	205
Mr. Yeung Sau Hung, Alex	149	–	–	–	–	149	16	165
	628	6,103	2,934	553	75	10,293	2,269	12,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows (Continued):

2017

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note)	Total RMB'000
Executive directors								
Mr. An Cong Hui	9	–	–	–	–	9	248	257
Mr. Ang Siu Lun, Lawrence	–	2,843	1,238	–	32	4,113	1,285	5,398
Mr. Gui Sheng Yue (Chief Executive Officer)	–	3,065	1,335	537	32	4,969	1,452	6,421
Mr. Li Dong Hui, Daniel (Vice Chairman)	9	–	–	–	–	9	368	377
Mr. Li Shu Fu (Chairman)	–	351	–	–	16	367	–	367
Ms. Wei Mei	9	–	–	–	–	9	573	582
Mr. Yang Jian (Vice Chairman)	9	–	–	–	–	9	474	483
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster	–	–	–	–	–	–	141	141
Independent non-executive directors								
Mr. An Qing Heng	162	–	–	–	–	162	106	268
Mr. Lee Cheuk Yin, Dannis	162	–	–	–	–	162	81	243
Mr. Wang Yang	162	–	–	–	–	162	141	303
Mr. Yeung Sau Hung, Alex	162	–	–	–	–	162	81	243
	684	6,259	2,573	537	80	10,133	4,950	15,083

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the years ended 31 December 2018 and 2017. No other director waived any emoluments during the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for equity settled share-based payments as set out in note 4(n) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the Directors' Report and in note 31 to the consolidated financial statements.

(b) Employees' emoluments

Of the five individuals with the highest emoluments, two (2017: two) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the other three (2017: three) individuals are as follows:

	2018 **RMB'000**	2017 RMB'000
Basic salaries and allowances	**3,953**	4,312
Retirement scheme contributions	**60**	65
Equity settled share-based payments	**361**	943
	4,374	5,320

The emoluments of the three (2017: three) individuals with the highest emoluments are within the following bands:

	2018 **Number of individuals**	2017 Number of individuals
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**–**	2
HK$2,500,001 – HK$3,000,000	**1**	1
	3	3

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14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Leasehold buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and fixtures, office equipment and motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2017	2,319,892	4,605,593	6,233,643	7,112	812,786	13,979,026
Additions	3,179,771	68,295	115,588	368	198,497	3,562,519
Transfer	(2,861,666)	1,412,113	1,301,589	–	147,964	–
Disposals	(3,686)	(21,793)	(195,893)	(138)	(55,195)	(276,705)
Disposed of through disposal of subsidiaries	(742,293)	(996,574)	(771,129)	–	(110,103)	(2,620,099)
Acquisition through business combinations	362,254	574,262	2,294,061	–	50,446	3,281,023
At 31 December 2017 and 1 January 2018	2,254,272	5,641,896	8,977,859	7,342	1,044,395	17,925,764
Additions	2,791,592	62,495	48,341	9,616	334,030	3,246,074
Transfer	(4,074,520)	968,790	2,969,533	–	136,197	–
Disposals	–	(87,978)	(152,213)	(49)	(43,353)	(283,593)
Acquisition through business combinations (note 33)	4,903,239	1,457,282	889,076	–	21,441	7,271,038
At 31 December 2018	**5,874,583**	**8,042,485**	**12,732,596**	**16,909**	**1,492,710**	**28,159,283**
DEPRECIATION						
At 1 January 2017	–	631,177	2,287,762	5,533	404,241	3,328,713
Charge for the year	–	142,844	489,194	985	109,656	742,679
Written back on disposals	–	(5,802)	(157,750)	(136)	(23,153)	(186,841)
Disposed of through disposal of subsidiaries	–	(2,290)	(6,164)	–	(3,276)	(11,730)
At 31 December 2017 and 1 January 2018	–	765,929	2,613,042	6,382	487,468	3,872,821
Charge for the year	–	194,907	628,968	1,014	153,344	978,233
Written back on disposals	–	(13,111)	(73,835)	–	(27,442)	(114,388)
At 31 December 2018	**–**	**947,725**	**3,168,175**	**7,396**	**613,370**	**4,736,666**
NET BOOK VALUE						
At 31 December 2018	**5,874,583**	**7,094,760**	**9,564,421**	**9,513**	**879,340**	**23,422,617**
At 31 December 2017	**2,254,272**	**4,875,967**	**6,364,817**	**960**	**556,927**	**14,052,943**

The title certificates of certain buildings with an aggregate carrying value of RMB868,848,000 (2017: RMB1,010,715,000) are yet to be obtained as at 31 December 2018 and 2017. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. INTANGIBLE ASSETS

	Capitalised product development costs RMB'000
COST	
At 1 January 2017	8,568,260
Additions	3,949,951
Acquisition through business combinations	1,293,709
Disposals	(501,671)
At 31 December 2017 and 1 January 2018	13,310,249
Additions	5,031,452
Acquisition through business combinations (note 33)	792,312
Written off	(33,370)
At 31 December 2018	**19,100,643**
AMORTISATION	
At 1 January 2017	2,106,451
Charge for the year	1,147,257
Disposals	(495,232)
At 31 December 2017 and 1 January 2018	2,758,476
Charge for the year	1,377,705
Written off	(28,726)
At 31 December 2018	**4,107,455**
NET BOOK VALUE	
At 31 December 2018	**14,993,188**
At 31 December 2017	**10,551,773**

The amortisation charge for the year is included in "Administrative expenses" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. LAND LEASE PREPAYMENTS

	2018 RMB'000	2017 RMB'000
The Group's land lease prepayments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**3,334,573**	2,171,719
Analysed for reporting purposes as:		
Current assets	**66,538**	47,810
Non-current assets	**3,268,035**	2,123,909
	3,334,573	2,171,719
Opening net carrying amount	**2,171,719**	2,045,770
Additions	**178,985**	240,128
Acquisition through business combinations (note 33)	**1,041,092**	209,263
Disposed of through disposal of subsidiaries	**–**	(275,370)
Annual amortisation charges of land lease prepayments	**(57,223)**	(48,072)
Closing net carrying amount	**3,334,573**	2,171,719

The land use right certificates of certain lands with an aggregate carrying value of RMB869,779,000 (2017: RMB672,984,000) are yet to be obtained as at 31 December 2018 and 2017. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the lands, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. GOODWILL

	2018 RMB'000	2017 RMB'000
Carrying amount		
At 1 January	**16,079**	6,916
Arising on business combinations (note 33)	**10,335**	9,163
At 31 December	**26,414**	16,079

The carrying amount of goodwill is allocated to the cash-generating units of manufacturing of (a) complete knock down kits and (b) vehicle engines. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segments. The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. During the year ended 31 December 2018, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2017: RMBNil).

18. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	**408,018**	372,709
Goodwill	**663**	663
Impairment loss recognised	**(4,012)**	(4,012)
	404,669	369,360
Represented by:		
Cost of unlisted investments	**392,112**	296,854
Share of post-acquisition results and other comprehensive income	**33,133**	93,082
Impairment loss recognised	**(4,012)**	(4,012)
Exchange realignment	**(16,564)**	(16,564)
	404,669	369,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entity whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2018 and 2017, are as follows:

Name of associate	Place of establishments and operations	Form of business structure	Particulars of issued and paid up registered capital	Attributable equity interest held by the Group		Principal activities
				2018	2017	
Mando (Ningbo) Automotive Parts Co., Limited ("Mando (Ningbo)") 萬都(寧波)汽車零部件有限公司	PRC	Incorporated	United States dollars ("US$") 85,000,000	**35%**	35%	Manufacturing of automobile parts and components
Closed Joint Stock Company BELGEE ("BELGEE")	Republic of Belarus ("Belarus")	Incorporated	Belarusian Ruble ("BYN") 166,225,000 (2017: BYN97,565,000)	**36.1%**	31.7%	Production, marketing and sales of vehicles
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# ("Faurecia Emissions") 佛吉亞排氣控制技術(寧波)有限公司	PRC	Incorporated	US$7,900,000	**9%**	9%	Manufacturing of emission control systems
PT Geely Mobil Indonesia	Republic of Indonesia	Incorporated	US$3,260,200	**30%**	30%	Production, marketing and sales of vehicles

The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

All associates are indirectly held by the Company.

During the year ended 31 December 2018, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN29,062,000 (equivalent to approximately RMB95,258,000) and BYN39,598,000 (equivalent to approximately RMB129,939,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE changed from BYN97,565,000 (equivalent to approximately RMB394,249,000) to BYN166,225,000 (equivalent to approximately RMB619,446,000). As a result of such an increase in registered capital, the Group's equity interests in BELGEE increased from 31.7% to 36.1% and the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2017, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN10,844,000 (equivalent to approximately RMB38,131,000) and BYN26,698,000 (equivalent to approximately RMB93,879,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE changed from BYN60,023,000 (equivalent to approximately RMB262,239,000) to BYN97,565,000 (equivalent to approximately RMB394,249,000).

The Group invests in Mando (Ningbo) as a strategic supplier of automobile parts and components of the Group.

The Group retains significant influence over Faurecia Emissions through the power to nominate representative on the board of directors.

Summarised financial information of Mando (Ningbo), the Group's material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2018 RMB'000	2017 RMB'000
Non-current assets	**327,074**	289,752
Current assets	**2,379,386**	3,024,259
Current liabilities	**(1,914,846)**	(2,554,136)
Non-current liabilities	**(10,940)**	(11,676)
Net assets	**780,674**	748,199
Revenue	**3,141,442**	3,346,577
Profit for the year	**32,475**	117,830
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**32,475**	117,830
Dividend received from the associate	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in Mando (Ningbo) recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of Mando (Ningbo)	**780,674**	748,199
The Group's effective interests in Mando (Ningbo)	**35%**	35%
Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of Mando (Ningbo)	**273,236**	261,870

Aggregate financial information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Aggregate amounts of the Group's share of loss for the year	**(71,315)**	(2,029)
Aggregate amounts of the Group's share of other comprehensive income for the year	**–**	–
Aggregate carrying amount of the Group's interests in these associates	**131,433**	107,490

19. INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	**5,917,618**	4,435,530
Represented by:		
Cost of unlisted investments	**5,447,522**	4,470,000
Unrealised gain on disposal of a subsidiary to a joint venture	**(14,943)**	(14,943)
Share of post-acquisition results and other comprehensive income/ (expense)	**485,039**	(19,527)
	5,917,618	4,435,530

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19. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's principal joint ventures which are unlisted corporate entities whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2018 and 2017, are as follows:

Name of joint venture	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group 2018	2017	Principal activities
Genius Auto Finance Company Limited#* ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB2,000,000,000 (2017: RMB900,000,000)	**80%**	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	**50%**	50%	Manufacturing and sales of vehicles under the "Lynk & Co" brand
Zhejiang Geely AISIN Automatic Transmission Company Limited# ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司	PRC	Incorporated	US$117,000,000	**40%**	–	Manufacturing and sale of front-wheel drive 6-speed automatic transmissions and related parts and components

The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

* Genius AFC is directly held by the Company.

Zhejiang AISIN

On 24 April 2018, the Group entered into a joint venture agreement with AISIN AW Co., Ltd. ("AISIN AW"), an independent third party and a subsidiary of AISIN SEIKI Company Limited, pursuant to which the parties agreed to establish a joint venture company, Zhejiang AISIN, to principally engage in the manufacturing and sale of front-wheel drive 6-speed automatic transmissions and related parts and components. The registered capital of Zhejiang AISIN was US$117,000,000 (equivalent to approximately RMB733,590,000). Zhejiang AISIN was held as to 40% by the Group and as to 60% by AISIN AW. Pursuant to the joint venture agreement, the Group and AISIN AW will contribute to the capital of Zhejiang AISIN by cash as to 40% (US$46,800,000 or equivalent to approximately RMB293,436,000) and 60% (US$70,200,000 or equivalent to approximately RMB440,154,000), respectively. During the year ended 31 December 2018, the Group contributed US$14,000,000 (equivalent to approximately RMB97,522,000) to Zhejiang AISIN. Detail of the capital commitments as at 31 December 2018 are set out in note 29(a). The board of directors of Zhejiang AISIN was setup according to the shareholding ratio by the shareholders. Pursuant to the joint venture agreement, unanimous resolution of all directors for certain key corporate matters is required. Therefore, Zhejiang AISIN is a joint venture company of the Group and its financial results were accounted for in the consolidated financial statements of the Group using the equity method.

19. INTERESTS IN JOINT VENTURES (Continued)

LYNK & CO Investment

On 4 August 2017, the Group entered into a joint venture agreement with Zhejiang Haoqing Automobile Manufacturing Company Limited# ("Zhejiang Haoqing") 浙江豪情汽車製造有限公司 and Volvo Car (China) Investment Company Limited# ("VCI") 沃爾沃汽車(中國)投資有限公司, fellow subsidiaries owned by the Company's ultimate holding company, for the establishment of a joint venture, LYNK & CO Investment, to engage in the manufacturing and sales of vehicles under the "Lynk & Co" brand. LYNK & CO Investment was held as to 50% by the Group, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Pursuant to the joint venture agreement, the board of directors of LYNK & CO Investment consists of four directors, of whom two are nominated by the Group, one is nominated by Zhejiang Haoqing, and one is nominated by VCI. Pursuant to the joint venture agreement, unanimous consent from the three shareholders is needed as certain key corporate matters of LYNK & CO Investment require an unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment. Therefore, LYNK & CO Investment is under the joint control of the three shareholders. The three shareholders have the rights to the net assets of LYNK & CO Investment. Accordingly, the investment in LYNK & CO Investment was recognised as a joint venture of the Group and accounted for using the equity method.

Genius AFC

Genius AFC was established in August 2015, and was held as to 80% by the Company and as to 20% by BNP Paribas Personal Finance which engages in the vehicles financing business in the PRC. Pursuant to the joint venture agreement, the board of directors was setup according to the respective shareholding ratio, unanimous consent from the Company and BNP Paribas Personal Finance is required as either certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNP Paribas Personal Finance. Both of the Group and BNP Paribas Personal Finance have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method.

During the year ended 31 December 2018, the registered capital of Genius AFC increased by RMB1,100,000,000 from RMB900,000,000 to RMB2,000,000,000 whereby the Company and BNP Paribas Personal Finance injected additional capital in proportionate to their existing shareholding in Genius AFC amounted to RMB880,000,000 and RMB220,000,000, respectively.

As at 31 December 2018, the aggregate bank balances deposited by the Group with Genius AFC amounted to approximately RMB2,785,588,000 (2017: RMB3,100,153,000).

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19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the Zhejiang AISIN, LYNK & CO Investment and its subsidiaries ("LYNK & CO Group") and Genius AFC adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated statement of financial position, are disclosed below:

	Zhejiang AISIN	LYNK & CO Group		Genius AFC	
	2018	**2018**	2017	**2018**	2017
	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets	**322**	**7,011,983**	6,666,672	614,708	347,162
Current assets	**241,626**	**7,802,938**	5,339,868	21,237,842	10,053,066
Current liabilities	**(4,547)**	**(6,345,875)**	(4,576,894)	(15,134,857)	(9,480,666)
Non-current liabilities	**–**	**(371,789)**	–	(4,481,478)	–
Net assets	**237,401**	**8,097,257**	7,429,646	2,236,215	919,562
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	**240,872**	**774,368**	743,202	2,225,622	514,635
Current financial liabilities (excluding trade and other payables and provisions)	**–**	**–**	–	(13,160,936)	(8,293,777)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	**–**	–	(4,481,478)	–
Revenue	**–**	**17,199,382**	900,483	1,332,337	469,878
(Loss)/Profit for the year/period	**(6,404)**	**667,611**	(70,354)	216,653	47,900
Other comprehensive income for the year/period	**–**	**–**	–	–	–
Total comprehensive (expense)/ income for the year/period	**(6,404)**	**667,611**	(70,354)	216,653	47,900
Dividend received from the joint ventures	**–**	**–**	–	–	–
The above (losses)/profits for the year/period including the following:					
Depreciation and amortisation	**–**	**(666,628)**	(48,943)	(8,225)	(6,429)
Interest income	**73**	**9,089**	8,911	1,308,113	461,555
Interest expense	**–**	**–**	–	(604,897)	(157,111)
Income tax (expense)/income	**–**	**(261,628)**	19,023	(72,471)	(16,578)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in joint ventures recognised in the consolidated statement of financial position:

	Zhejiang AISIN	**LYNK & CO Group**		**Genius AFC**	
	2018	**2018**	2017	**2018**	2017
	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Net assets of the joint venture	**237,401**	**8,097,257**	7,429,646	**2,236,215**	919,562
The Group's effective interests in the joint venture	**40%**	**50%**	50%	**80%**	80%
The Group's share of the net assets of the joint venture	**94,960**	**4,048,629**	3,714,823	**1,788,972**	735,650
Unrealised gain on disposal of a subsidiary to a joint venture	**–**	**(14,943)**	(14,943)	**–**	–
Carrying amount of the Group's interests in joint ventures	**94,960**	**4,033,686**	3,699,880	**1,788,972**	735,650

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20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2018 **RMB'000**	2017 RMB'000
Raw materials	**1,890,315**	1,317,330
Work in progress	**328,753**	382,784
Finished goods	**1,878,312**	4,327,198
	4,097,380	6,027,312

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2018 **RMB'000**	2017 RMB'000
Carrying amount of inventories sold	**85,081,727**	74,779,337

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21. TRADE AND OTHER RECEIVABLES

	Note	**As at 31 December 2018 RMB'000**	As at 1 January 2018 RMB'000	As at 31 December 2017 RMB'000 (Note)
Trade and notes receivables				
Trade receivables, net of loss allowance				
– Third parties		**338,158**	357,472	377,966
– Joint ventures		**145,183**	–	–
– Associates		**269,538**	256,308	271,002
– Related companies controlled by the substantial shareholder of the Company		**330,812**	48,928	51,733
	(a)	**1,083,691**	662,708	700,701
Notes receivables	(b)	**16,988,253**	28,790,926	28,790,926
		18,071,944	29,453,634	29,491,627
Deposit, prepayment and other receivables				
Prepayment to suppliers				
– Third parties		**151,444**	129,080	129,080
– Related companies controlled by the substantial shareholder of the Company		**1,974**	847,093	847,093
		153,418	976,173	976,173
Deposits paid for acquisition of property, plant and equipment		**609,953**	600,692	600,692
VAT and other taxes receivables		**3,592,041**	1,877,788	1,877,788
Utility deposits and other receivables		**414,586**	208,595	208,595
		4,769,998	3,663,248	3,663,248
Amounts due from related companies controlled by the substantial shareholder of the Company	(c)	**23,032**	323,433	323,433
		4,793,030	3,986,681	3,986,681
		22,864,974	33,440,315	33,478,308

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21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers. Further details on the Group's credit policy are set out in note 35. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the reporting date:

	2018	2017
	RMB'000	RMB'000
0 – 60 days	**478,099**	167,875
61 – 90 days	**26,919**	7,689
Over 90 days	**80,998**	67,476
	586,016	243,040

For overseas customers, the Group allows average credit periods ranged from 30 days to 720 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date and net of loss allowance, at the reporting date:

	2018	2017
	RMB'000	RMB'000
0 – 60 days	**285,290**	102,041
61 – 90 days	**10,233**	84,174
91 – 365 days	**148,989**	155,309
Over 365 days	**53,163**	116,137
	497,675	457,661

As at 31 December 2018, 1% (2017: 1%) of the total trade receivables was due from the Group's five largest customers.

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2018 and 2017, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

(c) Amounts due from related companies

The amounts due are unsecured, interest-free and repayable on demand.

Except for trade and other receivables of RMB12,509,000 (2017: RMB140,027,000) which are expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 35.

