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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 %
	2022 RMB'000	2021 RMB'000	
Sales volume* (Units)	1,432,988	1,328,031	8
Revenue	147,964,647	101,611,056	46
Other income	1,156,773	1,339,074	(14)
Share-based payments	(1,488,910)	(1,212,699)	23
Gain on bargain purchase upon subscription for an associate	1,749,734	–	Not applicable
Profit for the year	4,649,663	4,353,008	7
Profit attributable to equity holders of the Company	5,260,353	4,847,448	9
Earnings per share			
Basic (RMB Cents)	51.06	48.06	6
Diluted (RMB Cents)	50.49	47.74	6
Proposed final dividend (per ordinary share) (HK\$)	0.21	0.21	–

* Included the total sales volume of “Lynk&Co” vehicles and “Livan” vehicles sold by the Group’s two 50%-owned joint ventures.

The board of directors (“**Board**”) recommends payment of a final dividend of HK\$0.21 per ordinary share (2021: HK\$0.21 per ordinary share), and such proposal is subject to approval by shareholders at the annual general meeting of the Company to be held on Thursday, 25 May 2023 at 4:00 p.m. (Hong Kong Time).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	5	147,964,647	101,611,056
Cost of sales		<u>(127,069,010)</u>	<u>(84,198,821)</u>
Gross profit		20,895,637	17,412,235
Other income	6	1,156,773	1,339,074
Distribution and selling expenses		(8,228,085)	(6,322,762)
Administrative expenses		(10,293,757)	(7,907,530)
Impairment loss on trade and other receivables	8(c)	(2,668)	(128,290)
Impairment loss on interest in a joint venture	12	(138,632)	–
Gain on bargain purchase upon subscription for an associate	11	1,749,734	–
Share-based payments		(1,488,910)	(1,212,699)
Finance income, net	8(a)	380,472	280,155
Share of results of associates	11	(179,424)	57,984
Share of results of joint ventures	12	<u>830,801</u>	<u>1,147,008</u>
Profit before taxation	8	4,681,941	4,665,175
Taxation	7	<u>(32,278)</u>	<u>(312,167)</u>
Profit for the year		<u><u>4,649,663</u></u>	<u><u>4,353,008</u></u>
Attributable to:			
Equity holders of the Company		5,260,353	4,847,448
Non-controlling interests		<u>(610,690)</u>	<u>(494,440)</u>
Profit for the year		<u><u>4,649,663</u></u>	<u><u>4,353,008</u></u>
Earnings per share			
Basic	10	RMB0.51	RMB0.48
Diluted	10	<u>RMB0.50</u>	<u>RMB0.48</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Profit for the year	<u>4,649,663</u>	<u>4,353,008</u>
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
– Notes receivable at fair value through other comprehensive income (“FVOCI”)		
Change in fair value	77,596	(4,304)
Income tax effect	(13,196)	(1,739)
– Share of other comprehensive expense of associate and joint venture, net of related income tax	(20,328)	(14,032)
– Exchange differences on translation of financial statements of foreign operations	86,448	(35,442)
Items that will not be reclassified subsequently to profit or loss:		
– Equity investments at FVOCI		
Change in fair value	<u>(95,958)</u>	<u>–</u>
Other comprehensive income/(expense) for the year, net of tax	<u>34,562</u>	<u>(55,517)</u>
Total comprehensive income for the year	<u><u>4,684,225</u></u>	<u><u>4,297,491</u></u>
Attributable to:		
Equity holders of the Company	5,297,085	4,782,609
Non-controlling interests	<u>(612,860)</u>	<u>(485,118)</u>
Total comprehensive income for the year	<u><u>4,684,225</u></u>	<u><u>4,297,491</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		32,201,419	30,858,504
Intangible assets		22,547,705	20,901,178
Land lease prepayments		3,401,795	3,435,744
Goodwill		61,418	58,193
Interests in associates	11	3,967,117	609,808
Interests in joint ventures	12	10,268,201	9,594,805
Trade and other receivables	13	1,457,600	800,512
Financial assets at fair value through profit or loss ("FVTPL")		–	351,646
Financial assets at FVOCI		284,012	–
Deferred tax assets		4,573,149	2,435,192
		<u>78,762,416</u>	<u>69,045,582</u>
Current assets			
Inventories		10,822,330	5,521,573
Trade and other receivables	13	34,392,326	31,549,100
Income tax recoverable		121,020	140,350
Derivative financial instruments		–	66,892
Restricted and pledged bank deposits		386,898	3,912
Bank balances and cash		33,341,339	28,013,995
		<u>79,063,913</u>	<u>65,295,822</u>
Current liabilities			
Trade and other payables	14	65,480,717	57,392,790
Derivative financial instruments		80,509	–
Lease liabilities		556,579	198,290
Bank borrowings	16	–	1,906,740
Bonds payable	18	2,062,396	–
Income tax payable		773,013	852,737
		<u>68,953,214</u>	<u>60,350,557</u>
Net current assets		<u>10,110,699</u>	<u>4,945,265</u>
Total assets less current liabilities		<u>88,873,115</u>	<u>73,990,847</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2022*

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	183,686	183,015
Perpetual capital securities	<i>19</i>	3,413,102	3,413,102
Reserves		<u>71,533,667</u>	<u>65,010,029</u>
Equity attributable to equity holders of the Company		75,130,455	68,606,146
Non-controlling interests		<u>1,065,360</u>	<u>1,614,826</u>
Total equity		<u>76,195,815</u>	<u>70,220,972</u>
Non-current liabilities			
Trade and other payables	<i>14</i>	1,602,020	961,697
Lease liabilities		1,779,429	502,486
Bank borrowings	<i>16</i>	2,757,960	–
Loan from a related company	<i>17</i>	6,000,000	–
Bonds payable	<i>18</i>	–	1,901,137
Deferred tax liabilities		<u>537,891</u>	<u>404,555</u>
		<u>12,677,300</u>	<u>3,769,875</u>
		<u>88,873,115</u>	<u>73,990,847</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company											
	Share capital	Perpetual capital securities	Share premium	Capital reserve	Statutory reserve	Fair value reserve (recycling)	Translation reserve	Share-based compensation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000 (note 15)	RMB'000 (note 19)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	179,672	3,413,102	13,780,325	164,790	707,638	(148,955)	(52,514)	23,609	45,563,447	63,631,114	582,152	64,213,266
Profit for the year	-	127,388	-	-	-	-	-	-	4,720,060	4,847,448	(494,440)	4,353,008
Other comprehensive expense:												
Change in fair value of notes receivable at FVOCI	-	-	-	-	-	(5,950)	-	-	-	(5,950)	(93)	(6,043)
Share of other comprehensive expense of associate and joint venture	-	-	-	-	-	(20,381)	6,349	-	-	(14,032)	-	(14,032)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(44,857)	-	-	(44,857)	9,415	(35,442)
Total comprehensive income for the year	-	127,388	-	-	-	(26,331)	(38,508)	-	4,720,060	4,782,609	(485,118)	4,297,491
Transactions with owners:												
Transfer of reserves	-	-	-	-	441	-	-	-	(579)	(138)	-	(138)
Shares issued under share option scheme (note 15(a))	91	-	38,455	-	-	-	-	(7,812)	-	30,734	-	30,734
Equity settled share-based payments	-	-	-	-	-	-	-	1,546,822	-	1,546,822	-	1,546,822
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	823,959	823,959
Capital contribution from non-controlling interests	-	-	-	1,783,777	-	-	-	-	-	1,783,777	1,146,144	2,929,921
Acquisition of additional interests from non-controlling interests	3,252	-	3,386,712	(4,819,909)	-	-	-	-	-	(1,429,945)	(387,243)	(1,817,188)
Distribution paid on perpetual capital securities (note 9(c))	-	(127,388)	-	-	-	-	-	-	-	(127,388)	-	(127,388)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(65,068)	(65,068)
Final dividend approved and paid in respect of the previous year (note 9(b))	-	-	-	-	-	-	-	-	(1,611,439)	(1,611,439)	-	(1,611,439)
Total transactions with owners	3,343	(127,388)	3,425,167	(3,036,132)	441	-	-	1,539,010	(1,612,018)	192,423	1,517,792	1,710,215
Balance at 31 December 2021	183,015	3,413,102	17,205,492	(2,871,342)	708,079	(175,286)	(91,022)	1,562,619	48,671,489	68,606,146	1,614,826	70,220,972

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022

	Attributable to equity holders of the Company												Non-controlling interests	Total
	Share capital	Perpetual capital securities	Share premium	Capital reserve	Statutory reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Translation reserve	Share-based compensation reserve	Retained profits	Sub-total	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022	183,015	3,413,102	17,205,492	(2,871,342)	708,079	(175,286)	-	(91,022)	1,562,619	48,671,489	68,606,146	1,614,826	70,220,972	
Profit for the year	-	137,476	-	-	-	-	-	-	-	5,122,877	5,260,353	(610,690)	4,649,663	
Other comprehensive income:														
Change in fair value of notes receivable at FVOCI	-	-	-	-	-	63,756	-	-	-	-	63,756	644	64,400	
Share of other comprehensive expense of associate and joint venture	-	-	-	-	-	-	-	(20,328)	-	-	(20,328)	-	(20,328)	
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	89,262	-	-	89,262	(2,814)	86,448	
Change in fair value of equity investments at FVOCI	-	-	-	-	-	-	(95,958)	-	-	-	(95,958)	-	(95,958)	
Total comprehensive income for the year	-	137,476	-	-	-	63,756	(95,958)	68,934	-	5,122,877	5,297,085	(612,860)	4,684,225	
Transactions with owners:														
Transfer of reserves	-	-	-	-	376,514	-	-	-	-	(376,514)	-	-	-	
Share of capital reserve of a joint venture	-	-	-	3,044	-	-	-	-	-	-	3,044	-	3,044	
Shares issued under share option scheme (note 15(a))	39	-	11,481	-	-	-	-	-	(3,543)	-	7,977	-	7,977	
Shares issued under share award scheme (note 15(b))	632	-	803,218	-	-	-	-	-	(803,218)	-	632	-	632	
Equity settled share-based payments	-	-	-	-	-	-	-	-	1,984,900	-	1,984,900	-	1,984,900	
Capital contribution from non-controlling interests	-	-	-	1,155,816	-	-	-	-	-	-	1,155,816	108,441	1,264,257	
Distribution paid on perpetual capital securities (note 9(c))	-	(137,476)	-	-	-	-	-	-	-	-	(137,476)	-	(137,476)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(45,047)	(45,047)	
Final dividend approved and paid in respect of the previous year (note 9(b))	-	-	-	-	-	-	-	-	-	(1,787,669)	(1,787,669)	-	(1,787,669)	
Total transactions with owners	671	(137,476)	814,699	1,158,860	376,514	-	-	-	1,178,139	(2,164,183)	1,227,224	63,394	1,290,618	
Balance at 31 December 2022	183,686	3,413,102	18,020,191	(1,712,482)	1,084,593	(111,530)	(95,958)	(22,088)	2,740,758	51,630,183	75,130,455	1,065,360	76,195,815	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cash flows from operating activities			
Profit before taxation		4,681,941	4,665,175
Adjustments for:			
Depreciation and amortisation		8,318,331	6,893,322
Fair value changes on financial assets at FVTPL	<i>6</i>	–	(28,621)
Equity settled share-based payments		1,488,910	1,212,699
Finance costs	<i>8(a)</i>	550,689	264,829
Gain on bargain purchase upon subscription for an associate	<i>11</i>	(1,749,734)	–
Gain from derecognition of financial assets at FVTPL	<i>6</i>	(28,324)	–
Impairment loss on trade and other receivables	<i>8(c)</i>	2,668	128,290
Impairment loss on interest in a joint venture	<i>8(c)</i>	138,632	–
Impairment loss on property, plant and equipment	<i>8(c)</i>	199,026	–
Interest income	<i>8(a)</i>	(931,161)	(544,984)
Net foreign exchange loss/(gain)		219,202	(67,808)
Net loss on written off/disposal of property, plant and equipment	<i>8(c)</i>	39,869	84,513
Share of results of associates	<i>11</i>	179,424	(57,984)
Share of results of joint ventures	<i>12</i>	(830,801)	(1,147,008)
Unrealised loss/(gain) on derivative financial instruments		147,401	(66,892)
Write-down for slow-moving inventories	<i>8(c)</i>	2,742	49,023
Operating profit before working capital changes		12,428,815	11,384,554
Inventories		(5,303,499)	(1,273,145)
Trade and other receivables		(131,682)	(2,940,174)
Trade and other payables		11,106,961	9,374,135
Cash generated from operations		18,100,595	16,545,370
Income taxes paid		(2,082,200)	(1,197,027)
<i>Net cash generated from operating activities</i>		16,018,395	15,348,343

