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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

FINANCIAL HIGHLIGHTS:

	Year ended 31 December		Change %
	2019 RMB'000	2018 RMB'000	
Sales volume* (Units)	1,361,560	1,500,838	(9)
Revenue	97,401,248	106,595,133	(9)
Other income	1,224,666	1,236,985	(1)
Gain on disposal of subsidiaries	183,067	–	N/A#
Profit for the year	8,261,358	12,674,398	(35)
Profit attributable to equity holders of the Company	8,189,638	12,553,207	(35)
Earnings per share			
Basic (RMB)	0.90	1.40	(36)
Diluted (RMB)	0.89	1.37	(35)
Proposed final dividend (per ordinary share) (HK\$)	0.25	0.35	(29)

* Included the sales volume of “Lynk&Co” vehicles sold by the Group’s 50%-owned joint venture.

Not applicable.

The Board recommends payment of a final dividend of HK\$0.25 per ordinary share (2018: HK\$0.35 per ordinary share), and such proposal is subject to approval by shareholders at the annual general meeting of the Company to be held on Monday, 25 May 2020 at 4:00 p.m. (Hong Kong Time).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	<i>Note</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> <i>(Note)</i>
Revenue	5	97,401,248	106,595,133
Cost of sales		<u>(80,484,620)</u>	<u>(85,081,727)</u>
Gross profit		16,916,628	21,513,406
Other income	6	1,224,666	1,236,985
Distribution and selling expenses		(4,332,267)	(4,523,278)
Administrative expenses, excluding share-based payments		(5,122,388)	(3,777,155)
Share-based payments		(5,459)	(14,594)
Finance income, net	8(a)	108,021	78,992
Share of results of associates		38,122	(59,949)
Share of results of joint ventures		625,878	504,566
Gain on disposal of subsidiaries	19	<u>183,067</u>	<u>–</u>
Profit before taxation	8	9,636,268	14,958,973
Taxation	7	<u>(1,374,910)</u>	<u>(2,284,575)</u>
Profit for the year		<u>8,261,358</u>	<u>12,674,398</u>
Attributable to:			
Equity holders of the Company		8,189,638	12,553,207
Non-controlling interests		<u>71,720</u>	<u>121,191</u>
Profit for the year		<u>8,261,358</u>	<u>12,674,398</u>
Earnings per share			
Basic	10	RMB0.90	RMB1.40
Diluted	10	<u>RMB0.89</u>	<u>RMB1.37</u>

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 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> <i>(Note)</i>
Profit for the year	8,261,358	12,674,398
Other comprehensive income (after tax of RMBNil) for the year:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	<u>50,275</u>	<u>92,418</u>
Total comprehensive income for the year	<u>8,311,633</u>	<u>12,766,816</u>
Attributable to:		
Equity holders of the Company	8,239,395	12,644,665
Non-controlling interests	<u>72,238</u>	<u>122,151</u>
Total comprehensive income for the year	<u>8,311,633</u>	<u>12,766,816</u>

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 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Note</i>	2019 RMB'000	2018 RMB'000 <i>(Note)</i>
Non-current assets			
Property, plant and equipment		27,070,318	23,422,617
Intangible assets		17,597,628	14,993,188
Land lease prepayments		3,230,845	3,268,035
Goodwill		42,806	26,414
Interests in associates		462,387	404,669
Interests in joint ventures		8,375,076	5,917,618
Trade and other receivables	<i>11</i>	268,899	–
Deferred tax assets	<i>17</i>	865,606	642,959
		<u>57,913,565</u>	<u>48,675,500</u>
Current assets			
Land lease prepayments		–	66,538
Inventories		4,820,776	4,097,380
Trade and other receivables	<i>11</i>	25,844,914	22,864,974
Income tax recoverable		26,714	–
Pledged bank deposits		40,393	19,392
Bank balances and cash		19,281,216	15,737,196
		<u>50,014,013</u>	<u>42,785,480</u>
Current liabilities			
Trade and other payables	<i>12</i>	47,873,315	41,438,036
Bank borrowings		–	1,375,280
Lease liabilities	<i>13</i>	37,223	–
Income tax payable		615,894	947,085
		<u>48,526,432</u>	<u>43,760,401</u>
Net current assets/(liabilities)		<u>1,487,581</u>	<u>(974,921)</u>
Total assets less current liabilities		<u><u>59,401,146</u></u>	<u><u>47,700,579</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i> <i>(Note)</i>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	167,733	164,470
Perpetual capital securities	<i>15</i>	3,413,102	–
Reserves		<u>50,854,791</u>	<u>44,779,507</u>
Equity attributable to equity holders of the Company		54,435,626	44,943,977
Non-controlling interests		<u>488,840</u>	<u>430,741</u>
Total equity		<u>54,924,466</u>	<u>45,374,718</u>
Non-current liabilities			
Bonds payables	<i>16</i>	2,060,085	2,047,822
Lease liabilities	<i>13</i>	26,366	–
Bank borrowings		2,089,110	–
Deferred tax liabilities	<i>17</i>	<u>301,119</u>	<u>278,039</u>
		<u>4,476,680</u>	<u>2,325,861</u>
		<u>59,401,146</u>	<u>47,700,579</u>

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 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company							Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Share option reserve	Accumulated profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	<u>164,286</u>	<u>6,641,202</u>	<u>164,790</u>	<u>179,587</u>	<u>(123,575)</u>	<u>381,898</u>	<u>27,024,546</u>	<u>34,432,734</u>	<u>343,590</u>	<u>34,776,324</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,458</u>	<u>-</u>	<u>12,553,207</u>	<u>12,644,665</u>	<u>122,151</u>	<u>12,766,816</u>
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 (note 14)	184	51,095	-	-	-	(15,669)	-	35,610	-	35,610
Equity settled share-based payments	-	-	-	-	-	14,594	-	14,594	-	14,594
Transfer upon forfeiture of share options	-	-	-	-	-	(2,727)	2,727	-	-	-
Final dividend approved and paid in respect of the previous year (note 9)	-	-	-	-	-	-	(2,160,828)	(2,160,828)	-	(2,160,828)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(36,030)	(36,030)
Total transactions with owners	<u>184</u>	<u>51,095</u>	<u>-</u>	<u>130,811</u>	<u>-</u>	<u>(3,802)</u>	<u>(2,311,710)</u>	<u>(2,133,422)</u>	<u>(35,000)</u>	<u>(2,168,422)</u>
Balance at 31 December 2018 (note)	<u>164,470</u>	<u>6,692,297</u>	<u>164,790</u>	<u>310,398</u>	<u>(32,117)</u>	<u>378,096</u>	<u>37,266,043</u>	<u>44,943,977</u>	<u>430,741</u>	<u>45,374,718</u>