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

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22. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Bank borrowings RMB'000	Senior notes RMB'000	Bonds payables RMB'000	Total RMB'000
At 1 January 2017	–	174,375	2,068,316	–	2,242,691
Change from financing cash flows:					
Proceeds from new bank borrowings	–	1,296,460	–	–	1,296,460
Repayment of bank borrowings	–	(174,375)	–	–	(174,375)
Redemption of senior notes	–	–	(2,033,536)	–	(2,033,536)
Other borrowing costs paid	–	(4,104)	(122,846)	–	(126,950)
Dividends paid	(960,054)	–	–	–	(960,054)
Total changes from financing cash flows	(960,054)	1,117,981	(2,156,382)	–	(1,998,455)
Exchange adjustments	–	–	(95,703)	–	(95,703)
Other changes (note):					
Interest expenses	–	4,653	105,622	–	110,275
Loss on early redemption of senior notes	–	–	52,015	–	52,015
Dividends declared	960,054	–	–	–	960,054
Others	–	(549)	26,132	–	25,583
Total other changes	960,054	4,104	183,769	–	1,147,927
At 31 December 2017 and 1 January 2018	–	1,296,460	–	–	1,296,460
Change from financing cash flows:					
Initial fair value on the date of issuance	–	–	–	1,927,161	1,927,161
Other borrowing costs paid	–	(38,041)	–	(35,257)	(73,298)
Dividends paid	(2,160,828)	–	–	–	(2,160,828)
Total changes from financing cash flows	(2,160,828)	(38,041)	–	1,891,904	(306,965)
Exchange adjustments	–	78,820	–	112,037	190,857
Other changes (note):					
Interest expenses	–	37,537	–	76,393	113,930
Dividends declared	2,160,828	–	–	–	2,160,828
Others	–	504	–	(32,512)	(32,008)
Total other changes	2,160,828	38,041	–	43,881	2,242,750
At 31 December 2018	**–**	**1,375,280**	**–**	**2,047,822**	**3,423,102**

Note:

Other changes include interest accruals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

23. BONDS PAYABLES

On 18 January 2018, the Company issued bonds with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,944,690,000) (the "Bonds"). The Bonds carried interest at 3.625% per annum, payable semi-annually in arrears on 25 January and 25 July of each year, and the maturity date was 25 January 2023.

The Bonds were listed on Singapore Exchange Securities Trading Limited. They constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to the terms and conditions of the Bonds, at all times rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The carrying amount of the Bonds at initial recognition, net of transaction costs, amounted to US$297,296,000 (equivalent to approximately RMB1,927,161,000) and the effective interest rate was 3.825% per annum. The Bonds were carried at amortised cost.

The movements of the Bonds during the year are set out below:

	2018 **RMB'000**
Carrying amount	
At 1 January	**–**
Initial fair value on the date of issuance	**1,927,161**
Exchange differences	**112,037**
Interest expenses	**8,624**
At 31 December	**2,047,822**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

24. TRADE AND OTHER PAYABLES

	Note	2018 RMB'000	2017 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		**23,562,370**	26,848,633
– An associate		**726,074**	1,252,227
– Related companies controlled by the substantial shareholder of the Company		**916,316**	2,492,942
	(a)	**25,204,760**	30,593,802
Notes payables	(b)	**2,076,400**	1,045,043
		27,281,160	31,638,845
Other payables			
Receipts in advance from customers	(c)		
– Third parties		**1,885,021**	7,980,480
– Related companies controlled by the substantial shareholder of the Company		**5,751**	3,992
		1,890,772	7,984,472
Deferred government grants which conditions have not been satisfied		**3,190,186**	3,379,500
Payables for acquisition of property, plant and equipment		**2,017,144**	1,074,740
Payables for acquisition of subsidiaries (notes 33(d) and 33(e))		**1,265,277**	–
Accrued staff salaries and benefits		**1,224,556**	908,966
VAT and other taxes payables		**167,710**	104,388
Other accrued charges		**2,427,879**	2,430,232
		12,183,524	15,882,298
Amounts due to related companies controlled by the substantial shareholder of the Company	(d)	**1,752,809**	9,412
Amount due to ultimate holding company	(d)	**220,543**	1,974
		14,156,876	15,893,684
		41,438,036	47,532,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

24. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

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

	2018	2017
	RMB'000	RMB'000
0 – 60 days	**20,013,747**	27,331,331
61 – 90 days	**2,586,200**	1,849,868
Over 90 days	**2,604,813**	1,412,603
	25,204,760	30,593,802

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

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2018 and 2017, all notes payables had maturities of less than six months from the reporting date.

As at 31 December 2018, the Group pledged bank deposits of RMB19,392,000 (2017: RMB36,043,000) to secure the notes payables.

(c) Receipts in advance from customers

The amounts represent the advance payments from customers for goods, which revenue will be recognised when the performance obligation was satisfied through the goods were transferred to the customers.

	2018
	RMB'000
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	**(7,984,472)**

The Group's contracts with customers are for period of one year or less. The entire contract liabilities balance at the period end would be recognised into revenue in the next period. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

24. TRADE AND OTHER PAYABLES (Continued)

(d) Amounts due to related companies/ultimate holding company

The amounts due are unsecured, interest-free and repayable on demand.

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

25. BANK BORROWINGS

	2018	2017
	RMB'000	RMB'000
Bank loans, unsecured	**1,375,280**	1,296,460

As at 31 December 2018 and 2017, the Group's bank borrowings were carried at amortised cost, repayable in October 2019 and interest-bearing at the London Interbank Offered Rates plus 1.05% per annum. Pursuant to the facility agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

As at 31 December 2018 and 2017, none of the covenants relating to drawn down facilities had been breached.

Further details of the Group's management of liquidity risk were set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

26. DEFERRED TAX ASSETS AND LIABILITIES

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

	2018 **RMB'000**	2017 RMB'000
At 1 January	**(133,354)**	9,965
Impact on initial application of HKFRS 9 (note 3.1(a)(ii))	**(3,483)**	–
Acquisition through business combinations (note 33)	**(13,538)**	(16,013)
Credit to the consolidated income statement (note 10)	**(214,545)**	(127,306)
At 31 December	**(364,920)**	(133,354)

Deferred tax assets

	Unused tax losses RMB'000	**Intangible assets RMB'000**	**Others RMB'000**	**Total RMB'000**
At 1 January 2017	7,657	126,039	54,411	188,107
(Charge)/Credit to the consolidated income statement	(7,657)	43,027	161,835	197,205
Acquisition through business combinations	–	–	16,013	16,013
At 31 December 2017	–	169,066	232,259	401,325
Impact on initial application of HKFRS 9 (note 3.1(a)(ii))	–	–	3,483	3,483
At 1 January 2018	–	169,066	235,742	404,808
Credit/(Charge) to the consolidated income statement	101,308	136,149	(12,844)	224,613
Acquisition through business combinations (note 33)	13,538	–	–	13,538
At 31 December 2018	**114,846**	**305,215**	**222,898**	**642,959**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

26. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities

	Withholding tax on undistributed profits from the PRC subsidiaries RMB'000
At 1 January 2017	198,072
Charge to the consolidated income statement (note 10)	69,899
At 31 December 2017 and 1 January 2018	267,971
Charge to the consolidated income statement (note 10)	10,068
At 31 December 2018	**278,039**

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

	2018 RMB'000	2017 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**(642,959)**	(401,325)
Deferred tax liabilities recognised in the consolidated statement of financial position	**278,039**	267,971
Net deferred tax assets	**(364,920)**	(133,354)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

26. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB12,219,028,000 (2017: RMB11,557,434,000).

As at the reporting date, the Group has unused tax losses of approximately RMB2,239,044,000 (2017: RMB2,163,395,000) available for offset against future profits. Of the total tax losses, approximately RMB497,505,000 (2017: RMB300,535,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	2018		2017	
	Number of shares	**Nominal value RMB'000**	Number of shares	Nominal value RMB'000
Authorised:				
Ordinary shares of HK$0.02 each				
At 31 December	**12,000,000,000**	**246,720**	12,000,000,000	246,720
Issued and fully paid:				
Ordinary shares of HK$0.02 each				
At 1 January	**8,970,514,540**	**164,286**	8,882,861,540	162,708
Shares issued under share option scheme (note)	**11,098,000**	**184**	87,653,000	1,578
At 31 December	**8,981,612,540**	**164,470**	8,970,514,540	164,286

Note:

During the year ended 31 December 2018, share options were exercised to subscribe for 11,098,000 ordinary shares (2017: 87,653,000 ordinary shares) of the Company at a consideration of approximately RMB35,610,000 (2017: RMB313,857,000) of which approximately RMB184,000 (2017: RMB1,578,000) was credited to share capital and approximately RMB35,426,000 (2017: RMB312,279,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB15,669,000 (2017: RMB116,598,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(n).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

28. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Statutory reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

(c) Capital reserve

Capital reserve represents differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company in prior years.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(g).

(e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(n).

(f) Accumulated profits

Accumulated profits represent accumulated net profit or losses less dividends paid plus other transfers to or from other reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

29. COMMITMENTS

(a) Capital expenditure commitments

As at the reporting date, the capital commitments not provided for in the consolidated financial statements were as follows:

	2018	2017
	RMB'000	RMB'000
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and equipment	**4,070,570**	4,483,013
– investment in a joint venture (note 19)	**225,546**	–
– investment in an associate (note)	**490,000**	–
	4,786,116	4,483,013

Note: On 20 December 2018, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 ("Jirun Automobile"), an indirect 99% owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement") with Contemporary Amperex Technology Company Limited# 寧德時代新能源科技股份有限公司 ("CATL Battery"), an independent third party, pursuant to which the parties agreed to establish an associate company (the "Associate Company") to principally engage in the research and development, manufacture and sale of battery cells, battery modules and battery packs. Pursuant to the terms of the Investment Agreement, the Associate Company will be owned as to 49% by Jirun Automobile and as to 51% by CATL Battery. The registered capital of the Associate Company will be RMB1,000,000,000, and will be contributed as to 49% (equivalent to RMB490,000,000) in cash by Jirun Automobile and as to 51% (equivalent to RMB510,000,000) in cash by CATL Battery. As at 31 December 2018, the formation of the Associate Company was not yet completed. Please refer to the Company's announcement dated 20 December 2018 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

29. COMMITMENTS (Continued)

(b) Operating lease commitments – as lessee

As at the reporting date, the total future minimum lease payments in respect of office and factory premises under non-cancellable operating leases are payable as follows:

	2018 **RMB'000**	2017 RMB'000
Office and factory premises		
– Within one year	**26,561**	7,174
– In the second to fifth years inclusive	**50,073**	20,435
– After five years	**–**	110
	76,634	27,719

Leases are negotiated and rental are fixed for an initial period of two to ten years (2017: two to ten years) with an option to renew the leases when all terms are renegotiated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29. COMMITMENTS (Continued)

(c) Operating lease commitments – as lessor

As at the reporting date, the total future minimum lease receipts in respect of leasehold land and buildings and plant and machinery under non-cancellable operating leases are receivable as follows:

	2018 RMB'000	2017 RMB'000
Leasehold land and buildings		
– Within one year	**7,021**	7,021
– After one year but within five years	**21,026**	23,849
– After five years	**13,642**	17,840
	41,689	48,710
Plant and machinery		
– Within one year	**4,001**	4,001
– After one year but within five years	**16,004**	16,004
– After five years	**13,003**	17,004
	33,008	37,009
	74,697	85,719

Leases are negotiated and rental are fixed for an initial period of five to fourteen years (2017: five to fourteen years).

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

30. RETIREMENT BENEFITS SCHEME

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the Mandatory Provident Fund Scheme ("the Scheme"), the Group contributes 5% of the employees' relevant income to the Scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB25,000) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employees' basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in those countries.

During the year, the aggregate employer's contributions made by the Group amounted to RMB378,262,000 (2017: RMB269,085,000).

31. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the "Old Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the "New Share Option Scheme") was adopted to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the "Scheme". After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the Board of Directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

31. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by the shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within five business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of each share option is HK$1.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year after the first year of the grant date.

The subscription price for the shares under the Scheme is a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

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31. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons:

2018

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Directors							
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000
	9 January 2016 to 8 January 2020	2.79	5,000,000	–	–	–	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	4,700,000	–	–	–	4,700,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	750,000	–	(120,000)	–	630,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	11,500,000
	9 January 2016 to 8 January 2020	2.79	6,000,000	–	–	–	6,000,000
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	3,500,000	–	–	–	3,500,000
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	900,000	–	–	–	900,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	–	–	–	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	9,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	200,000	–	(100,000)	–	100,000
	9 January 2016 to 8 January 2020	2.79	500,000	–	(250,000)	–	250,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	200,000	–	(100,000)	–	100,000
	9 January 2016 to 8 January 2020	2.79	500,000	–	(250,000)	–	250,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	1,000,000
			60,750,000	–	(820,000)	–	59,930,000

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31. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2018 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Employees	18 January 2010 to 17January 2020	**4.07**	**159,477,000**	**–**	**(8,928,000)**	**(415,000)**	**150,134,000**
	21 April 2010 to 20 April 2020	**4.07**	**4,710,000**	**–**	**–**	**(500,000)**	**4,210,000**
	23 March 2012 to 22 March 2022	**4.07**	**6,450,000**	**–**	**(200,000)**	**(400,000)**	**5,850,000**
	9 January 2016 to 8 January 2020	**2.79**	**8,820,000**	**–**	**(1,150,000)**	**–**	**7,670,000**
	2 June 2016 to 1 June 2020	**4.08**	**800,000**	**–**	**–**	**–**	**800,000**
	7 September 2019 to 6 September 2023	**15.96**	**–**	**600,000**	**–**	**–**	**600,000**
			180,257,000	**600,000**	**(10,278,000)**	**(1,315,000)**	**169,264,000**
Other eligible participants	2 June 2016 to 1 June 2020	**4.08**	**11,450,000**	**–**	**–**	**–**	**11,450,000**
	31 March 2018 to 30 March 2022	**12.22**	**5,500,000**	**–**	**–**	**–**	**5,500,000**
			16,950,000	**–**	**–**	**–**	**16,950,000**
			257,957,000	**600,000**	**(11,098,000)**	**(1,315,000)**	**246,144,000**

	Outstanding at 1 January HK$	Granted during the year HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	**4.13**	**15.96**	**3.87**	**4.07**	**4.17**
Weighted average remaining contractual life of options outstanding as at 31 December 2018					**1.25 years**
Number of options exercisable as at 31 December 2018					**206,574,600**
Weighted average exercise price per share of options exercisable as at 31 December 2018					**HK$4.02**

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31. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2017

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Directors							
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000
	9 January 2016 to 8 January 2020	2.79	5,000,000	–	–	–	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	4,700,000	–	–	–	4,700,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	1,000,000	–	(250,000)	–	750,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	11,500,000
	9 January 2016 to 8 January 2020	2.79	6,000,000	–	–	–	6,000,000
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	3,500,000	–	–	–	3,500,000
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	900,000	–	–	–	900,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	–	–	–	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	9,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	300,000	–	(100,000)	–	200,000
	9 January 2016 to 8 January 2020	2.79	750,000	–	(250,000)	–	500,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	300,000	–	(100,000)	–	200,000
	9 January 2016 to 8 January 2020	2.79	750,000	–	(250,000)	–	500,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	1,000,000
			61,700,000	–	(950,000)	–	60,750,000

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31. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2017 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Employees	18 January 2010 to 17 January 2020	4.07	224,505,000	–	(64,203,000)	(825,000)	159,477,000
	21 April 2010 to 20 April 2020	4.07	11,780,000	–	(7,070,000)	–	4,710,000
	23 March 2012 to 22 March 2022	4.07	7,250,000	–	(800,000)	–	6,450,000
	9 January 2016 to 8 January 2020	2.79	14,400,000	–	(5,580,000)	–	8,820,000
	2 June 2016 to 1 June 2020	4.08	1,000,000	–	(200,000)	–	800,000
			258,935,000	–	(77,853,000)	(825,000)	180,257,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	20,300,000	–	(8,850,000)	–	11,450,000
	31 March 2018 to 30 March 2022	12.22	–	5,500,000	–	–	5,500,000
			20,300,000	5,500,000	(8,850,000)	–	16,950,000
			340,935,000	5,500,000	(87,653,000)	(825,000)	257,957,000

	Outstanding at 1 January HK$	Granted during the year HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	3.96	12.22	3.98	4.07	4.13
Weighted average remaining contractual life of options outstanding as at 31 December 2017					2.24 years
Number of options exercisable as at 31 December 2017					179,274,600
Weighted average exercise price per share of options exercisable as at 31 December 2017					HK$4.03

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31. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

During the year ended 31 December 2018, 600,000 options were granted on 7 September 2018 with estimated fair values of approximately RMB2,286,000. The closing price of the Company's shares on the date on which the options were granted was HK$15.20. The exercise price of the share options granted is HK$15.96 per share.

During the year ended 31 December 2017, 5,500,000 options were granted on 31 March 2017 with estimated fair values of approximately RMB20,210,000. The closing price of the Company's shares on the date on which the options were granted was HK$11.90. The exercise price of the share options granted is HK$12.22 per share.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair values were measured based on Binomial Option Pricing Model. The inputs into the model are as follows:

Grant date	**7 September 2018**	31 March 2017
Share price	**HK$15.20**	HK$11.90
Exercise price	**HK$15.96**	HK$12.22
Expected volatility	**43.99%**	44.17%
Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model)	**5 years**	5 years
Risk-free interest rate	**2.19%**	1.37%
Expected dividend yield	**1.17%**	0.95%

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. The Group recognised a total expense of RMB14,594,000 (2017: RMB27,724,000) for the year ended 31 December 2018 in relation to share options granted by the Company and the share-based payments were shown as a separate line item on the consolidated income statement. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share options granted.

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32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties:

(a) Transactions

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Related companies (notes a and b)			
Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司	Sales of complete knock down kits and vehicle tool kits (note e)	**26,619,927**	28,966,961
	Sales of automobile parts and components (note e)	**1,094**	3,720
	Sales of powertrain and related components (note e)	**212**	–
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note e)	**253,892**	–
	Claims income on defective materials purchased	**230,108**	184,019
	Purchase of complete buildup units (note e)	**27,101,271**	29,719,819
	Purchase of automobile parts and components (note e)	**678**	4,438
	Sub-contracting fee paid (note e)	**18,571**	18,711
	Acquisition of subsidiaries (note e)	**–**	597,550
	Acquisition of a subsidiary (note e) (notes 33(a))	**1,169,399**	–
	Claims paid on defective materials sold	**217,071**	197,170
Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司	Sales of complete knock down kits and vehicle tool kits (note e)	**–**	43
	Sales of automobile parts and components (note e)	**75**	2,365
	Sales of powertrain and related components (note e)	**306**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Related companies (notes a and b)			
Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司	Sales of complete knock down kits and vehicle tool kits (note e)	**63,422,157**	57,052,068
	Sales of complete knock down kits (electric vehicles) (note e)	**175,319**	826,298
	Claims income on defective materials purchased	**249,713**	192,985
	Purchase of complete buildup units (note e)	**63,063,671**	59,314,043
	Purchase of automobile parts and components (note e)	**1**	821
	Disposal of a subsidiary (note e)	**–**	1,241,687
	Claims paid on defective materials sold	**266,859**	198,850
Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司	Sales of automobile parts and components (note e)	**–**	3
	Claims income on defective materials purchased	**71,624**	56,276
	Purchase of automobile parts and components (note e)	**16,723,802**	16,575,792
	Claim paid on defective materials sold	**–**	24
Taizhou Haoqing Automobile Sales Services Company Limited# 台州豪情汽車銷售服務有限公司	Sales of complete buildup units	**–**	580,737
	Sales of automobiles parts and components (note e)	**–**	7,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Related companies (notes a and b)			
Shanghai LTI Automobile Company Limited# 上海英倫帝華汽車有限公司	Sales of automobile parts and components (note e)	**843**	33
	Purchase of automobile parts and components (note e)	**19,783**	12,893
Ningbo Geely Automobile Research Development Co., Ltd.# 寧波吉利汽車研究開發有限公司	Sales of complete knock down kits and vehicle tool kits (note e)	**4,112**	1,702
	Sales of automobile parts and components (note e)	**–**	16
	Sales of powertrain and related components (note e)	**25,984**	–
	Purchase of automobile parts and components (note e)	**14,664**	214
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note e)	**4,445,741**	2,733,212
	Sales of automobile parts and components (note e)	**4**	–
	Purchase of complete buildup units (note e)	**817**	–
Xiamen Geely Automobile Sales Company Limited# 廈門吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note e)	**8,804**	–
Yiwu Geely Engine Company Limited# 義烏吉利發動機有限公司	Sales of powertrain and related components (note e)	**22,054**	–
	Sales of automobile parts and components (note e)	**101**	–
	Purchase of automobile parts and components (note e)	**50**	–

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For the year ended 31 December 2018