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,515,965)	(2,833,372)
Proceeds from disposal of property, plant and equipment		146,814	228,359
Additions of land lease prepayments		(52,262)	(56)
Additions of intangible assets		(6,768,761)	(3,266,765)
Initial/additional capital injection in associates	11	(1,812,310)	(60,423)
Initial/additional capital injection in joint ventures	12	(373,200)	(8,300)
Dividend received from a joint venture		380,000	888,689
Proceeds from disposal of intangible assets		–	13,192
Purchase of preferred share investments in an unlisted entity		–	(323,025)
Change in restricted and pledged bank deposits		(382,986)	170,510
Net cash outflows on acquisition of subsidiaries		(645,259)	(2,540,659)
Interest received		893,579	572,683
		<u>(12,130,350)</u>	<u>(7,159,167)</u>
Cash flows from financing activities			
Dividends paid to equity holders of the Company	9(b)	(1,787,669)	(1,611,439)
Dividends paid to non-controlling interests		(45,047)	(65,068)
Distribution paid on perpetual capital securities	9(c)	(137,476)	(127,388)
Acquisition of additional interests from non-controlling interests		–	(9,804)
Settlement of payables for acquisition of additional interests in a subsidiary in previous year		(1,807,384)	–
Capital contribution from non-controlling interests		1,264,257	2,929,921
Proceeds from bank borrowings		3,819,402	–
Repayment of bank borrowings		(3,731,301)	–
Advances from related companies		7,600,000	–
Repayment to related companies		(3,085,000)	–
Proceeds from issuance of shares upon vesting of award shares	15(b)	632	–
Proceeds from issuance of shares upon exercise of share options	15(a)	7,977	30,734
Payment of lease liabilities	20	(611,065)	(90,251)
Interest paid	20	(162,243)	(140,686)
		<u>1,325,083</u>	<u>916,019</u>
Net cash generated from financing activities			
Net increase in cash and cash equivalents		5,213,128	9,105,195
Cash and cash equivalents at the beginning of the year		28,013,995	18,976,843
Effect of foreign exchange rate changes		114,216	(68,043)
		<u>33,341,339</u>	<u>28,013,995</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash			

NOTES

For the year ended 31 December 2022

(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 2022, 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# (“**Geely Holding**”) 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 applicable disclosure requirements of the Companies Ordinance.

The consolidated financial statements also comply with the applicable disclosure requirements 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 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 2022 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 for certain financial assets are stated at fair value.

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 consolidated financial statements are presented in thousands of RMB, which is also the functional currency of the Company.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of the consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date not yet determined

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. 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.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, the HKICPA issued HKFRS Practice Statement 2 “Making Materiality Judgements” to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies that may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as “monetary amounts in the financial statements that are subject to measurement uncertainty”.

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 “Income Taxes” does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 “Income Taxes”.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company collectively, who determine the operating segments of the Group and review the Group's internal reporting in order to assess performance and allocate resources. All of the Group's business operations relate to the production and sales of automobiles, automobile parts and components and battery packs and related parts, provision of research and development and related technological support services and licensing of related intellectual properties with similar economic characteristics. Accordingly, the executive directors review the performance of the Group as a single business segment. No separate analysis of the segment results by reportable 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 of associates and joint ventures in the case of interests in associates and joint ventures.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from external customers		
PRC	125,121,242	91,664,753
Eastern Europe	7,787,293	3,182,535
Malaysia	3,237,144	2,378,608
Middle East	6,344,611	2,071,812
Northern Europe	2,965,960	1,206,347
Philippines	1,165,361	618,647
Central and South America	1,064,088	297,526
Africa	219,820	157,665
Other countries	59,128	33,163
	<u>147,964,647</u>	<u>101,611,056</u>
Specified non-current assets		
Hong Kong, place of domicile	1,622	4,090
PRC	69,054,409	65,175,108
Other countries	3,391,624	279,034
	<u>72,447,655</u>	<u>65,458,232</u>

5. REVENUE

Revenue represents sales of automobiles, automobile parts and components, battery packs and related parts, provision of research and development and related technological support services and licensing of intellectual properties, net of value added taxes (“VAT”) or related sales taxes and net of discounts. Revenue was mainly derived from customers located in the People’s Republic of China (the “PRC”).

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Revenue from contracts with customers within the scope of HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”)		
Disaggregated by major products/services		
– Sales of automobiles and related services	122,783,472	87,697,172
– Sales of automobile parts and components	8,779,400	8,798,409
– Sales of battery packs and related parts	8,017,539	588,885
– Research and development and related technological support services	6,727,610	3,251,150
– Licensing of intellectual properties	<u>1,656,626</u>	<u>1,275,440</u>
	<u>147,964,647</u>	<u>101,611,056</u>
Disaggregated by timing of revenue recognition		
– At a point in time	141,089,983	98,164,005
– Over time	<u>6,874,664</u>	<u>3,447,051</u>
	<u>147,964,647</u>	<u>101,611,056</u>

Information about a major customer

Revenue from a customer which individually contributed over 10% of the Group’s revenue is as follows:

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Customer A [#]	<u>21,580,845</u>	<u>Not applicable*</u>

[#] It includes a group of entities which are under common control by Mr. Li Shu Fu and his associates.

* The corresponding revenue for the year ended 31 December 2021 did not contribute over 10% of total revenue of the Group.

6. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Fair value changes on financial assets at FVTPL	–	28,621
Gain from derecognition of financial assets at FVTPL	28,324	–
Gain on disposal of scrap materials	38,563	32,828
Government grants and subsidies (<i>note</i>)	324,469	731,455
Net foreign exchange (loss)/gain	(78,580)	124,816
Net realised and unrealised gain on derivative financial instruments	281,961	50,317
Rental income	35,975	41,357
Testing and inspection income	39,388	1,560
Export service income	29,905	1,922
Quality management and information technology service income	94,501	79,331
Sundry income	362,267	246,867
	<u>1,156,773</u>	<u>1,339,074</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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
– PRC enterprise income tax	2,032,646	1,812,234
– Under/(Over)-provision in prior years	9,160	(18,402)
	<u>2,041,806</u>	1,793,832
Deferred tax	(2,009,528)	(1,481,665)
	<u>32,278</u>	<u>312,167</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for a Hong Kong incorporated company within the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2021.

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% (2021: 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. Also, certain PRC subsidiaries of the Group located in the western region of the PRC are engaged in the encouraged businesses. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2022 and 2021.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018, enterprises engaging in research and development activities were entitled to claim 175% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for that year up to 31 December 2020. With effect from 1 January 2021, these entities are entitled to claim 200% of their research and development costs for income tax deduction (“**Super Deduction**”). The Group made its best estimate for the Super Deduction to be claimed for the Group’s PRC subsidiaries in ascertaining their assessable profits for the years ended 31 December 2022 and 2021.

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:

	2022	2021
	RMB’000	RMB’000
Profit before taxation	<u>4,681,941</u>	<u>4,665,175</u>
Tax at the PRC enterprise income tax rate of 25% (2021: 25%)	1,170,485	1,166,294
Tax effect of expenses not deductible	453,393	262,307
Tax effect of non-taxable income	(370,558)	(190,245)
Tax effect of unrecognised tax losses	76,784	89,406
Utilisation of previously unrecognised tax losses/deductible temporary differences	(181,197)	(5,834)
Tax effect of unrecognised deductible temporary differences	10,201	23,640
Tax effect of different tax rates of entities operating in other jurisdictions	(246,973)	(72,656)
Deferred tax charge on distributable profits withholding tax	67,123	10,989
Withholding tax on dividend declared by subsidiaries	218,857	–
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	(576,336)	(473,108)
Super Deduction for research and development costs	(598,661)	(480,224)
Under/(Over)-provision in prior years	<u>9,160</u>	<u>(18,402)</u>
Tax expense for the year	<u>32,278</u>	<u>312,167</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 RMB67,123,000 (2021: RMB10,989,000) were recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Group during the year.