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 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2019

	Attributable to equity holders of the Company										
	Share capital RMB'000 (note 14)	Perpetual capital securities RMB'000 (note 15)	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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 year	-	-	-	-	-	-	-	8,189,638	8,189,638	71,720	8,261,358
Other comprehensive income:											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	49,757	-	-	49,757	518	50,275
Total comprehensive income for the year	-	-	-	-	-	49,757	-	8,189,638	8,239,395	72,238	8,311,633
Transactions with owners:											
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,555	1,555
Transfer of reserves	-	-	-	-	45,240	-	-	(45,240)	-	-	-
Issuance of perpetual capital securities (note 15)	-	3,413,102	-	-	-	-	-	-	3,413,102	-	3,413,102
Shares issued under share option scheme (note 14)	3,263	-	899,295	-	-	-	(263,105)	-	639,453	-	639,453
Equity settled share-based payments	-	-	-	-	-	-	5,459	-	5,459	-	5,459
Transfer upon forfeiture of share options	-	-	-	-	-	-	(20,149)	20,149	-	-	-
Final dividend approved and paid in respect of the previous year (note 9)	-	-	-	-	-	-	-	(2,805,760)	(2,805,760)	-	(2,805,760)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(15,694)	(15,694)
Total transactions with owners	3,263	3,413,102	899,295	-	45,240	-	(277,795)	(2,830,851)	1,252,254	(14,139)	1,238,115
Balance at 31 December 2019	<u>167,733</u>	<u>3,413,102</u>	<u>7,591,592</u>	<u>164,790</u>	<u>355,638</u>	<u>17,640</u>	<u>100,301</u>	<u>42,624,830</u>	<u>54,435,626</u>	<u>488,840</u>	<u>54,924,466</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<i>Note</i>	2019 RMB'000	2018 RMB'000 <i>(Note)</i>
Cash flows from operating activities			
Profit before taxation		9,636,268	14,958,973
Adjustments for:			
Bad debts written off	8(c)	5,542	2,219
Depreciation and amortisation		3,733,212	2,413,161
Equity settled share-based payments		5,459	14,594
Finance costs	8(a)	127,580	113,930
Gain on disposal of an associate	6	(636)	–
Gain on disposal of subsidiaries	19	(183,067)	–
Impairment loss on trade and other receivables	8(c)	38,242	9,659
Interest income	8(a)	(235,601)	(192,922)
Net foreign exchange (gain)/loss		(8,729)	225,520
Net loss on disposal of property, plant and equipment	8(c)	55,929	64,482
Share of results of associates		(38,122)	59,949
Share of results of joint ventures		(625,878)	(504,566)
		<hr/>	<hr/>
Operating profit before working capital changes		12,510,199	17,164,999
Inventories		(699,388)	2,175,291
Trade and other receivables		(3,769,692)	11,664,380
Trade and other payables		6,446,007	(14,458,627)
		<hr/>	<hr/>
Cash generated from operations		14,487,126	16,546,043
Income taxes paid		(1,949,422)	(2,620,921)
		<hr/>	<hr/>
<i>Net cash generated from operating activities</i>		12,537,704	13,925,122

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000 (Note)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,872,645)	(2,312,931)
Proceeds from disposal of property, plant and equipment		8,216	104,723
Additions of land lease prepayments		(95,980)	(178,985)
Additions of intangible assets		(4,606,090)	(5,031,452)
Additional capital injection in an associate		(20,493)	(95,258)
Additional capital injection in joint ventures		(1,831,580)	(880,000)
Investment in a joint venture		–	(97,522)
Proceeds from disposal of intangible assets		–	4,644
Change in pledged bank deposits		(21,001)	16,651
Net cash outflows on acquisition of subsidiaries		(320,689)	(3,063,151)
Net cash outflows on disposal of subsidiaries	19	(2,699)	–
Settlement of payables for acquisition of subsidiaries in previous year		(1,265,277)	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	21,650
Proceeds from disposal of interests in an associate		1,533	–
Interest received		<u>235,601</u>	<u>192,922</u>
<i>Net cash used in investing activities</i>		<u>(10,791,104)</u>	<u>(11,318,709)</u>
Cash flows from financing activities			
Dividends paid	9(b)	(2,805,760)	(2,160,828)
Dividends paid to non-controlling interests		(15,694)	(36,030)
Capital contribution from non-controlling interests		1,555	1,030
Proceeds from issuance of perpetual capital securities, net of transaction costs	15	3,413,102	–
Proceeds from issuance of bonds, net of transaction costs	20	–	1,927,161
Proceeds from issuance of shares upon exercise of share options	14	639,453	35,610
Proceeds from bank borrowings	20	2,060,760	–
Repayments of bank borrowings	20	(1,373,120)	–
Payment of lease liabilities	20	(33,399)	–
Interest paid	20	<u>(123,537)</u>	<u>(73,298)</u>
<i>Net cash generated from/(used in) financing activities</i>		<u>1,763,360</u>	<u>(306,355)</u>
Net increase in cash and cash equivalents		3,509,960	2,300,058
Cash and cash equivalents at the beginning of the year		15,737,196	13,414,638
Effect of foreign exchange rate changes		<u>34,060</u>	<u>22,500</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash		<u>19,281,216</u>	<u>15,737,196</u>

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 3.

NOTES

For the year ended 31 December 2019

(Amounts expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

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**”). As at 31 December 2019, 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 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 AND BASIS OF PREPARATION

The consolidated financial statements 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.

The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”).

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 Company and its subsidiaries (together referred to as 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 the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2019 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.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

3.1 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. 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. Comparative information has not been restated and continues to be reported under HKAS 17.

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.

As lessee

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. The Group has already recognised the land lease payments 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.

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, 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.

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:

	<i>RMB'000</i>
Operating lease commitments as at 31 December 2018 (<i>note 21</i>)	76,634
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases with remaining lease term ending on or before 31 December 2019	<u>(7,358)</u>
	69,276
Less: discounted using incremental borrowing rate as at 1 January 2019	<u>(5,217)</u>
Total lease liabilities recognised under HKFRS 16 as at 1 January 2019	<u><u>64,059</u></u>

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position as at 1 January 2019:

	<i>RMB'000</i>
Increase in land lease prepayments (non-current assets)	66,538
Decrease in land lease prepayments (current assets)	(66,538)
Increase in right-of-use assets presented in property, plant and equipment	68,721
Decrease in prepayment related to previous operating lease presented in trade and other receivables	(4,662)
Increase in lease liabilities (current liabilities)	(17,623)
Increase in lease liabilities (non-current liabilities)	(46,436)

As lessor

Upon initial application of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16. Comparative information is not restated.