32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Related companies (notes a and b)			
Shenzhen Geely Automobile Sales Company Limited# 深圳吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note e)	**529,904**	23,993
Shanxi New Energy Automobile Industrial Company Limited# 山西新能源汽車工業有限公司	Sales of automobile parts and components (note e)	**291**	1,291
	Sales of complete knock down kits and vehicle tool kits (note e)	**1,495**	–
Hangzhou Geely Yiyun Technology Company Limited# 杭州吉利易雲科技有限公司	IT services expenses (note e)	**69,234**	29,374
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expenses (note e)	**125,619**	92,114
Kandi Electric Vehicles (Shanghai) Co., Ltd.# 康迪電動汽車(上海)有限公司	Sales of automobile parts and components (note e)	**85,053**	37,945
	Sales of complete knock down kits (electric vehicles) (note e)	**–**	127
Kandi Electric Vehicles Group Co., Ltd.# 康迪電動汽車集團有限公司	Sales of complete knock down kits (electric vehicles) (note e)	**–**	469
Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components (note e)	**87,113**	26,476
	Sales of automobile parts and components (note e)	**386**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Related companies (notes a and b)			
Zhejiang Kingkong Automobile Company Limited# ("Zhejiang Kingkong") (note c) 浙江金剛汽車有限公司	Purchase of automobile parts and components (note e)	**71**	–
	Sales of automobile parts and components (note e)	**–**	21,162
Yaou Automobile Manufacturing (Taizhou) Company Limited# 亞歐汽車製造(台州)有限公司	Sales of powertrain and related components (note e)	**249,267**	–
	Sales of automobile parts and components (note e)	**50**	–
	Purchase of automobile parts and components (note e)	**120**	–
Shanghai Meihuan Trade Company Limited# 上海美寰貿易有限公司	Sales of automobile parts and components (note e)	**5,621**	–
Guiyang Geely Engine Company Limited# 貴陽吉利發動機有限公司	Acquisition of a subsidiary (note e) (note 33(d))	**484,003**	–
	Sales of powertrain and related components (note e)	**12,788**	–
Taizhou Geely Luoyou Engine Company Limited# 台州吉利羅佑發動機有限公司	Acquisition of a subsidiary (note e) (note 33(e))	**781,274**	–
	Sales of powertrain and related components (note e)	**3,352**	–
Hangzhou Geely Automobile Components Company Limited# 杭州吉利汽車部件有限公司	Acquisition of a subsidiary (note e) (note 33(b))	**930,620**	–
Guizhou Geely New Energy Automobile Company Limited# 貴州吉利新能源汽車有限公司	Acquisition of a subsidiary (note e) (note 33(c))	**1,074,309**	–
	Sales of automobile parts and components (note e)	**196**	–
	Sales of powertrain and related components (note e)	**733**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Related companies (notes a and b)			
Guangzhou Geely New Energy Automobile Sales Company Limited# 廣州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note e)	**245,727**	–
Fuzhou Geely Emgrand New Energy Automobile Sales Company Limited# 福州吉利帝豪新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note e)	**5,467**	–
Xian Geely New Energy Automobile Sales Company Limited# 西安吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note e)	**102,101**	–
London EV Company Limited	Sales of powertrain and related components (note e)	**25,920**	–
Associates			
Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	**3,074,562**	3,346,577
BELGEE	Sales of automobile parts and components	**205,659**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Joint ventures			
LYNK & CO Investment Co., Ltd.# 領克投資有限公司	Disposal of a subsidiary (note e)	–	100,000
LYNK & CO Automobile Sales Company Limited# 領克汽車銷售有限公司	Sales of powertrain and related components (note e)	1,356	–
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd.# 凱悦汽車大部件製造(張家口)有限公司	Sales of powertrain and related components (note e)	906,175	–
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited# ("Geely Holding") 浙江吉利控股集團有限公司	Acquisition of a subsidiary (note e)	–	993,100
	Acquisition of property, plant and equipment (notes e and f)	32,869	–

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Notes:

(a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue license and therefore the sales of complete knock down kits and vehicle tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(c) Zhejiang Kingkong had been disposed of by the Group to Zhejiang Haoqing in September 2017. The transactions represented sales after the disposal.

(d) The related party transactions were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third parties of the Group.

(e) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Directors' Report" section to the annual report.

(f) Pursuant to the acquisition agreement dated 5 October 2018, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding Group agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB679,871,000.

(b) Remuneration of key management personnel

The remuneration of directors (as disclosed in note 13) and other members of key management personnel during the year are as follows:

	2018	2017
	RMB'000	RMB'000
Short-term benefits	**17,131**	17,186
Retirement scheme contribution	**233**	232
Equity settled share-based payments	**14,594**	27,724
	31,958	45,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

32. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of key management personnel (Continued)

The remuneration of directors and key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends. Total remuneration is included on "staff costs" (see note 9(b)).

(c) Financial guarantee contracts

As at 31 December 2018, the Group did not provide any guarantee with respect to banking facilities granted to the Company's ultimate holding company.

As at 31 December 2017, the Group had provided guarantees with respect to banking facilities granted to the Company's ultimate holding company of RMB838,500,000. Without taking into account any collateral held, this represented the Group's maximum exposure under the financial guarantee contracts at the reporting date. As at 31 December 2017, the Group's maximum exposure under the financial guarantee contracts was determined to be RMB838,500,000. As at the reporting date, the Company's ultimate holding company will provide 100% counter guarantees to the Group by way of cash in respect of the above guarantees provided by the Group to the respective banks.

The Group would only be liable to pay the banks if the banks are unable to recover the loans. No provision for the Group's obligation under the financial guarantee contracts have been made as it was not probable that the repayment of the bank borrowings by the Company's ultimate holding company would be in default. According to the terms of the bank loans, the earliest repayment dates of the bank loans of RMB291,000,000, RMB355,500,000, RMB189,000,000 and RMB3,000,000 are in 2018, 2019, 2020 and 2021, respectively. The financial guarantee was measured at fair value in initial recognition. The fair value of the guarantee was insignificant.

Other than the material related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. BUSINESS COMBINATIONS

(a) Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司 ("Ningbo Jirun")

On 18 July 2018, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 ("Jirun Automobile"), an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Ningbo Jirun for a cash consideration of approximately RMB1,169,399,000. Ningbo Jirun is engaged in the research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC. The acquisition of Ningbo Jirun was completed on 28 September 2018. Please refer to the Company's circular dated 16 August 2018 for further details.

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	2,555,650	–	2,555,650
Intangible assets (note 15)	113,409	–	113,409
Land lease prepayments (note 16)	177,727	41,100	218,827
Trade and other receivables	371,571	–	371,571
Inventories	105,485	–	105,485
Bank balances and cash	24,740	–	24,740
Trade and other payables	(2,221,404)	–	(2,221,404)
	1,127,178	41,100	1,168,278
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			1,169,399
Fair value of identifiable net assets acquired			(1,168,278)
			1,121
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(1,169,399)
Bank balances and cash acquired			24,740
			(1,144,659)

33. BUSINESS COMBINATIONS (Continued)

(a) Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司 ("Ningbo Jirun") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Ningbo Jirun has contributed revenue of RMBNil and loss of RMB53,176,000, respectively from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,642,667,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

(b) Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司 ("Hangzhou Automobile")

On 18 July 2018, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Hangzhou Automobile for a cash consideration of approximately RMB930,620,000. Hangzhou Automobile is engaged in the research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC. The acquisition of Hangzhou Automobile was completed on 5 September 2018. Please refer to the Company's circular dated 16 August 2018 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

33. BUSINESS COMBINATIONS (Continued)

(b) Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司 ("Hangzhou Automobile") (Continued)

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,139,387	–	1,139,387
Intangible assets (note 15)	18,376	–	18,376
Land lease prepayments (note 16)	327,562	44,500	372,062
Trade and other receivables	207,648	–	207,648
Inventories	440	–	440
Bank balances and cash	19,380	–	19,380
Trade and other payables	(827,536)	–	(827,536)
	885,257	44,500	929,757
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			930,620
Fair value of identifiable net assets acquired			(929,757)
			863
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(930,620)
Bank balances and cash acquired			19,380
			(911,240)

No acquisition-related costs had been incurred in relation to the acquisition.

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33. BUSINESS COMBINATIONS (Continued)

(b) Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司 ("Hangzhou Automobile") (Continued)

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Hangzhou Automobile has contributed revenue of RMBNil and loss of RMB29,277,000, respectively from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,662,961,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

(c) Guizhou Geely Automobile Components Company Limited# 貴州吉利汽車部件有限公司 ("Guizhou Automobile")

On 18 July 2018, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Guizhou Automobile for a cash consideration of approximately RMB1,074,309,000. Guizhou Automobile is engaged in the research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC. The acquisition of Guizhou Automobile was completed on 5 September 2018. Please refer to the Company's circular dated 16 August 2018 for further details.

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33. BUSINESS COMBINATIONS (Continued)

(c) Guizhou Geely Automobile Components Company Limited# 貴州吉利汽車部件有限公司 ("Guizhou Automobile") (Continued)

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,682,667	–	1,682,667
Intangible assets (note 15)	299,095	–	299,095
Land lease prepayments (note 16)	264,148	28,000	292,148
Trade and other receivables	283,863	–	283,863
Inventories	29,506	–	29,506
Bank balances and cash	10,651	–	10,651
Trade and other payables	(1,527,437)	–	(1,527,437)
	1,042,493	28,000	1,070,493
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			1,074,309
Fair value of identifiable net assets acquired			(1,070,493)
			3,816
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(1,074,309)
Bank balances and cash acquired			10,651
			(1,063,658)

No acquisition-related costs had been incurred in relation to the acquisition.

33. BUSINESS COMBINATIONS (Continued)

(c) Guizhou Geely Automobile Components Company Limited# 貴州吉利汽車部件有限公司 ("Guizhou Automobile") (Continued)

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Guizhou Automobile has contributed revenue of RMBNil and loss of RMB35,194,000, respectively from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,669,490,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

(d) Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司 ("Guizhou Engine")

On 5 October 2018, Zhejiang Geely Powertrain Company Limited# 浙江吉利動力總成有限公司 ("Zhejiang Powertrain"), an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zhejiang Powertrain has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Guizhou Engine for a cash consideration of approximately RMB484,003,000. Guizhou Engine is engaged in the preparation and construction of engine manufactory project in the PRC. The acquisition of Guizhou Engine was completed on 10 December 2018. Please refer to the Company's circular dated 20 November 2018 for further details.

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33. BUSINESS COMBINATIONS (Continued)

(d) Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司 ("Guizhou Engine") (Continued)

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	874,643	–	874,643
Deferred tax assets (note 26)	5,269	–	5,269
Intangible assets (note 15)	112,710	–	112,710
Land lease prepayments (note 16)	48,851	12,300	61,151
Trade and other receivables	167,279	–	167,279
Inventories	4,493	–	4,493
Bank balances and cash	55,122	–	55,122
Trade and other payables	(800,375)	–	(800,375)
	467,992	12,300	480,292
Goodwill arising on acquisition (note 17):			
Consideration payable (note 24)			484,003
Fair value of identifiable net assets acquired			(480,292)
			3,711
Cash inflow arising on acquisition of a subsidiary:			
Bank balances and cash acquired			55,122

No acquisition-related costs had been incurred in relation to the acquisition.

33. BUSINESS COMBINATIONS (Continued)

(d) Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司 ("Guizhou Engine") (Continued)

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration to be paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Guizhou Engine has not contributed any revenue and loss from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,658,553,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

(e) Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司 ("Binhai Engine")

On 5 October 2018, Zhejiang Powertrain and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zhejiang Powertrain has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Binhai Engine for a cash consideration of approximately RMB781,274,000. Binhai Engine is engaged in the preparation and construction of engine manufactory project in the PRC. The acquisition of Binhai Engine was completed on 14 December 2018. Please refer to the Company's circular dated 20 November 2018 for further details.

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33. BUSINESS COMBINATIONS (Continued)

(e) Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司 ("Binhai Engine") (Continued)

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,018,691	–	1,018,691
Deferred tax assets (note 26)	8,269	–	8,269
Intangible assets (note 15)	248,722	–	248,722
Land lease prepayments (note 16)	70,504	26,400	96,904
Trade and other receivables	215,648	–	215,648
Inventories	105,435	–	105,435
Bank balances and cash	1,284	–	1,284
Trade and other payables	(914,503)	–	(914,503)
	754,050	26,400	780,450
Goodwill arising on acquisition (note 17):			
Consideration payable (note 24)			781,274
Fair value of identifiable net assets acquired			(780,450)
			824
Cash inflow arising on acquisition of a subsidiary:			
Bank balances and cash acquired			1,284

No acquisition-related costs had been incurred in relation to the acquisition.

33. BUSINESS COMBINATIONS (Continued)

(e) Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司 ("Binhai Engine") (Continued)

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration to be paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Binhai Engine has not contributed any revenue and loss from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,649,452,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

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34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes bonds payables and bank borrowings) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

The gearing ratio as at the reporting date was as follows:

	2018 RMB'000	2017 RMB'000
Debt	**3,423,102**	1,296,460
Equity attributable to equity holders of the Company	**44,943,977**	34,467,047
Debt to equity ratio	**8%**	4%

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit and liquidity risks arises in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December 2018 RMB'000	As at 1 January 2018 RMB'000	As at 31 December 2017 RMB'000
Financial assets			
Available-for-sale financial assets			
– Unlisted equity securities	**–**	–	21,650
Financial assets measured at FVPL			
– Unlisted equity securities	**–**	21,650	–
Loans and receivables			
– Trade and other receivables	**–**	–	30,624,347
– Pledged bank deposits	**–**	–	36,043
– Bank balances and cash	**–**	–	13,414,638
Financial assets carried at amortised cost			
– Trade and other receivables	**19,119,515**	30,586,354	–
– Pledged bank deposits	**19,392**	36,043	–
– Bank balances and cash	**15,737,196**	13,414,638	–
	34,876,103	44,058,685	44,096,678
Financial liabilities			
Financial liabilities measured at amortised cost			
– Trade and other payables	**36,189,368**	36,168,557	36,168,557
– Bank borrowings	**1,375,280**	1,296,460	1,296,460
– Bonds payables	**2,047,822**	–	–
	39,612,470	37,465,017	37,465,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are established banks in countries that the Group operates.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, in the consolidated statement of financial position after deducting any loss allowance. In addition, as set out in note 32(c) to the consolidated financial statements, the Group provided guarantees to secure banking facilities granted to the Company's ultimate holding company. The directors consider the Company's ultimate holding company has sufficient financial strength and the probability of default is low. The Group does not provide any other guarantees which would expose the Group to credit risk.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers. In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2018, the Group has adopted average expected loss rate of 5% (1 January 2018: 5%) on the gross carrying amounts of the trade receivables amounted to RMB1,131,343,000 (1 January 2018: RMB700,701,000). The loss allowance as at 31 December 2018 is RMB47,652,000 (1 January 2018: RMB37,993,000).

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(h) – policy applicable prior to 1 January 2018). The aging analysis of trade debtors that were not considered to be impaired was as follows:

	As at 31 December 2017 RMB'000
Neither past due nor impaired	219,778
1 – 30 days past due	25,606
31 – 60 days past due	17,196
61 – 90 days past due	179,782
Over 90 days past due	258,339
	700,701

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired were mainly related to large corporations that have long trading history with the Group and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable. No impairment has been made to these trade receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	RMB'000
Balance at 31 December 2017 under HKAS 39	**–**
Impact on initial application of HKFRS 9 (note 3.1(a)(ii))	**37,993**
Adjusted balance at 1 January 2018	**37,993**
Impairment losses recognised during the year	**9,659**
Balance at 31 December 2018	**47,652**

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As described in note 4(a), as at 31 December 2018, the Group was in net current liabilities position and management has undertaken adequate measurements to maintain the Group's liquidity.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2018						
Financial liabilities measured at amortised cost						
Trade and other payables	**N/A**	**36,189,368**	**–**	**–**	**36,189,368**	**36,189,368**
Bank borrowings	**3.57**	**1,375,280**	**–**	**–**	**1,375,280**	**1,375,280**
Bonds payables	**3.83**	**74,781**	**74,781**	**2,249,872**	**2,399,434**	**2,047,822**
		37,639,429	**74,781**	**2,249,872**	**39,964,082**	**39,612,470**

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2017						
Financial liabilities measured at amortised cost						
Trade and other payables	N/A	36,168,557	–	–	36,168,557	36,168,557
Bank borrowings	2.62	1,296,460	–	–	1,296,460	1,296,460
Financial guarantee issued						
Maximum amount guaranteed (note 32(c))	N/A	838,500	–	–	838,500	–
		38,303,517	–	–	38,303,517	37,465,017

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the guarantee arrangement if that amounts are claimed by the counterparty to the guarantee on bank borrowings procured by the ultimate holding company of the Company. Based on the expectations at the reporting date, the Group considers that no amount will be payable under the guarantee contracts.

Bank borrowings with a repayment on demand clause are included in the "Within one year or on demand" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amounts of these bank borrowings amounted to RMB1,375,280,000 (2017: RMB1,296,460,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid in accordance with the scheduled repayment date set out in the loan agreement. At that time, the aggregate principal and interest cash outflows would be amounted to RMB1,416,195,000 (2017: RMB33,967,000) and RMBNil (2017: RMB1,330,427,000) for bank borrowings as at 31 December 2018 which will be repaid within one year and more than one year but less than two years, respectively, from the reporting date.

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Group's interest rate risk relates primarily to bonds payables (note 23) and bank borrowings (note 25). The Group does not apply any derivatives to hedge the interest rate risk. The Group's bonds payables and bank borrowings bear fixed rate and variable rates, respectively.

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note.

As at 31 December 2018, it is estimated that an increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and accumulated profits by approximately RMB13,753,000 (2017: RMB12,965,000).

Currency risk

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollars, US$, Australian dollars and Euro.

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2018				2017			
	Hong Kong dollars RMB'000	**US$ RMB'000**	**Australian dollars RMB'000**	**Euro RMB'000**	Hong Kong dollars RMB'000	US$ RMB'000	Australian dollars RMB'000	Euro RMB'000
Bank balances and cash	**70,912**	**203,656**	**359**	**74,819**	143,655	289,806	5,534	100,841
Trade and other receivables	**647**	**325,915**	**–**	**–**	647	301,728	–	–
Bonds payables	**–**	**(2,047,822)**	**–**	**–**	–	–	–	–
Bank borrowings	**–**	**(1,375,280)**	**–**	**–**	–	(1,296,460)	–	–
Trade and other payables	**–**	**(36,365)**	**–**	**–**	–	(715)	–	–
Net exposure arising from recognised assets and liabilities	**71,559**	**(2,929,896)**	**359**	**74,819**	144,302	(705,641)	5,534	100,841

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Currency risk (Continued)

As the Group is mainly exposed to the effects of fluctuation in Hong Kong dollars/US$/Australian dollars/Euro, the following table indicates the approximate change in the Group's profit after taxation and accumulated profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and accumulated profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

	Impact of Hong Kong dollars		Impact of US$		Impact of Australian dollars		Impact of Euro	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit after taxation/Accumulated profits	**3,578**	7,215	**(150,587)**	(36,065)	**18**	277	**2,815**	3,790

Fair value measurements of financial instruments

Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 2017 due to their short-term maturities.

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	**186**	232
Investments in subsidiaries	**–**	–
Interest in a joint venture	**1,788,972**	735,649
	1,789,158	735,881
Current assets		
Other receivables	**1,923**	1,910
Amounts due from subsidiaries	**5,420,270**	4,505,116
Bank balances and cash	**156,567**	252,887
	5,578,760	4,759,913
Current liabilities		
Other payables	**64,656**	61,109
Bank borrowings	**1,375,280**	1,296,460
	1,439,936	1,357,569
Net current assets	**4,138,824**	3,402,344
Total assets less current liabilities	**5,927,982**	4,138,225
Capital and reserves		
Share capital	**164,470**	164,286
Reserves (note)	**3,715,690**	3,973,939
Total equity	**3,880,160**	4,138,225
Non-current liabilities		
Bonds payables	**2,047,822**	–
	5,927,982	4,138,225

Approved and authorised for issue by the Board of Directors on 21 March 2019.