8. PROFIT BEFORE TAXATION

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Finance income and costs		
Finance costs		
Effective interest expenses on bonds payable (<i>note 18</i>)	3,532	3,323
Coupon expense on bonds payable	68,441	69,316
Interest on discounted notes receivable	83,002	120,200
Interest on lease liabilities	64,589	13,396
Interest on loans from related companies	211,329	–
Interest on bank borrowings wholly repayable within five years	23,489	58,594
Discounting effect on initial recognition of financial assets at amortised cost	96,307	–
	<u>550,689</u>	<u>264,829</u>
Finance income		
Bank and other interest income	<u>(931,161)</u>	<u>(544,984)</u>
Net finance income	<u><u>(380,472)</u></u>	<u><u>(280,155)</u></u>
(b) Staff costs (including directors' emoluments) (<i>note (a)</i>)		
Salaries, wages and other benefits	6,722,023	6,086,427
Retirement benefit scheme contributions (<i>note (b)</i>)	504,617	421,576
Equity settled share-based payments	1,488,910	1,212,699
	<u><u>8,715,550</u></u>	<u><u>7,720,702</u></u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(c) Other items		
Depreciation (<i>note (a)</i>):		
– Owned assets	2,820,661	2,461,253
– Right-of-use assets (including land lease prepayments)	<u>698,420</u>	<u>206,308</u>
Total depreciation	<u>3,519,081</u>	<u>2,667,561</u>
Amortisation of intangible assets (related to capitalised product development costs)	4,799,250	4,225,761
Research and development costs	1,965,596	1,292,171
Auditor's remuneration:		
– Audit services	6,450	6,633
– Non-audit services	1,133	1,185
Cost of inventories recognised as an expense (<i>note (a)</i>), including:	121,008,659	81,132,359
– Write-down for slow-moving inventories	2,742	49,023
Impairment loss on trade and other receivables	2,668	128,290
Impairment loss on interest in a joint venture	138,632	–
Impairment loss on property, plant and equipment	199,026	–
Lease charges on short term leases	67,858	29,531
Net loss on written off/disposal of property, plant and equipment	39,869	84,513
Net foreign exchange loss/(gain)	78,580	(124,816)
Net claims paid on defective materials purchased	<u>231,933</u>	<u>263,376</u>

Notes:

- (a) Cost of inventories included RMB7,396,679,000 (2021: RMB6,222,784,000) 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) As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: RMBNil).

9. DIVIDENDS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend proposed after the end of reporting period of Hong Kong dollars (“HK\$”) 0.21 (2021: HK\$0.21) per ordinary share	<u>1,866,554</u>	<u>1,699,495</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2022.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.21 (2021: HK\$0.20) per ordinary share	<u>1,787,669</u>	<u>1,611,439</u>

(c) Distribution on perpetual capital securities

The Company made a distribution on perpetual capital securities of RMB137,476,000 (2021: RMB127,388,000) to the securities holders during the year ended 31 December 2022.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of RMB5,122,877,000 (2021: RMB4,720,060,000) and weighted average number of ordinary shares of 10,034,020,507 shares (2021: 9,820,647,302 shares), calculated as follows:

Profit attributable to ordinary equity holders of the Company

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year attributable to the equity holders of the Company	5,260,353	4,847,448
Distribution paid on perpetual capital securities	<u>(137,476)</u>	<u>(127,388)</u>
Profit for the year attributable to ordinary equity holders of the Company	<u>5,122,877</u>	<u>4,720,060</u>

Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares as at 1 January (<i>note 15</i>)	10,018,441,540	9,816,626,540
Effect of share options exercised	2,315,814	3,482,652
Effect of award shares vested	13,263,153	–
Effect of shares issued on acquisition of additional interests in a subsidiary	<u>–</u>	<u>538,110</u>
Weighted average number of ordinary shares as at 31 December	<u>10,034,020,507</u>	<u>9,820,647,302</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of RMB5,122,877,000 (2021: RMB4,720,060,000) and the weighted average number of ordinary shares (diluted) of 10,146,990,673 shares (2021: 9,886,713,130 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2022	2021
Weighted average number of ordinary shares (basic) as at 31 December	10,034,020,507	9,820,647,302
Effect of deemed issue of shares under the Company's share option scheme (excluding those share options with anti-dilutive effect)	58,316	8,418,578
Effect of dilutive potential ordinary shares arising from award shares issued under the Company's share award scheme	<u>112,911,850</u>	<u>57,647,250</u>
Weighted average number of ordinary shares (diluted) as at 31 December	<u>10,146,990,673</u>	<u>9,886,713,130</u>

11. INTERESTS IN ASSOCIATES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of unlisted investments	2,332,668	520,358
Share of post-acquisition results and other comprehensive income	(64,653)	140,082
Gain on bargain purchase upon subscription for an associate	1,749,734	–
Impairment loss recognised	(3,349)	(3,349)
Exchange realignment	<u>(47,283)</u>	<u>(47,283)</u>
	<u>3,967,117</u>	<u>609,808</u>

Details of the Group’s interests in associates, which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2022 and 2021, are as follows:

Name of associates	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
				2022	2021	
Hanna Mando (Ningbo) Automobile Chassis System Technology Co., Limited [#] (“Hanna Mando (Ningbo)”) (formerly known as Mando (Ningbo) Automotive Parts Co., Limited) [#] 漢拿萬都(寧波)汽車底盤系統科技有限公司 (「漢拿萬都(寧波)」) (前稱為萬都(寧波)汽車零件有限公司)	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”) 234,535,000	36.7%	36.7%	Production, marketing and sales of vehicles
PT Geely Mobil Indonesia	Republic of Indonesia	Incorporated	US\$3,260,200	30%	30%	Production, marketing and sales of vehicles
Times Geely Power Battery Company Limited [#] (“Times Geely”) 時代吉利動力電池有限公司	PRC	Incorporated	RMB501,000,000 (2021: RMB101,000,000)	49%	49%	Research and development, manufacture and sale of battery cells, battery modules and battery packs
Zhejiang Haohan Energy Technology Company Limited [#] (“Haohan Energy”) 浙江浩瀚能源科技有限公司	PRC	Incorporated	RMB500,000,000 (2021: RMB359,000,000)	30%	30%	Research and development of automobile charging systems and technologies, provision of automobile charging services and operation of automobile charging points and network
Wuxi Xingqu Technology Company Limited [#] (“Wuxi Xingqu”) 無錫星驅科技有限公司	PRC	Incorporated	RMB61,250,000	27.6%	–	Research and development of automobile parts and components
Zhejiang Shuangli Automobile Intelligent Technology Company Limited [#] (“Shuangli Automobile”) 浙江雙利汽車智能科技有限公司	PRC	Incorporated	RMB90,000,000	35%	–	Not yet commenced the business

Name of associates	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
				2022	2021	
Renault Korea Motors Co., Ltd. ("Renault Korea")	Republic of Korea	Incorporated	South Korean Won ("KRW") 666,875,000,000	34.02%		– Design, development, manufacturing, production, assembly, sales, distribution, import, export and marketing of automobiles, related parts and accessories

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.

All associates are indirectly held by the Company.

Renault Korea

On 9 May 2022, the Group had entered into a subscription agreement with Renault Korea Motors Co., Ltd. ("Renault Korea"), pursuant to which the Group agreed to subscribe for, and Renault Korea agreed to allot and issue an aggregate of 45,375,000 common shares of Renault at a consideration of approximately KRW264 billion (equivalent to approximately RMB1,426,905,000) (the "Consideration"). Pursuant to the subscription agreement, the registered capital of Renault Korea was KRW666,875,000,000, and is contributed as to 34.02% by the Group and as to 65.98% by other investors, respectively.

As the Group is equipped with advanced technology and strong supply chain capability, the Renault Group wished to generate greater synergies and facilitate the implementation of its "Renaulution" strategic plan through its cooperation with the Group. Therefore, the Group occupied a dominant bargaining position during the commercial negotiation and has subscribed for the shares of Renault Korea at a relatively favorable consideration.

The subscription was completed in November 2022. An independent valuer performed a valuation of the identifiable assets and liabilities of Renault Korea at the completion date using the asset-based approach, which resulted in determining their fair value. A gain on bargain purchase upon subscription for an associate of approximately RMB1,749,734,000 has been recognised in the consolidated income statement. This gain was calculated based on the net fair value of the identifiable assets and liabilities of Renault Korea at the completion date. The transaction resulted in a bargain purchase gain as the Consideration is significantly less than the Group's share of net assets of Renault Korea at the completion date.

	<i>RMB'000</i>
Cash consideration transferred	<u>1,426,905</u>
Total net fair value of the identifiable assets and liabilities measured of Renault Korea	9,337,563
The Group's effective interests in Renault Korea	34.02%
The Group's share of the net assets of Renault Korea	<u>3,176,639</u>
Gain on bargain purchase upon subscription for an associate	<u><u>1,749,734</u></u>

Haohan Energy

On 2 July 2021, the Group entered into an acquisition agreement with Geely Automobile Group Company Limited[#] (“**Geely Holding Automobile**”) 吉利汽車集團有限公司, a fellow subsidiary owned by the Company’s ultimate holding company, pursuant to which the Group agreed to acquire 30% of the equity interests in Haohan Energy for a cash consideration of RMB8,975,000. The acquisition of Haohan Energy was completed in December 2021.

Further, the Group was notified on 10 December 2021 that the amended articles of association of Haohan Energy, which was resolved to be amended by its shareholders, has become effective. Pursuant to the amended articles of association of Haohan Energy, the registered capital of Haohan Energy shall increase from RMB30,000,000 to RMB500,000,000. The amount of contribution to the registered capital of Haohan Energy made by the Group and Geely Holding Automobile shall increase by RMB141,000,000 and RMB329,000,000, respectively, in proportion to their respective shareholding. The Group completed the capital contribution in May 2022.

Wuxi Xingqu

During the year ended 31 December 2022, the Group and other investors established an associate company, Wuxi Xingqu. Pursuant to the articles of association of Wuxi Xingqu, the registered capital of Wuxi Xingqu will be RMB61,250,000, and is contributed as to 27.6% (equivalent to RMB16,905,000) by the Group and as to 72.4% (equivalent to RMB44,345,000) by other investors, respectively.

Shuangli Automobile

During the year ended 31 December 2022, the Group and other investors established an associate company, Shuangli Automobile. Pursuant to the articles of association of Shuangli Automobile, the registered capital of Shuangli Automobile will be RMB90,000,000, and is contributed as to 35% (equivalent to RMB31,500,000) by the Group and as to 65% (equivalent to RMB58,500,000) by other investors, respectively.

Times Geely

The Group injected the capital of RMB196,000,000 into Times Geely in May 2022. Upon the completion of the capital injection, the Group’s equity interest in Times Geely still remains at 49%.

[#] 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.

BELGEE

During the year ended 31 December 2021, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN20,087,000 (equivalent to approximately RMB51,448,000) and BYN32,369,000 (equivalent to approximately RMB82,553,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN182,079,000 (equivalent to approximately RMB672,963,000) to BYN234,535,000 (equivalent to approximately RMB806,964,000). As a result of such an increase in registered capital, the Group's equity interests in BELGEE were increased from 36.3% to 36.7% 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.

The Group invests in Hanna Mando (Ningbo) as its strategic supplier of automobile parts and components.