3.2 Issued but not yet effective HKFRSs

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of new and amended HKFRSs which are not yet effective for the year ended 31 December 2019 and which have not been adopted in the consolidated financial statements. These 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 directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. New and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components 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.

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 (including right-of-use assets), 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 (including right-of-use assets) 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.

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue from external customers		
PRC	92,640,882	104,903,388
Malaysia	2,722,776	253,892
Eastern Europe	1,593,038	618,281
Middle East	219,825	488,135
Central and South America	115,001	138,220
Africa	66,705	190,818
Other countries	43,021	2,399
	<u>97,401,248</u>	<u>106,595,133</u>
Specified non-current assets		
Hong Kong, place of domicile	4,421	196
PRC	56,585,615	47,896,705
Other countries	189,024	135,640
	<u>56,779,060</u>	<u>48,032,541</u>

5. 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.

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of automobiles	91,842,836	102,651,387
– Sales of automobile parts and components	5,130,185	3,943,746
– Licensing of intellectual properties	<u>428,227</u>	<u>–</u>
	<u>97,401,248</u>	<u>106,595,133</u>

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

6. OTHER INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Rental income	22,364	32,715
Gain on disposal of an associate	636	–
Gain on disposal of scrap materials	46,810	30,187
Net foreign exchange gain	67,554	–
Government grants and subsidies (<i>note</i>)	845,449	992,859
Sundry income	<u>241,853</u>	<u>181,224</u>
	<u>1,224,666</u>	<u>1,236,985</u>

Note: Government grants and subsidies mainly related to cash subsidies from government in respect of operating and research and development activities which are either unconditional grants or grants with conditions having been satisfied.

7. TAXATION

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
– PRC enterprise income tax	1,590,840	2,500,577
– Under/(Over)-provision in prior years	2,978	(1,457)
	1,593,818	2,499,120
Deferred tax (<i>note 17</i>)	(218,908)	(214,545)
	1,374,910	2,284,575

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 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 year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (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 years ended 31 December 2019 and 2018.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 to 2017, enterprises engaging in research and development activities were entitled to claim 150% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). From 2018 onwards, such enterprises are entitled to claim Super Deduction at the rate of 175%. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits for the years ended 31 December 2019 and 2018.

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.

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	<u>9,636,268</u>	<u>14,958,973</u>
Tax at the PRC enterprise income tax rate of 25% (2018: 25%)	2,409,067	3,739,743
Tax effect of expenses not deductible	155,487	185,479
Tax effect of non-taxable income	(112,523)	(105,529)
Tax effect of unrecognised tax losses	26,777	60,197
Utilisation of previously unrecognised tax losses	(46,527)	(20,482)
Tax effect of different tax rates of entities operating in other jurisdictions	12,686	15,860
Deferred tax charge on distributable profits withholding tax (<i>note 17</i>)	23,080	10,068
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	(884,788)	(1,442,286)
Super Deduction for research and development costs	(211,327)	(157,018)
Under/(Over)-provision in prior years	<u>2,978</u>	<u>(1,457)</u>
Tax expense for the year	<u>1,374,910</u>	<u>2,284,575</u>

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 RMB23,080,000 (2018: RMB10,068,000) were recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

8. PROFIT BEFORE TAXATION

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

	2019 RMB'000	2018 RMB'000 <i>(Note (a))</i>
(a) Finance income and costs		
Finance costs		
Effective interest expenses on bonds payables (<i>note 16</i>)	3,574	8,624
Coupon expense on bonds payables	75,271	67,769
Interest on lease liabilities	3,557	–
Interest on bank borrowings wholly repayable within five years	<u>45,178</u>	<u>37,537</u>
	<u>127,580</u>	<u>113,930</u>
Finance income		
Bank and other interest income	<u>(235,601)</u>	<u>(192,922)</u>
Net finance income	<u>(108,021)</u>	<u>(78,992)</u>

	2019 RMB'000	2018 RMB'000 (Note (a))
(b) Staff costs (including directors' emoluments) (note (b))		
Salaries, wages and other benefits	5,638,075	5,679,709
Retirement benefit scheme contributions	394,121	378,262
Equity settled share-based payments	5,459	14,594
	<u>6,037,655</u>	<u>6,072,565</u>
(c) Other items		
Lease charges:		
– Land and buildings held under operating leases	–	17,589
– Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	18,683	–
Total lease charges	<u>18,683</u>	<u>17,589</u>
Depreciation (note (b)):		
– Owned assets	1,403,730	978,233
– Right-of-use assets (including land lease prepayments upon initial adoption of HKFRS 16)	112,797	–
Total depreciation	<u>1,516,527</u>	<u>978,233</u>
Amortisation of:		
– Land lease prepayments	–	57,223
– Intangible assets (related to capitalised product development costs)	2,216,685	1,377,705
Total amortisation	<u>2,216,685</u>	<u>1,434,928</u>
Auditor's remuneration	8,616	7,203
Bad debts written off	5,542	2,219
Cost of inventories (note (b))	80,484,620	85,081,727
Impairment loss on trade and other receivables	38,242	9,659
Net loss on disposal of property, plant and equipment	55,929	64,482
Net foreign exchange (gain)/loss	(67,554)	328,355
Net claims paid on defective materials purchased	64,195	53,470
Research and development costs	<u>850,468</u>	<u>548,653</u>

Notes:

- (a) 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 3.
- (b) Cost of inventories included RMB4,979,329,000 (2018: RMB4,851,363,000) 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.

9. DIVIDENDS

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Final dividend proposed after the reporting date of Hong Kong dollars (“ HK\$ ”) 0.25 (2018: HK\$0.35) per ordinary share	<u>2,057,746</u>	<u>2,767,091</u>

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2019.