Li Shu Fu	**Gui Sheng Yue**
Director	*Director*

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	6,212,325	478,714	(3,786,988)	2,904,051
Profit for the year	–	–	1,689,939	1,689,939
Transaction with owners:				
Equity settled share-based payments (note 31)	–	27,724	–	27,724
Share issued under share option scheme (note 27)	428,877	(116,598)	–	312,279
Transfer upon forfeiture of share options	–	(7,942)	7,942	–
Dividends paid to equity holders of the Company (note 11)	–	–	(960,054)	(960,054)
Total transactions with owners	428,877	(96,816)	(952,112)	(620,051)
Balance at 31 December 2017	6,641,202	381,898	(3,049,161)	3,973,939
Balance at 1 January 2018	**6,641,202**	**381,898**	**(3,049,161)**	**3,973,939**
Profit for the year	**–**	**–**	**1,852,559**	**1,852,559**
Transaction with owners:				
Equity settled share-based payments (note 31)	**–**	**14,594**	**–**	**14,594**
Share issued under share option scheme (note 27)	**51,095**	**(15,669)**	**–**	**35,426**
Transfer upon forfeiture of share options	**–**	**(2,727)**	**2,727**	**–**
Dividends paid to equity holders of the Company (note 11)	**–**	**–**	**(2,160,828)**	**(2,160,828)**
Total transactions with owners	**51,095**	**(3,802)**	**(2,158,101)**	**(2,110,808)**
Balance at 31 December 2018	**6,692,297**	**378,096**	**(3,354,703)**	**3,715,690**

As at 31 December 2018, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB3,337,594,000 (2017: RMB3,592,041,000).

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37. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2018 and 2017 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2018		Percentage of equity interests held in 2017		Principal activities
			Directly	**Indirectly**	Directly	Indirectly	
Centurion Industries Limited	British Virgin Islands	US$1	**100%**	**-**	100%	–	Investment holding
Value Century Group Limited	British Virgin Islands	US$1	**100%**	**-**	100%	–	Investment holding
Geely International Limited 吉利國際貿易有限公司	Hong Kong	2 shares	**100%**	**-**	100%	–	Investment holding and export of vehicles outside the PRC
Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd#* 浙江福林國潤汽車零部件有限公司	PRC	US$15,959,200	**-**	**100%**	–	100%	Research, production, marketing and sales of automobile parts and related components in the PRC
Zhejiang Kingkong Automobile Parts & Components R&D Company Limited*# 浙江金剛汽車零部件研究開發有限公司	PRC	US$14,900,000	**-**	**100%**	–	100%	Research and development of automobile parts and components in the PRC
Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司	PRC	RMB15,000,000	**-**	**99%**	–	99%	Sales of automobile parts and components in the PRC
Zhejiang Jirun Automobile Company Limited ("Jirun Automobile")^# 浙江吉潤汽車有限公司	PRC	US$476,636,575	**-**	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Maple Guorun Automobile Company Limited^# 上海華普國潤汽車有限公司	PRC	US$121,363,600	**-**	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

37. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2018 and 2017 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2018		Percentage of equity interests held in 2017		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Geely Holding Group Automobile Sales Company Limited#^ 浙江吉利控股集團汽車銷售有限公司	PRC	RMB60,559,006	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Geely International Corporation# 上海吉利美嘉峰國際貿易股份有限公司	PRC	RMB100,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Zhejiang Geely Automobile Research Institute Limited# 浙江吉利汽車研究院有限公司	PRC	RMB30,000,000	-	99%	–	99%	Research and development of vehicles and related automobile components in the PRC
Shanghai Maple Automobile Sales Company Limited# 上海華普汽車銷售有限公司	PRC	RMB60,000,000 (2017: RMB20,000,000)	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Zhejiang Ruhoo Automobile Company Limited^# 浙江陸虎汽車有限公司	PRC	RMB521,676,992 (2017: RMB418,677,000)	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Jicining Mechanical and Electrical Equipment Company Limited# 上海吉茨寧機電設備有限公司	PRC	RMB20,000,000	-	99%	–	99%	Procurement of mechanical and electrical equipment in the PRC
Hunan Geely Automobile Components Company Limited^# 湖南吉利汽車部件有限公司	PRC	US$88,500,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

37. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2018 and 2017 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2018		Percentage of equity interests held in 2017		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Shanghai Jichong Power Technology Company Limited# 上海吉聰動力技術有限公司	PRC	RMB80,000,000	–	99%	–	99%	Research and development of electric hybrid engines in the PRC
Zhejiang Vision Auto-parts Fittings Company Limited# 浙江遠景汽配有限公司	PRC	RMB50,000,000	–	99%	–	99%	Procurement of automobile parts and components in the PRC
Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司	PRC	RMB50,000,000	–	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Hunan Luoyou Engine Components Company Limited# 湖南羅佑發動機部件有限公司	PRC	RMB150,000,000	–	99%	–	99%	Production of automobile components in the PRC
Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司	PRC	RMB360,000,000	–	99%	–	99%	Research, development, production, marketing and sales of vehicles and sales of related automobile components in the PRC
Jinan Geely Automobile Parts and Components Company Limited# 濟南吉利汽車零部件有限公司	PRC	RMB10,000,000	–	99%	–	99%	Research, development, production, marketing and sales of related automobile components in the PRC
Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司	PRC	RMB96,000,000	–	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司	PRC	RMB300,000,000	–	99%	–	99%	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC
Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司	PRC	RMB1,000,000,000	–	99%	–	99%	Research, development, production and sales of vehicle transmissions and related after-sales parts in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

37. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2018 and 2017 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2018		Percentage of equity interests held in 2017		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司	PRC	RMB500,000,000	-	99%	–	99%	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC
Limited Liability Company "Borisov Engine Plant《Geely》"	Belarus	BYN1,000,000	-	51%	–	51%	Production, marketing and sales of vehicles
Limited Liability Company "Geely Motors"	Russia	Russian Rouble 10,000	-	99%	–	99%	Marketing and sales of vehicles in Russia
Zhejiang Fengrui Engine Company Limited# 浙江鋒銳發動機有限公司	PRC	RMB100,000,000	-	99%	–	99%	Production of automobile engines in the PRC
Zhejiang Geely Powertrain Company Limited (formerly known as Zhejiang Geely Luoyou Engine Company Limited)# 浙江吉利動力總成有限公司 (前稱浙江吉利羅佑發動機有限公司)	PRC	RMB500,000,000	-	99%	–	99%	Production of automobile engines in the PRC
Ningbo Geely Luoyou Engine Components Company Limited# 寧波吉利羅佑發動機零部件有限公司	PRC	RMB282,800,000	-	99%	–	99%	Production of automobile components in the PRC
Taizhou Geely International Corporation 台州吉利汽車銷售有限公司	PRC	RMB10,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

37. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2018 and 2017 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2018		Percentage of equity interests held in 2017		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司	PRC	RMB1,100,000,000	–	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi New Energy Automobile Sales Company Limited# 山西新能源汽車銷售有限公司	PRC	RMB5,000,000	–	99%	–	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Sales Company Limited# 寶雞吉利汽車銷售有限公司	PRC	RMB5,000,000	–	99%	–	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司	PRC	RMB700,000,000	–	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司	PRC	RMB600,000,000	–	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Geely International Limited# 浙江吉利汽車國際貿易有限公司	PRC	RMB10,000,000	–	99%	–	99%	Export of vehicles outside the PRC
Geely Automobile Research Institute (Ningbo) Company Limited# 吉利汽車研究院(寧波)有限公司	PRC	RMB30,000,000	–	99%	–	99%	Research and development of vehicles and related automobile components in the PRC
Ningbo Jirun Automobile Components Company Limited# (note 33(a)) 寧波吉潤汽車部件有限公司	PRC	RMB1,200,000,000	–	99%	–	–	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

37. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2018 and 2017 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2018		Percentage of equity interests held in 2017		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Hangzhou Geely Automobile Company Limited# (note 33(b)) 杭州吉利汽車有限公司	PRC	RMB890,000,000	-	99%	–	–	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Guizhou Geely Automobile Components Company Limited# (note 33(c)) 貴州吉利汽車部件有限公司	PRC	RMB1,030,000,000	-	99%	–	–	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Guizhou Geely Engine Company Limited# (note 33(d)) 貴州吉利發動機有限公司	PRC	RMB480,000,000	-	99%	–	–	Preparation and construction of engine manufactory project in the PRC
Taizhou Binhai Geely Engine Company Limited# (note 33(e)) 台州濱海吉利發動機有限公司	PRC	RMB770,000,000	-	99%	–	–	Preparation and construction of engine manufactory project in the PRC
Guiyang Geely Automobile Sales Company Limited# (note) 貴陽吉利汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	–	Marketing and sales of vehicles in the PRC
Shanghai Geely Diran Automobile Design Company Limited# (note) 上海吉利翟然汽車設計有限公司	PRC	RMB30,000,000	-	99%	–	–	Provision of vehicles design services in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

37. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2018 and 2017 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2018		Percentage of equity interests held in 2017		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Hangzhou Geely Vision Purchasing Company Limited# (note) 杭州吉利遠景採購有限公司	PRC	RMB10,000,000	-	99%	–	–	Procurement of automobile parts and components in the PRC

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

Note: These subsidiaries were newly set up during the year.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

37. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information related to subgroup of Jirun Automobile, the subsidiary of the Group which has material non-controlling interest. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2018 RMB'000	2017 RMB'000
Non-controlling interest percentage	**1%**	1%
Non-current assets	**40,769,676**	24,605,243
Current assets	**61,791,206**	54,455,627
Current liabilities	**(63,679,664)**	(51,106,788)
Non-current liabilities	**(4,073,582)**	(2,855,173)
Net assets	**34,807,636**	25,098,909
Carrying amount of non-controlling interest	**344,650**	246,844
Revenue	**129,529,988**	112,600,002
Profit for the year	**9,692,974**	7,695,600
Other comprehensive income for the year	**87,645**	9,167
Total comprehensive income for the year	**9,780,619**	7,704,767
Profit allocated to non-controlling interest	**96,930**	76,956
Other comprehensive income allocated to non-controlling interest	**876**	92
Dividend paid to non-controlling interest	**–**	–
Cash flows generated from operating activities	**12,239,546**	10,464,756
Cash flows used in investing activities	**(10,885,992)**	(10,242,999)
Cash flows generated from financing activities	**–**	314
Net cash inflows	**1,353,554**	222,071

38. COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 and HKFRS 15 as at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

To the members of Geely Automobile Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Geely Automobile Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 89 to 206 which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intangible assets

Refer to note 15 to the consolidated financial statements and the accounting policies as set out in note 4(e) to the consolidated financial statements.

The key audit matter

We identified the impairment of intangible assets as a key audit matter due to the judgement being made about future results of the business in assessing the recoverability of intangible assets. As at 31 December 2017, intangible assets of RMB10,551,773,000 consisted of capitalised development costs related to multiple cash-generating units ("CGUs").

The Company's management performed impairment assessment of the Group's intangible assets by allocating the intangible assets to CGUs, the recoverable amount of each CGU was determined based on value-in-use calculations using future cash flow projections. Based on the results of the impairment assessment which involved significant management's judgement and key assumptions, including growth rates and discount rates applied to the value-in-use calculations, the Company's management has concluded that there was no impairment of intangible assets for the year ended 31 December 2017.

How the matter was addressed in our audit

Our audit procedures to assess the impairment testing of the Group's intangible assets by the Company's management included the following:

– Assessing the valuation methodology adopted by the management.

– Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included any assumptions that were overly optimistic.

– Assessing the reasonableness of key assumptions, including growth rates of sales volume, selling prices and the amount of operating costs and discount rates, based on our knowledge of the business and industry.

– Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

Key audit matters (Continued)

Revenue recognition

Refer to note 6 to the consolidated financial statements and the accounting policies as set out in note 4(l) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue recognition is identified as a key audit matter because of its financial significance to the consolidated financial statements and is one of key performance indicators of the Group. Accordingly, there may be risks of material misstatements related to revenue recognition.	Our audit procedures in relation to revenue recognition included the following: – Reviewing sales agreements, on a sample basis, to understand the terms of the sales transactions to assess whether the Group's accounting policies in relation to revenue recognition were applied appropriately and consistently throughout the year. – Performing analytical review on revenue and gross margin by automobile products categories to identify significant or unusual fluctuation on revenue. – Assessing, on a sample basis, whether specific revenue transactions around the reporting date had been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including customers' receipts, goods delivery notes and the terms of sales as set out in the distributor agreements. – Sending confirmations to distributors, and performing inventory count, on a sample basis, at the reporting date.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the 2017 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determined those matters that were of the most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

21 March 2018

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	6	**92,760,718**	53,721,576
Cost of sales		**(74,779,337)**	(43,879,859)
Gross profit		**17,981,381**	9,841,717
Other income	8	**1,229,147**	1,130,124
Distribution and selling expenses		**(4,055,728)**	(2,502,713)
Administrative expenses, excluding share-based payments		**(2,922,798)**	(2,559,915)
Share-based payments	33	**(27,724)**	(42,192)
Finance costs, net	9(a)	**(35,233)**	(30,105)
Share of profits of associates	18	**39,211**	31,014
Share of results of joint ventures		**3,143**	(39,684)
Gain on disposal of subsidiaries	30	**562,562**	1,277
Gain on disposal of interests in joint ventures		**–**	374,420
Profit before taxation	9	**12,773,961**	6,203,943
Taxation	10	**(2,038,572)**	(1,033,755)
Profit for the year		**10,735,389**	5,170,188
Attributable to:			
Equity holders of the Company		**10,633,715**	5,112,398
Non-controlling interests		**101,674**	57,790
Profit for the year		**10,735,389**	5,170,188
Earnings per share			
Basic	12	**RMB1.19**	RMB0.58
Diluted	12	**RMB1.16**	RMB0.57

The notes on pages 97 to 206 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	**10,735,389**	5,170,188
Other comprehensive income/(expense) (after tax of RMBNil) for the year:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of foreign operations recognised	**14,680**	(224,910)
Total comprehensive income for the year	**10,750,069**	4,945,278
Attributable to:		
Equity holders of the Company	**10,648,293**	4,889,561
Non-controlling interests	**101,776**	55,717
Total comprehensive income for the year	**10,750,069**	4,945,278

The notes on pages 97 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	14	**14,052,943**	10,650,313
Intangible assets	15	**10,551,773**	6,461,809
Land lease prepayments	16	**2,123,909**	2,002,895
Goodwill	17	**16,079**	6,916
Interests in associates	18	**369,360**	304,686
Interests in joint ventures	19	**4,435,530**	697,330
Available-for-sale financial assets	22	**21,650**	21,779
Deferred tax assets	27	**401,325**	188,107
		31,972,569	20,333,835
Current assets			
Land lease prepayments	16	**47,810**	42,875
Inventories	20	**6,027,312**	3,065,807
Trade and other receivables	21	**33,478,308**	29,040,631
Income tax recoverable		**4,072**	14,891
Pledged bank deposits		**36,043**	39,304
Bank balances and cash		**13,414,638**	15,045,493
		53,008,183	47,249,001
Current liabilities			
Trade and other payables	25	**47,532,529**	39,778,994
Bank borrowings	26	**1,296,460**	174,375
Income tax payable		**1,072,958**	676,830
		49,901,947	40,630,199
Net current assets		**3,106,236**	6,618,802
Total assets less current liabilities		**35,078,805**	26,952,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017 RMB'000**	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	28	**164,286**	162,708
Reserves	29	**34,302,761**	24,274,519
Equity attributable to equity holders of the Company		**34,467,047**	24,437,227
Non-controlling interests		**343,787**	249,022
Total equity		**34,810,834**	24,686,249
Non-current liabilities			
Senior notes	24	**-**	2,068,316
Deferred tax liabilities	27	**267,971**	198,072
		267,971	2,266,388
		35,078,805	26,952,637

Approved and authorised for issue by the Board of Directors on 21 March 2018.

Li Shu Fu
Director

Gui Sheng Yue
Director

The notes on pages 97 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 28)	Share premium RMB'000 (note 29(a))	Capital reserve RMB'000 (note 29(c))	Statutory reserve RMB'000 (note 29(b))	Translation reserve RMB'000 (note 29(d))	Share option reserve RMB'000 (note 29(e))	Accumulated profits RMB'000 (note 29(f))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016	161,354	5,818,466	164,790	118,993	84,684	572,962	12,602,567	19,523,816	215,707	19,739,523
Profit for the year	–	–	–	–	–	–	5,112,398	5,112,398	57,790	5,170,188
Other comprehensive expense:										
Exchange differences on translation of foreign operations recognised	–	–	–	–	(222,837)	–	–	(222,837)	(2,073)	(224,910)
Total comprehensive income for the year	–	–	–	–	(222,837)	–	5,112,398	4,889,561	55,717	4,945,278
Transactions with owners:										
Transfer of reserves	–	–	–	51,427	–	–	(62,292)	(10,865)	–	(10,865)
Shares issued under share option scheme	1,354	393,859	–	–	–	(121,731)	–	273,482	–	273,482
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(1,214)	(1,214)
Equity settled share-based payments (note 33)	–	–	–	–	–	42,192	–	42,192	–	42,192
Transfer upon forfeiture of share options	–	–	–	–	–	(14,709)	14,709	–	–	–
Dividends paid to equity holders of the Company (note 11)	–	–	–	–	–	–	(280,959)	(280,959)	–	(280,959)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(21,188)	(21,188)
Total transactions with owners	1,354	393,859	–	51,427	–	(94,248)	(328,542)	23,850	(22,402)	1,448
Balance at 31 December 2016	162,708	6,212,325	164,790	170,420	(138,153)	478,714	17,386,423	24,437,227	249,022	24,686,249

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 28)	Share premium RMB'000 (note 29(a))	Capital reserve RMB'000 (note 29(c))	Statutory reserve RMB'000 (note 29(b))	Translation reserve RMB'000 (note 29(d))	Share option reserve RMB'000 (note 29(e))	Accumulated profits RMB'000 (note 29(f))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	**162,708**	**6,212,325**	**164,790**	**170,420**	**(138,153)**	**478,714**	**17,386,423**	**24,437,227**	**249,022**	**24,686,249**
Profit for the year	–	–	–	–	–	–	10,633,715	10,633,715	101,674	10,735,389
Other comprehensive income:										
Exchange differences on translation of foreign operations recognised	–	–	–	–	14,578	–	–	14,578	102	14,680
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**14,578**	**–**	**10,633,715**	**10,648,293**	**101,776**	**10,750,069**
Transactions with owners:										
Transfer of reserves	–	–	–	9,167	–	–	(9,167)	–	–	–
Shares issued under share option scheme	1,578	428,877	–	–	–	(116,598)	–	313,857	–	313,857
Equity settled share-based payments (note 33)	–	–	–	–	–	27,724	–	27,724	–	27,724
Transfer upon forfeiture of share options	–	–	–	–	–	(7,942)	7,942	–	–	–
Disposal of subsidiaries (note 30)	–	–	–	–	–	–	–	–	(7,011)	(7,011)
Dividends paid to equity holders of the Company (note 11)	–	–	–	–	–	–	(960,054)	(960,054)	–	(960,054)
Total transactions with owners	**1,578**	**428,877**	**–**	**9,167**	**–**	**(96,816)**	**(961,279)**	**(618,473)**	**(7,011)**	**(625,484)**
Balance at 31 December 2017	**164,286**	**6,641,202**	**164,790**	**179,587**	**(123,575)**	**381,898**	**27,058,859**	**34,467,047**	**343,787**	**34,810,834**

The notes on pages 97 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before taxation		**12,773,961**	6,203,943
Adjustments for:			
Depreciation and amortisation		**1,938,008**	1,654,261
Interest income	9(a)	**(127,057)**	(85,429)
Finance costs	9(a)	**162,290**	115,534
Share of profits of associates		**(39,211)**	(31,014)
Share of results of joint ventures		**(3,143)**	39,684
Gain on disposal of interests in an associate	18	**(1,192)**	–
Gain on disposal of interests in joint ventures		**–**	(374,420)
Net loss on disposal of property, plant and equipment	9(c)	**34,074**	42,727
Loss on disposal of intangible assets	9(c)	**–**	1,047
Net foreign exchange gain		**(4,105)**	(229,972)
Gain on disposal of subsidiaries	30	**(562,562)**	(1,277)
Gain on disposal of financial assets at fair value through profit or loss	8	**–**	(491)
Bargain purchase gain arising from acquisition of a subsidiary	8	**(3,402)**	–
Equity settled share-based payments	33	**27,724**	42,192
Write-down of inventories	9(c)	**–**	861
Impairment loss on interest in an associate	9(c)	**–**	3,349
Bad debts written off	9(c)	**67,371**	172,407
Operating profit before working capital changes		**14,262,756**	7,553,402
Inventories		**(2,870,040)**	(1,847,667)
Trade and other receivables		**(4,238,240)**	(12,740,277)
Trade and other payables		**6,597,957**	16,126,003
Cash generated from operations		**13,752,433**	9,091,461
Income taxes paid		**(1,758,931)**	(753,702)
Net cash generated from operating activities		**11,993,502**	8,337,759

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	**2017 RMB'000**	2016 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,451,567)**	(486,262)
Proceeds from disposal of property, plant and equipment		**55,790**	75,899
Proceeds from disposal of available-for-sale financial assets		**129**	–
Additions of land lease prepayments	16	**(240,128)**	(102,583)
Additions of intangible assets	15	**(3,949,951)**	(2,655,180)
Additional capital injection in an associate	18	**(38,131)**	–
Investment in a joint venture	19	**(3,750,000)**	–
Proceeds from disposal of intangible assets		**6,439**	12,625
Government grants received		**–**	757,643
Change in pledged bank deposits		**3,261**	1,229
Net cash outflows on acquisition of subsidiaries	35	**(1,728,634)**	(1,383,779)
Net cash inflows on disposal of subsidiaries	30	**1,040,728**	9,670
Proceeds from disposal of an associate	18	**13,860**	–
Proceeds from disposal of interests in joint ventures		**–**	1,110,231
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	17,609
Interest received		**127,057**	85,429
Net cash used in investing activities		**(11,911,147)**	(2,557,469)
Cash flows from financing activities			
Dividends paid	11(b)	**(960,054)**	(280,959)
Dividends paid to non-controlling interests		**–**	(21,188)
Proceeds from issuance of shares upon exercise of share options	28	**313,857**	273,482
Proceeds from bank borrowings	23	**1,296,460**	325,500
Repayments of bank borrowings	23	**(174,375)**	(162,750)
Redemption of senior notes	23	**(2,033,536)**	–
Interest paid	23	**(126,950)**	(104,627)
Net cash (used in)/generated from financing activities		**(1,684,598)**	29,458
Net (decrease)/increase in cash and cash equivalents		**(1,602,243)**	5,809,748
Cash and cash equivalents at the beginning of the year		**15,045,493**	9,166,926
Effect of foreign exchange rate changes		**(28,612)**	68,819
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**13,414,638**	15,045,493

The notes on pages 97 to 206 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Geely Automobile Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section to the annual report. As at 31 December 2017, the directors consider the immediate holding company of the Company is Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the "BVI"). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司, which is incorporated in the People's Republic of China (the "PRC") and is beneficially owned by Mr. Li Shu Fu and his associates.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 89 to 206 have been prepared in accordance with all applicable 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"), accounting principles generally accepted in Hong Kong 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"). Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out in note 4 below.