Renault Korea has an extensive sales network, which the sales of the automobiles are performed in its owned sales outlets and by automobile distributors. It is a strategic partner for the Group to further strengthen its capability in research in automobile architecture and vehicle model technology, while pursuing development along the industry value chain.

Summarised financial information of Renault Korea and Hanna Mando (Ningbo), the Group's material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	Renault Korea	Hanna Mando (Ningbo)	
	2022	2022	2021
	RMB'000	RMB'000	RMB'000
Non-current assets	5,188,477	226,627	257,528
Current assets	8,858,630	1,701,628	1,685,421
Current liabilities	(4,033,161)	(1,118,387)	(1,174,651)
Non-current liabilities	(646,950)	(353)	(6,766)
Net assets	<u>9,366,996</u>	<u>809,515</u>	<u>761,532</u>
Revenue	1,666,703	1,581,463	1,659,390
Profit for the period/year	29,894	47,983	34,800
Other comprehensive expense for the period/year	(461)	-	-
Total comprehensive income for the period/year	29,433	47,983	34,800
Dividends received from the associates	<u>-</u>	<u>-</u>	<u>-</u>

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in Renault Korea and Hanna Mando (Ningbo) recognised in the consolidated financial statements:

	Renault Korea	Hanna Mando (Ningbo)	
	2022	2022	2021
	RMB'000	RMB'000	RMB'000
Net assets of the associates	9,366,996	809,515	761,532
The Group's effective interests in the associates	<u>34.02%</u>	<u>35%</u>	<u>35%</u>
Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of the associates	<u>3,186,652</u>	<u>283,331</u>	<u>266,536</u>

Aggregate financial information of associates that are not individually material:

	2022	2021
	RMB'000	RMB'000
Aggregate amounts of the Group's share of (loss)/profit for the period/year	(206,388)	45,804
Aggregate amounts of the Group's share of other comprehensive expense for the period/year	(25,154)	(3,097)
Aggregate carrying amount of the Group's interests in these associates	<u>497,134</u>	<u>343,272</u>

12. INTERESTS IN JOINT VENTURES

	2022	2021
	RMB'000	RMB'000
Cost of unlisted investments	7,805,706	7,432,506
Unrealised gain on disposal of a subsidiary to a joint venture	(14,943)	(14,943)
Share of post-acquisition results and other comprehensive income (including reserves)	2,616,070	2,177,242
Impairment loss recognised	<u>(138,632)</u>	<u>—</u>
	<u>10,268,201</u>	<u>9,594,805</u>

Details of the Group’s joint ventures which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2022 and 2021, are as follows:

Name of joint ventures	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group		Principal activities
				2022	2021	
Genius Auto Finance Company Limited [#] (“Genius AFC”) 吉致汽車金融有限公司	PRC	Incorporated	RMB4,000,000,000	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 8-speed automatic transmissions and related parts and components
Shandong Geely Sunwoda Power Battery Company Limited [#] (“Geely Sunwoda”) 山東吉利欣旺達動力電池有限公司	PRC	Incorporated	RMB100,000,000	41.5%	41.5%	Development, production, sales and after-sales service of hybrid battery cells, battery modules and battery packs
Guangdong Xinyueng Semiconductor Company Limited [#] (“Xinyueng”) 廣東芯粵能半導體有限公司	PRC	Incorporated	RMB400,000,000	40%	40%	Provision of integrated circuit design, manufacturing, sales and the manufacturing of semiconductors
Chongqing Livan Automative Technology Company Limited [#] (“Chongqing Livan”) 重慶睿藍汽車科技有限公司	PRC	Incorporated	RMB600,000,000	50%	–	Research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles)

[#] 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.

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 (“**BNPP PF**”) 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 BNPP PF is required as either certain key corporate matters of Genius AFC require a positive vote from BNPP PF or unanimous resolution of all directors of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNPP PF. Both of the Group and BNPP PF 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.

On 11 August 2020, BNPP PF served a written notice to the Company on the exercise of the call option associated with the joint venture agreement (the “**Call Option**”) pursuant to which, subject to the agreement on the exercise price and other terms, BNPP PF will acquire from the Company such additional equity interest in Genius AFC to increase its equity interest in Genius AFC up to 50%.

On 11 July 2022, the Company entered into the equity transfer agreement (the “**Equity Transfer Agreement**”) with BNPP PF and its wholly owned subsidiary as purchaser in relation to the exercise of the Call Option by BNPP PF, pursuant to which the wholly owned subsidiary of BNPP PF has conditionally agreed to purchase from the Company and the Company has conditionally agreed to sell to the wholly owned subsidiary of BNPP PF an interest of 5% in the registered capital of Genius AFC at an initial cash consideration of approximately RMB420,706,000, which will be subsequently adjusted for any change in the book value of Genius AFC between 31 July 2020 and the completion date which will be determined and confirmed in the audited financial statements of Genius AFC as of the completion date. The transaction contemplated under the Equity Transfer Agreement has not yet been completed as at the date of authorisation of the consolidated financial statements. Please refer to the Company’s announcement dated 11 July 2022 for further details.

As at 31 December 2022, the aggregate bank balances deposited by the Group with Genius AFC amounted to approximately RMB6,900,000,000 (2021: RMB6,600,000,000).

Geely Sunwoda

On 27 July 2021, the Group entered into a joint venture agreement with Sunwoda Electric Vehicle Battery Company Ltd.# (“**Sunwoda**”) 欣旺達電動汽車電池有限公司, an independent third party and Geely Holding Automobile, pursuant to which the parties agreed to establish a joint venture company, Geely Sunwoda, to engage in the development, production and sales of hybrid battery cells, battery modules and battery packs. Pursuant to the joint venture agreement, the registered capital of Geely Sunwoda will be contributed as to 41.5% (equivalent to RMB41,500,000), 30% (equivalent to RMB30,000,000) and 28.5% (equivalent to RMB28,500,000) by the Group, Sunwoda and Geely Holding Automobile, respectively. Shareholder’s meeting is the highest authority and the voting rights in the shareholder’s meeting are in proportion to respective shareholding ratio. Certain key corporate matters shall only be decided by more than 80% the voting rights from shareholders of Geely Sunwoda. Therefore, Geely Sunwoda is under the joint control of the three shareholders. The three shareholders have the rights to the net assets of Geely Sunwoda. Accordingly, the investment in Geely Sunwoda was recognised as a joint venture of the Group and accounted for using the equity method.

During the year ended 31 December 2022, the Group and the remaining joint venture partners contributed RMB33,200,000 (2021: RMB8,300,000) and RMB46,800,000 (2021: RMB11,700,000), respectively, to Geely Sunwoda.

Xinyueneng

During the year ended 31 December 2021, the Group acquired Xinyueneng through a business combination. The cost of the investment in Xinyueneng acquired in the business combination is fair value at the date of acquisition.

Xinyueneng is engaged in the provision of integrated circuit design, manufacturing, sales and the manufacturing of semiconductor. Pursuant to the joint venture agreement, the registered capital of Xinyueneng will be contributed as to 40% (equivalent to RMB160,000,000), 40% (equivalent to RMB160,000,000) and 20% (equivalent to RMB80,000,000) by the Group, Guangdong Xinjuneng Semiconductor Company Limited# (“**Guangdong Xinjuneng**”) 廣東芯聚能半導體有限公司 and Guangzhou Xinhe Technology Investment Partnership (Limited Partnership)# (“**Xinhe Technology**”) 廣州芯合科技投資合夥企業 (有限合夥), respectively. Shareholder’s meeting is the highest authority and the voting rights in the shareholder’s meeting are in proportion to respective subscribed shareholding ratio. Certain key corporate matters shall only be decided by two-thirds of the voting rights from shareholders of Xinyueneng. Therefore, Xinyueneng is under the joint control of the Group and other shareholders because decisions about the key corporate matters cannot be made without the parties’ agreement. Accordingly, the investment in Xinyueneng was recognised as a joint venture of the Group and accounted for using the equity method.

During the year ended 31 December 2022, the Group and the remaining joint venture partners contributed RMB40,000,000 (2021: RMB120,000,000) and RMB52,000,000 (2021: RMB120,000,000), respectively.

Chongqing Livan

On 13 December 2021, the Group entered into the investment cooperation agreement with Lifan Technology (Group) Company Limited# (“**Lifan Technology**”) 力帆科技(集團)股份有限公司, pursuant to which the Company and Lifan Technology agreed to form a joint venture company, Chongqing Livan, to engage in the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles). Pursuant to the terms of the investment cooperation agreement, the registered capital of the joint venture company will be RMB600 million, and is contributed as to 50% (equivalent to RMB300 million) by the Group and as to 50% (equivalent to RMB300 million) by Lifan Technology, respectively. Shareholder’s meeting is the highest authority, and the voting rights in the meeting are in proportion to respective subscribed shareholding ratio. Certain key corporate matters shall only be decided by a two-thirds majority of the voting rights from shareholders of Chongqing Livan. Therefore, Chongqing Livan is under the joint control of the Group and another shareholder because decisions about the key corporate matters cannot be made without the parties’ agreement. Accordingly, the Group’s investment in Chongqing Livan is classified as a joint venture and accounted for using the equity method.

During the year ended 31 December 2022, the Group and Lifan Technology contributed RMB300,000,000 and RMB300,000,000, respectively, to Chongqing Livan.

Zhejiang AISIN

During the year ended 31 December 2022, Zhejiang AISIN, in which the Group holds a 40% interest, recorded substantial operating losses. Therefore, the management of the Group carried out an impairment assessment and evaluated the recoverable amount of the carrying amount of its interest in Zhejiang AISIN. The management of the Group used the value-in-use of the interest in Zhejiang AISIN as its recoverable amount. In determining the value-in-use of the interest in Zhejiang AISIN, the directors of the Company estimated the present value of the estimated future cash flows arising from its share of the estimated future cash flows expected to be generated by Zhejiang AISIN. The pre-tax discount rate used to determine the recoverable amount is approximately 14.5%. Based on the assessment, the recoverable amount was determined to be zero. Accordingly, the Group fully impaired its interest in Zhejiang AISIN during the year ended 31 December 2022.

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.