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.35 (2018: HK\$0.29) per ordinary share	<u>2,805,760</u>	<u>2,160,828</u>

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB8,189,638,000 (2018: RMB12,553,207,000) and weighted average number of ordinary shares of 9,080,734,422 shares (2018: 8,976,494,672 shares), calculated as follows:

Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares as at 1 January (<i>note 14</i>)	8,981,612,540	8,970,514,540
Effect of share options exercised	99,121,882	5,980,132
	<u>9,080,734,422</u>	<u>8,976,494,672</u>
Weighted average number of ordinary shares as at 31 December	<u>9,080,734,422</u>	<u>8,976,494,672</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB8,189,638,000 (2018: RMB12,553,207,000) and the weighted average number of ordinary shares (diluted) of 9,180,124,256 shares (2018: 9,174,027,477 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares (basic) as at 31 December	9,080,734,422	8,976,494,672
Effect of deemed issue of shares under the Company's share option scheme	99,389,834	197,532,805
	<u>9,180,124,256</u>	<u>9,174,027,477</u>
Weighted average number of ordinary shares (diluted) as at 31 December	<u>9,180,124,256</u>	<u>9,174,027,477</u>

11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade and notes receivables			
Trade receivables, net of loss allowance			
– Third parties		622,228	338,158
– Joint ventures		261,436	145,183
– An associate		489,970	269,538
– Related companies controlled by the substantial shareholder of the Company		<u>1,179,681</u>	<u>330,812</u>
	<i>(a)</i>	2,553,315	1,083,691
Notes receivables	<i>(b)</i>	<u>17,210,523</u>	<u>16,988,253</u>
		<u>19,763,838</u>	<u>18,071,944</u>
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		277,245	151,444
– Related companies controlled by the substantial shareholder of the Company		<u>–</u>	<u>1,974</u>
		277,245	153,418
Deposits paid for acquisition of property, plant and equipment		457,691	609,953
VAT and other taxes receivables		4,304,742	3,592,041
Utility deposits and other receivables		<u>1,270,529</u>	<u>414,586</u>
		6,310,207	4,769,998
Amounts due from related companies controlled by the substantial shareholder of the Company	<i>(c)</i>	<u>39,768</u>	<u>23,032</u>
		<u>6,349,975</u>	<u>4,793,030</u>
		<u>26,113,813</u>	<u>22,864,974</u>
<i>Representing:</i>			
– Current		25,844,914	22,864,974
– Non-current		<u>268,899</u>	<u>–</u>
		<u>26,113,813</u>	<u>22,864,974</u>

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers from sales of automobiles and automobile parts and components. In respect of the trade receivable from related company arising from the licensing of intellectual properties, it will be settled within five years in accordance with the contract terms. 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:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	1,128,532	478,099
61 – 90 days	117,568	26,919
Over 90 days	586,296	80,998
	<u>1,832,396</u>	<u>586,016</u>

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:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	119,792	285,290
61 – 90 days	90,208	10,233
91 – 365 days	410,858	148,989
Over 365 days	100,061	53,163
	<u>720,919</u>	<u>497,675</u>

As at 31 December 2019, 32% (2018: 1%) of the total trade receivables was due from the Group's five largest customers.

(b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2019 and 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.

12. TRADE AND OTHER PAYABLES

	<i>Note</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade and notes payables			
Trade payables			
– Third parties		30,544,446	23,562,370
– An associate		726,376	726,074
– Related companies controlled by the substantial shareholder of the Company		253,879	916,316
		<u>253,879</u>	<u>916,316</u>
	<i>(a)</i>	31,524,701	25,204,760
Notes payables	<i>(b)</i>	2,233,280	2,076,400
		<u>2,233,280</u>	<u>2,076,400</u>
		33,757,981	27,281,160
		<u>33,757,981</u>	<u>27,281,160</u>
Other payables			
Receipts in advance from customers	<i>(c)</i>		
– Third parties		4,940,701	1,885,021
– Related companies controlled by the substantial shareholder of the Company		–	5,751
		<u>–</u>	<u>5,751</u>
		4,940,701	1,890,772
Deferred government grants which conditions have not been satisfied		1,459,964	3,190,186
Payables for acquisition of property, plant and equipment		2,795,722	2,017,144
Payables for acquisition of subsidiaries		–	1,265,277
Accrued staff salaries and benefits		1,253,715	1,224,556
VAT and other taxes payables		145,941	167,710
Other accrued charges		3,519,291	2,427,879
		<u>3,519,291</u>	<u>2,427,879</u>
		14,115,334	12,183,524
Amounts due to related companies controlled by the substantial shareholder of the Company	<i>(d)</i>	–	1,752,809
Amount due to ultimate holding company	<i>(d)</i>	–	220,543
		<u>–</u>	<u>220,543</u>
		14,115,334	14,156,876
		<u>14,115,334</u>	<u>14,156,876</u>
		47,873,315	41,438,036
		<u>47,873,315</u>	<u>41,438,036</u>

(a) Trade payables

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

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	28,851,143	20,013,747
61 – 90 days	1,389,265	2,586,200
Over 90 days	<u>1,284,293</u>	<u>2,604,813</u>
	<u>31,524,701</u>	<u>25,204,760</u>

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

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2019 and 2018, all notes payables had maturities of less than six months from the reporting date.

As at 31 December 2019, the Group has no pledged bank deposits (2018: RMB19,392,000) to secure the notes payables.

(c) Receipts in advance from customers

The amounts represent the advance payments from customers for automobiles and automobile parts and components, which revenue will be recognised when the performance obligation was satisfied through the automobiles and automobile parts and components were transferred to the customers.

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	<u>(1,890,772)</u>	<u>(7,984,472)</u>

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.

(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.

13. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2019 RMB'000
Total minimum lease payments:	
Due within one year	39,706
Due in the second to fifth years	<u>26,963</u>
Future finance charges on lease liabilities	<u>(3,080)</u>
Present value of lease liabilities	<u><u>63,589</u></u>
	2019 RMB'000
Present value of minimum lease payments:	
Due within one year	37,223
Due in the second to fifth years	<u>26,366</u>
Less: Portion due within one year included under current liabilities	<u>(37,223)</u>
Portion due after one year included under non-current liabilities	<u><u>26,366</u></u>

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Details for transitions to HKFRS 16 are set out in note 3.

The Group has obtained the right to use office and factory premises through the tenancy agreements. The right-of-use assets have been included in "buildings" in "property, plant and equipment". The leases typically run on an initial period of two to ten years. The Group makes fixed payments during the contract period.

During the year ended 31 December 2019, the total cash outflows for the leases are RMB55,639,000.

14. SHARE CAPITAL

	2019		2018	
	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	<u>12,000,000,000</u>	<u>246,720</u>	<u>12,000,000,000</u>	<u>246,720</u>
Issued and fully paid:				
Ordinary shares of HK\$0.02 each				
At 1 January	8,981,612,540	164,470	8,970,514,540	164,286
Shares issued under share option scheme (<i>note</i>)	<u>185,385,000</u>	<u>3,263</u>	<u>11,098,000</u>	<u>184</u>
At 31 December	<u>9,166,997,540</u>	<u>167,733</u>	<u>8,981,612,540</u>	<u>164,470</u>

Note:

During the year ended 31 December 2019, share options were exercised to subscribe for 185,385,000 ordinary shares (2018: 11,098,000 ordinary shares) of the Company at a consideration of approximately RMB639,453,000 (2018: RMB35,610,000) of which approximately RMB3,263,000 (2018: RMB184,000) was credited to share capital and approximately RMB636,190,000 (2018: RMB35,426,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB263,105,000 (2018: RMB15,669,000) has been transferred to the share premium account.