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. However, additional disclosure has been included in note 23 to satisfy the new disclosure requirements. Introduced by the amendments to HKAS 7 "Statement of Cash Flows: Disclosure Initiative" which require entities to provide disclosures enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and amended HKFRSs relevant to the Group's operations that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date not yet determined

The Group anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 9 "Financial Instruments" ("HKFRS 9")

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI").

For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised costs and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group states of the available-for-sale equity investments at cost less impairment loss. This change in policy will have no significant impact on the Group's net assets and total comprehensive income.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 9 "Financial Instruments" ("HKFRS 9") (Continued)

(a) Classification and measurement (Continued)

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. In the opinion of the directors of the Company, based on the historical experience and existing business model of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15")

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases" ("HKFRS 16")

As disclosed in note 4(p), currently the Group classifies leases into operating leases. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease. However, based on an initial assessment, the Group expects that the adoption of HKFRS 16 will not materially affect the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

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

(b) Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

A subsidiary is an entity, directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

Changes in the Group's interests in subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to accumulated profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss (see note 4(j)) unless the investments are held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(c) Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, if any, the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses (see note 4(j)). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

On disposal of a cash-generating unit or an associate and a joint venture, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Interests in associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities measured and contingent liabilities assumed of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities measured over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate and joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in associates and joint ventures (Continued)

Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with those used by the Group.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between (i) the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as they would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

In the Company's statement of financial position, interest in a joint venture is stated at cost less impairment losses (see note 4(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 4(j)). Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

Research and development costs

Costs associated with research activities are recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

The costs capitalised include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

Capitalised development costs are amortised over 3 to 10 years. All other development costs are recognised as an expense in the period in which it is as incurred.

Both the period and method of amortisation are reviewed annually.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Foreign currency translation

In preparing the financial statements of each individual group entity, foreign currency transactions are translated into the functional currency of the individual group entity at exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates and not retranslated.

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary assets and liabilities that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign currency translation (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi ("RMB")) at the exchange rates prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following categories:

– loans and receivables; and

– available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data including but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition), where the effect of discounting is material. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) *Financial assets carried at cost*

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and it is not reversed in subsequent periods.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity investment and unquoted equity investment carried at cost are not reversed in a subsequent period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial liabilities

The Group's financial liabilities include bank borrowings, senior notes and trade and other payables. They are included in line items in the consolidated statement of financial position.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(r)).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

Trade and other payables are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

Interest bearing borrowings

Interest bearing borrowings, including bank borrowings and senior notes, are classified as financial liabilities and recognised initially at fair value, net transaction costs incurred. Interest bearing borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the interest bearing borrowings, using the effective interest method.

Interest bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised on a straight-line basis over the life of the guarantee. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount (i.e. the amount initially recognised less accumulated amortisation), where appropriate.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in profit or loss.

For financial liabilities, they are derecognised from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(j)). Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives less their estimated residual values, if any, using the straight-line method as follows:

Leasehold buildings	30 years
Plant and machinery	7 to 10 years
Leasehold improvements	Over the shorter of the unexpired lease terms and 3 years
Furniture and fixtures, office equipment and motor vehicles	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses (see note 4(j)). Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

Internal and external sources of information are reviewed at the reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– land lease prepayments;

– intangible assets;

– goodwill; and

– investments in subsidiaries and interest in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment (Continued)

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the interim reporting date, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and value added taxes ("VAT") or related sales taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue from sales of automobiles and automobile parts and components and scrap materials is recognised when the products are delivered and title has been passed.

Claim income on defective materials purchased is recognised when the claim has been made to and confirmed by relevant suppliers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Interest income is recognised as it accrues using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation

Income tax expense comprises current tax and deferred tax.

Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The carrying amount of a deferred tax asset is reviewed at the reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and current tax liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and deferred tax liabilities, if they relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(n) Equity settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share premium for the shares issued) or the option expires (when it is released directly to accumulated profits).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Equity settled share-based payments (Continued)

If the share options granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the PRC and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

(p) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(q) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The government grants relating to the purchase of land leases prepayments, intangible assets and property, plant and equipment for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation and amortisation expenses.

Government grants relating to income is presented in gross under “Other income” in the consolidated income statement.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any members of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements of share-based payments

In valuing the equity settled share-based payments recognised in the Group's consolidated financial statements, the Group has used the Binomial Option Pricing Model, which makes various assumptions on factors out of the Group's control, such as share price volatility and risk-free interest rates. Details of the options and assumptions used in deriving the equity settled share-based payments are disclosed in note 33.

The directors use their judgement to determine whether valuation techniques applied are appropriate to the circumstances of the Group. For the year ended 31 December 2017, the share-based payments recognised was RMB27,724,000 (2016: RMB42,192,000).

Allowance for bad and doubtful debts

The provision for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables (note 21). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required. Bad debts of RMB67,371,000 (2016: RMB172,407,000) have been written off during the year.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Write-down of inventories

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. No inventories has been written down during the year (2016: write-down of inventories of RMB861,000).

Impairment of long-lived assets

If circumstances indicate that the net book value of a long-lived asset, including property, plant and equipment and intangible assets (notes 14 and 15), may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. No impairment was provided for long-lived assets during the year (2016: RMBNil).

Depreciation and amortisation

Property, plant and equipment and intangible assets (notes 14 and 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of investments

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy as set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. No impairment loss was provided for interest in an associate during the year (2016: RMB3,349,000).

Income taxes

Subsidiaries of the Group are subject to income taxes according to different tax rates of different regions in the PRC. As certain tax affairs are pending the confirmation of relevant tax authorities, the Group shall make reliable estimates and judgements for the expected tax adjustments and amounts resulting from such affairs based on the current tax laws and relevant policies. Subsequently, if differences exist between the initial estimates of such affairs and the actual amount of tax payable due to certain objective reasons, such difference will affect the taxes for the current period and tax payables of the Group.

Deferred tax

As at 31 December 2017, no deferred tax asset has been recognised in respect of the tax losses of RMB2,163,395,000 (2016: RMB2,209,828,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

As at 31 December 2017, deferred tax liabilities of RMB267,971,000 (2016: RMB198,072,000) relating to the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries have been recognised in the Group's consolidated statement of financial position. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB11,557,434,000 (2016: RMB9,166,229,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future. Further details are disclosed in note 27.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Interests in joint ventures and associates

As disclosed in note 19, the Group invested in Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司 as at 31 December 2017. Unanimous consent from the Group and the other investor, BNP Paribas Personal Finance, or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC for certain key corporate matters is needed. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance, despite the Group has an equity interest of 80%. Also, the Group and BNP Paribas Personal Finance have rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC is classified as a joint venture of the Group and accounted for using equity method. Meanwhile, the Group invested in LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司 as at 31 December 2017. Unanimous consent from the Group and the two remaining shareholders of LYNK & CO Investment (the "JV Parties") or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment for certain key corporate matters is needed. Therefore, LYNK & CO Investment is under the joint control of the Group and the JV Parties. Accordingly, the investment in LYNK & CO Investment is classified as a joint venture of the Group and accounted for using equity method.

As disclosed in note 18, the Group retains significant influence over Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司 through the power to nominate representative on the board of directors, despite the Group's equity interest is 9%. As a result, the investment is classified as an associate of the Group and accounted for using equity method.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

6. REVENUE

Revenue represents the consideration received and receivable from sales, net of discounts, returns and VAT or related sales taxes, of automobiles and automobile parts and components.

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

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7. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

Geographical information

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

	2017 **RMB'000**	2016 RMB'000
Revenue from external customers		
PRC	**92,168,021**	52,287,552
Europe	**180,560**	194,729
Middle East	**187,756**	583,354
Africa	**76,443**	236,041
Central and South America	**67,536**	217,672
Other countries	**80,402**	202,228
	92,760,718	53,721,576
Specified non-current assets		
Hong Kong, place of domicile	**232**	531
PRC	**31,442,068**	20,052,451
Other countries	**107,294**	70,967
	31,549,594	20,123,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

8. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Rental income	**25,215**	22,847
Gain on disposal of financial assets at fair value through profit or loss	**–**	491
Gain on disposal of scrap materials	**26,751**	8,705
Gain on disposal of an associate (note 18)	**1,192**	–
Net claims income on defective materials purchased	**31,095**	–
Net foreign exchange gain	**89,974**	242,480
Bargain purchase gain arising from acquisition of a subsidiary (note 35)	**3,402**	–
Government grants and subsidies (note)	**905,300**	802,283
Sundry income	**146,218**	53,318
	1,229,147	1,130,124

Note:

Government grants and subsidies mainly related to cash subsidies in respect of operating and research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. PROFIT BEFORE TAXATION

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

		2017 RMB'000	2016 RMB'000
(a)	**Finance income and costs**		
	Finance costs		
	Effective interest expense on senior notes (note 24)	**8,908**	4,658
	Coupon expense on senior notes	**96,714**	106,999
	Loss on early redemption of senior notes	**52,015**	–
	Interest on bank borrowings	**4,653**	3,877
		162,290	115,534
	Finance income		
	Bank and other interest income	**(127,057)**	(85,429)
	Net finance costs	**35,233**	30,105
(b)	**Staff costs (including directors' emoluments (note 13)) (note a)**		
	Salaries, wages and other benefits	**4,241,354**	2,637,856
	Retirement benefit scheme contributions	**269,085**	180,739
	Equity settled share-based payments (note 33)	**27,724**	42,192
		4,538,163	2,860,787
(c)	**Other items**		
	Cost of inventories (note a)	**74,779,337**	43,879,859
	Auditor's remuneration	**7,443**	6,864
	Depreciation (note a)	**742,679**	733,531
	Amortisation of land lease prepayments	**48,072**	43,857
	Amortisation of intangible assets	**1,147,257**	876,873
	Net loss on disposal of property, plant and equipment (note c)	**34,074**	42,727
	Loss on disposal of intangible assets (note b)	**–**	1,047
	Net foreign exchange gain	**(89,974)**	(242,480)
	Net claims (income)/paid on defective materials purchased	**(31,095)**	9,470
	Operating leases charges on premises	**18,525**	22,463
	Research and development costs	**331,241**	211,531
	Impairment loss on interest in an associate	**–**	3,349
	Bad debts written off	**67,371**	172,407
	Write-down of inventories	**–**	861

Notes:

(a) Cost of inventories included RMB3,643,052,000 (2016: RMB2,379,447,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.

(b) No government grant received was included in loss on disposal of intangible assets (2016: RMB525,870,000).

(c) No government grant received was included in net loss on disposal of property, plant and equipment (2016: RMB231,773,000).

10. TAXATION

	2017 RMB'000	2016 RMB'000
Current tax:		
PRC enterprise income tax	**2,283,957**	1,131,039
Over-provision in prior years	**(118,079)**	(26,560)
	2,165,878	1,104,479
Deferred tax (note 27)	**(127,306)**	(70,724)
	2,038,572	1,033,755

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2017 and 2016.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2016: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2017 and 2016.

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

10. TAXATION (Continued)

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

	2017	2016
	RMB'000	RMB'000
Profit before taxation	**12,773,961**	6,203,943
Tax at the PRC enterprise income tax rate of 25% (2016: 25%)	**3,193,490**	1,550,986
Tax effect of expenses not deductible	**207,029**	56,047
Tax effect of non-taxable income	**(11,152)**	(4,614)
Tax effect of unrecognised tax losses	**42,594**	128,857
Utilisation of previously unrecognised tax losses	**(38,438)**	(52,158)
Tax effect of different tax rates of entities operating in other jurisdictions	**(65,338)**	27,046
Deferred tax charge on distributable profits withholding tax (note 27)	**69,899**	23,245
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	**(1,241,433)**	(669,094)
Over-provision in prior years	**(118,079)**	(26,560)
Tax expense for the year	**2,038,572**	1,033,755

The Group is also liable to withholding tax on dividends to be distributed from the Group's subsidiaries in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liabilities of RMB69,899,000 (2016: RMB23,245,000) 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.

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11. DIVIDENDS

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

	2017 **RMB'000**	2016 RMB'000
Final dividend proposed after the reporting date of HK$0.29 (2016: HK$0.12) per ordinary share	**2,159,774**	960,054

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2017.

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

	2017 **RMB'000**	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.12 (2016: HK$0.038) per ordinary share	**960,054**	280,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. 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 RMB10,633,715,000 (2016: RMB5,112,398,000) and weighted average number of ordinary shares of 8,932,151,751 shares (2016: 8,820,613,787 shares), calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares as at 1 January	**8,882,861,540**	8,801,986,540
Effect of shares options exercised	**49,290,211**	18,627,247
Weighted average number of ordinary shares as at 31 December	**8,932,151,751**	8,820,613,787

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB10,633,715,000 (2016: RMB5,112,398,000) and the weighted average number of ordinary shares (diluted) of 9,155,568,487 shares (2016: 8,917,049,937 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017	2016
Weighted average number of ordinary shares (basic) as at 31 December	**8,932,151,751**	8,820,613,787
Effect of deemed issue of shares under the Company's share option scheme	**223,416,736**	96,436,150
Weighted average number of ordinary shares (diluted) as at 31 December	**9,155,568,487**	8,917,049,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

2017

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note a)	Total RMB'000
Executive directors								
Mr. An Cong Hui	9	–	–	–	–	9	248	257
Mr. Ang Siu Lun, Lawrence	–	2,843	1,238	–	32	4,113	1,285	5,398
Mr. Gui Sheng Yue (Chief Executive Officer)	–	3,065	1,335	537	32	4,969	1,452	6,421
Mr. Li Dong Hui, Daniel (Vice Chairman) (note b)	9	–	–	–	–	9	368	377
Mr. Li Shu Fu (Chairman)	–	351	–	–	16	367	–	367
Ms. Wei Mei	9	–	–	–	–	9	573	582
Mr. Yang Jian (Vice Chairman)	9	–	–	–	–	9	474	483
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster	–	–	–	–	–	–	141	141
Independent non-executive directors								
Mr. An Qing Heng	162	–	–	–	–	162	106	268
Mr. Lee Cheuk Yin, Dannis	162	–	–	–	–	162	81	243
Mr. Wang Yang	162	–	–	–	–	162	141	303
Mr. Yeung Sau Hung, Alex	162	–	–	–	–	162	81	243
	684	6,259	2,573	537	80	10,133	4,950	15,083

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13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows (Continued):

2016

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note a)	Total RMB'000
Executive directors								
Mr. An Cong Hui	8	–	–	–	–	8	362	370
Mr. Ang Siu Lun, Lawrence	–	2,503	545	–	30	3,078	2,066	5,144
Mr. Gui Sheng Yue (Chief Executive Officer)	–	2,699	588	594	30	3,911	2,349	6,260
Mr. Li Dong Hui, Daniel (Vice Chairman) (note b)	4	–	–	–	–	4	460	464
Mr. Li Shu Fu (Chairman)	–	328	–	–	15	343	–	343
Mr. Liu Jin Liang (note c)	5	–	–	–	–	5	371	376
Ms. Wei Mei	8	–	–	–	–	8	726	734
Mr. Yang Jian (Vice Chairman)	8	–	–	–	–	8	766	774
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster	–	–	–	–	–	–	244	244
Independent non-executive directors								
Mr. An Qing Heng	151	–	–	–	–	151	244	395
Mr. Fu Yu Wu (note d)	61	–	–	–	–	61	–	61
Mr. Lee Cheuk Yin, Dannis	151	–	–	–	–	151	206	357
Mr. Wang Yang	151	–	–	–	–	151	244	395
Mr. Yeung Sau Hung, Alex	151	–	–	–	–	151	206	357
	698	5,530	1,133	594	75	8,030	8,244	16,274

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the years ended 31 December 2017 and 2016. No other director waived any emoluments during the years ended 31 December 2017 and 2016.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Notes:

(a) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for equity settled share-based payments as set out in note 4(n) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the Directors' Report and in note 33 to the consolidated financial statements.

(b) Mr. Li Dong Hui, Daniel was appointed as a director and Vice Chairman of the Company on 15 July 2016.

(c) Mr. Liu Jin Liang resigned as a director of the Company on 15 July 2016.

(d) Mr. Fu Yu Wu retired as a director of the Company on 27 May 2016.