Summarised financial information of the LYNK & CO Investment and its subsidiaries (“**LYNK & CO Group**”), Genius AFC and Chongqing Livan and its subsidiaries (“**Chongqing Livan Group**”), adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated statement of financial position, are disclosed below:

	LYNK & CO Group		Genius AFC		Chongqing Livan Group
	2022	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	16,879,085	14,156,681	1,900,081	1,811,372	389,842
Current assets	16,801,102	12,560,038	56,651,975	52,663,546	3,369,318
Current liabilities	(22,449,072)	(14,845,926)	(30,564,197)	(30,705,939)	(3,126,272)
Non-current liabilities	(3,229,351)	(3,886,217)	(20,728,964)	(17,231,651)	(11,212)
Net assets	<u>8,001,764</u>	<u>7,984,576</u>	<u>7,258,895</u>	<u>6,537,328</u>	<u>621,676</u>
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	2,894,042	1,694,958	5,557,605	5,797,475	346,402
Current financial liabilities (excluding trade and other payables and provisions)	(2,014,539)	(153,536)	(27,069,302)	(26,364,071)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(1,988,666)	(995,435)	(20,728,964)	(17,231,651)	–
Revenue	29,108,984	30,109,004	4,393,613	4,136,122	5,839,487
Profit for the year/period	7,222	700,680	1,221,567	1,060,178	15,588
Other comprehensive income/(expense) for the year/period	9,966	(21,869)	–	–	–
Total comprehensive income for the year/period	17,188	678,811	1,221,567	1,060,178	15,588
Movement of capital reserve	–	–	–	–	6,088
Dividend received from a joint venture	–	888,689	400,000	–	–
The above profit for the year/period including the following:					
Depreciation and amortisation	(2,927,401)	(2,335,497)	(39,764)	(33,486)	(6,973)
Interest income	44,702	44,847	4,278,939	4,057,053	10,326
Interest expense	(98,645)	(120,210)	(1,734,233)	(1,701,111)	(492)
Income tax (expense)/credit	(93,002)	(219,199)	(424,193)	(393,976)	1,617

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:

	LYNK & CO Group		Genius AFC		Chongqing Livan Group
	2022	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets of the joint ventures	8,001,764	7,984,576	7,258,895	6,537,328	621,676
The Group's effective interests in the joint ventures	<u>50%</u>	<u>50%</u>	<u>80%</u>	<u>80%</u>	<u>50%</u>
The Group's share of the net assets of the joint ventures	4,000,882	3,992,288	5,807,116	5,229,862	310,838
Unrealised gain on disposal of a subsidiary to a joint venture	<u>(14,943)</u>	<u>(14,943)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount of the Group's interests in joint ventures	<u>3,985,939</u>	<u>3,977,345</u>	<u>5,807,116</u>	<u>5,229,862</u>	<u>310,838</u>

Aggregate financial information of joint ventures that are not individually material:

	2022	2021
	RMB'000	RMB'000
Aggregate amounts of the Group's share of loss for the year/period	(157,858)	(4,444)
Aggregate amounts of the Group's share of other comprehensive expense for the year/period	-	-
Aggregate carrying amount of the Group's interests in these joint ventures	<u>164,308</u>	<u>148,960</u>

13. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and notes receivables			
Trade receivables, net of loss allowance			
– Third parties		914,002	872,445
– Joint ventures		1,491,801	731,034
– Associates		1,083,478	1,682,610
– Related companies controlled by the substantial shareholder of the Company		8,176,897	3,882,261
		<u>8,176,897</u>	<u>3,882,261</u>
	<i>(a)</i>	11,666,178	7,168,350
Notes receivable	<i>(b)</i>	17,047,131	19,863,681
		<u>17,047,131</u>	<u>19,863,681</u>
		28,713,309	27,032,031
		<u>28,713,309</u>	<u>27,032,031</u>
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		1,323,349	622,404
– Associates		85,635	–
– Related companies controlled by the substantial shareholder of the Company		158,635	241,368
		<u>158,635</u>	<u>241,368</u>
		1,567,619	863,772
Deposits paid for acquisition of property, plant and equipment		382,489	116,662
Other contract costs	<i>(c)</i>	547,731	433,012
Utility deposits and other receivables		1,921,466	1,006,913
VAT and other taxes receivables		2,334,275	2,706,652
		<u>2,334,275</u>	<u>2,706,652</u>
		6,753,580	5,127,011
Amounts due from related companies controlled by the substantial shareholder of the Company	<i>(d)</i>	383,037	190,570
		<u>383,037</u>	<u>190,570</u>
		7,136,617	5,317,581
		<u>7,136,617</u>	<u>5,317,581</u>
		35,849,926	32,349,612
		<u>35,849,926</u>	<u>32,349,612</u>
<i>Representing:</i>			
– Current		34,392,326	31,549,100
– Non-current		1,457,600	800,512
		<u>1,457,600</u>	<u>800,512</u>
		35,849,926	32,349,612
		<u>35,849,926</u>	<u>32,349,612</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, automobile parts and components and battery packs and related parts, provision of research and development and related technological support services. In respect of the trade receivable from related companies arising from the licensing of intellectual properties, it will be settled within five years in accordance with the contract terms. Ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the end of the reporting period was as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	7,240,582	3,734,754
61 – 90 days	285,072	338,779
91 – 365 days	390,635	202,687
Over 365 days	298,372	445,107
	<u>8,214,661</u>	<u>4,721,327</u>

For overseas customers, the Group allows credit periods ranged from 30 days to 210 days (2021: 30 days to 210 days). Ageing analysis of the trade receivables of the overseas customers, based on invoice date and net of loss allowance, at the end of the reporting period was as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	2,585,390	1,582,818
61 – 90 days	607,106	281,174
91 – 365 days	259,021	583,031
	<u>3,451,517</u>	<u>2,447,023</u>

(b) Notes receivable

All notes receivable are denominated in RMB. As at 31 December 2022 and 2021, all notes receivable were guaranteed by established banks in the PRC and have maturities of less than one year from the end of the reporting period.

The Group manages its notes receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, notes receivable are classified as financial assets at FVOCI (recycling) in accordance with HKFRS 9 “Financial Instruments” and are stated at fair value. The fair value is based on the net present value as at 31 December 2022 and 2021 from expected timing of endorsements and discounting at the interest rates for the respective notes receivable. The fair value is within level 2 of the fair value hierarchy.

As at 31 December 2022, the Group endorsed certain notes receivable accepted by banks in PRC (the “**Endorsed Notes**”) with a carrying amount of RMB686,835,000 (2021: RMB931,366,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. As at 31 December 2022, the aggregate carrying amount of the trade payables settled by the Endorsed Notes during the year to which the suppliers have recourse was RMB686,835,000 (2021: RMB931,366,000).

As at 31 December 2022, the Group discounted and endorsed certain notes receivable accepted by banks in PRC (the “**Derecognised Notes**”) to certain banks in order to obtain additional financing or to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB62,809,820,000 (2021: RMB44,965,874,000). The Derecognised Notes had a maturity of less than one year (2021: less than one year) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated liabilities. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts.

(c) Other contract costs

Other contract costs capitalised as at 31 December 2022 and 2021 related to the costs incurred in providing internet connectivity services that is used to satisfy the performance obligations for providing such services to customers in the respective sales of automobile contracts at the end of the reporting period. Contract costs are amortised in line with the recognition of the respective revenue in accordance with the terms of the contracts. There was no impairment in relation to the contract costs capitalised during the year (2021: RMBNil).

(d) Amounts due from related companies

The amounts due are unsecured, interest-free and repayable on demand.

14. TRADE AND OTHER PAYABLES

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and notes payables			
Trade payables			
– Third parties		34,052,204	27,711,329
– Associates		319,766	999,220
– Joint ventures		69,403	5,274
– Related companies controlled by the substantial shareholder of the Company		<u>7,749,791</u>	<u>3,290,590</u>
	(a)	42,191,164	32,006,413
Notes payable	(b)	<u>3,365,739</u>	<u>106,947</u>
		<u>45,556,903</u>	<u>32,113,360</u>
Other payables			
Receipts in advance from customers	(c)		
– Third parties		6,241,266	7,458,586
– Associates		444,649	8,307
– Joint ventures		47,536	194,088
– Related companies controlled by the substantial shareholder of the Company		<u>540,736</u>	<u>387,506</u>
		7,274,187	8,048,487
Deferred government grants which conditions have not been satisfied		887,754	3,574,474
Payables for acquisition of property, plant and equipment		1,881,966	2,304,916
Payables for capitalised product development costs from related companies	(d)	1,091,552	2,345,333
Payables for acquisition of additional interests in a subsidiary		–	1,807,384
Accrued staff salaries and benefits		2,192,518	1,776,055
VAT and other taxes payables		1,834,242	1,276,494
Other accrued charges and payables	(e)	<u>5,475,817</u>	<u>4,604,101</u>
		20,638,036	25,737,244
Amounts due to related companies controlled by the substantial shareholder of the Company	(f)	<u>887,798</u>	<u>503,883</u>
		<u>21,525,834</u>	<u>26,241,127</u>
		<u>67,082,737</u>	<u>58,354,487</u>
<i>Representing:</i>			
– Current		65,480,717	57,392,790
– Non-current		<u>1,602,020</u>	<u>961,697</u>
		<u>67,082,737</u>	<u>58,354,487</u>

(a) Trade payables

Ageing analysis of trade payables, based on invoice date, at the end of the reporting period was as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 60 days	37,969,510	29,125,014
61 – 90 days	3,428,072	1,699,916
91 – 365 days	690,776	950,736
Over 365 days	102,806	230,747
	<u>42,191,164</u>	<u>32,006,413</u>

Trade payables are non-interest bearing. The average credit period on the settlement of purchase invoice is 60 days.

(b) Notes payable

All notes payable are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2022 and 2021, all notes payable had maturities of less than six months from the end of the reporting period.

(c) Receipts in advance from customers

The following amounts represent (i) the advance payments from customers for the sales of automobiles, automobile parts and components, battery packs and related parts, and licensing of intellectual properties and (ii) the obligation for service agreed to be part of the sales of automobiles. The respective revenue will be recognised when the performance obligation is satisfied after the automobiles, automobile parts and components and services and battery packs and related parts, were delivered to the customers and the right to use the intellectual properties was obtained by customers.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Relating to the sales of automobiles, automobile parts and components and battery packs and related parts	5,476,109	6,689,535
Relating to the licensing of intellectual properties	–	215,017
Relating to the obligation for service agreed to be part of the sales of automobiles	1,798,078	1,143,935
	<u>7,274,187</u>	<u>8,048,487</u>

The decrease in receipts in advance from customers (2021: increase) was mainly due to the decrease (2021: increase) in advances received from customers in relation to sales of automobiles, automobile parts and components and battery packs and related parts for the year ended 31 December 2022.

Receipts in advance from customers outstanding at the beginning of the year amounting to RMB7,086,790,000 (2021: RMB2,791,011,000) have been recognised as revenue during the year.

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at the end of the reporting period was as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	196,058	182,238
More than one year	1,602,020	961,697
	<u>1,798,078</u>	<u>1,143,935</u>

As permitted under HKFRS 15, the above transaction price allocated to the unsatisfied contracts does not include performance obligation from the Group's contracts with customers for the sales of automobiles, automobile parts and components and battery packs and related parts and licensing of intellectual properties, that have an original expected duration of one year or less.