15. PERPETUAL CAPITAL SECURITIES

On 27 November 2019, the Company (the “**Issuer**”) announced the issue of 4% senior perpetual capital securities with an aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,425,857,000) (the “**Securities**”) which are listed on Singapore Exchange Securities Trading Limited at an issue price of 99.641%. Transaction costs relating to the issue of the Securities amounted to approximately RMB12,755,000. Distribution is payable semi-annually in arrears in equal instalments on 9 June and 9 December of each year based on the distribution rate as defined in the subscription agreement. Distribution by the Issuer may be deferred at its sole discretion. The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer’s option on 9 December 2024, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower rank.

As the Securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32 “Financial Instruments: Presentation”, they are classified as equity for accounting purpose. Any distributions made by the Issuer to the holders of the Securities will be deducted directly to equity in the consolidated financial statements.

16. BONDS PAYABLES

On 18 January 2018, the Company announced the issue of 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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Carrying amount		
At 1 January	2,047,822	–
Initial fair value on the date of issuance	–	1,927,161
Exchange differences	8,689	112,037
Interest expenses	<u>3,574</u>	<u>8,624</u>
At 31 December	<u><u>2,060,085</u></u>	<u><u>2,047,822</u></u>

17. 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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At 1 January	(364,920)	(133,354)
Impact on initial application of HKFRS 9	–	(3,483)
Acquisition through business combination	(2,314)	(13,538)
Disposed of through disposal of subsidiaries (<i>note 19</i>)	21,655	–
Credit to the consolidated income statement (<i>note 7</i>)	<u>(218,908)</u>	<u>(214,545)</u>
At 31 December	<u><u>(564,487)</u></u>	<u><u>(364,920)</u></u>

Deferred tax assets

	Unused tax losses <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>13,538</u>	<u>–</u>	<u>–</u>	<u>13,538</u>
At 31 December 2018 and 1 January 2019	114,846	305,215	222,898	642,959
Credit to the consolidated income statement	76,945	143,994	21,049	241,988
Acquisition through business combination (<i>note 18</i>)	2,314	–	–	2,314
Disposed of through disposal of subsidiaries (<i>note 19</i>)	<u>(4,010)</u>	<u>(17,645)</u>	<u>–</u>	<u>(21,655)</u>
At 31 December 2019	<u>190,095</u>	<u>431,564</u>	<u>243,947</u>	<u>865,606</u>

Deferred tax liabilities

	Withholding tax on undistributed profits from the PRC subsidiaries <i>RMB'000</i>
At 1 January 2018	267,971
Charge to the consolidated income statement (<i>note 7</i>)	<u>10,068</u>
At 31 December 2018 and 1 January 2019	278,039
Charge to the consolidated income statement (<i>note 7</i>)	<u>23,080</u>
At 31 December 2019	<u>301,119</u>

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:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets recognised in the consolidated statement of financial position	(865,606)	(642,959)
Deferred tax liabilities recognised in the consolidated statement of financial position	<u>301,119</u>	<u>278,039</u>
Net deferred tax assets	<u>(564,487)</u>	<u>(364,920)</u>

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities have 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 RMB13,752,541,000 (2018: RMB12,219,028,000).

As at the reporting date, the Group has unused tax losses of approximately RMB1,715,741,000 (2018: RMB2,239,044,000) available for offset against future profits. Of the total tax losses, approximately RMB10,990,000 (2018: RMB497,505,000) 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.

18. BUSINESS COMBINATION

Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司 (“YW Geely”)

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 YW Geely for a cash consideration of approximately RMB322,206,000. YW Geely 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. The acquisition of YW Geely was completed on 30 July 2019. Please refer to the Company’s circular dated 22 May 2019 for further details.

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

	Pre-acquisition carrying amounts <i>RMB'000</i>	Fair value adjustments <i>RMB'000</i>	Recognised values on acquisition <i>RMB'000</i>
The net assets acquired:			
Property, plant and equipment	1,713,308	–	1,713,308
Intangible assets	356,393	–	356,393
Land lease prepayments	48,534	173	48,707
Deferred tax assets (<i>note 17</i>)	2,314	–	2,314
Trade and other receivables	13,994	–	13,994
Inventories	32,563	–	32,563
Bank balances and cash	1,517	–	1,517
Trade and other payables	<u>(1,862,982)</u>	<u>–</u>	<u>(1,862,982)</u>
	<u>305,641</u>	<u>173</u>	<u>305,814</u>
Goodwill arising on acquisition:			
Cash consideration transferred			322,206
Fair value of identifiable net assets acquired			<u>(305,814)</u>
			<u>16,392</u>
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(322,206)
Bank balances and cash acquired			<u>1,517</u>
			<u>(320,689)</u>

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.

YW Geely has contributed revenue of RMBNil and loss of RMB15,243,000, respectively from the acquisition date to 31 December 2019.

If the acquisition had occurred on 1 January 2019, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2019 would be RMB97,401,248,000 and RMB8,244,703,000, 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 2019 and could not serve as a basis for the forecast of future operation results.

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.

19. DISPOSAL OF SUBSIDIARIES

Disposal of Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司 and its subsidiary (“Jinan Geely Group”)

On 26 November 2019, the Group entered into a disposal agreement with a fellow subsidiary owned by the Company’s ultimate holding company for the disposal of the entire interests in Jinan Geely Group, of which members are indirect 99% owned subsidiaries of the Company, at an aggregate cash consideration of approximately RMB507,135,000 (“JN Disposal”). JN Disposal was completed on 3 December 2019. Please refer to the Company’s announcement dated 26 November 2019 for further details. The net assets disposed of at the disposal date are set out as follows:

	<i>RMB’000</i>
Net assets disposed of:	
Property, plant and equipment	468,147
Intangible assets	141,358
Land lease prepayments	170,338
Deferred tax assets (<i>note 17</i>)	21,655
Inventories	8,555
Trade and other receivables	915,660
Bank balances and cash	2,699
Trade and other payables	(1,402,043)
Income tax payable	(2,301)
	<u>324,068</u>
Gain on disposal of subsidiaries:	
Consideration receivable (included in utility deposits and other receivables in note 11)*	507,135
Net assets disposed of	<u>(324,068)</u>
	<u>183,067</u>
Cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>(2,699)</u>

* Consideration receivable of RMB507,135,000 is received in full subsequent to the reporting date.

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.