(b) Employees' emoluments

Of the five individuals with the highest emoluments, two (2016: two) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017	2016
	RMB'000	RMB'000
Basic salaries and allowances	**4,312**	4,135
Retirement scheme contributions	**65**	61
Equity settled share-based payments	**943**	2,265
	5,320	6,461

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments (Continued)

The emoluments of the three (2016: three) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**–**	1
	3	3

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14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Leasehold buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and fixtures, office equipment and motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2016	2,029,705	3,698,685	4,327,900	6,250	633,727	10,696,267
Additions	985,808	29,008	47,824	1,608	136,539	1,200,787
Transfer	(3,009,604)	897,617	2,038,982	–	73,005	–
Disposals	(45,321)	(19,717)	(307,994)	(685)	(33,389)	(407,106)
Disposed of through disposal of subsidiaries	(2,591)	–	(27,830)	(61)	(2,862)	(33,344)
Acquisition through business combinations	2,361,895	–	154,761	–	5,766	2,522,422
At 31 December 2016 and 1 January 2017	2,319,892	4,605,593	6,233,643	7,112	812,786	13,979,026
Additions	3,179,771	68,295	115,588	368	198,497	3,562,519
Transfer	(2,861,666)	1,412,113	1,301,589	–	147,964	–
Disposals	(3,686)	(21,793)	(195,893)	(138)	(55,195)	(276,705)
Disposed of through disposal of subsidiaries	(742,293)	(996,574)	(771,129)	–	(110,103)	(2,620,099)
Acquisition through business combinations (note 35)	362,254	574,262	2,294,061	–	50,446	3,281,023
At 31 December 2017	**2,254,272**	**5,641,896**	**8,977,859**	**7,342**	**1,044,395**	**17,925,764**
DEPRECIATION						
At 1 January 2016	–	512,773	1,808,986	5,462	334,619	2,661,840
Charge for the year	–	121,672	521,748	817	89,294	733,531
Written back on disposals	–	(3,268)	(33,775)	(685)	(18,979)	(56,707)
Disposed of through disposal of subsidiaries	–	–	(9,197)	(61)	(693)	(9,951)
At 31 December 2016 and 1 January 2017	–	631,177	2,287,762	5,533	404,241	3,328,713
Charge for the year	–	142,844	489,194	985	109,656	742,679
Written back on disposals	–	(5,802)	(157,750)	(136)	(23,153)	(186,841)
Disposed of through disposal of subsidiaries	–	(2,290)	(6,164)	–	(3,276)	(11,730)
At 31 December 2017	**–**	**765,929**	**2,613,042**	**6,382**	**487,468**	**3,872,821**
NET BOOK VALUE						
At 31 December 2017	**2,254,272**	**4,875,967**	**6,364,817**	**960**	**556,927**	**14,052,943**
At 31 December 2016	2,319,892	3,974,416	3,945,881	1,579	408,545	10,650,313

As at 31 December 2017, the Group's property, plant and equipment of RMBNil (2016: RMB135,734,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS

	Capitalised development costs RMB'000
COST	
At 1 January 2016	6,587,662
Additions	2,655,180
Acquisition through business combinations (note 35)	1,998
Disposals	(630,433)
Disposed of through disposal of subsidiaries	(46,147)
At 31 December 2016 and 1 January 2017	8,568,260
Additions	3,949,951
Acquisition through business combinations (note 35)	1,293,709
Disposals	(501,671)
At 31 December 2017	**13,310,249**
AMORTISATION	
At 1 January 2016	1,327,421
Charge for the year	876,873
Disposals	(90,891)
Disposed of through disposal of subsidiaries	(6,952)
At 31 December 2016 and 1 January 2017	2,106,451
Charge for the year	1,147,257
Disposals	(495,232)
At 31 December 2017	**2,758,476**
NET BOOK VALUE	
At 31 December 2017	**10,551,773**
At 31 December 2016	6,461,809

The amortisation charge for the year is included in "Administrative expenses" in the consolidated income statement.

16. LAND LEASE PREPAYMENTS

	2017 RMB'000	2016 RMB'000
The Group's land lease prepayments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**2,171,719**	2,045,770
Analysed for reporting purposes as:		
Current assets	**47,810**	42,875
Non-current assets	**2,123,909**	2,002,895
	2,171,719	2,045,770
Opening net carrying amount	**2,045,770**	1,574,714
Additions	**240,128**	102,583
Acquisition through business combinations (note 35)	**209,263**	412,330
Disposed of through disposal of subsidiaries (note 30)	**(275,370)**	–
Annual amortisation charges of land lease prepayments	**(48,072)**	(43,857)
Closing net carrying amount	**2,171,719**	2,045,770

The land use right certificates of certain lands with an aggregate carrying value of RMB672,984,000 (2016: RMB563,628,000) are yet to be obtained as at 31 December 2017. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the lands, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2017.

As at 31 December 2017, the Group's land lease prepayments of RMBNil (2016: RMB76,754,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. GOODWILL

	2017 RMB'000	2016 RMB'000
Carrying amount		
At 1 January	**6,916**	2,584
Arising on business combinations (note 35)	**9,163**	4,332
At 31 December	**16,079**	6,916

Goodwill arose on the acquisition of the entire interests in (a) Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司 and Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 in 2017 (note 35), (b) Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司 and Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司 in 2016 and (c) Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 in 2015 under business combinations. The carrying amount of goodwill is allocated to the cash-generating units of manufacturing of (a) complete knock down kits in Baoji City in Shaanxi Province, Jinzhong City in Shanxi Province and Chunxiao City in Zhejiang Province, the PRC, respectively and (b) vehicle engines in Baoji City in Shaanxi Province and Yiwu City in Zhejiang Province, the PRC, respectively. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segments. The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. During the year ended 31 December 2017, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2016: RMBNil).

The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

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18. INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	RMB'000
Share of net assets	**372,709**	308,035
Goodwill	**663**	663
Impairment loss recognised	**(4,012)**	(4,012)
	369,360	304,686
Represented by:		
Cost of unlisted investments	**296,854**	271,391
Share of post-acquisition results and other comprehensive income	**93,082**	53,871
Impairment loss recognised	**(4,012)**	(4,012)
Exchange realignment	**(16,564)**	(16,564)
	369,360	304,686

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18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entity whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2017 and 2016, are as follows:

Name of associate	Place of establishments and operations	Form of business structure	Particulars of issued and paid up registered capital	Attributable equity interest held by the Group 2017	2016	Principal activities
Mando (Ningbo) Automotive Parts Co., Limited ("Mando (Ningbo)") 萬都(寧波)汽車零部件有限公司	PRC	Incorporated	United States dollars ("US$") 85,000,000	**35%**	35%	Manufacturing of automobile parts and components
Ningbo DIPO Traffic Facilities Co., Ltd.# ("Ningbo DIPO") 寧波帝寶交通器材有限公司	PRC	Incorporated	US$11,100,000	**–**	18%	Manufacturing of traffic facilities
Closed Joint Stock Company BELGEE ("BELGEE")	Republic of Belarus ("Belarus")	Incorporated	Belarusian Ruble ("BYN") 97,565,000 (2016: BYN60,023,000)	**31.7%**	35.6%	Production, marketing and sales of vehicles
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# ("Faurecia Emissions") 佛吉亞排氣控制技術(寧波)有限公司	PRC	Incorporated	US$7,900,000	**9%**	9%	Manufacturing of emission control systems
PT Geely Mobil Indonesia	Republic of Indonesia	Incorporated	US$3,260,200	**30%**	30%	Production, marketing and sales of vehicles

\# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

All associates are indirectly held by the Company.

In January 2017, the Group disposed of its entire interests in Ningbo DIPO to an independent third party at a cash consideration of approximately RMB13,860,000. The carrying amount of the Group's interests in Ningbo DIPO at the disposal date was RMB12,668,000 and a gain on disposal of RMB1,192,000 was recognised in "Other income" in the consolidated income statement.

18. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2017, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN10,844,000 (equivalent to approximately RMB38,131,000) and BYN26,698,000 (equivalent to approximately RMB93,879,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE changed from BYN60,023,000 (equivalent to approximately RMB262,239,000) to BYN97,565,000 (equivalent to approximately RMB394,249,000). As a result of such increase in registered capital, the Group's equity interests in BELGEE were diluted from 35.6% to 31.7%. No dilution gain or loss was recognised during the year as the amount was insignificant. Despite the dilution in the equity interests, the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

The Group invests in Mando (Ningbo) as a strategic supplier of automobile parts and components of the Group.

The Group retains significant influence over Faurecia Emissions through the power to nominate representative on the board of directors.

Summarised financial information of Mando (Ningbo), the Group's material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2017	2016
	RMB'000	RMB'000
Non-current assets	**289,752**	233,326
Current assets	**3,024,259**	2,227,258
Current liabilities	**(2,554,136)**	(1,821,048)
Non-current liabilities	**(11,676)**	(9,167)
Net assets	**748,199**	630,369
Revenue	**3,346,577**	2,150,710
Profit for the year	**117,830**	86,951
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**117,830**	86,951
Dividend received from the associate	**–**	–

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18. INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in Mando (Ningbo) recognised in the consolidated financial statements:

	2017	2016
	RMB'000	RMB'000
Net assets of Mando (Ningbo)	**748,199**	630,369
The Group's effective interests in Mando (Ningbo)	**35%**	35%
Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of Mando (Ningbo)	**261,870**	220,629

Aggregate financial information of associates that are not individually material:

	2017	2016
	RMB'000	RMB'000
Aggregate amounts of the Group's share of (loss)/profit for the year	**(2,029)**	581
Aggregate amounts of the Group's share of other comprehensive income for the year	**–**	–
Aggregate carrying amount of the Group's interests in these associates	**107,490**	84,057

19. INTERESTS IN JOINT VENTURES

	2017	2016
	RMB'000	RMB'000
Share of net assets	**4,435,530**	697,330
Represented by:		
Cost of unlisted investments	**4,470,000**	720,000
Unrealised gain on disposal of a subsidiary to a joint venture (note 30(b))	**(14,943)**	–
Share of post-acquisition results and other comprehensive income	**(19,527)**	(22,670)
	4,435,530	697,330

19. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's principal joint ventures which are unlisted corporate entities whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2017 and 2016, are as follows:

Name of joint venture	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group		Principal activities
				2017	2016	
Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB900,000,000	**80%**	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	**50%**	–	Manufacturing and sales of vehicles under the "Lynk & Co" brand

\# The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

Genius AFC is directly held by the Company.

On 4 August 2017, the Group entered into a joint venture agreement (the "JV Agreement 1") with Zhejiang Haoqing Automobile Manufacturing Company Limited# ("Zhejiang Haoqing") 浙江豪情汽車製造有限公司 and Volvo Car (China) Investment Company Limited# ("VCI") 沃爾沃汽車(中國)投資有限公司, fellow subsidiaries owned by the Company's ultimate holding company (the "JV Parties"), for the establishment of a joint venture, LYNK & CO Investment, to engage in the manufacturing and sales of vehicles under the "Lynk & Co" brand. The registered capital of LYNK & CO Investment was RMB7,500,000,000. LYNK & CO Investment was held as to 50% by the Group, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Pursuant to the JV Agreement 1, the board of directors of LYNK & CO Investment consists of four directors, of whom two are nominated by the Group, one is nominated by Zhejiang Haoqing, and one is nominated by VCI. As specified in the JV Agreement 1 between the Group and the JV Parties, unanimous consent from the Company and the JV Parties is needed as certain key corporate matters of LYNK & CO Investment require an unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment. Therefore, LYNK & CO Investment is under the joint control of the Group and the JV Parties. Both of the Group and JV Parties have the rights to the net assets of LYNK & CO Investment. Accordingly, the investment in LYNK & CO Investment was recognised as a joint venture of the Group and accounted for using the equity method.

19. INTERESTS IN JOINT VENTURES (Continued)

The Group entered into a joint venture agreement ("JV Agreement 2") with BNP Paribas Personal Finance, an independent third party, for the establishment of a joint venture, Genius AFC, to engage in the vehicles financing business in the PRC in December 2013. Genius AFC was established in August 2015. Genius AFC was held as to 80% by the Company and as to 20% by BNP Paribas Personal Finance. Pursuant to the JV Agreement 2, the board of directors of Genius AFC consists of five directors, of whom four are nominated by the Group, and one is nominated by BNP Paribas Personal Finance. As specified in the JV Agreement 2 between the Company and BNP Paribas Personal Finance, unanimous consent from the Company and BNP Paribas Personal Finance is needed as certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNP Paribas Personal Finance. Both of the Group and BNP Paribas Personal Finance have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method. As at 31 December 2017, the aggregate bank balances deposited by the Group with Genius AFC amounted to approximately RMB3,100,153,000 (2016: RMB2,000,560,000).

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19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the Genius AFC and LYNK & CO Investment, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	LYNK & CO Investment	Genius AFC	
	2017	**2017**	2016
	RMB'000	**RMB'000**	RMB'000
Non-current assets	**6,666,672**	**347,162**	63,530
Current assets	**5,339,868**	**10,053,066**	3,395,115
Current liabilities	**(4,576,894)**	**(9,480,666)**	(2,586,983)
Non-current liabilities	**–**	**–**	–
Net assets	**7,429,646**	**919,562**	871,662
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	**743,202**	**514,635**	1,025,575
Current financial liabilities (excluding trade and other payables and provisions)	**–**	**(8,293,777)**	(2,300,560)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	**–**	–
Revenue	**900,483**	**469,878**	97,375
(Loss)/Profit for the year	**(70,354)**	**47,900**	(1,783)
Other comprehensive income for the year	**–**	**–**	–
Total comprehensive (expense)/income for the year	**(70,354)**	**47,900**	(1,783)
Dividend received from the joint ventures	**–**	**–**	–
The above (losses)/profits for the year including the following:			
Depreciation and amortisation	**(48,943)**	**(6,429)**	(5,146)
Interest income	**8,911**	**461,555**	94,505
Interest expense	**–**	**(157,111)**	(14,621)
Income tax credit/(expense)	**19,023**	**(16,578)**	8,147

19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation to the carrying amount of the Group's interests in joint ventures recognised in the consolidated financial statements:

	LYNK & CO Investment	Genius AFC	
	2017	**2017**	2016
	RMB'000	**RMB'000**	RMB'000
Net assets of the joint venture	**7,429,646**	**919,562**	871,662
The Group's effective interests in the joint venture	**50%**	**80%**	80%
The Group's share of the net assets of the joint venture	**3,714,823**	**735,650**	697,330
Unrealised gain on disposal of a subsidiary to a joint venture (note 30(b))	**(14,943)**	**–**	–
Carrying amount of the Group's interests in joint ventures	**3,699,880**	**735,650**	697,330

20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017	2016
	RMB'000	RMB'000
Raw materials	**1,317,330**	790,037
Work in progress	**382,784**	340,130
Finished goods	**4,327,198**	1,935,640
	6,027,312	3,065,807

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20. INVENTORIES (Continued)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2017	2016
	RMB'000	RMB'000
Carrying amount of inventories sold	**74,779,337**	43,879,859
Write-down of inventories	**–**	861
	74,779,337	43,880,720

21. TRADE AND OTHER RECEIVABLES

	Note	2017 RMB'000	2016 RMB'000
Trade and notes receivables			
Trade receivables			
– Third parties		**377,966**	794,960
– Associates		**271,002**	247,904
– Related companies controlled by the substantial shareholder of the Company		**51,733**	194,496
	(a)	**700,701**	1,237,360
Notes receivables	(b)	**28,790,926**	24,864,054
		29,491,627	26,101,414
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		**129,080**	89,691
– Related companies controlled by the substantial shareholder of the Company		**847,093**	376,129
		976,173	465,820
Deposits paid for acquisition of property, plant and equipment		**600,692**	355,077
VAT and other taxes receivables		**1,877,788**	1,396,907
Utility deposits and other receivables		**208,595**	454,657
		3,663,248	2,672,461
Amounts due from related companies controlled by the substantial shareholder of the Company	(c)	**323,433**	27,345
Amount due from ultimate holding company	(c)	**–**	236,256
Amount due from a joint venture	(d)	**–**	3,155
		3,986,681	2,939,217
		33,478,308	29,040,631

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers. Further details on the Group's credit policy are set out in note 37. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date, at the reporting date:

	2017	2016
	RMB'000	RMB'000
0 – 60 days	**167,875**	441,619
61 – 90 days	**7,689**	30,417
Over 90 days	**67,476**	50,288
	243,040	522,324

For overseas customers, the Group allows average credit periods ranged from 30 days to 720 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date, at the reporting date:

	2017	2016
	RMB'000	RMB'000
0 – 60 days	**102,041**	295,659
61 – 90 days	**84,174**	25,726
91 – 365 days	**155,309**	237,934
Over 365 days	**116,137**	155,717
	457,661	715,036

As at 31 December 2017, 1% (2016: 7%) of the total trade receivables was due from the Group's five largest customers.

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

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

	2017 RMB'000	2016 RMB'000
1 – 30 days past due	**25,606**	129,699
31 – 60 days past due	**17,196**	65,569
61 – 90 days past due	**179,782**	43,516
Over 90 days past due	**258,339**	258,094
	480,923	496,878

As at 31 December 2017, trade receivables of RMB219,778,000 (2016: RMB740,482,000) 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 or hold any collateral over the overdue balances. Receivables that were past due but not impaired were mainly related to large corporations that have long trading history with the Group and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable. No impairment has been made to these trade receivables.

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21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2017 and 2016, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

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

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

(d) Amount due from a joint venture

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

Except for trade and other receivables of RMB140,027,000 (2016: RMB146,263,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	RMB'000
Unlisted investments		
– Equity securities	**21,650**	21,779

The unlisted equity securities are stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Bank borrowings RMB'000	Senior notes RMB'000	Total RMB'000
At 1 January 2017	–	174,375	2,068,316	2,242,691
Change from financing cash flows:				
Proceeds from new bank borrowings	–	1,296,460	–	1,296,460
Repayment of bank borrowings	–	(174,375)	–	(174,375)
Redemption of senior notes	–	–	(2,033,536)	(2,033,536)
Other borrowing costs paid	–	(4,104)	(122,846)	(126,950)
Dividends paid	(960,054)	–	–	(960,054)
Total changes from financing cash flows	(960,054)	1,117,981	(2,156,382)	(1,998,455)
Exchange adjustments	–	–	(95,703)	(95,703)
Other changes (note):				
Interest expenses	–	4,653	157,637	162,290
Dividends declared	960,054	–	–	960,054
Others	–	(549)	26,132	25,583
Total other changes	960,054	4,104	183,769	1,147,927
At 31 December 2017	**–**	**1,296,460**	**–**	**1,296,460**

Note:

Other changes include interest accruals.

24. SENIOR NOTES

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

The Senior Notes were listed on the SEHK. They had senior obligations, were unsecured and guaranteed by certain operating subsidiaries of the Company in the PRC. The guarantee was effectively subordinated to all existing and future secured obligations of the Company to the extent of the value of the collateral securing such obligations.

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

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

The carrying amount of the Senior Notes at initial recognition net of transaction costs amounted to US$296,311,000 (equivalent to approximately RMB1,814,165,000) and the effective interest rate was 5.54% per annum. The Senior Notes were carried at amortised cost.

On 30 November 2017, the Company has redeemed an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,981,521,000) of all of the outstanding Senior Notes at the redemption price of 102.625% of the principal amount thereof, being US$307,875,000 (equivalent to approximately RMB2,033,536,000), plus accrued and unpaid interest of US$2,362,500 (equivalent to approximately RMB15,604,000) on the redemption date. The total redemption price paid by the Company on the redemption date is US$310,237,500 (equivalent to approximately RMB2,049,140,000).

24. SENIOR NOTES (Continued)

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

	2017 RMB'000	2016 RMB'000
Carrying amount		
At 1 January	**2,068,316**	1,928,856
Interest expenses	**8,908**	4,658
Early redemption	**(1,981,521)**	–
Exchange differences	**(95,703)**	134,802
At 31 December	**–**	2,068,316

The Senior Notes were subject to the fulfilment of certain financial and non-financial covenants, as commonly found in lending arrangements in senior notes. If the Group was to breach the covenants, the principal, and, accrued and unpaid interest of the Senior Notes would become payable on demand. The directors considered that none of the covenants had been breached as at 31 December 2016.

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25. TRADE AND OTHER PAYABLES

	Note	2017 RMB'000	2016 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		**26,848,633**	21,083,397
– Associates		**1,252,227**	1,627,710
– Related companies controlled by the substantial shareholder of the Company		**2,492,942**	330,157
	(a)	**30,593,802**	23,041,264
Notes payables	(b)	**1,045,043**	99,540
		31,638,845	23,140,804
Other payables			
Receipts in advance from customers			
– Third parties		**7,980,480**	7,909,709
– Related companies controlled by the substantial shareholder of the Company		**3,992**	723
		7,984,472	7,910,432
Deferred government grants which conditions have not been satisfied		**3,379,500**	1,572,863
Payables for acquisition of property, plant and equipment		**1,074,740**	714,524
Accrued staff salaries and benefits		**908,966**	514,534
VAT and other taxes payables		**104,388**	85,063
Other accrued charges		**2,430,232**	1,950,900
		15,882,298	12,748,316
Amounts due to related companies controlled by the substantial shareholder of the Company	(c)	**9,412**	3,889,874
Amount due to ultimate holding company	(c)	**1,974**	–
		15,893,684	16,638,190
		47,532,529	39,778,994

25. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

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

	2017	2016
	RMB'000	RMB'000
0 – 60 days	**27,331,331**	20,638,859
61 – 90 days	**1,849,868**	1,624,387
Over 90 days	**1,412,603**	778,018
	30,593,802	23,041,264

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

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2017 and 2016, all notes payables had maturities of less than six months from the reporting date.