(d) Payables for capitalised product development costs from related companies

The credit terms for payables for capitalised product development costs from related companies generally ranged from 60 days to 90 days.

(e) Other accrued charges and payables

The amounts mainly comprised (i) deposits provided by automobile dealers and (ii) payables for warranty, advertising and promotion, transportation and general operations.

(f) Amounts due to related companies

The amounts due are unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

	2022		2021	
	Number of shares	Nominal value <i>RMB'000</i>	Number of shares	Nominal value <i>RMB'000</i>
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	10,018,441,540	183,015	9,816,626,540	179,672
Shares issued under share option scheme (<i>note (a)</i>)	2,405,000	39	5,405,000	91
Shares issued under share award scheme (<i>note (b)</i>)	36,127,246	632	-	-
Shares issued on acquisition of additional interests in a subsidiary	-	-	196,410,000	3,252
At 31 December	<u>10,056,973,786</u>	<u>183,686</u>	<u>10,018,441,540</u>	<u>183,015</u>

Notes:

- (a) During the year ended 31 December 2022, share options were exercised to subscribe for 2,405,000 ordinary shares (2021: 5,405,000 ordinary shares) of the Company at a consideration of approximately RMB7,977,000 (2021: RMB30,734,000) of which approximately RMB39,000 (2021: RMB91,000) was credited to share capital and approximately RMB7,938,000 (2021: RMB30,643,000) was credited to the share premium account. As a result of the exercise of share options, share-based compensation reserve of RMB3,543,000 (2021: RMB7,812,000) has been transferred to the share premium account.
- (b) During the year ended 31 December 2022, award shares representing a total of 36,127,246 ordinary shares were issued under the share award scheme, of which 35,958,293 award shares were vested to certain participants of the share award scheme of the Company at a consideration of approximately RMB632,000 (2021: RMBNil) and the remaining 168,953 award shares were retained and administrated by the appointed trustee for the share award scheme. As a result of the vesting of award shares, share-based compensation reserve of RMB803,218,000 (2021: RMBNil) has been transferred to the share premium account.

16. BANK BORROWINGS

As at 31 December 2022 and 2021, the Group's bank loans were repayable as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount repayable (<i>note (i)</i>)		
Within one year	–	1,906,740
In the third year	<u>2,757,960</u>	<u>–</u>
Total carrying amount	2,757,960	1,906,740
Less:		
Amount due within one year	<u>–</u>	<u>(1,906,740)</u>
Carrying amount shown under non-current liabilities	<u>2,757,960</u>	<u>–</u>

Notes:

- (i) The amounts are based on the scheduled repayment dates set out in the loan agreements.
- (ii) As at 31 December 2022, the bank loans were carried at amortised cost, repayable in August 2025 (2021: July 2022) and interest-bearing at Secured Overnight Financing Rate plus 0.7% per annum (2021: London Interbank Offered Rates plus 0.95% per annum).
- (iii) Pursuant to the facility agreements, 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.
- (iv) During the years ended 31 December 2022 and 2021, none of the covenants relating to drawn down facilities had been breached.

17. LOAN FROM A RELATED COMPANY

As at 31 December 2022, the loan from a fellow subsidiary was granted to the Group's subsidiary in the PRC and was unsecured, repayable within ten years and carried interest rate at 4.5% per annum.

18. BONDS PAYABLE

On 25 January 2018, the Company issued the 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 is 25 January 2023 (the “**Maturity Date**”).

The Bonds are 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 measured at amortised cost at the end of the reporting period.

The movements of the Bonds during the year are set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount		
At 1 January	1,901,137	1,949,735
Exchange differences	157,727	(51,921)
Interest expenses	<u>3,532</u>	<u>3,323</u>
At 31 December	<u><u>2,062,396</u></u>	<u><u>1,901,137</u></u>
<i>Representing:</i>		
– Current	2,062,396	–
– Non-current	<u><u>–</u></u>	<u><u>1,901,137</u></u>

On the Maturity Date, the Company redeemed the Bonds in full at the outstanding principal amount of US\$300,000,000 together with interest in an amount equal to US\$5,439,000 accrued to (but not including) the Maturity Date.

19. PERPETUAL CAPITAL SECURITIES

On 9 December 2019, the Company (the “**Issuer**”) issued 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.

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>	Lease liabilities <i>RMB’000</i>	Bank borrowings <i>RMB’000</i> <i>(note 16)</i>	Loan from a related company <i>RMB’000</i> <i>(note 17)</i>	Bonds payable <i>RMB’000</i> <i>(note 18)</i>	Total <i>RMB’000</i>
At 1 January 2021	–	42,295	1,959,750	–	1,949,735	3,951,780
Changes from financing cash flows:						
Capital element of lease rentals paid	–	(90,251)	–	–	–	(90,251)
Other borrowing costs paid	–	(13,396)	(58,594)	–	(68,696)	(140,686)
Dividends paid	<u>(1,611,439)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,611,439)</u>
Total changes from financing cash flows	<u>(1,611,439)</u>	<u>(103,647)</u>	<u>(58,594)</u>	<u>–</u>	<u>(68,696)</u>	<u>(1,842,376)</u>

	Dividends payable RMB'000	Lease liabilities RMB'000	Bank borrowings RMB'000 (note 16)	Loan from a related company RMB'000 (note 17)	Bonds payable RMB'000 (note 18)	Total RMB'000
Exchange adjustments	–	–	(53,010)	–	(51,921)	(104,931)
Other changes (note):						
Entering into new leases	–	726,835	–	–	–	726,835
Interest expenses	–	13,396	58,594	–	72,639	144,629
Dividends declared (note 9(b))	1,611,439	–	–	–	–	1,611,439
Acquisition through business combination	–	21,897	–	–	–	21,897
Others (note)	–	–	–	–	(620)	(620)
Total other changes	<u>1,611,439</u>	<u>762,128</u>	<u>58,594</u>	<u>–</u>	<u>72,019</u>	<u>2,504,180</u>
At 31 December 2021 and 1 January 2022	–	700,776	1,906,740	–	1,901,137	4,508,653
Changes from financing cash flows:						
Advances from related companies	–	–	–	7,600,000	–	7,600,000
Repayment to related companies	–	–	–	(3,085,000)	–	(3,085,000)
Proceeds from bank borrowings	–	–	3,819,402	–	–	3,819,402
Repayments of bank borrowings	–	–	(3,731,301)	–	–	(3,731,301)
Capital element of lease rentals paid	–	(611,065)	–	–	–	(611,065)
Other borrowing costs paid	–	(64,589)	(11,874)	(19,964)	(65,816)	(162,243)
Dividends paid	(1,787,669)	–	–	–	–	(1,787,669)
Total changes from financing cash flows	<u>(1,787,669)</u>	<u>(675,654)</u>	<u>76,227</u>	<u>4,495,036</u>	<u>(65,816)</u>	<u>2,042,124</u>
Exchange adjustments	–	–	111,195	–	157,727	268,922
Other changes (note):						
Entering into new leases	–	2,214,735	–	–	–	2,214,735
Termination of leases	–	(138,707)	–	–	–	(138,707)
Interest expenses	–	64,589	23,489	211,329	71,973	371,380
Dividends declared (note 9(b))	1,787,669	–	–	–	–	1,787,669
Acquisition through business combination (note 21)	–	170,269	651,924	1,485,000	–	2,307,193
Others (note)	–	–	(11,615)	(191,365)	(2,625)	(205,605)
Total other changes	<u>1,787,669</u>	<u>2,310,886</u>	<u>663,798</u>	<u>1,504,964</u>	<u>69,348</u>	<u>6,336,665</u>
At 31 December 2022	<u>–</u>	<u>2,336,008</u>	<u>2,757,960</u>	<u>6,000,000</u>	<u>2,062,396</u>	<u>13,156,364</u>

Note:

Other changes include interest accruals.

21. BUSINESS COMBINATION

China-Euro Vehicle Technology AB (“CEVT”)

On 2 July 2021, Zeekr Intelligent Technology Holding Limited (“**Zeekr Holding**”) and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement, pursuant to which Zeekr Holding conditionally agreed to acquire 100% of the equity interests in CEVT for a cash consideration of approximately 1,057.8 million Swedish Krona (equivalent to approximately RMB720.3 million). CEVT is principally engaged in automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and provision of intelligent mobility technology solutions. The acquisition of CEVT was completed in February 2022. Please refer to the Company’s announcement dated 2 July 2021 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 fair values on acquisition <i>RMB’000</i>
The net assets acquired:			
Property, plant and equipment	347,824	(877)	346,947
Intangible assets	11,564	8,947	20,511
Trade and other receivables (<i>note</i>)	3,170,961	(27,448)	3,143,513
Deferred tax assets	7,149	3,992	11,141
Bank balances and cash	75,069	–	75,069
Trade and other payables	(570,033)	–	(570,033)
Bank borrowings	(651,924)	–	(651,924)
Loan from a related company	(1,485,000)	–	(1,485,000)
Lease liabilities	(170,269)	–	(170,269)
Deferred tax liabilities	(2,852)	–	(2,852)
	<u>732,489</u>	<u>(15,386)</u>	<u>717,103</u>
Goodwill arising on acquisition:			
Cash consideration transferred			720,328
Fair value of identifiable net assets acquired			<u>(717,103)</u>
			<u>3,225</u>
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(720,328)
Bank balances and cash acquired			<u>75,069</u>
			<u>(645,259)</u>

No acquisition-related costs had been incurred in relation to the acquisition.

Note: The receivables acquired in this transaction with a fair value of RMB3,143,513,000 had gross contractual amounts of RMB3,170,961,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected were RMB27,448,000.

As a result of the acquisition, the Group is expected to increase the speed of update and iteration of the automobiles, and provide continuous and stable technical support for product research and development. 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.

CEVT has contributed revenue of RMB791,570,000 and profit of RMB86,137,000, respectively from the completion date of the acquisition to 31 December 2022.

If the acquisition had occurred on 1 January 2022, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2022 would be RMB148,895,254,000 and RMB4,732,508,000, 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 2022 and could not serve as a basis for the forecast of future operation results.