20. 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 <i>RMB'000</i>	Bank borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i> <i>(note 13)</i>	Bonds payables <i>RMB'000</i> <i>(note 16)</i>	Total <i>RMB'000</i>
At 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	<u>(2,160,828)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,160,828)</u>
Total changes from financing cash flows	<u>(2,160,828)</u>	<u>(38,041)</u>	<u>–</u>	<u>1,891,904</u>	<u>(306,965)</u>
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	<u>–</u>	<u>504</u>	<u>–</u>	<u>(32,512)</u>	<u>(32,008)</u>
Total other changes	<u>2,160,828</u>	<u>38,041</u>	<u>–</u>	<u>43,881</u>	<u>2,242,750</u>
At 31 December 2018	–	1,375,280	–	2,047,822	3,423,102
Adjustment from the adoption of HKFRS 16 <i>(note 3)</i>	<u>–</u>	<u>–</u>	<u>64,059</u>	<u>–</u>	<u>64,059</u>
At 1 January 2019	–	1,375,280	64,059	2,047,822	3,487,161

	Dividends payable <i>RMB'000</i>	Bank borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i> <i>(note 13)</i>	Bonds payables <i>RMB'000</i> <i>(note 16)</i>	Total <i>RMB'000</i>
Change from financing cash flows:					
Proceeds from bank borrowings	–	2,060,760	–	–	2,060,760
Repayments of bank borrowings	–	(1,373,120)	–	–	(1,373,120)
Capital element of lease rentals paid	–	–	(33,399)	–	(33,399)
Other borrowing costs paid	–	(45,178)	(3,557)	(74,802)	(123,537)
Dividends paid	<u>(2,805,760)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,805,760)</u>
 Total changes from financing cash flows	 <u>(2,805,760)</u>	 <u>642,462</u>	 <u>(36,956)</u>	 <u>(74,802)</u>	 <u>(2,275,056)</u>
 Exchange adjustments	 –	 26,190	 –	 8,689	 34,879
 Other changes (note):					
Entering into new leases	–	–	32,929	–	32,929
Interest expenses	–	45,178	3,557	78,845	127,580
Dividends declared	2,805,760	–	–	–	2,805,760
Others	<u>–</u>	<u>–</u>	<u>–</u>	<u>(469)</u>	<u>(469)</u>
 Total other changes	 <u>2,805,760</u>	 <u>45,178</u>	 <u>36,486</u>	 <u>78,376</u>	 <u>2,965,800</u>
 At 31 December 2019	 <u><u>–</u></u>	 <u><u>2,089,110</u></u>	 <u><u>63,589</u></u>	 <u><u>2,060,085</u></u>	 <u><u>4,212,784</u></u>

Note: Other changes include interest accruals.

21. COMMITMENTS

Capital expenditure commitments

As at the reporting date, the capital commitments not provided for in the consolidated financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and equipment	2,239,904	4,070,570
– investment in an associate (note (a))	490,000	490,000
– investment in a joint venture (note (b))	654,588	225,546
	<u>3,384,492</u>	<u>4,786,116</u>

Notes:

- (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 31 December 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 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 RMB1,309,176,000), and will be contributed as to 50% (US\$94,000,000 or equivalent to approximately RMB654,588,000) and 50% (US\$94,000,000 or equivalent to approximately RMB654,588,000) by Shanghai Maple Guorun and LG Chem, respectively. As at 31 December 2019, the formation of the JV was not yet completed. Please refer to the Company’s announcement dated 12 June 2019 for further details.

As lessee

As at the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Office and factory premises		
– Within one year	826	26,561
– In the second to fifth years inclusive	<u>–</u>	<u>50,073</u>
	<u>826</u>	<u>76,634</u>

As at 31 December 2019, the Group leases a number of office and factory properties which are qualified to be accounted for under short-term lease exemption under HKFRS 16. Details of the leases are set out in note 13.

As at 31 December 2018, the Group leases a number of office and factory premises under operating leases. The leases run for an initial period of two to ten years.

As lessor

As at the reporting date, the total future minimum lease receipts in respect of certain portion of buildings and plant and machinery under non-cancellable operating leases are receivable as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Buildings		
– Within one year	3,026	7,021
– After one year but within two years	1,518	7,021
– After two years but within three years	10	5,609
– After three years but within four years	10	4,198
– After four years but within five years	10	4,198
– After five years	15	13,642
	<u>4,589</u>	<u>41,689</u>
Plant and machinery		
– Within one year	3,109	4,001
– After one year but within two years	3,109	4,001
– After two years but within three years	–	4,001
– After three years but within four years	–	4,001
– After four years but within five years	–	4,001
– After five years	–	13,003
	<u>6,218</u>	<u>33,008</u>
	<u><u>10,807</u></u>	<u><u>74,697</u></u>

Leases are negotiated and rental are fixed for an initial period of two to ten years (2018: five to fourteen years).

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22. 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 3.

23. EVENT AFTER THE REPORTING DATE

The outbreak of novel coronavirus (“COVID-19”) continues to spread throughout China and to countries across the world and which has brought uncertainties to the Group’s operating environment in the PRC.

Given the dynamic nature of these circumstances, the Group will put the best efforts to minimise the impact on the business operation and will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Our Group's financial performance in 2019 was below the management's expectations with total revenue decreased by 9% to RMB97.4 billion for the year ended 31 December 2019. Total net profit of our Group declined 35% from RMB12.7 billion in 2018 to RMB8.3 billion in 2019 due to greater-than-expected decrease in overall sales volume and pricing pressure caused by weak demand and fierce market competition during the year. After accounting for non-controlling interests, our net profit attributable to shareholders was down 35% from RMB12.6 billion in 2018 to RMB8.2 billion in 2019. Diluted earnings per share was down 35% to RMB0.89. As a result of the higher customer incentives, which offset continued product mix improvement, our Group's average ex-factory selling price ("ASP") was about the same level as compared to the corresponding period last year. During the year, our manufacturing operations continued to generate good operational cash inflow, plus the issue of US\$500 million senior perpetual capital securities in December 2019, our Group's total cash level (bank balances and cash + pledged bank deposits) increased further by 23% to RMB19.3 billion at the end of 2019.

Business Overview

Weakness at China's passenger vehicle market worsened in 2019. Following a 4% decline in total sales volume in 2018, sales volume of passenger vehicles fell another 10% in 2019. The deterioration of consumer confidence in China caused by economic uncertainties arisen from trade dispute between China and the USA, the completed elimination of purchase tax subsidies for fuel efficient vehicles, plus the rush by local governments in China to speedily implement new emission standards are believed to be the key reasons for the significant decline in the passenger vehicles demand in China during the period.

Despite this, we continued to lift our retail market share and further strengthened our leading position in China's passenger vehicle segment in 2019, making us the largest indigenous brand vehicle manufacturer in China in terms of sales volume and maintaining our position as the third largest passenger vehicle brand in China. In 2019, we posted a 12% decline in domestic wholesale volume (including the sales volume of "Lynk&Co" vehicles sold by our 50%-owned joint venture) to 1,303,569 units. On the other hand, our Group's export sales volume exhibited a strong rebound of 109% year-on-year ("YoY") increase to 57,991 units in 2019 as a result of the introduction of more updated products to the export markets. Overall, our Group sold a total of 1,361,560 units of vehicles (including the sales volume of "Lynk&Co" vehicles sold by our 50%-owned joint venture) in 2019, down 9% from 2018. Despite the weaker-than-expected passenger vehicle demand in China throughout the year, our Group's 2019 sales volume still exceeded the revised target we set in early July 2019, reflecting the improved competitiveness of the Group's products.

Financial Resources

Total capital expenditures (excluding acquisition through business combination) on property, plant and equipment, intangible assets (i.e. capitalised product development costs) and land lease prepayments for the Group amounted to RMB7.6 billion in 2019, which was within the budgeted amount of RMB11.6 billion fixed at the beginning of the year. Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB2,463 million to deficit RMB16,939 million at the end of 2019. If excluding the working capital effects from the acquisition through business combination and the disposal of subsidiaries, the working capital increased by RMB2.0 billion in 2019. Further, as a result of the good operational cash inflow from the Group’s manufacturing operations and the issuance of the Company’s US\$500 million senior perpetual capital securities, the Group’s total cash level (bank balances and cash + pledged bank deposits) increased by 23% YoY to RMB19.3 billion at the end of 2019. The Group’s total borrowings (included bank borrowings and bonds payables) also increased by 21% to RMB4.1 billion. Despite this, interest expense increased to a lesser extent in 2019 due to lower funding cost helped by improved credit ratings and move to restructure debt to longer duration during the year. At the end of 2019, the financial position of the Group remained strong with net cash on hand (total cash level – borrowings – perpetual capital securities) of RMB11.8 billion versus a net cash level of RMB10.6 billion six months ago. At the end of 2019, the Group’s total borrowings were solely denominated in US\$, which aligned with the currency mix of the Group’s revenues from export business. In addition, net notes receivable (notes receivables – notes payables) at the end of 2019 amounted to RMB15.0 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivables with the banks.

The Group has been assigned credit ratings from both Standard & Poor’s Ratings Services and Moody’s Investors Service. Standard & Poor’s corporate credit rating on the Group is currently “BBB-/Stable”. On 5 June 2019, Moody’s Investors Service upgraded the Group’s credit rating outlook to “Baa3” issuer rating. The rating outlook was changed to ratings under review from stable on 26 March 2020 due to the coronavirus outbreak.

Budgeted capital expenditures (excluding acquisition through business combination) of the Group amount to about RMB6.8 billion in 2020, including the funding for the research and development of new vehicle platforms and models and the financing of the expansion and upgrading of production facilities at existing plants. As at the date of this announcement, the Company has no definite plan or schedule on raising funds in the international capital market.

Research and Development

During the year ended 31 December 2019, the Group recognised a total expense of RMB3,067 million (2018: RMB1,926 million) in relation to its research and development activities and such expense was included in “Administrative expenses” in the consolidated income statement.

Further details were illustrated in the table below:

	2019	2018	YoY
	RMB('000)	RMB('000)	change (%)
Amortisation of intangible assets (i.e. capitalised product development costs)	2,216,685	1,377,705	61
Research and development costs (i.e. not qualified for capitalisation)	850,468	548,653	55
<i>Total research and development costs charged to profit or loss</i>	<u>3,067,153</u>	<u>1,926,358</u>	<u>59</u>

In 2019, the increase in capitalised product development costs of RMB4.6 billion, included in the intangible assets of the consolidated statement of financial position, is primarily related to vehicle model development. The remaining is for the development of powertrain and new energy vehicle technologies.

Outlook

The prevailing political and economic uncertainties should continue to affect the passenger vehicle demand in China. The recent outbreak of novel coronavirus had caused serious disruption to our supply chain and thus our production levels, meaning additional pressure on our business volume and profitability in 2020. The current headwind is expected to persist in the near future, making 2020 probably amongst the most difficult year in the Group’s history. Despite this, the fierce market competition in China has showed no sign of subsiding and should continue to put pressure on the sales performance and profitability of Chinese vehicle manufacturers in 2020.

Nowadays, our Group is already a market leader in China’s passenger vehicle market, equipped with completed range of core technologies and expertise, sustainable development capabilities, marketing our products under a variety of brands for different market segments. In addition, the Group’s financial position has strengthened considerably as a result of the strong operational cash-flow generated over the past few years. This should enable the Group to continue investing for the future. Our proactive approach to manage dealer inventory and profitability to healthy levels over the past year had yielded positive results and should help prepare the Group to respond to the dynamic market changes in the coming years.

In view of the huge challenges ahead, we should stay at our original intention, keep our proven strategy and maintain our development pace. The Group will continue to increase the proportion of new energy and electrified vehicles (“NEEV”) in its sales volume by introducing more competitive NEEV products. The amount of new product offerings should stay at high levels in the coming years, providing sufficient momentum to for the Group to resume growth as soon as the China vehicle market stabilized.

The Group had largely completed the rebranding and restructuring of its distribution channels in its major export markets. Localisation of production to reduce costs and currency risk has started to yield positive results in markets like Belarus and Malaysia, where customer feedback and demand for the Group's products significantly improved recently. In a few years' time, exports would not only become a key driver to the Group's growth, but also help to further enhance the Group's economies of scale. In 2020, the Group will go ahead to further expand its export sales to new market in Southeast Asia and Western Europe.

The few major acquisitions in the automobile sector by the Group's parent, namely Geely Holding, over the past few years has started to create synergies and huge opportunities for the Group in both its existing automobile business and other new business areas. The partnership created by these acquisitions should provide the Group substantial opportunities for technologies and costs sharing, economies of scale and new market penetration. Longer-term, these acquisitions should provide additional sources for growth for the Group. To further enhance its long-term competitiveness and to prepare the Group for the disruptive changes ahead, the Group started preliminary discussion with the management of Volvo Car AB (publ) regarding a possible restructuring through a business combination of the two companies. Should the proposed restructuring materialize, it would lead into a stronger global Group that could realise synergies in cost structure and new technology development.

Given the prevailing uncertainties in China's passenger vehicle market, the Group's board of directors preliminarily set the Group's sales volume target for the year of 2020 at 1,410,000 units (including the sales volume target for "Lynk&Co" vehicles), representing an increase of around 4% from the total sales volume achieved in 2019.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and Hong Kong and the payment credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, bank borrowings and fund raising exercises in the capital market.

On 27 November 2019, the Company announced the issue of 4% senior perpetual capital securities with an aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,425,857,000) (the "**Securities**") which are listed on Singapore Exchange Securities Trading Limited at an issue price of 99.641%. Transaction costs relating to the issue of the Securities amounted to approximately RMB12,755,000. Distribution is payable semi-annually in arrears in equal instalments on 9 June and 9 December of each year based on the distribution rate as defined in the subscription agreement. Distribution by the Company may be deferred at its sole discretion. The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on 9 December 2024, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or

repurchase, redeem or otherwise acquire any securities of lower rank. As the Securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32 “Financial Instruments: Presentation”, they are classified as equity for accounting purpose. Any distributions made by the Company to the holders of the Securities will be deducted directly to equity in the consolidated financial statements.

As at 31 December 2019, the Group’s shareholders’ funds amounted to approximately RMB54.4 billion (As at 31 December 2018: approximately RMB44.9 billion). The Company issued 185.385 million ordinary shares upon exercise of share options during the year.

EXPOSURE TO FOREIGN EXCHANGE RISK

During the year, the Group’s operations were principally related to domestic sales of automobiles and related automobile parts and components in the Mainland China and the Group’s assets and liabilities were mainly denominated in Renminbi (RMB), the functional currency of the Company and its key subsidiaries.

In terms of export operations, most of the Group’s export sales were denominated in United States dollars (US\$) during the year. Also, the Group could face foreign exchange risk, particularly in emerging markets if it had local subsidiaries, associates or joint ventures in overseas export markets. The devaluation of local currencies in overseas markets could result in foreign exchange losses and affect the Group’s competitiveness and therefore its sales volume in these markets. To mitigate the foreign exchange risk, the Group has embarked on plans to build additional overseas plants to increase the proportion of its costs in local currencies to engage in local business activities. Also, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations displaying comparative advantages with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's current ratio (current assets/current liabilities) was about 1.03 (As at 31 December 2018: 0.98) and the gearing ratio of the Group was about 7.6% (As at 31 December 2018: 7.6%) which was calculated on the Group's total borrowings (excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB2,463 million to deficit RMB16,939 million at the end of 2019. If excluding the working capital effects from the acquisitions through business combination and the disposal of subsidiaries, the working capital increased by RMB2.0 billion in 2019. Further, as a result of the good operational cash inflow from the Group's manufacturing operations and the issuance of the Company's US\$500 million senior perpetual capital securities, the Group's total cash level (bank balances and cash + pledged bank deposits) increased by 23% year-on-year to RMB19.3 billion at the end of 2019. The Group's total borrowings (included bank borrowings and bonds payables) also increased by 21% to RMB4.1 billion. Despite this, interest expense increased to a lesser extent in 2019 due to lower funding cost helped by improved credit ratings and move to restructure debt to longer duration during the year. Accordingly, it resulted in a slight increase in current ratio at the end of year 2019 over the previous year.

Total borrowings (excluding trade and other payables and lease liabilities) as at 31 December 2019 amounted to approximately RMB4.1 billion (As at 31 December 2018: approximately RMB3.4 billion) were mainly the Group's borrowings and bonds payable. At the end of 2019, the Group's total borrowings were denominated in United States Dollars (US\$). They were well matched by the currency mix of the Group's revenues, which were mainly denominated in US\$. For the borrowings, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2019, the total number of employees of the Group was about 43,000 (As at 31 December 2018: 52,400). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK\$0.25 per ordinary share for the year ended 31 December 2019. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Monday, 25 May 2020 at 4:00 p.m. (Hong Kong Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid in July 2020 to shareholders whose names shall appear on the register of members of the Company on 4 June 2020.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2020 to 25 May 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 25 May 2020, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 19 May 2020.

The register of members of the Company will be closed from 1 June 2020 to 4 June 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 29 May 2020.

CORPORATE GOVERNANCE

For the year ended 31 December 2019, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report ("CG Code"), as set out in Appendix 14 to the Listing Rules, except for CPs A.2.7, A.6.5 and E.1.2.

CP A.2.7 provides that the Chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the year ended 31 December 2019, a formal meeting could not be arranged between the Chairman and the independent non-executive directors without the presence of other directors. Although such meeting was not held during the year, the Chairman has delegated the company secretary to gather any concerns and/or questions that the independent non-executive directors might have and report to him for considering whether any follow-up meeting is necessary.

CP A.6.5 provides that the Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. During the year, the Company did not host a continuous professional development session for the directors as the Company has made alternative arrangement so that the directors may elect to participate in courses and topics of their own interests. To accommodate the directors' development and to refresh their knowledge and skills, so as to ensure that their contribution to the Board would remain informed and relevant, the directors can submit their applications with details of the curriculum and the relevant course fees to the Chief Executive Officer of the Company ("CEO"). Once the training is considered acceptable, the course fees will be fully reimbursed when valid payment receipts are presented.

CP E.1.2 provides that the Chairman and the chairman of respective Board committees should attend the annual general meeting of the Company. During the year ended 31 December 2019, the Chairman did not attend the annual general meeting of the Company due to conflict of his schedules and other prior business engagement in the PRC. If the Chairman could not attend the general meeting of the Company, he would assign an executive director, who does not have a material interest in the businesses contemplating in the meeting and should report to him on any enquiries Shareholders might have, to attend such general meeting on his behalf. Further, the Company would facilitate a conference call for Shareholders and the directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. Through these measures, views of the Shareholders would be properly communicated to the Board as a whole. In addition, the external auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

The Company held its annual general meeting ("AGM") on 27 May 2019. Due to conflict of his schedules and other prior business engagement in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting but he assigned an executive director to report to him on any enquiries the Shareholders might have after the meeting. Two executive directors, one independent non-executive director and the Company's external auditor attended and answered questions raised by the Shareholders at the meeting physically. Two independent non-executive directors, one non-executive director and four executive directors participated the meeting via conference call.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Monday, 25 May 2020 at 4:00 p.m. (Hong Kong Time). A notice of the annual general meeting will be issued and delivered to shareholders of the Company in due course.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2019 have been agreed by the Group’s auditor, Grant Thornton Hong Kong Limited (the “**Auditor**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2019 annual report will set out all information disclosed in the annual results announcement for 2019 and will be disclosed on the websites of the Company (<http://www.geelyauto.com.hk>) and The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) on or before 30 April 2020.

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

Hong Kong, 30 March 2020

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.