As at 31 December 2017, the Group pledged bank deposits of RMB36,043,000 (2016: RMB39,304,000) respectively to secure the notes payables.

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

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

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

26. BANK BORROWINGS

	2017	2016
	RMB'000	RMB'000
Bank borrowings, unsecured	**1,296,460**	174,375

As at 31 December 2017, the Group's bank borrowings were carried at amortised cost, repayable in October 2019 and interest bearing at the London Interbank Offered Rates plus 1.05% per annum. Pursuant to the facility agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the entire issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

As at 31 December 2016, the Group's bank borrowings were carried at amortised cost, repayable within three months and interest bearing at the London Interbank Offered Rates plus 1% per annum. Also, there was a repayable on demand clause in the banking facilities.

All of the Group's banking facilities are subject to the fulfilment of covenants that are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2017 and 2016, none of the covenants relating to drawn down facilities had been breached.

Further details of the Group's management of liquidity risk were set out in note 37.

27. DEFERRED TAX ASSETS AND LIABILITIES

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

	2017	2016
	RMB'000	RMB'000
At 1 January	**9,965**	80,689
Acquisition through business combinations (note 35)	**(16,013)**	–
Credit to the consolidated income statement (note 10)	**(127,306)**	(70,724)
At 31 December	**(133,354)**	9,965

Deferred tax assets

	Unused tax losses	**Intangible assets**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2016	28,144	31,661	34,333	94,138
(Charge)/Credit to the consolidated income statement	(20,487)	94,378	20,078	93,969
At 31 December 2016 and 1 January 2017	7,657	126,039	54,411	188,107
(Charge)/Credit to the consolidated income statement	(7,657)	43,027	161,835	197,205
Acquisition through business combinations (note 35)	–	–	16,013	16,013
At 31 December 2017	**–**	**169,066**	**232,259**	**401,325**

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27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities

	Withholding tax on undistributed profits from the PRC subsidiaries RMB'000
At 1 January 2016	174,827
Charge to the consolidated income statement (note 10)	23,245
At 31 December 2016 and 1 January 2017	198,072
Charge to the consolidated income statement (note 10)	69,899
At 31 December 2017	**267,971**

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

	2017 RMB'000	2016 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**(401,325)**	(188,107)
Deferred tax liabilities recognised in the consolidated statement of financial position	**267,971**	198,072
Net deferred tax (assets)/liabilities	**(133,354)**	9,965

27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB11,557,434,000 (2016: RMB9,166,229,000).

As at the reporting date, the Group has unused tax losses of approximately RMB2,163,395,000 (2016: RMB2,209,828,000) available for offset against future profits. Of the total tax losses, approximately RMB300,535,000 (2016: RMB282,204,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

28. SHARE CAPITAL

	2017		2016	
	Number of shares	**Nominal value RMB'000**	Number of shares	Nominal value RMB'000
Authorised:				
Ordinary shares of HK$0.02 each				
At 31 December	**12,000,000,000**	**246,720**	12,000,000,000	246,720
Issued and fully paid:				
Ordinary shares of HK$0.02 each				
At 1 January	**8,882,861,540**	**162,708**	8,801,986,540	161,354
Shares issued under share option scheme (note)	**87,653,000**	**1,578**	80,875,000	1,354
At 31 December	**8,970,514,540**	**164,286**	8,882,861,540	162,708

Note:

During the year ended 31 December 2017, share options were exercised to subscribe for 87,653,000 ordinary shares (2016: 80,875,000 ordinary shares) of the Company at a consideration of approximately RMB313,857,000 (2016: RMB273,482,000) of which approximately RMB1,578,000 (2016: RMB1,354,000) was credited to share capital and approximately RMB312,279,000 (2016: RMB272,128,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB116,598,000 (2016: RMB121,731,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(n).

29. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Statutory reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

(c) Capital reserve

Capital reserve represents differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company in prior years.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(g).

(e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(n).

(f) Accumulated profits

Accumulated profits represent accumulated net profit or losses less dividends paid plus other transfers to or from other reserves.

30. DISPOSALS OF SUBSIDIARIES

(a) Disposal of Zhejiang Kingkong Automobile Company Limited# 浙江金剛汽車有限公司 ("Zhejiang Kingkong")

On 4 August 2017, the Group entered into a disposal agreement with Zhejiang Haoqing for the disposal of the entire interests in Zhejiang Kingkong, an indirectly owned subsidiary with 99% equity interest, at an aggregate cash consideration of approximately RMB1,241,687,000 ("Zhejiang Kingkong Disposal"). Zhejiang Kingkong Disposal was completed on 28 September 2017. Please refer to the Company's announcement dated 4 August 2017 for further details. The net assets disposed of at the disposal date are set out as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	2,563,304
Land lease prepayments (note 16)	275,370
Trade and other receivables	799,755
Bank balances and cash	104,524
Trade and other payables	(3,041,874)
	701,079
Net gain on disposal of a subsidiary:	
Cash consideration received	1,241,687
Net assets disposed of	(701,079)
Non-controlling interests	7,011
	547,619
Net cash inflow arising on disposal:	
Cash consideration received	1,241,687
Bank balances and cash disposed of	(104,524)
	1,137,163

30. DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposal of LYNK & CO Auto Sales Company Limited# 領克汽車銷售有限公司 ("LYNK Auto Sales")

On 26 October 2017, the Group entered into a disposal agreement for the disposal of the entire interests in LYNK Auto Sales, an indirectly owned subsidiary with 99% equity interest, to LYNK & CO Investment, a joint venture of the Company ("LYNK Auto Sales Disposal"). LYNK Auto Sales Disposal was completed on 27 October 2017. The aggregate cash consideration and net gain on disposal of a subsidiary for the LYNK Auto Sales Disposal were RMB100,000,000 and RMB14,943,000, respectively and an unrealised gain on disposal of a subsidiary to a joint venture of RMB14,943,000 was resulted in (note 19). The carrying amount of total net assets disposed of and net cash outflow arising on disposal at the disposal date were RMB70,114,000 and RMB96,435,000, respectively.

The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

31. COMMITMENTS

Capital expenditure commitments

As at the reporting date, the capital commitments not provided for in the consolidated financial statements were as follows:

	2017	2016
	RMB'000	RMB'000
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and equipment	**4,483,013**	2,281,468

31. COMMITMENTS (Continued)

Operating lease commitments – as lessee

As at the reporting date, the total future minimum lease payments in respect of office and factory premises under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Office and factory premises		
– Within one year	**7,174**	5,516
– In the second to fifth years inclusive	**20,435**	10,564
– After five years	**110**	3,961
	27,719	20,041

Leases are negotiated and rental agreements are fixed for an initial period of two to ten years (2016: one to ten years) with an option to renew the leases when all terms are renegotiated.

31. COMMITMENTS (Continued)

Operating lease commitments – as lessor

As at the reporting date, the total future minimum lease receipts in respect of leasehold land and buildings and plant and machinery under non-cancellable operating leases are receivable as follows:

	2017	2016
	RMB'000	RMB'000
Leasehold land and buildings		
– Within one year	**7,021**	7,101
– In the second to fifth years inclusive	**23,849**	26,679
– After five years	**17,840**	22,038
	48,710	55,818
Plant and machinery		
– Within one year	**4,001**	4,001
– In the second to fifth years inclusive	**16,004**	16,004
– After five years	**17,004**	21,005
	37,009	41,010
	85,719	96,828

Leases are negotiated and rental are fixed for an initial period of five to fourteen years (2016: one to fourteen years).

32. RETIREMENT BENEFITS SCHEME

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the Mandatory Provident Fund Scheme ("the Scheme"), the Group contributes 5% of the employees' relevant income to the Scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB25,000) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employees' basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in those countries.

During the year, the aggregate employer's contributions made by the Group amounted to RMB269,085,000 (2016: RMB180,739,000).

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the "Old Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the "New Share Option Scheme") was adopted to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the "Scheme". After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the Board of Directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by the shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within five business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of each share option is HK$1.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year after the first year of the grant date.

The subscription price for the shares under the Scheme is a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons:

2017

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Directors								
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	–	11,000,000
	9 January 2016 to 8 January 2020	2.79	5,000,000	–	–	–	–	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	4,700,000	–	–	–	–	4,700,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	1,000,000	–	(250,000)	–	–	750,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	–	11,500,000
	9 January 2016 to 8 January 2020	2.79	6,000,000	–	–	–	–	6,000,000
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	3,500,000	–	–	–	–	3,500,000
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	900,000	–	–	–	–	900,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	–	–	–	–	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	–	9,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	300,000	–	(100,000)	–	–	200,000
	9 January 2016 to 8 January 2020	2.79	750,000	–	(250,000)	–	–	500,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	300,000	–	(100,000)	–	–	200,000
	9 January 2016 to 8 January 2020	2.79	750,000	–	(250,000)	–	–	500,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	–	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	–	1,000,000
			61,700,000	–	(950,000)	–	–	60,750,000

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33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2017 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Employees	18 January 2010 to 17 January 2020	4.07	224,505,000	–	(64,203,000)	(825,000)	–	159,477,000
	21 April 2010 to 20 April 2020	4.07	11,780,000	–	(7,070,000)	–	–	4,710,000
	23 March 2012 to 22 March 2022	4.07	7,250,000	–	(800,000)	–	–	6,450,000
	9 January 2016 to 8 January 2020	2.79	14,400,000	–	(5,580,000)	–	–	8,820,000
	2 June 2016 to 1 June 2020	4.08	1,000,000	–	(200,000)	–	–	800,000
			258,935,000	–	(77,853,000)	(825,000)	–	180,257,000
Other eligible Participants	2 June 2016 to 1 June 2020	4.08	20,300,000	–	(8,850,000)	–	–	11,450,000
	31 March 2018 to 30 March 2022	12.22	–	5,500,000	–	–	–	5,500,000
			20,300,000	5,500,000	(8,850,000)	–	–	16,950,000
			340,935,000	5,500,000	(87,653,000)	(825,000)	–	257,957,000

	Outstanding at 1 January HK$	Granted during the year HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	3.96	12.22	3.98	4.07	4.13
Weighted average remaining contractual life of options outstanding as at 31 December 2017					2.24 years
Number of options exercisable as at 31 December 2017					179,274,600
Weighted average exercise price per share of options exercisable as at 31 December 2017					HK$4.03

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33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2016

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Directors								
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	–	11,000,000
	9 January 2016 to 8 January 2020	2.79	5,000,000	–	–	–	–	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	9,000,000	–	(4,300,000)	–	–	4,700,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	–	1,000,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	–	11,500,000
	9 January 2016 to 8 January 2020	2.79	6,000,000	–	–	–	–	6,000,000
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	–	–	(3,500,000)	–	7,000,000	3,500,000
Mr. Liu Jin Liang	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	(9,000,000)	–
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	3,000,000	–	(2,100,000)	–	–	900,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	–	–	–	–	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	12,000,000	–	(3,000,000)	–	–	9,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	1,000,000	–	(700,000)	–	–	300,000
	9 January 2016 to 8 January 2020	2.79	1,000,000	–	(250,000)	–	–	750,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	1,000,000	–	(700,000)	–	–	300,000
	9 January 2016 to 8 January 2020	2.79	1,000,000	–	(250,000)	–	–	750,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	–	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	–	1,000,000
			78,500,000	–	(14,800,000)	–	(2,000,000)	61,700,000

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33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2016 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Employees	18 January 2010 to 17 January 2020	4.07	284,760,000	–	(61,455,000)	(7,800,000)	9,000,000	224,505,000
	21 April 2010 to 20 April 2020	4.07	13,000,000	–	(920,000)	(300,000)	–	11,780,000
	23 March 2012 to 22 March 2022	4.07	16,500,000	–	(2,250,000)	–	(7,000,000)	7,250,000
	25 June 2012 to 24 June 2022	4.07	9,000,000	–	–	(9,000,000)	–	–
	17 January 2013 to 16 January 2023	4.11	4,100,000	–	–	(4,100,000)	–	–
	9 January 2016 to 8 January 2020	2.79	16,900,000	–	(1,350,000)	(1,150,000)	–	14,400,000
	2 June 2016 to 1 June 2020	4.08	1,000,000	–	–	–	–	1,000,000
			345,260,000	–	(65,975,000)	(22,350,000)	2,000,000	258,935,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	20,400,000	–	(100,000)	–	–	20,300,000
			444,160,000	–	(80,875,000)	(22,350,000)	–	340,935,000

	Outstanding at 1 January HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	3.98	4.04	4.01	3.96
Weighted average remaining contractual life of options outstanding as at 31 December 2016				3.18 years
Number of options exercisable as at 31 December 2016				165,291,900
Weighted average exercise price per share of options exercisable as at 31 December 2016				HK$4.07

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

During the year ended 31 December 2017, 5,500,000 share options were granted on 31 March 2017 with estimated fair values of approximately RMB20,210,000. The closing price of the Company's shares on the date on which the options were granted was HK$11.90. The exercise price of the share options granted is HK$12.22 per share.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair values were measured based on Binomial Option Pricing Model. The inputs into the model are as follows:

Grant date	**31 March 2017**
Share price	HK$11.90
Exercise price	HK$12.22
Expected volatility	44.17%
Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model)	5 years
Risk-free interest rate	1.37%
Expected dividend yield	0.95%

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. The Group recognised a total expense of RMB27,724,000 (2016: RMB42,192,000) for the year ended 31 December 2017 in relation to share options granted by the Company and the share-based payments were shown as a separate line item on the consolidated income statement. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share options granted.

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34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties:

(a) Transactions

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Related companies (notes a and b)			
Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司	Sales of complete knock down kits and sedan tool kits (note f)	**28,966,961**	26,768,993
	Sales of automobile parts and components (note f)	**3,720**	1,009
	Claims income on defective materials purchased	**184,019**	114,687
	Purchase of complete buildup units (note f)	**29,719,819**	27,039,398
	Purchase of automobile parts and components (note f)	**4,438**	6,066
	Sub-contracting fee paid (note f)	**18,711**	31,188
	Acquisition of subsidiaries (note f) (notes 35(a)&(c))	**597,550**	–
	Claims paid on defective materials sold	**197,170**	114,619
Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司	Sales of complete knock down kits and sedan tool kits (note f)	**43**	–
	Sales of automobile parts and components (note f)	**2,365**	521
	Acquisition of a subsidiary (note f) (note 35(c))	**242,550**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Related companies (notes a and b)			
Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司	Sales of complete knock down kits and sedan tool kits (note f)	**57,052,068**	23,859,407
	Sales of complete knock down kits (electric vehicles) (note f)	**826,298**	128,283
	Sales of automobile parts and components (note f)	**–**	1,139
	Claims income on defective materials purchased	**192,985**	110,864
	Purchase of complete buildup units (note f)	**59,314,043**	24,619,656
	Purchase of automobile parts and components (note f)	**821**	35
	Sub-contracting fee paid (note f)	**–**	14,850
	Disposal of a subsidiary (note f) (note 30(a))	**1,241,687**	–
	Claims paid on defective materials sold	**198,850**	110,914
Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司	Sales of automobile parts and components (note f)	**3**	–
	Claims income on defective materials purchased	**24**	36,319
	Purchase of automobile parts and components (note f)	**16,575,792**	9,070,513
	Claim paid on defective materials sold	**56,276**	–
Taizhou Haoqing Automobile Sales Services Company Limited (formerly known as Taizhou Haoqing Automobile Sales Company Limited)# 台州豪情汽車銷售服務有限公司 (前稱台州豪情汽車銷售有限公司)	Sales of complete buildup units (note f)	**580,737**	507,913
	Sales of automobiles parts and components (note f)	**7,057**	5,782
Shanghai LTI Automobile Company Limited (formerly known as Shanghai LTI Automobile Components Company Limited)# 上海英倫帝華汽車有限公司(前稱上海英倫帝華汽車部件有限公司)	Sales of automobile parts and components (note f)	**33**	4
	Purchase of automobile parts and components (note f)	**12,893**	7,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Related companies (notes a and b)			
Geely Automobile Research Development Co., Ltd.# 寧波吉利汽車研究開發有限公司	Sales of complete knock down kits and sedan tool kits (note f)	**1,702**	973
	Sales of automobile parts and components (note f)	**16**	3,631
	Purchase of automobile parts and components (note f)	**214**	–
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note f)	**2,733,212**	2,218,473
Shenzhen Geely Automobile Sales Company Limited# 深圳吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note f)	**23,993**	11,435
Shanxi New Energy Automobile Industrial Company Limited# 山西新能源汽車工業有限公司	Sales of automobile parts and components (note f)	**1,291**	2,015
	Acquisition of a subsidiary	**–**	720,244
Baoji Geely Automobile Company Limited# 寶雞吉利汽車有限公司	Acquisition of a subsidiary	**–**	702,207
Hangzhou Geely Yiyun Technology Company Limited# 杭州吉利易雲科技有限公司	IT services expenses (note f)	**29,374**	28,919

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34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Related companies (notes a and b)			
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expenses (note f)	**92,114**	30,110
Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note c) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components (note f)	**37,945**	15,563
	Purchase of automobile parts and components (note f)	**–**	973
	Sales of complete knock down kits (electric vehicles) (note f)	**127**	–
Kandi Electric Vehicles Group Co., Ltd.# ("Kandi Electric") (note c) 康迪電動汽車集團有限公司	Sales of complete knock down kits (electric vehicles) (note f)	**469**	–
Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components (note f)	**26,476**	–
Zhejiang Kingkong Automobile Company Limited# ("Zhejiang Kingkong") (note d) 浙江金剛汽車有限公司	Sales of automobile parts and components (note f)	**21,162**	–
Associate			
Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	**3,346,577**	1,199,332

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34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Joint ventures and its subsidiary			
Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note c) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components	**–**	65,880
Genius Auto Finance Company Limited# 吉致汽車金融有限公司	Service fee income	**–**	9,920
LYNK & CO Investment Co., Ltd.# 領克投資有限公司	Disposal of a subsidiary (note f) (note 30(b))	**100,000**	–
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司	Disposal of joint ventures (note f)	**–**	1,346,487
	Acquisition of a subsidiary (note f) (note 35(b))	**993,100**	–

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Notes:

(a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue license and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(c) In October 2016, the Company has disposed of Kandi Electric to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries became related companies of the Group.

(d) Zhejiang Kingkong had been disposed of by the Group to Zhejiang Haoqing in September 2017 (note 30(a)). The transactions represented sales after the disposal.

(e) The related party transactions were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third parties of the Group.

(f) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Directors' Report" section to the annual report.

(b) Remuneration of key management personnel

The remuneration of directors (as disclosed in note 13) and other members of key management personnel during the year are as follows:

	2017	2016
	RMB'000	RMB'000
Short-term benefits	**17,186**	14,402
Retirement scheme contribution	**232**	220
Equity settled share-based payments	**27,724**	42,192
	45,142	56,814

The remuneration of directors and key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends. Total remuneration is included on "staff costs" (see note 9(b)).

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(c) Financial guarantee contracts

As at 31 December 2017, the Group has provided guarantees with respect to banking facilities granted to the Company's ultimate holding company of RMB838,500,000 (2016: RMB590,000,000), and bank borrowings and notes payables of the Group's related companies totalling RMBNil (2016: RMB101,180,000). Without taking into account any collateral held, this represented the Group's maximum exposure under the financial guarantee contracts at the reporting date. As at 31 December 2017, the Group's maximum exposure under the financial guarantee contracts was determined to be RMB838,500,000 (2016: RMB691,180,000). As at the reporting date, the Company's ultimate holding company will provide 100% counter guarantees to the Group by way of cash in respect of the above guarantees provided by the Group to the respective banks.

Under the financial guarantee contracts, land lease prepayments and property, plant and equipment of the Group with carrying amounts of RMB76,754,000 and RMB135,734,000, respectively had been pledged to the banks as at 31 December 2016.

The Group would only be liable to pay the banks if the banks are unable to recover the loans. No provision for the Group's obligation under the financial guarantee contracts have been made as it was not probable that the repayment of the bank borrowings by the Company's ultimate holding company would be in default. According to the terms of the bank loans, the earliest repayment dates of the bank loans of RMB291,000,000, RMB355,500,000, RMB189,000,000 and RMB3,000,000 are in 2018, 2019, 2020 and 2021, respectively (2016: RMB620,000,000 and RMB270,000,000 are in 2017 and 2018, respectively). The financial guarantee is measured at fair value in initial recognition. The fair value of the guarantee is insignificant.