22. FINANCIAL INFORMATION OF ZEEKR HOLDING AND ITS SUBSIDIARIES

The following table lists out the financial information related to subgroup of Zeekr Holding, the subsidiary of the Group. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Zeekr Holding	
	2022	2021
	RMB'000	RMB'000
Non-current assets	13,729,613	5,323,972
Current assets	15,717,521	6,839,320
Current liabilities	(18,432,832)	(7,853,511)
Non-current liabilities	(7,772,477)	(486,229)
Net assets	<u>3,241,825</u>	<u>3,823,552</u>
Revenue	31,787,080	2,868,157
Loss for the year/period	(2,038,832)	(1,010,101)
Other comprehensive income/(expense) for the year/period	11,562	(31,043)
Total comprehensive expense for the year/period	(2,027,270)	(1,041,144)
Loss allocated to non-controlling interests	(648,838)	(540,960)
Other comprehensive income/(expense) allocated to non-controlling interests	<u>4,820</u>	<u>(15,210)</u>

23. EVENT(S) AFTER THE REPORTING DATE

Formation of a joint venture company

On 8 November 2022, the Company, the ultimate holding company of the Company and Renault s.a.s. (collectively, the “**Parties**”) entered into a framework agreement pursuant to which the Parties proposed to set up a joint venture company (the “**Proposed JV**”) for the purpose of integrating each Party’s respective expertise and strengths in relation to internal combustion engine, hybrids and plug-in hybrids powertrains and transmissions activities and related technologies. Pursuant to the framework agreement, the Company and the ultimate holding company of the Company on the one hand and Renault s.a.s. on the other hand, will each tentatively be interest in 50%, in the Proposed JV.

On 2 March 2023, the Parties and Saudi Arabian Oil Company (“**Saudi Aramco**”) entered into a letter of intent pursuant to which Saudi Aramco intended to invest for a minority stake in the Proposed JV in cash. It is expected that the respective shareholding of the Company and its ultimate holding company on the one hand and Renault s.a.s. on the other hand, will be identical in the remaining stake of the Proposed JV.

As at the date of authorisation of the consolidated financial statements, the formation of the Proposed JV has not yet been completed. Please refer to the Company’s announcements dated 8 November 2022 and 2 March 2023 for further details.

Spin-off and separate listing of Zeekr Holding

On 31 October 2022, the Company submitted a proposal to the SEHK pursuant to Practice Note 15 to the Listing Rules in relation to the proposed spin-off and separate listing of Zeekr Holding. The SEHK has confirmed that the Company may proceed with the proposed spin-off.

On 7 December 2022, Zeekr Holding submitted on a confidential basis to the Securities and Exchange Commission of the U.S (the “**SEC**”) a draft registration statement for a possible initial public offering in U.S. Exchange (i.e. either the New York Stock Exchange or National Association of Securities Dealers Automated Quotations). As at the date of authorisation of the consolidated financial statements, the SEC is still reviewing the draft registration statement of the Company.

Acquisition of PROTON Holdings Berhad (“**Proton**”) and DRB-HICOM Geely Sdn. Bhd. (“**DHG**”)

On 20 January 2023, Linkstate Overseas Limited (“**Linkstate**”), a directly wholly-owned subsidiary of the Company, and a fellow subsidiary owned by the Company’s ultimate holding company entered into acquisition agreements pursuant to which Linkstate conditionally agreed to acquire 49.9% of the issued and paid-up ordinary share capital of Proton and DRB-HICOM Geely Sdn. Bhd. (“**DHG**”) for a cash consideration of approximately RMB1,456.7 million (of which US\$56,390,000 (equivalent to approximately RMB393.7 million)) was related to the loan receivable to be sold to Linkstate) and US\$1 (equivalent to approximately RMB7), respectively. Proton is principally engaged in manufacturing and sale of motor vehicles of its own brand in Southeast Asia. DHG is principally engaged in investment holding. The acquisitions of Proton and DHG have not yet been completed as at the date of authorisation of the consolidated financial statements. Please refer to the Company’s announcement dated 12 December 2022 for further details.

Issuance of Series A Preferred Shares

On 12 February 2023, Zeekr Holding entered into a share purchase agreement with five investors, pursuant to which such investors agreed to subscribe for 139,375,669 Series A Preferred Shares at a total consideration of US\$750,000,000. The transaction contemplated under the share purchase agreement has not yet been completed as at the date of authorisation of the consolidated financial statements. Please refer to the Company's announcement dated 12 February 2023 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2022, the Group sharpened the operational focus on new energy transformation and recorded rapid growth in sales volume of the “Geometry” and “Zeekr” brands. However, the impacts brought by the surging cost of batteries, chips and other parts and components as well as the significant investment we made into our new business Zeekr during its early development stage put pressure on the profitability of the Group during the period. Total revenue* increased by 46% to RMB148.0 billion for the year ended 31 December 2022. Total net profit of our Group increased by 7% from RMB4.35 billion in 2021 to RMB4.65 billion in 2022. After accounting for non-controlling interests, our net profit attributable to equity holders increased by 9% from RMB4.85 billion in 2021 to RMB5.26 billion in 2022. Diluted earnings per share increased by 6% to RMB0.50. If the non-cash share-based payment expenses and bargain purchase gain were excluded, our profit attributable to equity holders would have decreased by 18% year-on-year (“YoY”) to RMB5.00 billion in 2022. The Group's average ex-factory selling price (“ASP”) during the period increased by 30% as compared to the corresponding period last year as a result of the continued improvement in the product pricing and product mix. After incorporating the “Lynk&Co” and “Livan” vehicles sold by the Lynk&Co JV and the Livan JV respectively on a proforma basis, the Group's combined ASP recorded an increase of 24% YoY. As the NEVs still recorded a significantly lower gross margin ratio as compared to that of fuel vehicles while their proportion increased rapidly, the gross margin ratio of the Group was down by 3 percentage points YoY to 14.1% in 2022. During the year, our Group continued to generate good operational cash flow. This raised our Group's total cash level (bank balances and cash plus restricted and pledged bank deposits) by 20% to RMB33.7 billion at the end of 2022.

*: Excluding the total revenue of the Lynk&Co JV and the Livan JV

BUSINESS OVERVIEW

In 2022, China's automobile market has experienced more challenging supply chain than in 2021, and additionally the changing market environment brought about by rapid transformation towards new energy. Thanks to the concerted effort across the Group, the Group has maintained its leading position in China's passenger vehicle market during the year. Overall, in terms of wholesale volume (including the total sales volume# of “Lynk&Co” and “Livan” vehicles sold by the Group's two 50%-owned joint ventures, namely 領克投資有限公司 (Lynk&Co Investment Co., Ltd. or “Lynk&Co JV”) and 重慶睿藍汽車科技有限公司 (Chongqing Livan Automotive Technology Company Limited or “Livan JV”),

the Group sold a total of 1,432,988 units of vehicles in 2022, up 8% from 2021, among which, domestic wholesale volume posted a slight increase of 2% YoY to 1,234,746 units while export wholesale volume continued to perform well and grew by 72% YoY to 198,242 units.

During the year, the Group sharpened the operational focus on new energy transformation and significantly accelerated the pace towards this end. The sales volume of new energy vehicles (NEVs)** (including the total sales volume# of “Lynk&Co” and “Livan” vehicles sold by the Group’s two 50%-owned joint ventures, namely the Lynk&Co JV and the Livan JV) increased drastically by 300% YoY to 328,727 units, accounting for a higher proportion of sales volume of 23%. In particular, Zeekr Intelligent Technology Holding Limited (“**Zeekr**”), a subsidiary of the Group, made significant strides in the first full year expanding into the premium intelligent electric vehicle market, with a total of 71,941 units of its first model, “Zeekr 001”, being delivered during the year, ranking among the top in the new energy vehicles industry in terms of delivery volume growth.

#: While the total sales volume does not correlate directly to the revenue the Group recognises during a particular period as it includes all sales volume of the Group’s two 50%-owned joint ventures, namely the Lynk&Co JV and the Livan JV on a 100% consolidated basis, the Board believes it is more indicative of the underlying demand of the Group’s vehicles.

** : NEVs include battery electric vehicles (“**BEVs**”) and plug-in hybrid electric vehicles (“**PHEVs**”).

SUSTAINABILITY REVIEW

Aiming to be the benchmark for China’s automobile sector in terms of sustainability, the Group has officially announced its carbon emission targets in 2022, including entire life cycle carbon emissions per vehicle to be reduced by more than 25% by 2025 with 2020 as baseline, and carbon neutrality to be achieved by 2045. In order to achieve these goals, the Group will adopt carbon reduction measures such as new energy transformation, increasing the sales proportion of low-emission and zero-emission products, and increasing the use of renewable energy at the operational level. As of the end of 2022, the entire life cycle carbon emissions per vehicle of the Group has reduced by 8% (with 2020 as baseline). At the same time, the Group became the first Chinese passenger car company committed to Science Based Targets Initiative (SBTi).

In addition, the Group published the Sustainable Finance Framework in 2022, and successfully obtained a US\$400 million sustainable development club loan under this framework. The loan will be fully used to finance our NEV technology, research and development and manufacturing of new models to help achieve the carbon emission targets.

In order to further strengthen the Group’s global leadership position in environmental, social and governance (ESG) of the automobile industry, the Group has formulated a new ESG strategy which includes six strategic directions, namely “Climate Neutrality”, “Nature-positive”, “All-round Safety”, “Digitalization and Innovation”, “Co-prosperity” and “Governance and Ethics”. The Group has also formulated the corresponding implementation path to ensure these goals are achievable.

FINANCIAL RESOURCES

Total capital expenditures of the Group, including property, plant and equipment, capitalised product development costs and land lease prepayments, amounted to RMB10.3 billion in 2022, which was higher than the budgeted amount of RMB9.2 billion fixed at the beginning of the year, mainly attributable to higher investment in research and development as the Group accelerated the pace of new energy and intelligence transformation. Working capital (inventories plus trade and other receivables minus trade and other payables) of the Group increased by about RMB0.073 billion. During this year, the Group increased its borrowings to support the fast-growing operation under “Zeekr” brand, most of which were loans from Geely Holding, our parent. Also, the Group repaid the original US\$300 million club loan at the beginning of July 2022, and re-obtained a three-year club loan with a principal amount of up to US\$400 million for sustainable development at the end of August 2022. As a result, the Group’s total cash level (including bank balances and cash plus restricted and pledged bank deposits) increased by 20% YoY to RMB33.7 billion at the end of 2022. The Group’s total borrowings (including loan from a related company, bank borrowings and bonds payable) increased by 184% to RMB10.8 billion. As of the end of 2022, the Group’s financial position remained solid. Net cash on hand (total cash level minus total borrowings and perpetual capital securities) decreased to RMB19.5 billion, versus a net cash level of RMB22.0 billion six months ago. As of the end of 2022, the Group’s total borrowings were primarily denominated in either Renminbi (RMB) or United States Dollars (US\$). Among them, the foreign currency borrowings were well matched by the currency mix of the Group’s export revenues. In addition, net notes receivable (notes receivable minus notes payable) at the end of 2022 amounted to RMB13.7 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivable with the banks.