Other than the material related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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35. BUSINESS COMBINATIONS

(a) Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司 ("Baoji Engine")

On 7 November 2017, Zhejiang Geely Luoyou Engine Company Limited# 浙江吉利羅佑發動機有限公司 ("Geely Luoyou"), an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Geely Luoyou has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Baoji Engine for a cash consideration of approximately RMB345,100,000. Baoji Engine is engaged in the research, development, production and sales of vehicle engines and related after-sales parts in the PRC. The acquisition of Baoji Engine was completed on 28 December 2017. Please refer to the Company's circular dated 8 December 2017 for further details.

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Intangible assets (note 15)	589,326	–	589,326
Deferred tax assets (note 27)	16,013	–	16,013
Property, plant and equipment (note 14)	1,188,484	84,000	1,272,484
Land lease prepayments (note 16)	59,981	14,000	73,981
Trade and other receivables	236,352	–	236,352
Inventories	27,492	–	27,492
Bank balances and cash	55,632	–	55,632
Trade and other payables	(1,930,026)	–	(1,930,026)
	243,254	98,000	341,254
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			345,100
Fair value of identifiable net assets acquired			(341,254)
			3,846
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(345,100)
Bank balances and cash acquired			55,632
			(289,468)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35. BUSINESS COMBINATIONS (Continued)

(a) Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司 ("Baoji Engine") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Baoji Engine has not contributed any revenue and loss from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2017 would be RMB92,791,978,000 and RMB10,692,291,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2017 and could not serve as a basis for the forecast of future operation results.

(b) Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司 ("Ningbo SZX")

On 7 November 2017, Geely Luoyou and the Company's ultimate holding company entered into an acquisition agreement pursuant to which Geely Luoyou has conditionally agreed to acquire, and the Company's ultimate holding company has conditionally agreed to sell the entire equity interests of Ningbo SZX for a cash consideration of approximately RMB993,100,000. Ningbo SZX is engaged in the research, development, production and sales of transmissions and related after-sales parts in the PRC. The acquisition of Ningbo SZX was completed on 28 December 2017. Please refer to the Company's circular dated 8 December 2017 for further details.

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35. BUSINESS COMBINATIONS (Continued)

(b) Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司 ("Ningbo SZX") (Continued)

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Intangible assets (note 15)	668,707	–	668,707
Property, plant and equipment (note 14)	822,012	64,387	886,399
Land lease prepayments (note 16)	60,047	–	60,047
Trade and other receivables	482,905	–	482,905
Inventories	53,944	–	53,944
Bank balances and cash	41,738	–	41,738
Trade and other payables	(1,197,238)	–	(1,197,238)
	932,115	64,387	996,502
Bargain purchase gain arising from acquisition (note 8):			
Cash consideration transferred			993,100
Fair value of identifiable net assets acquired			(996,502)
			(3,402)
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(993,100)
Bank balances and cash acquired			41,738
			(951,362)

No acquisition-related costs had been incurred in relation to the acquisition.

35. BUSINESS COMBINATIONS (Continued)

(b) Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司 ("Ningbo SZX") (Continued)

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities.

Ningbo SZX has not contributed any revenue and loss from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2017 would be RMB92,864,473,000 and RMB10,739,194,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2017 and could not serve as a basis for the forecast of future operation results.

(c) Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 ("Zhejiang Yili")

On 7 November 2017, Geely Luoyou and two fellow subsidiaries owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Geely Luoyou has conditionally agreed to acquire, and the fellow subsidiaries have conditionally agreed to sell the entire equity interests of Zhejiang Yili for a cash consideration of approximately RMB495,000,000. Zhejiang Yili is engaged in the research, development, production and sales of vehicle engines and related after-sales parts in the PRC. The acquisition of Zhejiang Yili was completed on 28 December 2017. Please refer to the Company's circular dated 8 December 2017 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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35. BUSINESS COMBINATIONS (Continued)

(c) Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 ("Zhejiang Yili") (Continued)

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,078,140	44,000	1,122,140
Intangible assets (note 15)	35,676	–	35,676
Land lease prepayments (note 16)	63,235	12,000	75,235
Trade and other receivables	182,197	–	182,197
Inventories	10,029	–	10,029
Bank balances and cash	7,196	–	7,196
Trade and other payables	(942,790)	–	(942,790)
	433,683	56,000	489,683
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			495,000
Fair value of identifiable net assets acquired			(489,683)
			5,317
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(495,000)
Bank balances and cash acquired			7,196
			(487,804)

35. BUSINESS COMBINATIONS (Continued)

(c) Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 ("Zhejiang Yili") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Zhejiang Yili has not contributed any revenue and loss from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2017 would be RMB92,761,937,000 and RMB10,675,865,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2017 and could not serve as a basis for the forecast of future operation results.

The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

36. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes Senior Notes and bank borrowings) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

The gearing ratio as at the reporting date was as follows:

	2017 RMB'000	2016 RMB'000
Debt	**1,296,460**	2,242,691
Equity attributable to equity holders of the Company	**34,467,047**	24,437,227
Debt to equity ratio	**4%**	9%

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit and liquidity risks arises in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2017	2016
	RMB'000	RMB'000
Financial assets		
Available-for-sale financial assets		
– Unlisted equity securities	**21,650**	21,779
Loans and receivables		
– Trade and other receivables	**30,624,347**	26,822,827
– Pledged bank deposits	**36,043**	39,304
– Bank balances and cash	**13,414,638**	15,045,493
	44,096,678	41,929,403
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**36,168,557**	30,295,699
– Bank borrowings	**1,296,460**	174,375
– Senior notes	**–**	2,068,316
	37,465,017	32,538,390

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank balances and cash of the Group have been deposited into established banks in countries that the Group operates.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers. In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, in the consolidated statement of financial position after deducting any impairment allowance. In addition, as set out in note 34(c) to the consolidated financial statements, the Group provided guarantees to secure banking facilities granted to the Company's ultimate holding company. The directors consider the Company's ultimate holding company has sufficient financial strength and the probability of default is low. The Group does not provide any other guarantees which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2017						
Financial liabilities at amortised cost						
Trade and other payables	N/A	36,168,557	–	–	36,168,557	36,168,557
Bank borrowings	2.62	1,296,460	–	–	1,296,460	1,296,460
Financial guarantee issued						
Maximum amount guaranteed (note 34(c))	N/A	838,500	–	–	838,500	–
		38,303,517	–	–	38,303,517	37,465,017

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37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2016						
Financial liabilities at amortised cost						
Trade and other payables	N/A	30,295,699	–	–	30,295,699	30,295,699
Senior notes	5.54	109,363	109,363	2,166,705	2,385,431	2,068,316
Bank borrowings	1.83	177,566	–	–	177,566	174,375
Financial guarantee issued						
Maximum amount guaranteed (note 34(c))	N/A	691,180	–	–	691,180	–
		31,273,808	109,363	2,166,705	33,549,876	32,538,390

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the guarantee arrangement if that amounts are claimed by the counterparty to the guarantee on bank borrowings procured by the ultimate holding company of the Company. Based on the expectations at the reporting date, the Group considers that no amount will be payable under the guarantee contracts.

Bank borrowings with a repayable on demand clause are included in "Within one year or on demand" time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amounts of these bank borrowings amounted to RMB1,296,460,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid in accordance with the scheduled repayment date set out in the loan agreement. At that time, the aggregate principal amount and interest cash outflows which will be repaid within one year and more than one year but less than two years would be amounted to RMB33,967,000 and RMB1,330,427,000, respectively, from the reporting date.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Group's interest rate risk relates primarily to bank borrowings (note 26). The Group does not apply any derivatives to hedge the interest rate risk. The Group's bank borrowings bear variable rates.

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note.

As at 31 December 2017, it is estimated that an increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and accumulated profits by approximately RMB12,965,000 (2016: RMB1,744,000).

Currency risk

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollars, US$, Australian dollars and Euro.

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2017				2016			
	Hong Kong dollars RMB'000	**US$ RMB'000**	**Australian dollars RMB'000**	**Euro RMB'000**	Hong Kong dollars RMB'000	US$ RMB'000	Australian dollars RMB'000	Euro RMB'000
Bank balances and cash	**143,655**	**289,806**	**5,534**	**100,841**	333,447	1,906,336	371	7,453
Trade and other receivables	**647**	**301,728**	**–**	**–**	535	642,947	–	–
Senior Notes	**–**	**–**	**–**	**–**	–	(2,068,316)	–	–
Bank borrowings	**–**	**(1,296,460)**	**–**	**–**	(174,375)	–	–	–
Trade and other payables	**–**	**(715)**	**–**	**–**	–	(110,045)	–	–
Net exposure arising from recognised assets and liabilities	**144,302**	**(705,641)**	**5,534**	**100,841**	159,607	370,922	371	7,453

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Currency risk (Continued)

As the Group is mainly exposed to the effects of fluctuation in Hong Kong dollars/US$/Australian dollars/Euro, the following table indicates the approximate change in the Group's profit after taxation and accumulated profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and accumulated profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

	Impact of Hong Kong dollars		Impact of US$		Impact of Australian dollars		Impact of Euro	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit after taxation/Accumulated profits	**7,215**	7,980	**(36,065)**	14,644	**277**	19	**3,790**	279

Fair value measurements of financial instruments

Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016 due to their short-term maturities.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 **RMB'000**	2016 RMB'000
Non-current assets		
Property, plant and equipment	**232**	531
Investments in subsidiaries	**–**	–
Interest in a joint venture	**735,649**	697,330
	735,881	697,861
Current assets		
Other receivables	**1,910**	1,651
Amounts due from subsidiaries	**4,505,116**	4,491,780
Bank balances and cash	**252,887**	326,894
	4,759,913	4,820,325
Current liabilities		
Other payables	**61,109**	208,736
Bank borrowings	**1,296,460**	174,375
	1,357,569	383,111
Net current assets	**3,402,344**	4,437,214
Total assets less current liabilities	**4,138,225**	5,135,075
Capital and reserves		
Share capital	**164,286**	162,708
Reserves (note)	**3,973,939**	2,904,051
Total equity	**4,138,225**	3,066,759
Non-current liabilities		
Senior notes	**–**	2,068,316
	4,138,225	5,135,075

Approved and authorised for issue by the Board of Directors on 21 March 2018.

Li Shu Fu
Director

Gui Sheng Yue
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016	5,818,466	572,962	(3,215,572)	3,175,856
Loss for the year	–	–	(305,166)	(305,166)
Transaction with owners:				
Equity settled share-based payments (note 33)	–	42,192	–	42,192
Share issued under share option scheme (note 28)	393,859	(121,731)	–	272,128
Transfer upon forfeiture of share options	–	(14,709)	14,709	–
Dividends paid to equity holders of the Company (note 11)	–	–	(280,959)	(280,959)
Total transactions with owners	393,859	(94,248)	(266,250)	33,361
Balance at 31 December 2016	6,212,325	478,714	(3,786,988)	2,904,051
Balance at 1 January 2017	**6,212,325**	**478,714**	**(3,786,988)**	**2,904,051**
Profit for the year	**–**	**–**	**1,689,939**	**1,689,939**
Transaction with owners:				
Equity settled share-based payments (note 33)	**–**	**27,724**	**–**	**27,724**
Share issued under share option scheme (note 28)	**428,877**	**(116,598)**	**–**	**312,279**
Transfer upon forfeiture of share options	**–**	**(7,942)**	**7,942**	**–**
Dividends paid to equity holders of the Company (note 11)	**–**	**–**	**(960,054)**	**(960,054)**
Total transactions with owners	**428,877**	**(96,816)**	**(952,112)**	**(620,051)**
Balance at 31 December 2017	**6,641,202**	**381,898**	**(3,049,161)**	**3,973,939**

As at 31 December 2017, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB3,592,041,000 (2016: RMB2,425,337,000).

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Centurion Industries Limited	British Virgin Islands	US$1	**100%**	**-**	100%	–	Investment holding
Value Century Group Limited	British Virgin Islands	US$1	**100%**	**-**	100%	–	Investment holding
Geely International Limited 吉利國際貿易有限公司	Hong Kong	2 shares	**100%**	**-**	100%	–	Investment holding and export of vehicles outside the PRC
Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd#* 浙江福林國潤汽車零部件有限公司	PRC	US$15,959,200	**-**	**100%**	–	100%	Research, production, marketing and sales of automobile parts and related components in the PRC
Linkstate Overseas Limited	British Virgin Islands	US$1	**100%**	**-**	100%	–	Inactive
Luckview Group Limited	British Virgin Islands	US$1	**100%**	**-**	100%	–	Investment holding
Luck Empire Investment Limited 帝福投資有限公司	Hong Kong	1 share	**-**	**100%**	–	100%	Investment holding
Zhejiang Kingkong Automobile Parts & Components R&D Company Limited*# 浙江金剛汽車零部件研究開發有限公司	PRC	US$14,900,000	**-**	**100%**	–	100%	Research and development of automobile parts and components in the PRC
Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司	PRC	RMB15,000,000	**-**	**99%**	–	99%	Sales of automobile parts and components in the PRC
Zhejiang Jirun Automobile Company Limited ("Jirun Automobile")^# 浙江吉潤汽車有限公司	PRC	US$476,636,575	**-**	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Maple Guorun Automobile Company Limited^# 上海華普國潤汽車有限公司	PRC	US$121,363,600	**-**	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Geely Holding Group Automobile Sales Company Limited#^ 浙江吉利控股集團汽車銷售有限公司	PRC	RMB60,559,006	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Geely International Corporation# 上海吉利美嘉峰國際貿易股份有限公司	PRC	RMB100,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Zhejiang Geely Automobile Research Institute Limited# 浙江吉利汽車研究院有限公司	PRC	RMB30,000,000	-	99%	–	99%	Research and development of vehicles and related automobile components in the PRC
Shanghai Maple Automobile Sales Company Limited# 上海華普汽車銷售有限公司	PRC	RMB20,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Zhejiang Ruhoo Automobile Company Limited^# 浙江陸虎汽車有限公司	PRC	RMB418,677,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Kingkong Automobile Company Limited^# (note) 浙江金剛汽車有限公司	PRC	RMB413,000,000	-	-	–	99%	Research, development, production and sales of vehicles and related automobile components in the PRC
Shanghai Jicining Mechanical and Electrical Equipment Company Limited# 上海吉茨寧機電設備有限公司	PRC	RMB20,000,000	-	99%	–	–	Not yet commenced business
Ningbo Jining Automobile Parts and Components Company Limited# 寧波吉寧汽車零部件有限公司	PRC	RMB20,000,000	-	99%	–	–	Not yet commenced business
Hunan Geely Automobile Components Company Limited^# 湖南吉利汽車部件有限公司	PRC	US$88,500,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Shanghai Jichong Power Technology Company Limited# 上海吉聰動力技術有限公司	PRC	RMB80,000,000	-	99%	–	99%	Research and development of electric hybrid engines in the PRC
Zhejiang Vision Auto-parts Fittings Company Limited# 浙江遠景汽配有限公司	PRC	RMB50,000,000	-	99%	–	99%	Procurement of automobile parts and components in the PRC
Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司	PRC	RMB50,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Hunan Luoyou Engine Components Company Limited# 湖南羅佑發動機部件有限公司	PRC	RMB150,000,000	-	99%	–	99%	Production of automobile components in the PRC
Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司	PRC	RMB360,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and sales of related automobile components in the PRC
Jinan Geely Automobile Parts and Components Company Limited# 濟南吉利汽車零部件有限公司	PRC	RMB10,000,000	-	99%	–	99%	Research, development, production, marketing and sales of related automobile components in the PRC
Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司	PRC	RMB96,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司	PRC	RMB300,000,000	-	99%	–	–	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC
Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司	PRC	RMB1,000,000,000	-	99%	–	–	Research, development, production and sales of transmissions and related after-sales parts in the PRC

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司	PRC	RMB500,000,000	-	99%	–	–	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC
Fewin S.A.	Uruguay	US$8,010,418	-	100%	–	100%	Marketing and sales of vehicles in South America
Limited Liability Company "Borisov Engine Plant《Geely》"	Belarus	BYN1,000,000	-	51%	–	–	Production, marketing and sales of vehicles in Belarus
Limited Liability Company "Geely Motors"	Russia	Russian Rouble 10,000	-	99%	–	99%	Marketing and sales of vehicles in Russia
Zhejiang Fengrui Engine Company Limited# 浙江鋒鋭發動機有限公司	PRC	RMB100,000,000	-	99%	–	99%	Production of automobile engines in the PRC
Zhejiang Geely Luoyou Engine Company Limited# 浙江吉利羅佑發動機有限公司	PRC	RMB500,000,000	-	99%	–	99%	Production of automobile engines in the PRC
Ningbo Geely Vision Auto-parts Fittings Company Limited# 寧波吉利遠景汽配有限公司	PRC	RMB10,000,000	-	99%	–	99%	Not yet commenced business
Geely Ukraine, LLC	Ukraine	Ukrainian hryvnia 61,000	-	99%	–	99%	Not yet commenced business
Ningbo Geely Luoyou Engine Components Company Limited# 寧波吉利羅佑發動機零部件有限公司	PRC	RMB282,800,000	-	99%	–	99%	Production of automobile components in the PRC
Taizhou Geely International Corporation (formerly known as Taizhou Geely International Limited)# 台州吉利汽車銷售有限公司 (前稱台州吉利美嘉峰貿易有限公司)	PRC	RMB10,000,000	-	99%	–	99%	Export of vehicles outside the PRC

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Xiangtan Geely International Limited# 湘潭吉利美嘉峰貿易有限公司	PRC	RMB10,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司	PRC	RMB1,100,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi New Energy Automobile Sales Company Limited# 山西新能源汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Sales Company Limited# 寶雞吉利汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司	PRC	RMB700,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司	PRC	RMB600,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Geely International Limited# 浙江吉利汽車國際貿易有限公司	PRC	RMB10,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Geely Automobile Research Institute (Ningbo) Company Limited# 吉利汽車研究院(寧波)有限公司	PRC	RMB30,000,000	-	99%	–	99%	Research and development of vehicles and related automobile components in the PRC
Ningbo Geely International Limited# 寧波吉利汽車國際貿易有限公司	PRC	RMB10,000,000	-	99%	–	–	Not yet commenced business

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

\# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

Note : This subsidiary has been disposed of during the year. Further details are disclosed in note 30(a).

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information related to subgroup of Jirun Automobile, the subsidiary of the Group which has material non-controlling interest. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2017 RMB'000	2016 RMB'000
Non-controlling interest percentage	**1%**	1%
Non-current assets	**24,605,243**	12,469,430
Current assets	**54,455,627**	48,801,393
Current liabilities	**(51,106,788)**	(43,159,462)
Non-current liabilities	**(2,855,173)**	(718,214)
Net assets	**25,098,909**	17,393,147
Carrying amount of non-controlling interest	**246,844**	169,796
Revenue	**112,600,002**	64,203,964
Profit for the year	**7,695,600**	4,085,187
Other comprehensive income/(expense) for the year	**9,167**	(196,414)
Total comprehensive income for the year	**7,704,767**	3,888,773
Profit allocated to non-controlling interest	**76,956**	40,852
Other comprehensive income/(expense) allocated to non-controlling interest	**92**	(1,964)
Dividend paid to non-controlling interest	**–**	–
Cash flows generated from operating activities	**10,464,756**	5,536,060
Cash flows used in investing activities	**(10,242,999)**	(2,130,104)
Cash flows generated from/(used in) financing activities	**314**	(72,704)
Net cash inflows	**222,071**	3,333,252

40. EVENT AFTER THE REPORTING DATE

On 18 January 2018, the Company, Barclays Bank PLC, BNP Paribas, Deutsche Bank AG, Hong Kong Branch and UBS AG Hong Kong Branch entered into a subscription agreement in connection with the issue of US$300,000,000 3.625% bonds due 2023 (the "Bonds Issue"). The estimated net proceeds of the Bonds Issue, after deduction of underwriting discounts and commissions and other offering expenses, amounted to approximately US$297,500,000 (equivalent to RMB1,909,950,000) and the Group intends to use it to refinance the Group's certain existing indebtedness and for business development and other general corporate purposes.

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

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