The Group has been assigned credit ratings from both Standard & Poor’s Ratings Services and Moody’s Investors Service. Due to the pressure on profitability in the early stage of the new energy transformation and the investment related to the start-up business of Zeekr’s premium intelligent electric vehicles, the two rating agencies downgraded the rating outlook of the Group during the year, but the original ratings were maintained. Standard & Poor downgraded corporate credit rating of the Group from “BBB-/Stable” to “BBB-/Negative”, while Moody’s Investors Service downgraded the Group’s credit rating from “Baa3/Stable” to “Baa3/Negative”. The rating agencies believe that, despite challenging process of transformation, the Group’s position in China’s automobile market remains competitive, and its track record of maintaining low leverage, excellent liquidity and net cash position has provided strong justification for sustaining its investment grade ratings.

Budgeted capital expenditures (excluding acquisitions through business combinations) of the Group amounted to about RMB14 billion in 2023. These funds will be used for the research and development of new vehicle platforms and models and the expansion and upgrading of production facilities at existing plants. The Group plans to fund capital expenditures through its operating cash flow, cash reserves, new bank borrowings, and raising funds in the international capital market. As at the date of this announcement, the Group has no definite plan or schedule on raising funds in the international capital market.

RESEARCH AND DEVELOPMENT

During the year ended 31 December 2022, the Group recorded a total expense of RMB6.765 billion (2021: RMB5.518 billion) in relation to its research and development activities and such expense was included in “Administrative expenses” in the consolidated income statement.

Items	2022 <i>RMB('000)</i>	2021 <i>RMB('000)</i>	YoY change (%)
Amortisation of intangible assets (i.e. capitalised product development costs)	4,799,250	4,225,761	14
Research and development costs (i.e. not qualified for capitalisation)	1,965,596	1,292,171	52
Total research and development costs charged to profit or loss	<u>6,764,846</u>	<u>5,517,932</u>	<u>23</u>

As most of the ongoing research and development projects are aimed for new technologies not yet used in existing products, a majority of the relevant expenditures had been capitalised, and will only be amortised as expenses after the launch of products using the technologies in the market.

In 2022, the increase in capitalised product development costs of RMB6.4 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 NEV technologies.

OUTLOOK

Under the era of new energy and intelligence, the competition in the automotive industry will continue to intensify for a certain period of time. Enterprises are still required to make progressive breakthrough and enhancement on key areas such as the product layout, core technology, supply chain system capability and digital marketing.

Under the development of the “Smart Geely 2025” strategy, we will put more efforts on the promotion of new energy products. By launching Geely’s mid to high-end new energy vehicle series, “Geely Galaxy” and a brand-new new energy sales network, we will construct a strong Geely new energy brand image and attract consumers with excellent safety, power, and performance. Meanwhile, Zeekr will strive to spearhead the development of premium pure electric vehicle market through continuous investment in new product launch, core technology research and development, supply chain system upgrade, high

quality product delivery and ecological layout. Since its inception, Zeekr has positioned itself as a globalised enterprise and planned to extend its reach to the European market in 2023 to create value for the world's most developed automobile market and set sail to a new era of intelligent mobility with users across the globe. Lynk&Co brand will continue to improve user experience, including fully implementing plug-in hybridisation of its main products, and improving user satisfaction through measures such as upgrading the cockpit and optimising space. In addition, Lynk&Co will also accelerate the launching of new energy mid-level SUVs and sedans based on the modular architecture, which is expected to significantly increase its sales volume. Livan battery swapping ecology will continue to maintain a steady development in the B-end market, and will also enter the C-end market through a convenient, low-cost, and practical technology to provide consumers with a worry-free battery product experience. At the same time, by introducing new products, Livan will further improve the energy replenishment advantage of the integration of charging and swapping, thus enhancing user value experience.

Technology is the core strength of an enterprise's competitiveness. In terms of autonomous driving, the Group will enhance user's driving experience through its self-developed software and the closed-loop operation of data algorithms. In 2023, the Group will launch a more advanced autonomous driving solution to uplift the autonomous perception and the intelligent decision-making capability. In terms of smart cockpit, the Group will focus on content operation and experience upgrade, and build a solution with unified hardware setting, software function and human-vehicle interaction platform.

In terms of export, the Group will seize the opportunity in exporting domestic vehicles, continuously expand the regional market coverage, devote great effort in the core market, intensify the cooperation with Proton in Southeast Asia and right-hand-drive vehicle markets, and make active cooperation with Renault in Korean market. It will also furnish the marketing pipeline expansion and after-sales service system simultaneously to enhance the brand image. Through joint venture and cooperation, complementary advantages could be leveraged, which will enhance the stability and sustainability of overseas development.

In 2022, the Group's business has been restraining from cost and supply issues, which resulted in a passive response from business operations. In terms of the supplier planning, cost management and production capacity management, more room for improvement could be made. As such, the Group will comprehensively commence procurement planning in 2023 to promote the synergy of procurement with various brands and achieve systematic management. With an open and inclusive attitude, the Group will elevate its partnership between suppliers, create various cooperation models, and construct a sustainable supply chain ecosystem.

In order to achieve the above objectives, the Board of the Group set its sales volume target for 2023 at 1,650,000 units (including the total sales volume of "Lynk&Co" and "Livan" vehicles sold by Lynk&Co JV and Livan JV), representing an increase of approximately 15% from the total sales volume achieved in 2022.

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.

As at 31 December 2022, the Group's shareholders' funds amounted to approximately RMB75.1 billion (As at 31 December 2021: approximately RMB68.6 billion). The Company issued 2,405,000 ordinary shares upon exercise of share options and 36,127,246 ordinary shares upon vesting of share awards 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 PRC and the Group's assets and liabilities were mainly denominated in Renminbi (RMB), the functional currency of the Company and its key operating 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, thereby affecting the Group's competitiveness and its sales volume in these markets. To mitigate the foreign exchange risk, the Group entered into foreign exchange forward contracts during the year and has embarked on plans to build additional overseas plants to increase the proportion of its costs arising from local business activities in local currencies. 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 other tools to manage foreign exchange risk whenever necessary.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's current ratio (current assets/current liabilities) was about 1.15 (As at 31 December 2021: 1.08) and the gearing ratio of the Group was about 14.4% (As at 31 December 2021: 5.6%) 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 plus trade and other receivables minus trade and other payables) increased by about RMB73 million to deficit RMB20,410 million at the end of 2022. During the year, the Group increased its borrowings to support its fast-growing operation under "Zeekr" brand, most of which were loans from our parent Geely Holding. As a result, the Group's total cash level (bank balances and cash plus restricted and pledged bank deposits) increased by 20% year-on-year to RMB33.7 billion at the end of 2022. The Group's total borrowings (including bank borrowings, loan from a related company and bonds payable, but excluding perpetual capital securities) increased by 184% to RMB10.8 billion. Accordingly, it resulted in a slight increase in current ratio at the end of year 2022 over the previous year.

Total borrowings (excluding trade and other payables and lease liabilities) as at 31 December 2022 amounted to approximately RMB10.8 billion (As at 31 December 2021: approximately RMB3.8 billion) were mainly the Group's borrowings, loan from a related company and bonds payable. At the end of 2022, the Group's total borrowings were denominated in either Renminbi (RMB) or United States Dollars (US\$). The foreign currency borrowings were well matched by the currency mix of the Group's export 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 Board believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2022, the total number of employees of the Group was about 49,000 (As at 31 December 2021: 44,000). 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 and share awards under the share award 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 2022.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.21 per ordinary share for the year ended 31 December 2022. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Thursday, 25 May 2023 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 2023 to shareholders whose names shall appear on the register of members of the Company on 12 June 2023.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2023 to 25 May 2023, 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 2023, 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 2023.

The register of members of the Company will be closed from 7 June 2023 to 12 June 2023, 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 6 June 2023.

CORPORATE GOVERNANCE

For the year ended 31 December 2022, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code ("CG Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for CPs B.2.3, B.3.4, C.2.7 and F.2.2.

Pursuant to CP B.2.3, if an independent non-executive director has served more than nine years, the papers to the shareholders in relation to his re-election should state why the Board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board (or the nomination committee) in arriving at such determination. CP B.3.4 also provides that the circular should include the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent, the perspectives, skills and experience that the individual can bring to the Board, and how the individual contributes to diversity of the Board.

Mr. Wang Yang (“**Mr. Wang**”) was first appointed as an independent non-executive Director on 17 May 2012 and had served as an independent non-executive Director for more than nine years. Owing to an inadvertent oversight, the Company has not included in the circular sent to the shareholders on, among other things, the re-election of Mr. Wang in relation to the information required under CPs B.2.3 and B.3.4.

The Board considers that notwithstanding Mr. Wang had served as independent non-executive Director for more than nine years, (i) the Board affirmed that Mr. Wang remains independent after having assessed and reviewed the annual confirmation of independence of Mr. Wang based on the criteria set out in Rule 3.13 of the Listing Rules, (ii) the nomination committee of the Company has assessed and is satisfied of the independence of Mr. Wang, and (iii) the Board considers that Mr. Wang remains independent of the management and free of any relationship which could materially interfere with the exercise of his independent judgment. In view of the aforesaid factors and the fact that the experience and knowledge of Mr. Wang in the business sector in which the Company operates, the Board recommended Mr. Wang for re-election at the annual general meeting of the Company (“**AGM**”) held on 25 May 2022.

CP C.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 2022, a formal meeting could not be arranged between the chairman (“**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 F.2.2 provides that the Chairman and the chairperson of respective Board committees should attend the annual general meeting of the Company. During the year ended 31 December 2022, the Chairman did not attend the AGM held on 25 May 2022 due to conflict of his schedules and other prior business engagement in the PRC. One independent non-executive Director, one executive Director and the Company’s external auditor attended and answered questions raised by the shareholders at the AGM physically. Four other independent non-executive Directors and two other executive Directors attended the AGM via conference call.

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.

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 to 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 of the Board (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, risk management and internal controls. The Audit Committee comprises Ms. Gao Jie, Mr. An Qing Heng, Mr. Wang Yang and Ms. Lam Yin Shan, Jocelyn who are the independent non-executive Directors of the Company.

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The AGM will be held in Hong Kong on Thursday, 25 May 2023 at 4:00 p.m. (Hong Kong Time). A notice of the AGM 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 Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement 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 and consequently no opinion or assurance conclusion 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 2022 annual report will set out all information disclosed in the annual results announcement for 2022 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 2023.

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

Hong Kong, 21 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Li Dong Hui, Daniel (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence, Ms. Wei Mei and Mr. Gan Jia Yue, and the independent non-executive directors of the Company are Mr. An Qing Heng, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie.