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*本公佈並非歐洲經濟區(「**歐洲經濟區**」)成員國所實施歐盟指令2003/71/EC(及其任何修訂)所界定之招股章程。*

*本公佈及有關據此提呈發行債券之任何其他文件或資料並非由英國《二零零零年金融服務及市場法》(「**金融服務及市場法**」)(經修訂)第21條所界定之認可人士發佈，而有關文件及/或資料亦未經其批准。因此，有關文件及/或資料並不會向英國公眾人士派發，亦不得向英國公眾人士傳遞。有關文件及/或資料僅作為財務推廣向在英國擁有相關專業投資經驗及屬於《二零零零年金融服務及市場法》二零零五年(財務推廣)命令(經修訂)(「財務推廣命令」)第19(5)條所界定之投資專業人士，或屬於財務推廣命令第49(2)(a)至(d)條範圍之人士，或根據財務推廣命令可以其他方式合法向其發佈有關文件及/或資料的任何其他人士(所有上述人士統稱為「有關人士」)發佈。於英國，據此提呈發售之債券僅針對有關人士作出，而本公佈涉及之任何投資或投資活動將僅與有關人士進行。任何在英國並非有關人士之人士不應根據本公佈或其任何內容採取行動或加以依賴。*

***無零售及保險投資產品組合重要資訊文件**－由於不可於歐洲經濟區進行零售，故並無編製零售及保險投資產品組合重要資訊文件。*

***《金融工具市場指令II》產品管理**－就委員會委任指令(EU)2017/593(經修訂)(「委任指令」)項下金融工具市場指令產品管理規則而言，凡受限於《金融工具市場指令II》之分銷商如發*

*售、銷售或推銷債券，均須負責就債券進行其本身之目標市場評估，並釐定其本身之分銷渠道。本公司及聯席牽頭經辦人概不對分銷商是否符合委任指令作出任何聲明或保證。*

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

*（於開曼群島註冊成立之有限公司）*

（股份代號：175）

## 海外監管公佈

本海外監管公佈乃根據香港聯合交易所有限公司（「**聯交所**」）證券上市規則（「**上市規則**」）第13.10B條而發出。

茲提述吉利汽車控股有限公司（「**本公司**」）日期為二零一八年一月十九日有關債券發行之公佈（「**該公佈**」）。除文義另有所指外，本公佈所用詞彙與該公佈所界定者具有相同涵義。

請參閱隨附日期為二零一八年一月十八日有關債券之發售通函（「**發售通函**」），該發售通函已於二零一八年一月二十六日於新加坡交易所有限公司之網站發佈。

在聯交所網站刊登發售通函僅旨在向香港投資者同步發佈資訊及遵守上市規則第13.10B條，並無任何其他目的。

發售通函並不構成於任何司法權區向公眾人士提呈出售任何證券之招股章程、通告、通函、小冊子或廣告，或作為向公眾人士提呈以供認購或購買任何證券之邀請，亦不得視作公眾人士提呈認購或購買任何證券之邀請。

發售通函不得被視作誘使認購或購買本公司任何證券，亦不擬構成該等勸誘。不應根據發售通函所載資料作出任何投資決定。

承董事會命<br>
**吉利汽車控股有限公司**<br>
*公司秘書*<br>
**張頌仁**

香港，二零一八年一月二十六日

*於本公佈日期，本公司執行董事為李書福先生(主席)、楊健先生(副主席)、李東輝先生(副主席)、桂生悅先生(行政總裁)、安聰慧先生、洪少倫先生及魏梅女士；本公司非執行董事為Carl Peter Edmund Moriz Forster先生；而本公司獨立非執行董事為李卓然先生、楊守雄先生、安慶衡先生及汪洋先生。*

# IMPORTANT NOTICE

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

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

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

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

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

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

The attached offering circular is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "**EEA**").

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

**PRIIPs Regulation/Prohibition of sales to EEA retail investors** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

**MIFID II product governance** – Any distributor subject to MiFID II that is offering, selling or recommending the Bonds is responsible for undertaking its own target market assessment in respect of the Bonds and determining its own distribution channels for the purposes of the MiFID product governance rules under Commission Delegated Directive (EU) 2017/593, as amended ("**Delegated Directive**"). Neither the Company, the Joint Lead Managers nor the Co-Managers make any representations or warranties as to a distributor's compliance with the Delegated Directive.

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

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

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

THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

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

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

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

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

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**OFFERING CIRCULAR** **CONFIDENTIAL**

**US$300,000,000**

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

*(incorporated in the Cayman Islands with limited liability)*

## 3.625% BONDS DUE 2023

## ISSUE PRICE: 99.602%

The 3.625% Bonds due 2023 (the "**Bonds**") will be issued in aggregate principal amount of US$300,000,000 by Geely Automobile Holdings Limited(吉利汽車控股有限公司)(the "**Company**").

The Bonds will bear interest on their outstanding principal amount from and including 25 January 2018 (the "**Issue Date**") at the rate of 3.625% per annum. Interest on the Bonds is payable semi-annually in arrear in equal instalments on 25 January and 25 July in each year, commencing on 25 July 2018. Payments on the Bonds will be made without deduction or withholding for or on account of taxes of the PRC, the Cayman Islands or any political subdivision or any authority therein or thereof having power to tax to the extent described under "Terms and Conditions of the Bonds – Taxation."

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (Negative Pledge) of the terms and conditions of the Bonds (the "**Conditions**")) 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 Condition 4(a) (Negative Pledge) of the Conditions, at all times rank *pari passu* with all its other present and future unsecured and unsubordinated obligations.

Unless previously redeemed, or purchased and cancelled, the Company will redeem each Bond at its principal amount on 25 January 2023 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' written notice to the Bondholders (as defined below) (which shall be irrevocable), the Trustee and the Principal Paying Agent, the Company may redeem the Bonds in whole, but not in part, at their principal amount, together with unpaid interest accrued to (but not including) the date fixed for redemption, if, immediately prior to giving such notice, the Company satisfies the Trustee that the Company has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 18 January 2018, and such obligation cannot be avoided by the Company taking reasonable measures available to it. At any time following the occurrence of a Change of Control (as defined in the Conditions), each holder of Bonds (each a "**Bondholder**") will have the right, at such Bondholder's option, to require the Company to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date (as defined in the Conditions) at 101% of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date. See "Terms and Conditions of the Bonds – Redemption and Purchase."

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 46.

**Investing in the Bonds involves risks. See "Risk Factors" beginning on page 12.**

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

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

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

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)(the "**NDRC Notice**") promulgated by National Development and Reform Commission (the "**NDRC**") of the PRC on 14 September 2015 which came into effect on the same day, the Company has registered the issuance of the Bonds with NDRC and obtained a certificate from NDRC on 24 October 2017 evidencing such registration. Pursuant to the registration certificate, the Company will cause relevant information relating to the issue of the Bonds to be reported to NDRC within 10 PRC working days after the issue date of the Bonds.

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

***Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners***

**Barclays** **BNP PARIBAS** **Deutsche Bank** **UBS**

***Co-Managers***

**BOC International** **SMBC Nikko** **SPDB International**

*(in alphabetical order)*

The date of this offering circular is 18 January 2018.

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

**This offering circular is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EEA").**

**PRIIPs Regulation/Prohibition of sales to EEA retail investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC, as amended (the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.**

**MIFID II product governance – Any distributor subject to MiFID II that is offering, selling or recommending the Bonds is responsible for undertaking its own target market assessment in respect of the Bonds and determining its own distribution channels for the purposes of the MiFID product governance rules under Commission Delegated Directive (EU) 2017/593, as amended ("Delegated Directive"). Neither the Company, the Joint Lead Managers (as defined below) nor the Co-Managers (as defined below) make any representations or warranties as to a distributor's compliance with the Delegated Directive.**

**The communication of this offering circular and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial**

**Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which this offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering circular or any of its contents.**

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

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

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

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

No representation or warranty, express or implied, is made by Barclays Bank PLC, BNP Paribas, Deutsche Bank AG, Hong Kong Branch and UBS AG Hong Kong Branch (the "**Joint Lead Managers**", and each a "**Joint Lead Manager**"), BOCI Asia Limited, SMBC Nikko Capital Markets Limited and SPDB International Capital Limited (the "**Co-Managers,**" and each a "**Co-Manager**"), Citicorp International Limited (the "**Trustee**"), Citibank, N.A., London Branch (the "**Paying Agent**," "**Transfer Agent**" and "**Registrar**") or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

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

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

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

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

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

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

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

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

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

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY AND FINANCIAL INFORMATION PRESENTATION

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

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

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

We record and publish our financial information in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.7793 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2017, and all translations from Hong Kong dollar amounts to U.S. dollars were made at the rate of HK$7.8055 to US$1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2017. All such translations in this offering circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars and Hong Kong dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

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

Unless the context otherwise requires, references to "2014," "2015" and "2016" in this offering circular are to our financial years ended 31 December 2014, 2015 and 2016, respectively.

References to the "2019 Notes" are to our US$300,000,000 principal amount 5.25% senior notes due 2019 issued by us on 24 September 2014. The 2019 Notes were redeemed fully on 30 November 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## FORWARD-LOOKING STATEMENTS

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

- relationship with Geely Holding and its affiliates;
- success of our research and development efforts;
- continuing operations of our production facilities;
- industry risks;
- our financial condition;
- the supply and price fluctuations of raw materials and automobile parts and components;
- the achievement of our expansion plans;
- our ability to maintain our established market position;
- availability and costs of bank loans and other forms of financing;
- changes in competitive conditions and our ability to compete under those conditions;
- regulatory restrictions to the pricing of our products;
- the regulatory environment of our industry in general; and
- changes in political, economic, legal and social conditions in China and other countries in which we have operations, including the specific policies of the relevant government affecting the markets where we operate.

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

## GLOSSARY OF TECHNICAL TERMS

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

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| "A class" | compact (two-box) vehicles with length ranging from 4.2 metres to 4.6 metres for sedans and from 4.0 metres to 4.5 metres for hatchbacks |
| "A0 class" | small-size vehicles with length ranging from 4.0 metres to 4.4 metres for sedans and from 3.7 metres to 4.2 metres for hatchbacks |
| "A00 class" | mini compact vehicles with length less than 4.0 metres for sedans and less than 3.9 metres for hatchbacks |
| "AT" | automatic transmission |
| "B class" | mid-size vehicles with length ranging from 4.5 metres to 4.9 metres for sedans |
| "CBU(s)" | complete buildup unit(s), a completed vehicle after final assembly |
| "CMA platform" | compact modular architecture platform, a platform which will be used for developing compact models |
| "CKD kits" | complete knock down kits, a complete kit that needed to be assembled into a vehicle |
| "FE platform" | a platform which will be used for developing A class models |
| "hatchback(s)" | a car body configuration with a rear door that swings upward to provide access to a cargo area |
| "KC platform" | a platform which will be used for developing B class and SUV models |
| "CVT" | continuously variable transmission |
| "DCT" | dual-clutch transmission |
| "L" | litres |
| "MPV(s)" | multi-purpose vehicle(s) |
| "MT" | manual transmission |
| "OEM" | original equipment manufacturer |
| "sedan(s)" | a body style of the modern automobile which at its most basic, is a car with two rows of seats and a separate trunk for luggage at the rear |

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| "sedan tool kits" | a tool kit for subsequent repairs and maintenance of the vehicle |
| "SRM" | supplier relationship management |
| "SUV(s)" | sport utility vehicle(s) |
| "T" | turbocharged |

## SUMMARY

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

### OVERVIEW

We are one of the leading indigenous automobile companies in China, focusing on sales of passenger vehicles and manufacturing and sales of automobile parts and components. According to the market data published by CAAM, the Group's market share in China's passenger vehicle market increased from 2.4% in 2015 to 3.1% in 2016, ranked third among all indigenous automobile brands in China and 10th among all passenger vehicle brands in China. During the period of January to November 2017, our market share in China's passenger vehicle market further increased to 4.9%, ranked first among all indigenous automobile brands in China and 6th among all passenger vehicle brands in China, according to the market data published by CAAM. We have been one of the "China's Top 500 Companies (中國企業500強)" for eight consecutive years since 2010 according to Fortune China (財富) and were ranked No. 123 in 2017. Through approximately 30 years' operating history, we have established our reputation as a leading indigenous passenger vehicle company in China. We endeavour to offer safe, environmentally friendly and fuel-efficient passenger vehicles in both the domestic and overseas markets. As of 30 June 2017, we offered a total of 13 major sedan and SUV models, including one major model of A00 class (mini), five major models of A0 class (small-size), four major models of A class (compact), one major model of B class (mid-size) and two major models of SUV. In 2014, 2015, 2016 and the six months ended 30 June 2017, we sold approximately 417,851, 510,097, 765,970 and 530,627 units of passenger vehicles, respectively. As of 10 January 2018, we had a market capitalization of HK$239.5 billion (US$30.6 billion).

Historically, we sold our products under three product brands, namely, Emgrand, GLEagle and Englon, through 4S dealer shops and franchisee stores in China. Since the second quarter of 2014, we have commenced and completed a major restructuring of our distribution network in China by integrating our three existing product brands into a unified brand, Geely, and adopting a new marketing strategy by consolidating our existing distribution network and streamlining dealers and franchisees of the three product brands in China. As of 30 June 2017, our domestic distribution network comprised a total of 827 shops, including 665 4S dealer shops and 162 franchisee stores, spanning over 370 cities and 23 provinces, autonomous regions and central government-administered municipalities in China. A small portion of our sales are to overseas markets, including developing countries in the Middle East, Eastern Europe, Central and South America and Africa.

Currently we own a 99% equity interest in each of the nine domestic manufacturing plants located in Zhejiang, Hunan, Shaanxi, Shanxi, Shandong and Sichuan provinces and a 100% equity interest in one domestic manufacturing plant located in Zhejiang province with a total designed annual production capacity of approximately 1.5 million units per two shifts on an annualised basis as of 31 December 2017. In the overseas market we aim to set up assembly plants in the local markets and work with local OEM partners to improve manufacturing efficiency and enhance profitability.

We have been continuously expanding our product offering to meet customers' evolving needs and preferences. We plan to leverage several platforms to develop new vehicle models. These platforms include the FE platform and KC platform and the CMA platform being developed by Geely Holding's wholly-owned subsidiary, CEVT, a company engaged in research and development. We also seek cooperating opportunities with international players to develop and introduce more new products, such as electric vehicles. We are committed to developing and manufacturing products with safety and comfort. Most of the models we offered have received high scores in safety tests by the domestic and internationally authoritative vehicle safety testing programmes, including the C-NCAP and the Euro NCAP.

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

In 2014, 2015, 2016 and the six months ended 30 June 2017, we recorded turnover of RMB21,738.4 million, RMB30,138.3 million, RMB53,721.6 million (US$7,924.4 million) and RMB39,423.6 million (US$5,815.3 million), respectively; and recorded net profit of RMB1,449.1 million, RMB2,288.7 million, RMB5,170.2 million (US$762.6 million) and RMB4,386.4 million (US$647.0 million), respectively, for the same periods.

## RECENT DEVELOPMENTS

### Lynk & Co JV

On 4 August 2017, one of our 99% owned subsidiaries, Zhejiang Jirun Automobile Company Limited (浙江吉潤汽車有限公司) ("**Zhejiang Jirun**"), entered into a joint venture agreement with Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司) ("**Zhejiang Haoqing**") and Volvo Car (China) Investment Company Limited (沃爾沃汽車(中國)投資有限公司) ("**VCI**") pursuant to which the three parties have agreed to form a joint venture company to engage in the manufacturing and sale of vehicles under the Lynk & Co brand, and the provision of the after-sale services. The registered capital of the joint venture company will be RMB7,500,000,000. Zhejiang Jirun, Zhejiang Haoqing and VCI shall subscribe to 50%, 20% and 30% of the registered capital, respectively.

### Unaudited sales volume in 2017

We recorded the unaudited total sales volume of approximately 1,247,116 units of passenger vehicles (including passenger vehicles under the "Lynk & Co." brand) for the year ended 31 December 2017, of which approximately 25,266 units were new energy vehicles.

## COMPETITIVE STRENGTHS

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

- leading indigenous automobile brand in China;

- strong support from Geely Holding and technical collaboration with Volvo;

- well positioned in the fast growing passenger vehicle markets in China;
- extensive and strategically managed distribution network and strong production capacity;
- prudent financial policies with proven track record; and
- experienced and stable management team.

## BUSINESS STRATEGIES

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

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

## GENERAL INFORMATION

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

## SUMMARY OF THE OFFERING

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

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| **Company** . . . . . . . . . . . . . . . . . . . . . | Geely Automobile Holdings Limited (吉利汽車控股有限公司) (the "**Company**") |
| **The Bonds** . . . . . . . . . . . . . . . . . . . . | US$300,000,000 3.625% Bonds due 2023. |
| **Issue Price** . . . . . . . . . . . . . . . . . . . . | The Bonds will be issued at 99.602% of their principal amount. |
| **Form and Denomination** . . . . . . . . . . . | The Bonds will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. |
| **Issue Date** . . . . . . . . . . . . . . . . . . . . . | 25 January 2018. |
| **Interest** . . . . . . . . . . . . . . . . . . . . . . . | The Bonds will bear interest on their outstanding principal amount from and including 25 January 2018, at the rate of 3.625% per annum, payable semi-annually in arrear in equal instalments on 25 January and 25 July in each year, commencing on 25 July 2018. |
| **Maturity Date** . . . . . . . . . . . . . . . . . . | 25 January 2023. |
| **Status of the Bonds** . . . . . . . . . . . . . . | The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) *(Negative Pledge)* of the Conditions) 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 Condition 4(a) *(Negative Pledge)* of the Conditions, at all times rank *pari passu* with all its other present and future unsecured and unsubordinated obligations. |
| **Negative Pledge** . . . . . . . . . . . . . . . . . | The Bonds will contain a negative pledge provision as further described in Condition 4(a) *(Negative Pledge)* of the Conditions. |
| **Use of Proceeds** . . . . . . . . . . . . . . . . . | The net proceeds of the issue of the Bonds will be used to refinance the Group's certain existing indebtedness and for business development and other general corporate purposes. See "Use of Proceeds." |

**Events of Default** . . . . . . . . . . . . . . . . The Bonds will contain certain events of default as further described in Condition 9 *(Events of Default)* of the Conditions.

**Taxation** . . . . . . . . . . . . . . . . . . . . . . All payments of principal, premium (if any) and interest by or on behalf of the Company in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC, the Cayman Islands or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Company is required to make a deduction or withholding required by law, the Company, as the case may be, shall pay (except in certain circumstances as set out in the Condition 8 *(Taxation)* of the Terms and Conditions of the Bonds) such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.

**Final Redemption** . . . . . . . . . . . . . . . Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

**Redemption for Change of Control** . . . . . . . . . . . . . . . . . . . Following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bonds at 101% of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date, as further described in Condition 6(c) *(Redemption for Change of Control)* of the Conditions.

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

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

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

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

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

**Redemption for Taxation Reasons** . . . . . . . . . . . . . .

The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice which shall specify the date for redemption and the method by which payment shall be made to the Bondholders (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100% of their principal amount, together with any interest accrued to (but not including) the date fixed for redemption, if, immediately prior to the giving of such notice, the Company satisfies the Trustee that:

(A) the Company has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 18 January 2018; and

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

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts if a payment in respect of the Bonds were then due, as further described in Condition 6(b) *(Redemption for Taxation Reasons)* of the Conditions.

| | |
|---|---|
| **Further Issues** . . . . . . . . . . . . . . . . . . | The Company is at liberty from time to time, without the consent of the Bondholders, to create and issue further securities having the same terms and conditions as the Bonds in all material respects (or in all material respects save for the first payment of interest and the timing for the NDRC Post-issue Filing) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 15 *(Further Issues)* of the Conditions. |
| **Trustee** . . . . . . . . . . . . . . . . . . . . . . . | Citicorp International Limited. |
| **Principal Paying Agent, Transfer Agent and Registrar** . . . . . . . . . . . . . . . . . | Citibank, N.A., London Branch. |
| **Clearing Systems** . . . . . . . . . . . . . . . . | The Bonds will be initially evidenced by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate. |
| **Clearance and Settlement** . . . . . . . . . . | The Bonds have been accepted for clearance through Euroclear and Clearstream with a Common Code number 175543619 and an International Securities Identification Number XS1755436190. |
| **Notices and Payment** . . . . . . . . . . . . . | So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, notices to the holders of the Bonds shall be given by the delivery of the relevant notice to Euroclear or Clearstream, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions. |
| **Governing Law** . . . . . . . . . . . . . . . . . | English law. |

| | |
|---|---|
| **Listing** . . . . . . . . . . . . . . . . . . . . . . . | Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Company or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. |
| **Ratings** . . . . . . . . . . . . . . . . . . . . . . . | The Bonds are expected to be rated "BBB-" by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. |

## SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information (except for EBITDA data) as of and for each of the years ended 31 December 2014, 2015 and 2016 has been derived from our consolidated financials statements for the years ended 31 December 2015 and 2016, which has been audited by Grant Thornton Hong Kong Limited, our independent auditors, and are included elsewhere in this offering circular. The following summary consolidated income statement for the six months ended 30 June 2016 and 2017 and the summary consolidated statement of financial position as of 30 June 2017 have been derived from our unaudited condensed consolidated interim financial information reviewed by Grant Thornton Hong Kong Limited, our independent auditors, and included elsewhere in this offering circular. Results for interim period are not indicative of the results for the full year. Our consolidated financial information has been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering circular.

### SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

| | For the year ended 31 December | | | | For the six months ended 30 June | | |
|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2016 | 2016 | 2017 | 2017 |
| | (RMB) | (RMB) | (RMB) | (US$) (unaudited) | (RMB) (unaudited) | (RMB) (unaudited) | (US$) (unaudited) |
| | (in thousands, except for percentages) | | | | | | |
| **Turnover** | 21,738,358 | 30,138,256 | 53,721,576 | 7,924,354 | 18,089,274 | 39,423,646 | 5,815,297 |
| Cost of sales | (17,775,723) | (24,667,603) | (43,879,859) | (6,472,623) | (14,882,254) | (31,869,514) | (4,701,003) |
| **Gross profit** | 3,962,635 | 5,470,653 | 9,841,717 | 1,451,731 | 3,207,020 | 7,554,132 | 1,114,294 |
| Other income | 1,054,625 | 1,066,007 | 1,131,401 | 166,891 | 743,592 | 661,410 | 97,563 |
| Distribution and selling expenses | (1,250,468) | (1,567,935) | (2,502,713) | (369,170) | (821,392) | (1,737,487) | (256,292) |
| Administrative expenses, excluding share-based payments | (1,772,422) | (2,175,600) | (2,559,915) | (377,608) | (712,713) | (1,180,592) | (174,147) |
| Share-based payments | (59,850) | (61,875) | (42,192) | (6,224) | (23,671) | (14,023) | (2,069) |
| Finance costs, net | (23,704) | (6,440) | (30,105) | (4,441) | (22,877) | (9,266) | (1,367) |
| Share of results of associates | 9,353 | 41,503 | 31,014 | 4,575 | 6,206 | 13,986 | 2,063 |
| Share of result of a joint venture | 23,136 | 108,492 | (39,684) | (5,854) | (33,506) | 21,598 | 3,186 |
| Gain on disposal of interests in joint ventures | – | – | 374,420 | 55,230 | – | – | – |
| **Profit before taxation** | 1,943,305 | 2,874,805 | 6,203,943 | 915,130 | 2,342,659 | 5,309,758 | 783,231 |
| Taxation | (494,177) | (586,143) | (1,033,755) | (152,487) | (412,771) | (923,370) | (136,204) |
| **Profit for the year/period** | 1,449,128 | 2,288,662 | 5,170,188 | 762,643 | 1,929,888 | 4,386,388 | 647,027 |
| **Attributable to:** | | | | | | | |
| Equity holders of the Company | 1,430,588 | 2,260,529 | 5,112,398 | 754,119 | 1,907,242 | 4,343,563 | 640,710 |
| Non-controlling interests | 18,540 | 28,133 | 57,790 | 8,524 | 22,646 | 42,825 | 6,317 |
| **Other financial data (unaudited):** | | | | | | | |
| EBITDA(1) | 2,741,751 | 3,902,115 | 7,644,620 | 1,127,641 | 2,862,620 | 6,081,147 | 897,017 |
| EBITDA Margin(2) | 13% | 13% | 14% | 14% | 16% | 15% | 15% |

*Notes:*

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

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

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

| | For the year ended 31 December | | | | For the six months ended 30 June | | |
|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | | 2016 | 2017 | |
| | (RMB) | (RMB) | (RMB) | (US$) | (RMB) | (RMB) | (US$) |
| | | | | (in thousands) | | | |
| **Profit for the year/period** | 1,449,128 | 2,288,662 | 5,170,188 | 762,643 | 1,929,888 | 4,386,388 | 647,027 |
| Add: | | | | | | | |
| Taxation | 494,177 | 586,143 | 1,033,755 | 152,487 | 412,771 | 923,370 | 136,204 |
| Depreciation and amortisation | 873,546 | 1,142,678 | 1,654,261 | 244,016 | 674,652 | 875,344 | 129,120 |
| Finance cost | 81,329 | 103,349 | 115,534 | 17,042 | 54,535 | 56,812 | 8,380 |
| Less: | | | | | | | |
| Other income other than government subsidies | (156,429) | (218,717) | (329,118) | (48,547) | (209,226) | (160,767) | (23,714) |
| **EBITDA** | 2,741,751 | 3,902,115 | 7,644,620 | 1,127,641 | 2,862,620 | 6,081,147 | 897,017 |

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As of 31 December | | | | As of 30 June | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2016 | 2017 | |
| | (RMB) | (RMB) | (RMB) | (US$) (unaudited) | (RMB) (unaudited) | (US$) (unaudited) |
| | (in thousands) | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 5,860,705 | 8,034,427 | 10,650,313 | 1,571,005 | 11,688,970 | 1,724,215 |
| Intangible assets | 4,208,230 | 5,260,241 | 6,461,809 | 953,168 | 7,555,420 | 1,114,484 |
| Land lease prepayments | 1,131,286 | 1,537,713 | 2,002,895 | 295,443 | 1,982,774 | 292,475 |
| Goodwill | 6,222 | 2,584 | 6,916 | 1,020 | 6,916 | 1,020 |
| Interests in associates | 252,082 | 284,774 | 304,686 | 44,943 | 333,596 | 49,208 |
| Interests in joint ventures | 438,547 | 1,709,081 | 697,330 | 102,861 | 718,928 | 106,048 |
| Available-for-sale financial assets | 28,270 | 21,650 | 21,779 | 3,213 | 21,779 | 3,213 |
| Deferred tax assets | 51,709 | 94,138 | 188,107 | 27,747 | 161,645 | 23,843 |
| **Total non-current assets** | 11,977,051 | 16,944,608 | 20,333,835 | 2,999,400 | 22,470,028 | 3,314,506 |
| **Current assets** | | | | | | |
| Land lease prepayments | 28,758 | 37,001 | 42,875 | 6,324 | 45,677 | 6,738 |
| Inventories | 1,619,505 | 1,226,169 | 3,065,807 | 452,231 | 5,089,141 | 750,688 |
| Trade and other receivables | 16,385,192 | 14,836,439 | 29,040,631 | 4,283,721 | 19,374,975 | 2,857,961 |
| Financial assets at fair value through profit or loss | 15,294 | 17,118 | – | – | – | – |
| Tax recoverable | 3,723 | 23,666 | 14,891 | 2,197 | 6,586 | 972 |
| Pledged bank deposits | 47,451 | 40,533 | 39,304 | 5,798 | 13,406 | 1,977 |
| Bank balances and cash | 7,203,176 | 9,166,926 | 15,045,493 | 2,219,328 | 20,774,436 | 3,064,392 |
| **Total current assets** | 25,303,099 | 25,347,852 | 47,249,001 | 6,969,599 | 45,304,221 | 6,682,728 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 17,016,666 | 20,114,371 | 39,778,994 | 5,867,714 | 36,597,309 | 5,398,391 |
| Taxation/tax payable | 136,645 | 334,883 | 676,830 | 99,837 | 615,339 | 90,767 |
| Borrowings | 691,616 | – | 174,375 | 25,722 | – | – |
| **Total current liabilities** | 17,844,927 | 20,449,254 | 40,630,199 | 5,993,273 | 37,212,648 | 5,489,158 |
| **Net current assets** | 7,458,172 | 4,898,598 | 6,618,802 | 976,326 | 8,091,573 | 1,193,570 |
| **Total assets less current liabilities** | 19,435,223 | 21,843,206 | 26,952,637 | 3,975,726 | 30,561,601 | 4,508,076 |
| **CAPITAL AND RESERVES** | | | | | | |
| Share capital | 161,346 | 161,354 | 162,708 | 24,001 | 163,639 | 24,138 |
| Reserves | 17,126,650 | 19,362,462 | 24,274,519 | 3,580,682 | 27,861,228 | 4,109,750 |
| Equity attributable to equity holders of the Company | 17,287,996 | 19,523,816 | 24,437,227 | 3,604,683 | 28,024,867 | 4,133,888 |
| Non-controlling interests | 178,354 | 215,707 | 249,022 | 36,733 | 291,902 | 43,058 |
| **Total equity** | 17,466,350 | 19,739,523 | 24,686,249 | 3,641,416 | 28,316,769 | 4,176,946 |
| **Non-current liabilities** | | | | | | |
| Senior notes | 1,820,138 | 1,928,856 | 2,068,316 | 305,093 | 2,018,890 | 297,802 |
| Deferred taxation/tax liabilities | 148,735 | 174,827 | 198,072 | 29,217 | 225,942 | 33,328 |
| **Total non-current liabilities** | 1,968,873 | 2,103,683 | 2,266,388 | 334,310 | 2,244,832 | 331,130 |
| **Total equity plus non-current liabilities** | 19,435,223 | 21,843,206 | 26,952,637 | 3,975,726 | 30,561,601 | 4,508,076 |

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

## RISKS RELATING TO OUR BUSINESS

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

Market trends, consumer demands and needs in the markets where we operate change and depend upon various factors, some of which are beyond our control, such as prevailing economic conditions, consumption patterns, disposable income and inherent uncertainty in market. We believe that our ability to anticipate, identify and respond to those trends in a timely manner is critical to our success. We may fail to accurately anticipate the shifts in customer needs, or fail to timely offer new models that meet those changing trends. To broaden our model portfolio, we plan to continue upgrading our existing models, and in the meantime, to develop new models. We launched the Vision X1 model, a new compact SUV, in the first half of 2017 and the Vision X3 and Vision S1 SUV models in the second half of 2017. We cannot assure you that our model development will accurately reflect the prevailing market trends or customer needs at any given time, or that the new models we launch will be well received by the market or achieve the expected sales level. If our new models fail to gain market acceptance, our brand image, business, financial condition, results of operations and prospects will be materially and adversely affected.

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

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

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

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

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

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

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

Our sales performance fluctuated in the past. In 2014, 2015, 2016 and the six months ended 30 June 2017, our turnover amounted to RMB21,738.4 million, RMB30,138.3 million, RMB53,721.6 million (US$7,924.4 million) and RMB39,423.6 million (US$5,815.3 million), respectively; and our net profit amounted to RMB1,449.1 million, RMB2,288.7 million, RMB5,170.2 million (US$762.6 million) and RMB4,386.4 million (US$647.0 million), respectively, for the same periods. For the six months ended 30 June 2017, our turnover increased by 117.9% compared to the corresponding period in 2016, primarily due to the increase in our sales in the domestic market. Our ability to sustain continued growth depends on, among other things, the economic development and market conditions in China and our export destinations, our sales, ability to research and develop products catering our customers' needs, expand distribution network and market penetration, train and retain qualified employees, including technical and industry specialists, and continue to improve our management. We cannot assure you that we will be able to achieve sales growth in the near future due to factors that are beyond our control, for example, fluctuation in sales, increasing market saturation, competition and changes in industry policies or regulations. Failure to effectively manage any future growth may materially and adversely affect our business, results of operations, financial position and prospects.

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

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

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

We primarily sell substantially all of our products through 4S dealers and franchisees in China and sales agents outside China, which comprise our direct customer base. Therefore, our success depends on our ability to retain existing and attract new dealers, franchisees or sales agents. As of 30 June 2017, we had 827 shops, including 665 4S dealer shops and 162 franchisee stores, covering the domestic market and 23 sales agents and 276 sales and service outlets covering the overseas market. In 2014, 2015, 2016 and the six months ended 30 June 2017, our five largest dealers or sales agents, who were also our five largest customers, accounted for approximately 9.2%, 5.3%, 5.0% and 5.2%, respectively, of our total turnover. Since the second quarter of 2014, we have commenced brand integration and sales network consolidation in China. In line with the new marketing strategy, we enter into new sales contracts with our dealers and franchisees for a term of three years, which are typically renewed upon expiration. However, there is no assurance that we will be able to successfully renew our existing sales contract upon their expiration on favourable terms, or at all. Competition for dealers, franchisees or sales agents is intense, as we must compete for dealers and franchisees in China and sales agents internationally with other leading passenger vehicle brands. Such competitors may benefit from higher visibility, greater brand recognition and financial resources and a broader product offering than we do, which may provide them with a competitive advantage in securing dealers, franchisees or sales agents. Our competitors may also enter into long-term or exclusive agreements that effectively prevent their dealers, franchisees or sales agents from selling our products. Consequently, engaging new dealers, franchisees or sales agents, maintaining relationships with existing dealers, franchisees or sales agents and replacing them can be difficult, disruptive to our operations and time consuming. Any disruption to our distribution network, including a failure on our part to renew our existing agreements with our preferred dealers, franchisees or sales agents or to attract new dealers, franchisees or sales agents, could negatively affect our ability to effectively sell our products to our end-user customers, which would materially and adversely affect our business, financial condition, results of operations and prospects.

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

**Sales of our A class passenger vehicles contribute a large portion to our total turnover. Any decrease in demand for A class products in China may materially and adversely affect our market position, business, financial condition and results of operations.**

The sales of our A class passenger vehicles contributed approximately 78.1%, 68.7%, 58.0% and 50.6%, respectively, of our total turnover in 2014, 2015, 2016 and the six months ended 30 June 2017. However, market demand for passenger vehicles is cyclical and volatile. We cannot assure you that the demand for A class passenger vehicles will not fluctuate in the future. For example, PRC government policies which encourage the development and demand for other classes of passenger vehicles may have a negative impact on the demand for A class passenger vehicles. Accordingly, a reduction in demand for A class passenger vehicles would have a material adverse effect on our market position, business, financial condition and results of operations. In addition, a failure to maintain the competitiveness of our A class vehicles could materially and adversely affect us more than such failure with respect to our other products, due to our reliance on A class models for our turnover. We cannot guarantee you that the demand for our A class models will continue or increase in the future.

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

Seeing growth opportunities in the passenger vehicle consumption, in particular, the A class and above sedan and SUV segments in the passenger vehicle market, we entered into the B class sedan and SUV segments in 2010 and 2011, respectively, through launching the EC8 and GX7 models, respectively. We have subsequently expanded our products offering under these segments and certain models have been well received by the market. The contribution of turnover from these segments has been steadily growing since we entered into those two markets. In 2014, 2015, 2016 and the six months ended 30 June 2017, sales from our B class sedan and SUV models accounted for an aggregate of approximately 21.0%, 27.0%, 40.4% and 47.8%, respectively, of our total turnover. We cannot assure you that we could maintain the growth of our existing B class sedan and SUV models or that our new models in these two segments will be well received by the market in the future. If demand for our existing models decreases or if the demand for our new models declines, our business, results of operations and financial condition may be materially and adversely affected.

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

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

**Our production capacity expansion plans may not be successfully achieved.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In order to remain competitive, we try to manage our costs efficiently, aiming to produce our products at competitive costs. We have reduced and plan to further reduce our costs in purchasing raw materials, parts and components for our production through the implementation of our cost control policies such as streamlining the supply chain and localisation of our production. As a result, we have generally been able to manage price fluctuations of raw material and parts and components and improve our profit margin. In 2014, 2015, 2016 and the six months ended 30 June 2017, our net profit margin was 6.7%, 7.6%, 9.6% and 11.1%, respectively.

Although we have been able to improve our net profit margin through implementing our cost control policy, we cannot assure you that our cost reduction measures will be sustainable. If we fail to manage our purchase costs, our financial condition and results of operations may be materially and adversely affected.

Certain raw materials, parts and components for our manufacturing activities and operations are, and will continue to be, sourced from Geely Holding and other Parent Group Companies and third party suppliers. In 2014, 2015, 2016 and the six months ended 30 June 2017, 76.1%, 77.7%, 78.7% and 76.3%, respectively, of our raw materials and parts and components were sourced from third party suppliers. Although we usually source our important raw materials and parts and components from multiple suppliers in order to achieve a stable supply, we cannot assure you that our suppliers can always adequately serve our needs in a timely manner or at reasonable prices. If there is any significant increase in the prices of raw materials, parts or components or if their supply is disrupted, we may incur additional costs to maintain our production schedules, which, in turn, may decrease our profitability and materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

We have historically received subsidy from the PRC government mainly to encourage and support our research and development activities. In 2014, 2015, 2016 and the six months ended 30 June 2017, we recognised approximately RMB898.2 million, RMB847.3 million, RMB802.3 million (US$118.3 million) and RMB500.6 million (US$73.8 million) in government subsidies, respectively. The government subsidies are subject to the sole discretion of the relevant governmental authorities and are granted in connection with the government's efforts to promote the development and innovation of the Chinese indigenous brands and other policies, and, thus, are subject to change and termination. We cannot assure you that we will continue to receive government subsidies in similar amounts, or at all. In the event that we lose such government subsidies, our results of operations could be adversely affected.

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

Under the EIT Law, both foreign-invested and PRC-owned domestic enterprises generally are subject to a uniform 25% income tax rate. However, certain "High and New Technology Enterprises" and "Great Western Development Enterprises" are subject to a preferential income tax rate of 15%. Some of our PRC subsidiaries have obtained the High and New Technology Enterprises qualification and, accordingly, enjoy preferential income tax rate of 15% for three years from the year of qualification. In addition, two of our PRC subsidiaries, Chengdu Gaoyuan Automobile Industries Company Limited and Baoji Geely Automobile Components Company Limited, obtained the Great Western Development Enterprise qualification in 2011 and accordingly, enjoys preferential income tax rate of 15% for nine years from qualification. There is no assurance that any of our eligible PRC subsidiaries will be able to renew its "High and New Technology Enterprises" or "Great Western Development Enterprise" status and continue to enjoy the 15% preferential tax treatments when its existing preferential tax treatment expires. In such case, our results of operations and profit margin may be materially and adversely affected.

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

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

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

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

Under the relevant PRC environmental laws and regulations, the construction, expansion and operation of our production facilities are subject to certain environmental impact assessments, government inspections and other relevant PRC government environmental approvals. Some of our PRC subsidiaries have not obtained pollutant discharge permits or environmental inspection certificates issued by the local environmental authorities for various reasons including the inconsistency of interpretation and implementation of laws by local governments. The failure to obtain such permits or approvals may subject us to fines and penalties imposed by the relevant PRC environmental authorities and we may be required to suspend the use of production facilities or cease operations.

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

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

As of 31 December 2017, our controlling shareholder, Mr. Li Shu Fu, beneficially owned approximately 44.02% of our issued share capital. See "Principal Shareholders" for more details. Subject to our memorandum and articles of association and applicable laws and regulations, our controlling shareholder will continue to have the ability to exercise a controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, and approving our annual budgets. We cannot assure you that our controlling shareholder will not cause us to enter into transactions or will take, or fail to take, other actions or make decisions that may conflict with the best interests of the holders of the Bonds and affect the value of your investment in the Bonds.

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

We believe our business and future success depend, to a significant extent, on the capability, expertise and continued services of our management team. In particular, we rely on Mr. Li Shu Fu, our founder and chairman, who has over 30 years of experience in the automobile industry. If Mr. Li or any other of our senior management team members are unable or unwilling to continue in their present positions, we may not be able to identify and recruit suitable replacements in a timely manner or at an acceptable cost, or at all, and the implementation of our business strategies may be affected, which could materially and adversely affect our operations. Our ability to retain and attract other skilled professionals, including the members of our research and development and manufacturing, marketing teams is also crucial to our future success. Our domestic and international competitors, and companies in industries related to our industry, compete with us for personnel. Competition for skilled labour is intense and may require us to offer higher compensation and other benefits in order to attract and retain skilled labour, which could materially and adversely affect our financial condition and results of operations. We may be unable to attract or retain the personnel required to achieve our business objectives and the failure to do so could severely disrupt our business and prospects. In addition, as the process of hiring and training qualified personnel is often costly in terms of time and money, if our recruitment and retention efforts are unsuccessful, qualified personnel may not be integrated into our workforce in a sufficiently timely manner to meet the needs of our business.

**We are exposed to risks relating to related party transactions.**

As of 30 June 2017, our major related party transactions included: (i) purchase of CBUs from Geely Holding and other Parent Group Companies, which amounted to RMB38.3 billion (US$5.6 billion); and (ii) sales of CKD kits and sedan tool kits to Geely Holding and other Parent Group Companies, which amounted to RMB36.6 billion (US$5.4 billion). Since 2007, Geely Holding's subsidiaries have been assembling CBUs for us, as certain of Geely Holding's subsidiaries are listed in the Public Notice of Automobile Vehicle Manufacturers and Products issued by MIIT while we are not. The inclusion on this public notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling CBUs. Pursuant to the arrangement with Geely Holding, we agree to sell CKD kits and sedan tool kits to and purchase CBUs, automobile parts and components from the Parent Group Companies. In 2012, we entered into similar arrangements with Geely Holding with a term of three years. We expect the amount and percentage of related party transactions to increase in line with the growth in our business. While all related party transactions entered into by us thus far are on market price terms, related party transactions entered into on a non-arms-length basis in the future may erode our competitiveness and damage our reputation.

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

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

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

We do not carry comprehensive insurance against all potential losses or damages relating to our operations. There is no assurance that we will not have any such complaints or claims, which may result in substantial costs and the diversion of resources. The occurrence of certain incidents, including earthquakes, typhoons, floods, wars and riots, and the consequences, damages and disruptions resulting from them, may not be covered adequately or at all by our insurance policies. There can be no assurance that we will be able to maintain adequate insurance in the future. Further, there can be no assurance that insurance will continue to be available on acceptable terms, or at all. The occurrence of an adverse claim in excess of our coverage could expose us to substantial costs, which may have a material adverse effect on our financial condition and results of operations.

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

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

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, and strained or altered foreign relations with China or other relevant countries;

- economic, financial and market instability and credit risks, including, for example, those relating to the potential deterioration of credit markets and other economic conditions in our overseas markets and other countries;

- changes in foreign government regulations or policies;

- dependence on foreign governments or entities controlled by foreign governments for electricity, water, transportation and other utility or infrastructure needs;

- unfamiliarity with local operating and market conditions;

- lack of understanding of local taxation, customs and other laws, regulations, standards and requirements;

- risks and uncertainty associated with using foreign agents or distributors in connection with our overseas operations and sales;

- preferential treatment or corrupt business practice;

- foreign currency controls and fluctuations;
- tax increases or adverse tax policies;
- trade barriers, such as tariffs or embargoes;
- sanctions imposed by certain countries against transactions with other countries in which we conduct business, which may limit our ability to obtain funding for certain overseas projects;
- discrimination against ethnic Chinese or protectionism against Chinese companies;
- competition from other international and local companies;
- adverse labour conditions or employee strikes;
- stringent environmental protection laws;
- potential disputes with foreign partners, OEM contractors, customers, subcontractors, suppliers or local residents or communities;
- expropriation and nationalisation of our assets in foreign countries; and
- lack of a well-developed or independent legal system in the foreign countries in which we have overseas operations, which may create difficulties in the enforcement of contractual rights.

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

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

In 2014, 2015, 2016 and the first half of 2017 we had exports to the Middle East, Ukraine, Russia and other overseas markets. We intend to continue our business in these markets. However, certain countries in the Middle East, including Syria, Tunisia, Libya and Egypt, and Ukraine experienced or are experiencing political unrest and, in some cases, armed conflict. In July 2014, the European Union and the United states announced sanctions against Russia, targeting its energy, banking and defence sectors, due to Russia's actions in Ukraine. Our business may be affected by financial, geo-political and general economic events and circumstances prevailing from time to time in the Middle East, Ukraine and Russia, which may prevent us from selling our products or otherwise adversely affect our business operations in those regions. It is not possible to predict the occurrence of any financial, geo-political or economic events or circumstances, including war or hostilities, in the future and we cannot assure you that we would be able to develop our business in the Middle East, Ukraine and Russia markets if such adverse political events or circumstances were to occur.

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

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

We provide our products to sales agents who have business or trading activities in countries that are the subject of trade embargoes under the U.S. Economic Sanctions Laws, including Cuba, Iran, Sudan and the Crimea region of Ukraine, which generated only an insignificant portion of our turnover and profit and revenue in 2014, 2015, 2016 and the six months ended 30 June 2017. The Company does not expect its business with such "Sanctioned Countries" or other Sanctions Targets to grow significantly in the future. As a non-U.S. based entity, the Company does not violate applicable sanctions by engaging in this business without involving any prohibited elements in it (such as U.S. persons, the U.S. financial system or U.S.-origin goods).

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

In addition, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one of or more of our business activities being deemed to violate sanctions or to be otherwise sanctionable. Over the past few years, the U.S. has significantly increased the scope of its Iran sanctions, many of which now have direct extraterritorial effect. In the event that we were subject to sanctions, it would prevent us from engaging in certain trade transactions in the United States or obtaining certain types of financing from the United States or such other jurisdiction, and U.S. persons would be prohibited from engaging in any transactions related to the Bonds.

We may further expand our business in other regions or areas in the world and we cannot assure you that our current or future activities, including the provision of services or the sale of products, will not be subject to the U.S. Economic Sanctions Laws, the U.S. Export Controls, or similar sanctions regimes in other jurisdictions.

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

Our information technology systems, such as the manufacturing execution system (MES), the enterprise resource planning (ERP) system, the extended warehouse management (EWM) system and the SRM system, form a key part of our procurement of raw materials and parts and components, logistics and transportation, production, quality control to sales and distribution operations. Any disruptions to our information technology systems will likely have a negative impact on our operations. In 2014, 2015, 2016 and the six months ended 30 June 2017, we had not experienced any malfunction of our information technology systems that led to any material disruption to our operations. However, we cannot guarantee that we will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology systems in the future. If serious damage or significant interruption occurs, our operations may be disrupted and our financial condition and results of operations may be adversely affected. Furthermore, if our operations are disrupted by the introduction of a new information technology system, including migration from an existing system, our financial condition and results of operation may be adversely affected.

## RISKS RELATING TO OUR INDUSTRY

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

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

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

Demand for automobiles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect our financial condition and results of operations.

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

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

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

Challenges remain in 2018 in view of the rapid changes in economic and regulatory environment in China. Competitive pressure on indigenous brands in the Chinese market is expected to continue to intensify in the coming years as most major international brands have been strengthening their presence in the China market through more products offering, more aggressive pricing strategies, adding new production capacity and enhancing marketing efforts and customer services. The implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in China could put tremendous cost pressure on indigenous brands in China. Further, more major cities in China are expected to introduce local policies to restrict new car licences to ease traffic and combat air pollution, thus restricting the demand for passenger vehicles. The impact could be even bigger for indigenous brands, where their major competitive edges in pricing could be seriously undermined by the introduction of an auction and lottery system to kerb the growth of new vehicles.

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

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

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

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

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

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

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

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

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. More recently, on 23 June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favoured the exit of the United Kingdom from the European Union ("**Brexit**"). A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union's free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

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

## RISKS RELATING TO THE PRC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A majority of our operating subsidiaries are incorporated in the PRC, substantially all of our Directors currently reside within the PRC and a majority of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of civil and commercial judgements of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between China and Hong Kong on Reciprocal Recognition and Enforcement of Judgements of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was signed on 14 July 2006 and came into effect on 1 August 2008, subject to many restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our Directors resident in the PRC pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgements of courts outside the PRC might be difficult or impossible. See "Enforcement of Civil Liabilities."

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

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

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

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

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

## RISKS RELATING TO THE BONDS

**The Bonds are our unsecured obligations and are subordinated to our secured indebtedness to the extent of the value of the collateral securing such indebtedness.**

The Bonds are our general and unsecured obligations and will (i) rank at least equally in right of payment with all our other present and future unsecured and unsubordinated obligations, (ii) be effectively subordinated to all of our present and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, and (iii) be senior to all of our present and future subordinated obligations, subject in all cases to exceptions as may be provided by applicable legislation. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of our bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of our other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

**The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of our existing and future subsidiaries.**

None of our subsidiaries will guarantee the bonds. Therefore, the Bonds will be structurally subordinated to any indebtedness and other liabilities and commitments, including trade payables and lease obligations, of our existing or future subsidiaries, whether or not secured. We may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to us. The ability of such subsidiaries to pay dividends or otherwise transfer assets to us is subject to various restrictions under applicable laws. Our subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available to us for perform its obligations under the Bonds. As a result, all claims of our creditors of the existing and future subsidiaries, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over our claims and those of our creditors, including holders of the Bonds.

**The Bonds may not be a suitable investment for all investors.**

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this offering circular;

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

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

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

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

**We have substantial indebtedness and may incur substantial additional indebtedness in the future, which may materially and adversely affect our financial health and its ability to generate sufficient cash to satisfy its outstanding and future debt obligations.**

We now have, and will continue to have after the offering of the Bonds, a substantial amount of indebtedness. As of 31 December 2014, 2015 and 2016 and 30 June 2017, our total borrowings (including the 2019 Notes and other borrowings) amounted to RMB2,511.8 million, RMB1,928.9 million, RMB2,242.7 million (US$330.8 million) and RMB2,018.9 million (US$297.8 million), respectively. We fully redeemed the

2019 Notes on 30 November 2017. On 31 October 2017, we have entered into a facility agreement for a term loan in the aggregate principal amount of US$200.0 million. See "Description of Other Material Indebtedness – Offshore Facility Agreement – HSBC Facility" for more details.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Bonds and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond its control. It is anticipated that our operating cash flow will be sufficient to meet its anticipated operating expenses and to service its debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, it will be forced to adopt alternative strategies. These may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing its indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

**If we or any of our subsidiaries fails to comply with the restrictions and covenants in our or debt agreements (if any), there could be a default under the Bonds, which could cause the repayment of our indebtedness to be accelerated.**

If we or any of our subsidiaries are unable to comply with the restrictions and covenants in the Bonds or current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us or any of our subsidiaries accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements and the Bonds contain or may contain cross-acceleration or cross-default provisions. As a result, the default by us or any of our subsidiaries under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows of us or any of our subsidiaries to repay in full all of their respective indebtedness, or that they would be able to find alternative financing. Even if we or any of our subsidiaries fail to comply with the restrictions and covenants in its outstanding or future financing agreements, it may result in a default by us or the relevant subsidiaries under one or more financing agreement and allow the relevant lenders to accelerate affected indebtedness, and may cause an Event of Default of the Bonds when the aggregate amount of the relevant indebtedness exceeds the specified threshold. There is no assurance that our assets and cash flows would be sufficient to repay all of the Bonds or our other indebtedness of that becomes due as a result of the default, or that we will be able to find alternative financing. Even if we could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to us.

**Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts, and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.**

The Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Arrangement between Mainland and Hong Kong on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdiction as Agreed to by the Parties Concerned (關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), final judgments of payment with enforcement force delivered by Hong Kong courts for a civil or commercial case under a written jurisdiction agreement are likely to be recognised and enforced by the PRC courts. However, where the PRC court deems that the enforcement of a judgement delivered by a Hong Kong court is against the public interest of the Mainland or when it meets other restricted circumstances specified by the Arrangement, such a judgement shall not be recognised or enforced. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

**An active trading market for the Bonds may not develop.**

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, our operations and the market for similar securities. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. None of the Joint Lead Managers or Co-Managers is obligated to make a market in the Bonds, and if any Joint Lead Manager or Co-Manager were do so, it may discontinue such market making activity at any time at its sole discretion. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this offering circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of our assets. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

**Investors in the Bonds may be subject to foreign exchange risks.**

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to a fluctuation in the exchange rate of U.S. dollars and the investors' reporting currencies. The value of U.S. dollars is affected by many economic, political and other factors over which we have no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the value of the Bonds and a decrease in the effective yield of the Bonds below their stated coupon rates, causing a loss when the return on the Bonds is translated into such currency.

**The liquidity and price of the Bonds following the offering may be volatile.**

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

**International financial markets and world economic conditions may adversely affect the market price of the Bonds.**

The market price of the Bonds may be adversely affected by declines in international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in international financial markets in the future, the market price of the Bonds could be adversely affected. In December 2016, the US Federal Reserve raised interest rates for the first time in a year, and the second time since the 2008 financial crisis. The US Federal Reserve raised interest rates for the first time in March 2017, followed by an approval approved of its second interest rate hike in June 2017, which may increase the uncertainties relating to the prices of U.S. dollar denominated bonds.

**We may be unable to redeem the Bonds upon the due date for redemption thereof.**

Upon maturity, the Bonds will be redeemed at their principal amount, or following the occurrence of a Change of Control (as defined in the Conditions), we may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101% of their principal amount, together in each case with accrued and unpaid interest up to (but not including) the date of redemption. On the Maturity Date or if such an event were to occur, we may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds on the Maturity Date or in such event may also be limited by the terms of other debt instruments. Our failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of our other indebtedness. See "Terms and Conditions of the Bonds - Redemption and Purchase."

**The insolvency laws of the Cayman Islands may differ from those of another jurisdiction with which the holders of the Bonds are familiar.**

We are incorporated under the laws of the Cayman Islands. Any insolvency proceeding relating to us would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar. There is no assurance that investors in the Bonds will be able to receive the same level of protection under the insolvency laws of the Cayman Islands as those in their respective home jurisdictions.

**Modifications and waivers may be made in respect of the Conditions and the Trust Deed by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.**

The Conditions contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

The Conditions also provide that the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, agree to any modification of the Trust Deed, the Conditions and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Trust Deed or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the holders of the Bonds will not be materially prejudiced thereby. See "Terms and Conditions of the Bonds - Meetings of Bondholders, Modification and Waiver."

**The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction.**

In certain circumstances (including without limitation the giving of notice pursuant to Condition 9 *(Events of Default)* of the Conditions and the taking of enforcement steps pursuant to Condition 13 *(Enforcement)* of the Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

**Gains on the interest on the Bonds and on transfer of the Bonds may be subject to income tax and value-added tax under PRC tax laws.**

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources from within the PRC. See " – Risk Relating to Our Business – There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiaries, and interest payables by us to our foreign investors and gain on the sale of our Bonds may also become subject to withholding taxes under PRC tax laws."

**The Bonds will be initially evidenced by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the clearing systems.**

The Bonds will be initially evidenced by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are initially evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

Owners of book-entry interests will not be considered owners or holders of the Bonds for purposes of the Trust Deed. A common depositary for Euroclear and Clearstream will be the sole registered holder of the Global Certificate. Accordingly, holders of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear or Clearstream, and if such holder is not a participant in Euroclear or Clearstream, on the procedures of the participant through which such holder owns its interest, to exercise any rights and obligations of a holder of the Bonds under the Trust Deed.

Upon the occurrence of an event of default under the Trust Deed, unless and until definitive Certificates are issued in respect of all book-entry interests, if the holder of a beneficial interest in a Global Certificate owns a book-entry interest, such holder will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds. See "Summary of Provisions Relating to the Bonds in Global Form."

**Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.**

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Certificates are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

**The Bonds may be redeemed by us prior to maturity.**

We may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to (but not including) the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, we have or will become obliged to pay Additional Tax Amounts (as defined in the Conditions), as further described in Condition 6(b) *(Redemption for Taxation Reasons)* of the Conditions. If we redeem the Bonds prior to the Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, our ability to redeem the Bonds may reduce the market price of the Bonds.

**We may not be able to redeem the Bonds upon the due date for redemption thereof.**

We, at maturity or at any time following the occurrence of a Change of Control or a Non Registration Event (each defined in the Conditions), is or may be required to redeem all but not some only of the Bonds. If such an event occurs, we may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. Our failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of our other indebtedness.

**The rating assigned to the Bonds may be downgraded or withdrawn in the future.**

The Bonds are expected to be assigned a rating of "BBB-" by S&P. The rating represents only the opinions of the rating agency and its assessment of our ability to perform its obligations under the Bonds, and credit risks in determining the likelihood that payments will be made when due under the Bonds. Rating is not recommendations to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension, reduction or withdrawn at any time. We cannot assure investors that the rating will remain for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency if in its judgement circumstances in the future so warrant. We are not obligated to inform holders of the Bonds of any such revision, downgrade or withdrawal. The rating should be evaluated independently of any other rating of the Bonds or our other securities (if any). A revision, qualification, suspension or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

**We may issue additional Bonds in the future.**

We may, from time to time, and without prior consultation of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all material respects (or in all material respects save for the first payment of interest on them and the timing for the NDRC Post-issue Filing) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds. See "Terms and Conditions of the Bonds – Further Issues."

**Any failure to complete the relevant filing with the NDRC within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for us and/or the investors of the Bonds**

According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the debt securities (the "**Pre-issuance Registration**"), and make a post-issuance filing with NDRC in relation to the particulars of the relevant issuance within 10 working days after the completion of the issuance. The Company received a certificate from NDRC on 24 October 2017 evidencing that the Pre-issuance Registration in relation to the Bonds has been made.

There is no clarity on the legal consequences of non-compliance with the post-issue filing requirement under the NDRC Notice. In the worst case scenario, failure to complete the post-issuance filing may result in it being unlawful for us to perform or comply with any of its obligations under the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

**Changes in market interest rates may adversely affect the value of the Bonds.**

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

**Certain facts and statistics in this offering circular are derived from publications not independently verified by us, the Joint Lead Managers, the Co-Managers, or our or their respective advisors.**

Facts and statistics in this offering circular relating to China's and global economy and the automobile industry are derived from publicly available in China. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Joint Lead Managers, the Co-Managers, or our or their respective advisors, and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering circular has been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in the United States and other jurisdictions, which might be material to the financial information contained in this offering circular. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and generally accepted accounting principles in the United States or other jurisdictions. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisors for an understanding of the differences between HKFRS and U.S. GAAP or between HKFRS and other GAAPs and how those differences might affect the financial information in this offering circular.

## EXCHANGE RATE INFORMATION

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

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

| Period | Noon buying rate | | | |
|---|---|---|---|---|
| | Period end | Average[(1)] | High | Low |
| | (RMB per US$1.00) | | | |
| 2012 | 6.2303 | 6.3085 | 6.3879 | 6.2221 |
| 2013 | 6.0537 | 6.1412 | 6.2438 | 6.0537 |
| 2014 | 6.2046 | 6.1620 | 6.2591 | 6.0402 |
| 2015 | 6.4778 | 6.2827 | 6.1870 | 6.4896 |
| 2016 | 6.9430 | 6.6534 | 6.9580 | 6.4480 |
| 2017 | 6.5063 | 6.7569 | 6.9575 | 6.4773 |
| July | 6.7240 | 6.7694 | 6.8039 | 6.7240 |
| August | 6.5888 | 6.6670 | 6.7272 | 6.5888 |
| September | 6.6533 | 6.5690 | 6.6591 | 6.4773 |
| October | 6.6328 | 6.6254 | 6.6533 | 6.5712 |
| November | 6.6385 | 6.6200 | 6.5967 | 6.6090 |
| December | 6.5063 | 6.5932 | 6.6210 | 6.5063 |
| 2018 | | | | |
| January (through January 5) | 6.4875 | 6.4928 | 6.5010 | 6.4875 |

*Note:*

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

**Hong Kong**

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

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

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

| Period | Noon buying rate | | | |
|---|---|---|---|---|
| | **Period end** | **Average(1)** | **High** | **Low** |
| | (RMB per US$1.00) | | | |
| 2012 | 7.7507 | 7.7569 | 7.7699 | 7.7493 |
| 2013 | 7.7539 | 7.7565 | 7.7654 | 7.7503 |
| 2014 | 7.7531 | 7.7545 | 7.7669 | 7.7495 |
| 2015 | 7.7507 | 7.7524 | 7.7686 | 7.7495 |
| 2016 | 7.7534 | 7.7618 | 7.8270 | 7.7505 |
| 2017 | 7.8128 | 7.7926 | 7.8267 | 7.7540 |
| June | 7.8055 | 7.7984 | 7.8055 | 7.7908 |
| July | 7.8100 | 7.8091 | 7.8128 | 7.8034 |
| August | 7.8267 | 7.8217 | 7.8267 | 7.8121 |
| September | 7.8110 | 7.8127 | 7.8256 | 7.7995 |
| October | 7.8015 | 7.8053 | 7.8106 | 7.7996 |
| November | 7.8993 | 7.8052 | 7.8118 | 7.7955 |
| December | 7.8128 | 7.8128 | 7.8228 | 7.8050 |
| 2018 | | | | |
| January (through January 5) | 7.8186 | 7.8173 | 7.8186 | 7.8161 |

# TERMS AND CONDITIONS OF THE BONDS

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

The U.S.$300,000,000 3.625 per cent. bonds due 2023 (the "**Bonds**", which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of Geely Automobile Holdings Limited (the "**Company**") are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated on or about 25 January 2018 (the "**Issue Date**") made between the Company and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being trustee or trustees under the Trust Deed) as trustee for itself and the holders (as defined below) of the Bonds.

The Bonds are the subject of an agency agreement dated on or about 25 January 2018 (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Company, the Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from to time in connection with the Bonds) and as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any additional or successor transfer agent appointed from to time in connection with the Bonds), Citibank, N.A., London Branch as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar appointed from to time in connection with the Bonds) and any other agents appointed thereunder. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours by the holders at the principal place of business for the time being of the Trustee, being at the Issue Date at 39th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong and at the specified office of the Principal Paying Agent. References herein to "**Paying Agents**" includes the Principal Paying Agent, together with any additional or successor paying agent appointed in connection with the issue of the Bonds, and "**Agents**" means the Principal Paying Agent, any other Paying Agents, the Registrar, any Transfer Agent and any other agent or agents and their successor(s) appointed from time to time with respect to the Bonds. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Bonds are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them.

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

## 1 FORM, SPECIFIED DENOMINATION AND TITLE

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

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

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

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

## 2 STATUS

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

## 3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

### (a) Register

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

### (b) Transfer

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

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

**(c) Delivery of New Certificates**

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

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

*Except in the limited circumstances described in the Global Certificate (see "Summary of Provisions relating to the Bonds in Global Form"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.*

**(d) Formalities Free of Charge**

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

**(e) Closed Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 14 days ending on (and including) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of 14 days ending on (and including) any Record Date (as defined in Condition 7(a)); or (iii) during the period of 14 days prior to (and including) any date on which any such Bond shall be redeemed the Company pursuant to Condition 6(b); or (iv) after a Put Exercise Notice (as defined in Condition 6(c)) in respect of such Bond has been deposited by any holder pursuant to Condition 6(c).

**(f) Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations (the "**Regulations**") concerning transfer of Bonds, the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Company, with the prior written approval of the

Registrar and the Trustee, or by the Trustee, with the prior written approval of the Registrar. A copy of the current Regulations will be mailed (free of charge to the Bondholders) by the Registrar to any Bondholder who requests one in writing.

## 4 COVENANTS

### (a) Negative Pledge

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

### (b) Notification to NDRC

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

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

The Company shall, within five Registration Business Days after the completion of the NDRC Post-issue Filing, provide the Trustee with (i) a certificate in English signed by an Authorised Signatory of the Company confirming the completion of the NDRC Post-issue Filing, and (ii) copies of the relevant documents evidencing due filing with the NDRC, each certified in English as true and complete copies of the originals by an Authorised Signatory of the Company (the items specified in (i) and (ii) together, the "**Registration Documents**"). The Trustee may rely on the Registration Documents conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

### (d) Financial Information

So long as any Bond remains outstanding (as defined in the Trust Deed) the Company will furnish the Trustee, as soon as it is available but in any event not more than 14 calendar days after any financial report of the Company is filed with the Stock Exchange or any other securities exchange on or by which the Company's common shares are at any time listed for trading at its request, true and correct copy of any financial report in the English language filed with such exchange; *provided* however that if at any time the common shares of the Company ceases to be listed for trading on or by any such exchange, the Company shall furnish the Trustee with:

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

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

In addition, so long as any of the Bonds remain outstanding, the Company will provide to the Trustee (1) as soon as possible and in any event within 15 days after the Company becomes aware of the occurrence of an Event of Default (as defined in Condition 9 herein), an Officers' Certificate setting forth the details of such Event of Default, and the action which the Company proposes to take with respect thereto; and (2) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Holder or any other person for such reliance) at the same time as the annual audited financial statements on an annual basis.

**(e) Ratings**

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

In these Conditions:

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

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

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

"**Compliance Certificate**" means a certificate issued by the Company (i) signed by at least one Authorised Signatory and (ii) confirming that no Event of Default has occurred and is continuing.

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

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

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

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

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

"**Rating Agency**" means (a) Standard & Poor's Ratings Services and its affiliates and successors ("**S&P**"); (b) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its affiliates and successors ("**Moody's**"); (c) Fitch Ratings and its affiliates and successors ("**Fitch**"); and (d) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

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

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

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

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local branch;

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

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

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

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

## 5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 25 January 2018 at the rate of 3.625 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$18.125 per Calculation Amount (as defined below) on 25 January and 25 July in each year (each an "**Interest Payment Date**"), commencing on 25 July 2018.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate evidencing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holders, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

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

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

## 6 REDEMPTION AND PURCHASE

### (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 25 January 2023 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 6.

### (b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") (which shall specify the date for redemption and the method by which payment shall be made) to the Bondholders in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100 per cent. of their principal amount (together with any interest accrued to (but not including) the date fixed for redemption) if the Company satisfies the Trustee immediately prior to the giving of such notice that (i) the Company has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Island or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Company shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory of the Company who is also a director stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Company taking reasonable measures available to it, and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Company has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Bondholders or any other person) of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders.

**(c) Redemption for Change of Control**

Following the occurrence of a Change of Control, the holder of any Bond will have the right (the "**Change of Control Put Right**"), at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by (i) not later than 30 days following such Change of Control (the "**Initial Exercise Period**"), or, (ii) if later, within 30 days following the date upon which notice of the Change of Control is given to Bondholders by the Company as specified below (the "**Substituted Exercise Period**"). A Put Exercise Notice, once delivered, shall be irrevocable.

The "**Put Settlement Date**" in respect of any Bond for which such option is exercised shall be the 14th day after the expiry of (1) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (2) in all other circumstances, the Substituted Exercise Period.

Not later than 14 days following the day on which the Company becomes aware of a Change of Control, the Company shall procure that notice regarding such Change of Control shall be delivered to the Trustee in writing and to the holders (in accordance with Condition 16) stating:

(i) the applicable Put Settlement Date;

(ii) the date of the Change of Control and, briefly, the events causing the Change of Control;

(iii) the date by which the Put Exercise Notice must be given;

(iv) the method by which the redemption amount will be paid;

(v) the names and addresses of all Paying Agents; and

(vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Change of Control Put Right.

The Trustee shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with any Change of Control and shall not be liable to holders, the Company or any other person for not doing so.

For the purpose of these Conditions:

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

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

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

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

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

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

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

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

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

(i) Mr. Li Shu Fu;

(ii) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of, or any Person acting in concert with, the Person specified in clause (1); and

(iii) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80.0 per cent. or more by one or more of the Persons specified in clauses (1) and (2).

(F) "**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

**(d) Notice of redemption**

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in the Tax Redemption Notice or, as the case may be, on the applicable Put Settlement Date. If there is more than one notice of redemption given in respect of any Bond (which shall include the Tax Redemption Notice given by the Company pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption and shall not be liable to holders, the Company or any other person for not doing so.

**(e) Purchase**

The Company or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders and shall be deemed not to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

**(f) Cancellation**

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

**7 PAYMENTS**

(a) **Method of Payment**:

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

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

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

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

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

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

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

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Company to the Bondholders in accordance with Condition 16.

(e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with Condition 7(a)(ii) arrives after the due date for payment.

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

## 8 TAXATION

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

Where such withholding or deduction is made by or within the PRC up to and including the aggregate rate applicable on 18 January 2018 (the "**Applicable Rate**"), the Company will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

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

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

(iii) **Payment by Another Paying Agent**: held by a holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

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

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

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

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

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

## 9 EVENTS OF DEFAULT

If an Event of Default occurs the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Company that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

An "**Event of Default**" occurs if:

(a) **Non-Payment**: there has been a failure to pay the principal of any of the Bonds or any interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of 14 days; or

(b) **Breach of Other Obligations**: the Company does not perform or comply with any one or more of its obligations under the Bonds or the Trust Deed (other than a non-payment provided for in Condition 9(a) above or where it gives rise to a right of a Bondholder to require the redemption of the Bonds pursuant to Condition 6(c)) and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) if in the opinion of the Trustee capable of remedy, is not remedied within 30 calendar days after the Trustee has given written notice thereof to the Company; or

(c) **Cross-Default**: (i) any other present or future indebtedness of the Company or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised (as extended by any originally applicable grace period); provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred in aggregate equals or exceeds U.S. $50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Company or any Significant Subsidiary and it is not discharged or stayed within 60 calendar days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any Significant Subsidiary on all or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and it is not discharged or stayed within 60 calendar days; or

(f) **Insolvency**: the Company or any Significant Subsidiary (i) is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, or (ii) stops, suspends or threatens to stop or suspend payment of all or any material part of its debts as they fall due, or proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a material part of) its debts (or of any part which it will or might otherwise be unable to pay when due), or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or any material part of its debts, or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Company or any Significant Subsidiary, *provided that*, for the avoidance of doubt, this sub-clause (ii) shall not apply to an assignment, arrangement or composition with creditors entered into by the Company or any Significant Subsidiary on a solvent basis with respect to the Indebtedness of any Significant Subsidiary (or any Guarantee thereof granted by the Company) and on terms as notified to the Trustee through a notice delivered on or before the commencement of such assignment, arrangement or composition, which notice confirms that such assignment, arrangement or composition (x) is conducted on a solvent basis and (y) will not affect the Company's ability to perform its obligations under the Bonds; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Company or any Significant Subsidiary, or the Company or any Significant Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent and voluntary reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee acting on an Extraordinary Resolution, or (ii) in the case of a Significant Subsidiary, whereby the undertaking and assets of such Significant Subsidiary are transferred to or otherwise vested in the Company or another Significant Subsidiary; or

(h) **Nationalisation**: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or any material part of the assets of the Company or any Subsidiary; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Certificates evidencing the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or

(k) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(h) (both inclusive).

In this Condition 9, "**Significant Subsidiary**" means any Subsidiary of the Company whose total amount of revenue or total assets or net profit (excluding intra-group items) represents 5 per cent. or more of the total revenue or total assets or net profit of the Company or the Group (as the case may be) calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Company or the Group (as the case may be).

## 10 PRESCRIPTION

Claims against the Company for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8) in respect of them.

## 11 REPLACEMENT OF CERTIFICATES

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

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

### (a) Meetings of holders

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

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

### (b) Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification (other than any modification relating to a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed and/or the Agency Agreement which in its opinion is not materially prejudicial to the interests of the holders, or may agree, without any such consent as aforesaid, to any modification thereof which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable law. Any such modification, waiver or authorisation shall be binding on the holders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Company as soon as practicable thereafter in accordance with Condition 16.

**(c) Entitlement of the Trustee**

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

## 13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Company as it may think fit to enforce the terms of the Trust Deed and/or the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## 14 INDEMNIFICATION OF THE TRUSTEE

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

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

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

None of the Trustee or any of the Agents shall be responsible for the performance by the Company and any other person appointed by the Company in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Company to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Company or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders or the Company, respectively. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed as further provided in the Trust Deed.

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

## 15 FURTHER ISSUES

The Company is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the first payment of interest on them and the timing for the NDRC Post-issue Filing) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further securities shall be constituted by a deed supplemental to the Trust Deed.

## 16 NOTICES

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

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

## 17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

## 18 GOVERNING LAW AND JURISDICTION

### (a) Governing Law

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

### (b) Jurisdiction

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

### (c) Agent for Service of Process

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

### (d) Waiver of Immunity

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

## SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

Under the Global Certificate, the Company, for value received, promises to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Conditions.

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

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

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

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

### PAYMENT

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

## NOTICES

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

## MEETINGS

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

## BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 6(c) *(Redemption of Change of Control)* of the Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

## ISSUER'S REDEMPTION

The options of the Company provided for in Conditions 6(b) *(Redemption for Taxation Reasons)* of the Conditions shall be exercised by the Company giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

## TRANSFERS

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

## CANCELLATION

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

## TRUSTEE'S POWERS

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

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

## USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US$297.5 million, which we plan to use to refinance the Group's certain existing indebtedness and for business development and other general corporate purposes.

## CAPITALISATION

The following table sets forth our indebtedness and capitalisation as of 30 June 2017 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with our consolidated financial information and related notes included in this offering circular.

| | As of 30 June 2017 | | | |
|---|---|---|---|---|
| | Actual | | As adjusted | |
| | (RMB in millions) | (US$ in millions) | (RMB in millions) | (US$ in millions) |
| **Bank balances and cash**[1] | 20,774.4 | 3,064.4 | 22,791.2 | 3,361.9 |
| **Current borrowings**[2] | – | – | – | – |
| **Non-current borrowings**[3]: | | | | |
| 2019 Notes[4] | 2,018.9 | 297.8 | 2,018.9 | 297.8 |
| Bonds to be issued | – | – | 2,016.8 | 297.5 |
| Total non-current borrowings | 2,018.9 | 297.8 | 4,035.7 | 595.3 |
| **Total equity**[5] | 28,316.8 | 4,176.9 | 28,316.8 | 4,176.9 |
| **Total capitalisation**[6] | 30,335.7 | 4,474.7 | 32,352.5 | 4,772.2 |

*Notes:*

(1) Our bank balances and cash excludes pledged bank deposits of RMB13.4 million (US$2.0 million).

(2) We did not have any current borrowings as of 30 June 2017.

(3) Our non-current borrowings do not include any accrual for capital expenditure commitments or contingent liabilities. As of 30 June 2017, our capital expenditure commitments were RMB2,049.0 million (US$302.2 million). On 31 October 2017, we have entered into a facility agreement for a term loan in the aggregate principal amount of US$200.0 million. See "Description of Other Material Indebtedness – Offshore Facility Agreement – HSBC Facility" for more details. In addition, we have entered into agreements with CITIC Ka Wah Bank Limited and ING Bank N.V. with respect to certain loan facilities. However, as of the date of this offering circular, we have not drawn down any loans pursuant to the agreements. These additional borrowings or guarantees are not reflected in the table above.

(4) We have fully redeemed the 2019 Notes on 30 November 2017.

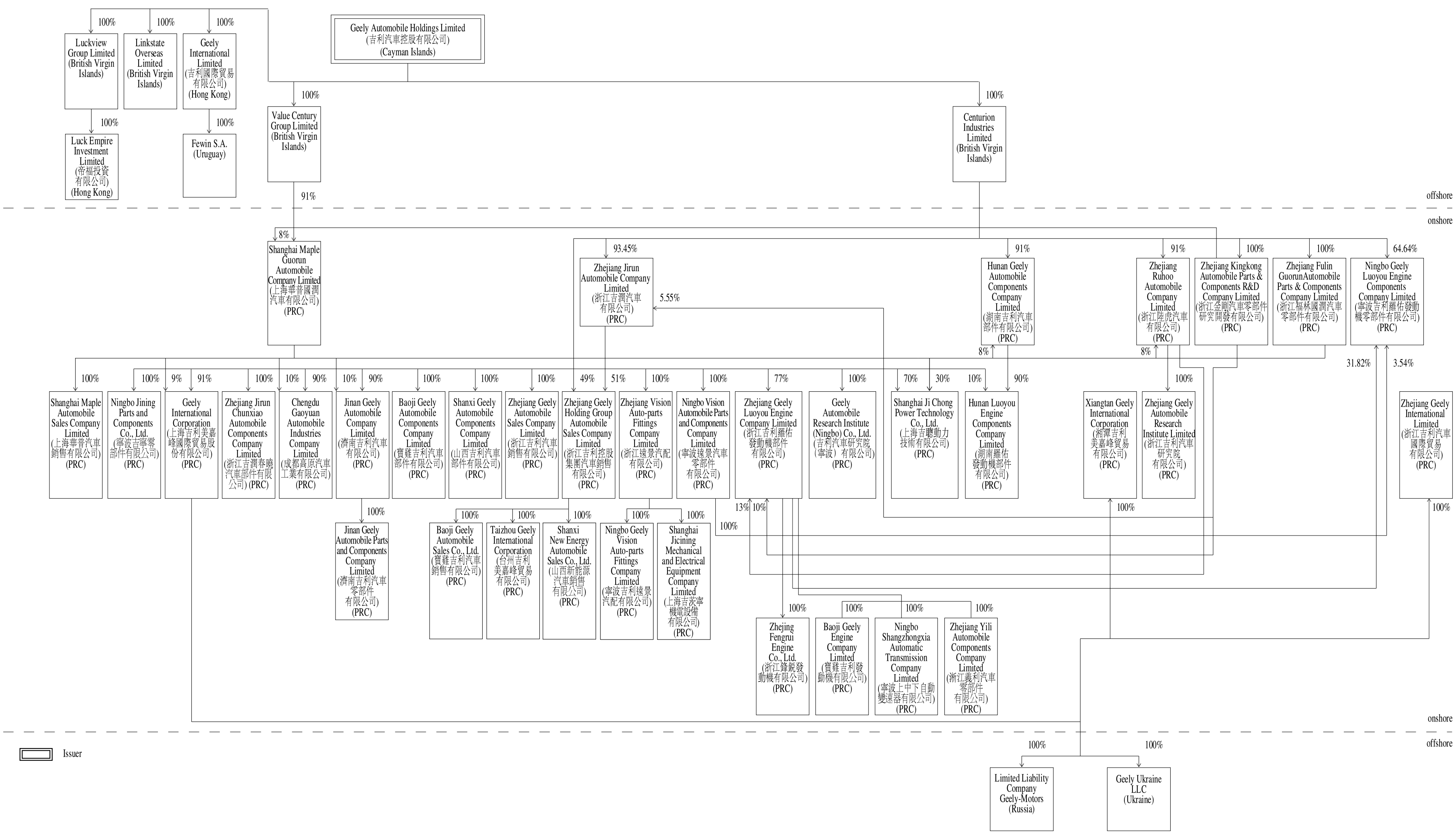
(5) Total equity equals equity attributable to owners of the Company plus non-controlling interest.

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

Except as otherwise disclosed in this offering circular, there has been no material adverse change in our indebtedness or capitalisation since 30 June 2017.

# CORPORATE STRUCTURE

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



## OVERVIEW

We are one of the leading indigenous automobile companies in China, focusing on sales of passenger vehicles and manufacturing and sales of automobile parts and components. According to the market data published by CAAM, the Group's market share in China's passenger vehicle market increased from 2.4% in 2015 to 3.1% in 2016, ranked third among all indigenous automobile brands in China and 10th among all passenger vehicle brands in China. During the period of January to November 2017, our market share in China's passenger vehicle market further increased to 4.9%, ranked first among all indigenous automobile brands in China and 6th among all passenger vehicle brands in China, according to the market data published by CAAM. We have been one of the "China's Top 500 Companies (中國企業500強)" for eight consecutive years since 2010 according to Fortune China (財富) and were ranked no. 123 in 2017. Through approximately 30 years' operating history, we have established our reputation as a leading indigenous passenger vehicle company in China. We endeavour to offer safe, environmentally friendly and fuel-efficient passenger vehicles in both the domestic and overseas markets. As of 30 June 2017, we offered a total of 13 major sedan and SUV models, including one major model of A00 class (mini), five major models of A0 class (small-size), four major models of A class (compact), one major model of B class (mid-size) and two major models of SUV. In 2014, 2015, 2016 and the six months ended 30 June 2017, we sold approximately 417,851, 510,097, 765,970 and 530,627 units of passenger vehicles, respectively. As of 10 January 2018, we had a market capitalization of HK$239.5 billion (US$30.6 billion).

Historically, we sold our products under three product brands, namely, Emgrand, GLEagle and Englon, through 4S dealer shops and franchisee stores in China. Since the second quarter of 2014, we have commenced a major restructuring of our distribution network in China by integrating our three existing product brands into a unified brand, Geely, and adopting a new marketing strategy by consolidating our existing distribution network and streamlining dealers and franchisees of the three product brands in China. As of 30 June 2017, our domestic distribution network comprised a total of 827 shops, including 665 4S dealer shops and 162 franchisee stores, spanning over 370 cities and 23 provinces, autonomous regions and central government-administered municipalities in China. A small portion of our sales are to overseas markets, including developing countries in the Middle East, Eastern Europe, Central and South America and Africa.

Currently we own a 99% equity interest in each of the nine domestic manufacturing plants located in Zhejiang, Hunan, Shaanxi, Shanxi, Shandong and Sichuan provinces and a 100% equity interest in one domestic manufacturing plant located in Zhejiang province with a total designed annual production capacity of approximately 1.5 million units per two shifts on an annualised basis as of 31 December 2017. In the overseas market we aim to set up assembly plants in the local markets and work with local OEM partners to improve manufacturing efficiency and enhance profitability.

We have been continuously expanding our product offering to meet customers' evolving needs and preferences. We plan to leverage several platforms to develop new vehicle models. These platforms include the FE platform and KC platform and the CMA platform being developed by Geely Holding's wholly-owned subsidiary, CEVT, a company engaged in research and development. We also seek cooperating opportunities with international players to develop and introduce more new products, such as electric vehicles. We are committed to developing and manufacturing products with safety and comfort. Most of the models we offered have received high scores in safety tests by the domestic and internationally authoritative vehicle safety testing programmes, including the C-NCAP and the Euro NCAP.

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

In 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017, we recorded turnover of RMB21,738.4 million, RMB30,138.3 million, RMB53,721.6 million (US$7,924.4 million), RMB18,089.3 million and RMB39,423.6 million (US$5,815.3 million), respectively; and recorded net profit of RMB1,449.1 million, RMB2,288.7 million, RMB5,170.2 million (US$762.6 million) and RMB4,386.4 million (US$647.0 million), respectively, for the same periods.

## RECENT DEVELOPMENTS

### Lynk & Co JV

On 4 August 2017, one of our 99% owned subsidiaries, Zhejiang Jirun Automobile Company Limited (浙江吉潤汽車有限公司) ("**Zhejiang Jirun**"), entered into a joint venture agreement with Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司) ("**Zhejiang Haoqing**") and Volvo Car (China) Investment Company Limited (沃爾沃汽車(中國)投資有限公司) ("**VCI**") pursuant to which the three parties have agreed to form a joint venture company to engage in the manufacturing and sale of vehicles under the Lynk & Co brand, and the provision of the after-sale services. The registered capital of the joint venture company will be RMB7,500,000,000. Zhejiang Jirun, Zhejiang Haoqing and VCI shall subscribe to 50%, 20% and 30% of the registered capital, respectively.

### Unaudited sales volume in 2017

We recorded the unaudited total sales volume of approximately 1,247,116 units of passenger vehicles (including passenger vehicles under the "Lynk & Co." brand) for the year ended 31 December 2017, of which approximately 25,266 units were new energy vehicles.

## OUR COMPETITIVE STRENGTHS

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

### Leading Indigenous Automobile Brand in China

We are one of the leading indigenous automobile companies in China, focusing on sales of passenger vehicles and manufacturing and sales of automobile parts and components. During the period of January to November 2017, our market share in China's passenger vehicle market was 4.9%, ranked first among all indigenous automobile brands in China and 6th among all passenger vehicle brands in China, according to the market data published by CAAM. In 2014, 2015, 2016 and the six months ended 30 June 2017, we sold approximately 417,851, 510,097, 765,970 and 530,627 units of passenger vehicles, respectively.

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

As an indigenous passenger vehicle brand, we receive strong support from the PRC government. The PRC government recently adopted policies, for example, the 13th Five-Year Plan, to encourage indigenous brand development and innovation and we are well positioned to benefit from such policies. In a draft catalogue of car models for government procurement released in March 2012, it included only indigenous car models, which further illustrates the PRC government's support for indigenous automobile brands. At the 19th National Congress of the Communist Party of China, the final report emphasised the continued commitments to support the development of real economy, including the automobile industry. In addition, under the framework of the "Belt and Road" initiative, the PRC government provides policies and directions that will help Chinese automobile manufacturers to further develop and expand their global presence in the overseas markets and build Chinese car brands with international competitiveness. In 2014, 2015 and 2016 and the six months ended 30 June 2017, we received government subsidies of RMB898.2 million, RMB847.3 million, RMB802.3 million (US$118.5 million) and RMB500.6 million (US$73.8 million), respectively.

**Strong Support from Geely Holding and Technical Collaboration with Volvo**

Geely Holding, our Parent Company, who holds 43.94% of our equity interests as of 30 June 2017, has been a Fortune Global 500 company for eight consecutive years since 2012. Geely Holding has provided us with strong support, which we believe enables us to enhance our production, research and development capabilities and corporate management.

We have benefited greatly from the assets injection, research and development support from Geely Holding and its affiliates as well as intellectual property rights authorisation and guidance in various aspects of our operations. Since 2003, Geely Holding has gradually transferred an aggregate of 99% interest in its manufacturing facilities to us, through which we own each of the nine domestic manufacturing plants located in Zhejiang, Hunan, Shaanxi, Shanxi, Shandong and Sichuan provinces and a 100% interest in its manufacturing facility to us, through which we own one domestic manufacturing plant located in Zhejiang province with a total designed annual production capacity of approximately 1.5 million units per two shifts on an annualised basis as of 31 December 2017. Since 2007, Geely Holding's subsidiaries have also been assembling CBUs for us, as certain subsidiaries of Geely Holding are listed in the Public Notice of Automobile Vehicle Manufacturers and Products (車輛生產企業及產品公告) issued by MIIT while we are not. The inclusion on this public notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling CBUs. Pursuant to the arrangement with Geely Holding, we agree to sell CKD kits and sedan tool kits to and purchase CBUs, automobile parts and components from the Parent Group Companies. Geely Holding has also provided us with valuable technical guidance and strong research and development support. In May 2013, Geely Holding established CEVT, a company engaged in research and development in Gothenburg, Sweden. CEVT has developed the CMA platform. We intend to develop sedan and SUV models on this CMA platform with Geely Holding's research and development support. In addition, Geely Holding has authorised us to use some of its patents and trademarks when developing and selling our automobile products. Geely Holding has also provided us with valuable management guidance, including planing and establishing our quality control system and supervising the operation of our quality control system.

In 2010, Geely Holding completed the acquisition of Volvo Car Corporation. Geely Holding entered into agreements to acquire Proton Holdings Bhd and Lotus Cars. Geely Holding has worked with Volvo Car Corporation to develop the research and development centre called China-Euro Vehicle Technology AB ("**CEVT**") in Lindholmen Science Park in Gothenburg, Sweden. The CEVT is staffed by around 2,000 employees as of 30 June 2017. CEVT has engaged in the development of new car technologies with the aim to deliver advanced and cost-saving technologies and new vehicle model using the CMA platform.

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

**Well Positioned in the Fast Growing Passenger Vehicle Markets in China**

We believe our success stems from our effective and strategic positioning. We focus on passenger vehicle, a fast growing market in China with strong growth prospects, with comprehensive product portfolio covering several product segments (including A00, A0, A and B classes and SUV). We have been continuously optimising our product mix by expanding to the offering of A class (compact) and SUV products to better capitalise on market demand. According to ACMR, China's passenger vehicle sales was stable staying at approximately 18.5 million units in the first ten months in 2016 to approximately 19.1 million units in the same period in 2017. General economic growth, urbanisation, the increase in disposable income and improving transportation infrastructure construction (i.e., highway) in China have spurred passenger vehicle consumption, in particular, the A class and above sedan and SUV segments in the passenger vehicle market. According to ACMR, sales in the A class (compact) sedan segment decreased from approximately 3.8 million units in the first ten months of 2016 to approximately 3.5 million units in the first ten months of 2017. A class (compact) sedan was the largest segment within the passenger vehicle sedan market in China through the past five years and is expected to remain as the largest segment within the passenger vehicle sedan market in China in the next few years.

We have experienced success with our new energy vehicles ("**NEV**") in terms of sales volume in 2016 and 2017. In the first half of 2017, our Emgrand series, including NEV versions of the Emgrand series, achieved a total sales volume of 117,718 units, which represents an increase of 10% as compared to the same period in 2016. We started a five-year campaign named "Blue Geely Initiative" in November 2015 to highlight our commitment to become an industry leader in NEV technologies. Our goals are, among others, to offer our consumers with PHEVs at affordable prices, to successfully develop hydrogen or metal fuel battery vehicles and to become an industry leader in new energy, smart car and lightweight technologies. Since 2015, we have increased our NEV product offerings and launched certain hybrid-electric vehicle and plugin-hybrid-electric vehicle models. We have experienced success with our NEVs in terms of sales volume in 2016 and the first half 2017, which amounted to from 17,181 units in 2016 to 7,982 units in the first half 2017.

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

We believe that we are well positioned to capitalise on the growth opportunities in the steadily growing passenger vehicle market in China's including new energy vehicle market with growth potentials.

**Extensive and Strategically Managed Distribution Network and Strong Production Capacity**

As of 30 June 2017, we sold our products through a total of 827 shops, including 665 4S dealer shops and 162 franchisee stores, throughout China, spanning over 370 cities and 23 provinces, autonomous regions and central government-administered municipalities in China. We also exported our products through 23 sales agents and 276 sales and service outlets, covering 23 overseas markets, mainly developing countries in the Middle East, Eastern Europe, Central and South America and Africa, as of 30 June 2017.

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

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

We have built up our domestic manufacturing plants over the years. Currently, we own a 99% equity interest in each of the nine domestic manufacturing plants that are located in Zhejiang, Shaanxi, Shanxi, Hunan, Shandong and Sichuan provinces and a 100% equity interest in one domestic manufacturing plant in Zhejiang province, with a combined total annual production capacity of approximately 1.5 million units per two shifts on an annualised basis as of 31 December 2017.

**Prudent Financial Policies with Proven Track Record**

We strive to maintain a strong financial performance through prudent financial management. We consider cash flow management one of our top priorities in managing our operations. We have implemented various financial policies to maintain adequate cash flow. We closely monitor our capital structure aiming to maintain our debt-to-capital ratio within 45%, actively explore diversified financing sources, including bank loans, equity and debt financing, effectively establish receivables management system to conduct comprehensive credit assessment on our clients and frequent monitoring on receivables, and strategically manage our payables by focusing on cooperation with strategically selected suppliers. As such, we are able to record positive net operating cash flows while achieving stable growth in recent years. In 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded net profit of RMB1,449.1 million, RMB2,288.7 million, RMB5,170.2 million (US$762.6 million) and RMB4,386.4 million (US$647.0 million), respectively; and recorded net operating cash inflow of RMB2,033.0 million, RMB7,408.8 million, RMB8,337.8 million (US$1,229.9 million) and RMB8,144.0 million (US$1,201.3 million), respectively, for the same periods.

We also take a prudent approach towards investment. We have established comprehensive investment management procedures. We set our budget for capital expenditure for the upcoming year at the beginning of that year and submit our capital expenditure plan to our senior management for review and approval. When making an investment decision, we consider various factors, including investment return, integration and synergies with our existing core business, improvement of overall business performance and management of risks. We also monitor our key leverage ratios to maintain our financial soundness. As of 30 June 2017, our total debt to EBITDA ratio (our total borrowings as a percentage of EBITDA) was 0.3 times and EBITDA to interest expense ratio (our EBITDA as a percentage of interest expense) was 107.0 times.

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

**Experienced and Stable Management Team**

We have an experienced and reputable senior management team with substantial expertise and experience in the automobile industry, including automobile manufacturing and automobile engineering. The industry experience and knowledge of our senior management team has significantly contributed to the success of our operations. Mr. Li Shu Fu, our founder and chairman, has over 30 years of experience in the automobile manufacturing industry and was awarded as one of the "25 most influential entrepreneurs in China in the 20th Century (20世紀影響中國的25位企業家)" in 2012, ranked one of the top 50 most influential business persons in China by Fortune Magazine in 2012 and the Person of the Year for 2016 by the CBU (中國汽車要聞) in 2017. Some of our senior management team members have extensive experience in investment banking and financing, technological development and marketing and had worked with reputable state-owned or global conglomerates before joining our Group. Our key management team members have, on average, worked for us for over 10 years. The stability of our management team is critical to our long-term development and the continued growth of our business.

## OUR BUSINESS STRATEGIES

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

**Continue to Focus on Technological Improvement and Product Development**

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

In particular, we plan to develop electric vehicles in China through research and development on various hybrid or pure electric vehicle technology, flexible fuel technology and other new energy technologies and through partnership and strategic alliance with international players with proven core technologies in the area of new energy vehicles. In 2016 and 2017, we launched a number of new car models, including NEV models such as the NEV versions under the Emgrand series. We also introduced new SUV models named Geely Boyue and Vision SUV and our first crossover vehicle model called Emgrand GS in 2016 and new SUV models such as "Vision X1" in May 2017. The aggregate sales volume of our SUV models including Geely Boyue, Vision SUV and Vision X1 amounted to 178,758 units in the first half of 2017, representing an increase of over 400% over the same period in 2016. We also launched new HEV and PHEV models in the second half of 2017.

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

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

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

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

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

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

Our business expansion and development require sufficient and stable financing. We plan to adhere to our prudent financial policies and maintain our sound financial profile. As of 30 June 2017, we had total net current assets of RMB8,091.6 million (US$1,193.6 million) and our bank balances and cash (excluding pledged bank deposits) amounted to RMB20,774.4 million (US$3,064.4 million). We believe we are in a strong financial position to support our growth and development for the foreseeable future. We will continue to closely monitor and manage our capital and cash position, as well as our procurement costs and other operating expenses.

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

## PRODUCTS

Our principal products offering are divided into five classes, namely, A00 class (mini), A0 class (small-size), A class (compact) and B class (mid-size) sedans and SUV. Our products mainly target mass market customers. As of 30 June 2017, we offered a total of 13 major sedan and SUV models, including one major model of A00 class, five major models of A0 class, four major models of A class, one major model of B class and two major models of SUV. We sold our products in the domestic and overseas market under one product brand, namely, Geely. In 2014, 2015, 2016 and the six months ended 30 June 2017, the sales of passenger vehicles amounted to approximately RMB21,534.4 million, RMB28,853.2 million, RMB52,846.4 million (US$7,795.3 million) and RMB38,776.4 million (US$5,719.8 million), respectively, which accounted for approximately 99.1%, 95.7%, 98.4% and 98.4%, respectively, of our total turnover during the same periods.

### A00 Class (Mini) Sedan

An A00 class sedan is a mini compact vehicle, and its length is less than 4.0 metres for sedan and less than 3.9 metres for hatchback. We currently offer one major model under this class, Panda, which was launched in 2008.

The following table sets forth the specifications of the major model, Panda:

| Product | Key Features | Product Brand | Year of Launch |
|---|---|---|---|
| Panda  | 1.0L/1.3L/1.5L engine displacement and MT/AT | GLEagle | 2008 |

The table below sets forth the turnover and sales volume of our product models under A00 class for the years or periods indicated:

| | For the year ended 31 December | | | | | | | | | | For the six months ended 30 June | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2015 | | | 2016 | | | | 2016 | | | 2017 | | | |
| | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) |
| **Turnover** | | | | | | | | | | | | | | | | | |
| Geely Panda | 788,368 | 100% | 24,770 | 442,440 | 100% | 14,231 | 248,871 | 36,710 | 100% | 7,176 | 116,883 | 100% | 3,622 | 46,553 | 6,867 | 100% | 1,295 |
| Total | 788,368 | 100% | 24,770 | 442,440 | 100% | 14,231 | 248,871 | 36,710 | 100% | 7,176 | 116,883 | 100% | 3,622 | 46,553 | 6,867 | 100% | 1,295 |

### A0 Class (Small-size) Sedan

An A0 class sedan is a small-size vehicle, and its length ranges from 4.0 metres to 4.4 metres for sedan and from 3.7 metres to 4.2 metres for hatchback. We currently offer one major model under this class, which is Kingkong.

The following table sets forth the specifications of the major model:

| Product | Key Features | Year of Launch |
|---|---|---|
| Kingkong | 1.3/1.5L MT/AT | 2006 |

The table below sets forth the turnover and sales volume of our product models under A0 class for the years or periods indicated:

| | For the year ended 31 December | | | | | | | | | | For the six months ended 30 June | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2015 | | | 2016 | | | | 2016 | | | 2017 | | | |
| | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) |
| **Turnover** | | | | | | | | | | | | | | | | | |
| Free Cruiser[1] | 473,114 | 15% | 17,406 | 309,319 | 15% | 10,567 | 6,889 | 1,016 | 1% | 260 | 6,889 | 1% | 260 | – | – | – | – |
| Kingkong | 2,254,629 | 73% | 72,380 | 1,722,591 | 83% | 55,526 | 2,402,877 | 354,443 | 99% | 63,412 | 1,370,979 | 99% | 35,953 | 1,194,990 | 176,270 | 100% | 31,479 |
| SC3[1] | 52,092 | 2% | 1,585 | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| SC6[1] | 304,714 | 10% | 7,168 | 37,661 | 2% | 1,102 | – | – | – | – | – | – | – | – | – | – | – |
| Total | 3,084,549 | 100% | 98,539 | 2,069,571 | 100% | 67,195 | 2,409,766 | 355,459 | 100% | 63,672 | 1,377,868 | 100% | 36,213 | 1,194,990 | 176,270 | 100% | 31,479 |

*Note:*

(1) Free Cruiser, SC3 and SC6 models have been discontinued due to changes to our product mix.

**A Class (Compact) Sedan**

An A class sedan is a compact (two-box) vehicle, and its length ranges from 4.2 metres to 4.6 metres for sedan and from 4.0 metres to 4.5 metres for hatchback. We currently offer four major models under this class, namely, New Vision and EC7. In 2006, we introduced the Vision model to the market. In 2008, we launched the Haijing (SC7) model under the brand of Englon. In 2009, we launched the Emgrand EC7 model, which has been our best-selling compact sedan model and most popular export model since then. In 2014, we launched the New Vision series and New Emgrand model. In 2016, we launched the Emgrand GL and Emgrand GS models.

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

| **Product** | **Key Features** | **Year of Launch** |
|---|---|---|
| Emgrand GL<br> | 1.3T/1.5L engine displacement and 6DCT/6MT | 2016 |
| Emgrand GS<br> | 1.3T/1.8L engine displacement and 6DCT/6MT | 2016 |
| New Vision series<br> | 1.5L engine displacement and 5MT/AT | 2014 |
| New Emgrand<br> | 1.3T/1.5L engine displacement and 5MT/CVT, 6MT/CVT | 2014 |

The table below sets forth the turnover and sales volume of our product models under A class (compact) for the periods indicated:

| | For the year ended 31 December | | | | | | | | | | For the six months ended 30 June | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2015 | | | 2016 | | | | 2016 | | | 2017 | | | |
| | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) |
| **Turnover** | | | | | | | | | | | | | | | | | |
| New Vision | 931,725 | 7% | 25,134 | 5,274,214 | 29% | 114,963 | 7,086,975 | 1,045,384 | 25% | 153,075 | 3,173,969 | 32% | 67,925 | 3,989,095 | 588,423 | 21% | 81,227 |
| SC7[(1)] | 1,146,219 | 9% | 26,382 | 667,705 | 4% | 15,498 | – | – | – | – | – | – | – | – | – | – | – |
| New Emgrand Series (EC7) | 10,373,167 | 79% | 163,356 | 12,107,061 | 66% | 199,307 | 14,570,530 | 2,149,268 | 51% | 230,403 | 6,264,529 | 62% | 106,959 | 6,957,182 | 1,026,239 | 38% | 117,718 |
| GC7 | 654,047 | 5% | 13,184 | 154,160 | 1% | 3,838 | – | – | – | – | – | – | – | – | – | – | – |
| Emgrand GL | – | – | – | – | – | – | 2,230,942 | 329,081 | 8% | 30,064 | – | – | – | 3,378,995 | 498,428 | 18% | 45,486 |
| Emgrand GS | – | – | – | – | – | – | 4,573,412 | 674,614 | 16% | 60,532 | 595,724 | 6% | 7,400 | 4,360,356 | 643,187 | 23% | 58,260 |
| Total | 13,105,158 | 100% | 228,056 | 18,203,140 | 100% | 333,606 | 28,461,859 | 4,198,347 | 100% | 474,074 | 10,034,222 | 100% | 182,284 | 18,685,628 | 2,756,277 | 100% | 302,691 |

*Note:*

(1) SC7 and GC7 have been discontinued due to changes to our product mix.

**B Class (Mid-size) Sedan**

A B class sedan is a mid-size vehicle, and its length ranges from 4.5 metres to 4.9 metres for sedan. We currently offer two major models under this class, EC8 and Geely GC9. We launched the EC8 model in 2010, as our first entry into the large-size sedan market. In 2015, we launched our Geely GC9 model.

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

| Product | Key Features | Year of Launch |
|---|---|---|
| EC8  | 1.8L/2.4L engine displacement and AT | 2010 |
| Geely GC9  | 1.8T/2.0L engine displacement and 6AT | 2015 |

**EC8 and GC9**

The table below sets forth the turnover and sales volume of our product models under EC8 and Geely GC9 for the years or periods indicated:

| | For the year ended 31 December | | | | | | | | | | For the six months ended 30 June | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2015 | | | 2016 | | | | 2016 | | | 2017 | | | |
| | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) |
| **Turnover** | | | | | | | | | | | | | | | | | |
| EC8 | 254,264 | 100% | 3,186 | 194,619 | 4% | 2,551 | – | – | – | – | – | – | – | – | – | – | - |
| Geely GC9 | – | – | – | 4,186,118 | 96% | 32,571 | 5,751,491 | 848,390 | 100% | 47,078 | 3,036,467 | 100% | 24,786 | 1,961,889 | 289,394 | 100% | 16,404 |
| Total | 254,264 | 100% | 3,186 | 4,380,737 | 100% | 35,122 | 5,751,491 | 848,390 | 100% | 47,078 | 3,036,467 | 100% | 24,786 | 1,961,889 | 289,394 | 100% | 16,404 |

**SUV**

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

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

| Product | Key Features | Year of Launch |
|---|---|---|
| Geely Boyue  | 1.8T/2.0L engine displacement and 6MT/6AT | 2016 |
| Vision SUV  | 1.3L/1.8L engine displacement and 8CVT/5MT | 2016 |

| Product | Key Features | Year of Launch |
|---|---|---|
| Vision X1<br> | 1.3L engine displacement and 5MT/4AT | 2017 |
| Vision X3<br> | 1.5L engine displacement and 5MT/4AT | 2017 |
| Vision S1<br> | 1.5L/1.4T engine displacement 5MT/CVT | 2017 |

The table below sets forth the turnover and sales volume of our product models under SUV for the periods indicated:

| | For the year ended 31 December | | | | | | | | | | For the six months ended 30 June | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2015 | | | 2016 | | | | 2016 | | | 2017 | | | | |
| | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) | (RMB in thousands) | (%) | (unit) | (RMB in thousands) | (US$ in thousands) | (%) | (unit) |
| **Turnover**[(1)] | | | | | | | | | | | | | | | | | |
| GX7/SX7/Vision SUV ... | 4,137,914 | 96% | 61,712 | 3,488,926 | 93% | 57,533 | 4,250,275 | 626,949 | 27% | 69,059 | 874,354 | 29% | 14,221 | 3,812,203 | 562,330 | 23% | 58,290 |
| GX9 ............... | 164,104 | 4% | 1,588 | 268,392 | 7% | 2,410 | – | – | – | – | – | – | – | – | – | – | |
| Geely Boyue ......... | – | – | – | – | – | – | 11,724,179 | 1,729,408 | 73% | 104,911 | 2,158,665 | 71% | 19,211 | 12,897,931 | 1,902,546 | 76% | 116,932 |
| Vision X1 ........... | – | – | – | – | – | – | – | – | – | – | – | – | – | 177,191 | 26,137 | 1% | 3,536 |
| Total ............. | 4,302,018 | 100% | 63,300 | 3,757,318 | 100% | 59,943 | 15,974,454 | 2,356,357 | 100% | 173,970 | 3,033,019 | 100% | 33,432 | 16,887,325 | 2,491,013 | 100% | 178,758 |

*Note:*

(1) As Vision X3 and Vision S1 were launched in the second half of 2017, their turnover information is not included in the table.

### Other Products

In addition to passenger vehicles, we engage in the development, manufacturing and sale of automobile parts and components, including automatic transmissions. In 2014, 2015 and 2016 and the six months ended 30 June 2017, sales of automobile parts and components amounted to approximately RMB204.0 million, RMB1,285.1 million, RMB875.2 million (US$129.1 million) and RMB647.2 million (US$95.5 million), respectively, representing approximately 0.9%, 4.3%, 1.6% and 1.6%, respectively, of our total turnover.

### Products Under Development and to be Developed

To address to our customers' evolving needs and preferences, we intend to further refine our existing product lines and will continue to improve the quality of our products and introduce designs with more modern elements. For example, we launched the Geely GC9 in 2014 and a series of products such as Geely Boyue SUV, Emgrand GS, Vision SUV and Emgrand GL in 2016. We set forth below the models under development and to be developed based on our product development plans:

| Estimated launch year | Class | Key features |
|---|---|---|
| 2018 . . . . . . . . . . . . . . . . . . . . | A[(1)] | Crossover SUV, 1.5T/2.0T, HPEV and 6AT/7DCT |
| | SUV | Crossover SUV, EV |
| | A[(1)] | 1.5T/2.0T, HPEV and 6AT/7DCT |
| | A | New model Sedan, HEV |
| | B | GC9 GT version, HEV |
| | A | EV |
| | SUV | A0 class |
| | SUV | 1.8T, sport SUV |
| | MPV[(2)] | 1.5T, HPEV, MT/DCT |

*Notes:*

(1) The products will be under the "Lynk & Co." brand.

(2) "MPV" means multiple-purpose vehicle.

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

## PRODUCTION

Currently we own a 99% equity interest in each of the nine domestic manufacturing plants located in Zhejiang, Hunan, Shaanxi, Shanxi, Shandong and Sichuan provinces and a 100% equity interest in one domestic manufacturing plant located in Zhejiang province. These manufacturing plants have a total designed annual production capacity of 1.5 million units per two shifts on an annualised basis as of 31 December 2017. In the overseas market, to improve manufacturing efficiency and enhance profitability, we aim to set up assembly plants in the local markets and also work with local OEM partners.

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

## Production Capacity

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

| | For the year ended 31 December | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2015 | | | 2016 | | | 2017[4] | | |
| Production facility | Designed annual production capacity[1] | Actual production volume | Utilisation rate[2] | Designed annual production capacity[1] | Actual production volume | Utilisation rate[2] | Designed annual production capacity[1] | Actual production volume | Utilisation rate[2] | Designed annual production capacity[1] | Actual production volume | Utilisation rate[2] |
| | (units) | (units) | (%) | (units) | (units) | (%) | (units) | (units) | (%) | (units) | (units) | (%) |
| Beilun/Cixi/Lanzhou plants[3] | 270,000 | 181,713 | 67.3 | 200,000 | 209,310 | 104.7 | 200,000 | 230,663 | 115.3 | 300,000 | 275,197 | 91.7 |
| Chunxiao/Baoji plants | – | – | – | 120,000 | 32,571 | 27.1 | 300,000 | 151,989 | 50.7 | 360,000 | 329,645 | 91.6 |
| Luqiao plants | 100,000 | 73,014 | 73.0 | 100,000 | 56,090 | 56.1 | 100,000 | 63,412 | 63.4 | 150,000 | 67,959 | 45.3 |
| Linhai plant | 50,000 | 24,770 | 49.5 | 100,000 | 59,943 | 60.0 | – | – | – | – | – | – |
| Chengdu plant | 100,000 | 63,300 | 63.3 | – | – | – | 100,000 | 50,327 | 69.1 | 130,000 | 127,042 | 97.7 |
| Jinan plant | 50,000 | 3,186 | 6.4 | 50,000 | 2,551 | 5.1 | 50,000 | – | – | 50,000 | – | – |
| Xiangtan plant | 100,000 | 71,868 | 71.9 | 100,000 | 209,575 | 150.0 | 120,000 | 160,251 | 133.5 | 200,000 | 166,565 | 83.3 |
| Linhai/Jinzhong plants | – | – | – | – | – | – | 200,000 | 90,596 | 45.3 | 310,000 | 274,696 | 88.6 |
| Total | 670,000 | 417,851 | | 670,000 | 570,040 | | 1,070,000 | 747,238 | | 1,500,000 | 1,241,104 | |

*Notes:*

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

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

(3) As of 30 June 2014, Lanzhou plant had ceased production. We may consider selling the assets or making alternative use of the assets of Lanzhou plant.

(4) The production capacity data for the year ended 31 December 2017 is calculated on an annualised basis.

## Production Facilities

### *Domestic Production Facilities*

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

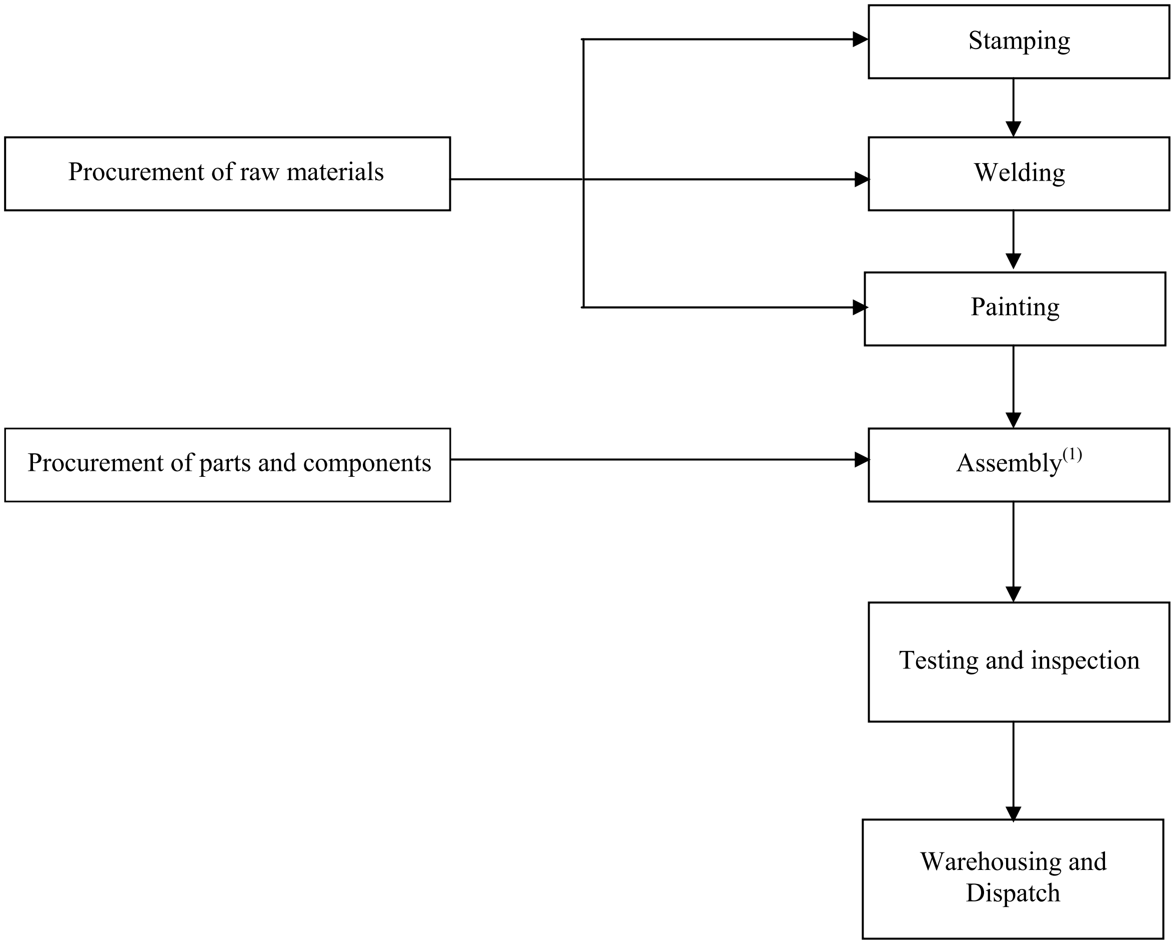
| Production facility | Location | Shareholding interest | Designed annual production capacity[1] | Major models | Year of production commencement | GFA |
|---|---|---|---|---|---|---|
| | | (%) | (units) | | | (sq.m.) |
| Beilun/Cixi plants | Zhejiang Province | 99.0 | 300,000 | Emgrand EV/ HEV<br>New Emgrand | 2000 | 5,472,133 |
| Chunxiao/Baoji plants | Zhejiang and Shaanxi Province | 99.0 | 360,000 | Geely Boyue<br>Geely GC9 | Chunxiao 2015<br>Baoji 2016 | 6,930,640 |
| Luqiao plant | Luqiao, Zhejiang Province | 100.0 | 150,000 | Kingkong | 2014 | 788,533 |
| Chengdu plant | Chengdu, Sichuan Province | 99.0 | 130,000 | GX7/Vision SUV | 2011 | 468,113 |
| Jinan plant | Jinan, Shandong Province | 99.0 | 50,000 | –[2] | 2010 | 746,727 |
| Xiangtan plant | Hunan Province | 99.0 | 200,000 | Vision X3<br>Vision X1<br>Panda | 2006 | 422,827 |
| Linhai/Jinzhong plants | Zhejiang and Shanxi Province | 99.0 | 310,000 | Emgrand GS<br>Emgrand GL | 2016 | 1,412,420 |

*Note:*

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

(2) Our Jinan plant has been rented to a third party outside the Group.

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




*Note:*

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

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

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

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

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

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

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

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

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

## RAW MATERIALS, PARTS AND COMPONENTS AND PROCUREMENT

### Raw Materials, Automobile Parts and Components

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

### Suppliers

We maintain a pool of suppliers consisting of both domestic and international suppliers. We have adopted the SRM information system in order to streamline and centralise our raw materials, parts and components procurement process, manage suppliers' performance and eliminate suppliers which fail to meet our standards. We have cooperated with the local governments to established industrial parks at various locations near our manufacturing plants, such as Hangzhou and Chengdu, which allows our suppliers to build their production facilities and as a result, simplifying the logistics, shortening transportation distance and improving procurement efficiency. As of 30 June 2017, there were six major industrial parks located in Cixi, Luqiao, Linhai and Ningbo in Zhejiang province, Xiangtan in Hunan province, Jinan in Shandong province, Baoji in Shaanxi province, Jinzhong in Shanxi province and Chengdu in Sichuan province, near our manufacturing plants attracting domestic and international suppliers of us to operate in those parks. We aim to enter into long-term strategic cooperation agreements with suppliers in order to obtain more favourable terms. We believe this also provides us an opportunity to expand our business into the upstream of the industry value chain to help support our production.

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

**Procurement Control**

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

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

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

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

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

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

## QUALITY CONTROL AND PRODUCT SAFETY

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

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

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

We remain committed to improving product safety, quality and comfort. In 2011, our EC7 model received a five-star rating with a score of 46.8 points in the C-NCAP safety test. In the same year, the same model received a four-star rating by the Euro NCAP. In 2011, our Emgrand EC8 model received a five-star rating with a score of 49.6 points in the C-NCAP safety test. In 2012, GX7 model received a five-star rating with a score of 50.3 points in the C-NCAP safety test. In 2015, our Geely GC9 model received a five-star rating with a score of 55.8 points in the C-NCAP safety test. In the same year, our GX9 received a five-star rating with a score of 55.2 points in the C-NCAP safety test. In 2016, our Geely Boyue model received a five-star rating with a score of 58.2 points in the C-NCAP safety test.

## BRAND, MARKETING AND SALES

### Brand and Marketing

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

Our marketing and sales subsidiaries, which consisted of one member covering the domestic market and approximately three members covering the overseas market as of 30 June 2017, is in charge of formulating and coordinating overall sales and marketing activities. Our marketing and promotional strategy targets to enhance our brand image and to increase consumer awareness of our products in our markets. In addition to our efforts in creating a unified brand and a consistent retail experience through a unified store layout and design in our dealer stores, we engage in different marketing activities to promote our brands. For example, we have adopted new marketing methods in second- and third-tier markets, such as vehicle television shopping, online shopping, vehicle supermarket and offer marketing experience, created "hand-to-hand" chain store nationally by providing vehicle services. We have been continuously improving our automobile service station services, developed vehicles services in the rural areas, established a rescue management system and upgraded the repair consultation system, adopting a quality information feedback mechanism in the market. Our call centre has been awarded the five-star certification under CCCS-OP.

## Sales

### *Geographic Coverage and Sales Network*

*Domestic Markets*

We sell our products solely through dealers and franchisees in the domestic market. As of 30 June 2017, we sold our products through a total of 827 shops, including 665 4S dealer shops and 162 franchisee stores, throughout China, spanning over 370 cities and 23 provinces, autonomous regions and central government-administered municipalities in China. We have been continuously expanding our distribution network coverage. Prior to our commencement of brands integration and distribution network consolidation, we typically entered into sales contracts with our dealers for a term of one year. We set annual sales target and minimum inventory level to our dealers. If a dealer fails to meet that sales target or minimum inventory level for any three months during the term of the contract, we shall have the right to terminate the contract. According to the contract, dealers were required to make a deposit to us in an amount of ranging from RMB50,000 to RMB300,000 per unit. Our dealers were usually required to bear delivery costs (except the first-time delivery costs which will be born by us) of their purchase from our production facilities to their respective designation. We have established an evaluation system, appraising the dealers based on their market shares, terminal sales and client satisfaction. We require the dealers and franchisees to comply with our retail policy, inventory policy and after-sale service policy. We also provide the dealers and franchisees training and assistance on a variety of topics, including our brand culture and image, marketing strategies and product knowledge. In addition, we provide incentives to the dealers and franchisees by supporting their marketing activities, encouraging them to participate in promotion and advertising activities and helping them in shop opening and decoration.

*Overseas Markets*

As of 30 June 2017, we exported our products to 23 overseas markets, mainly including developing countries in the Middle East, Eastern Europe, Central and South America and Africa.

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

| | For the year ended 31 December | | | | | | | | | | For the six months ended 30 June | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2015 | | | 2016 | | | | 2016 | | | 2017 | | | |
| | (RMB in thousands) | (%) | Sale Volume | (RMB in thousands) | (%) | Sale Volume | (RMB in thousands) | (US$ in thousands) | (%) | Sale Volume | (RMB in thousands) | (%) | Sale Volume | (RMB in thousands) | (US$ in thousands) | (%) | Sale Volume |
| PRC .............. | 17,646,482 | 81 | 358,130 | 28,301,651 | 94 | 484,363 | 52,287,552 | 7,712,824 | 97 | 744,191 | 17,440,188 | 96 | 269,669 | 39,218,074 | 5,784,974 | 99.5 | 526,779 |
| Overseas ........... | 4,091,876 | 19 | 59,721 | 1,836,605 | 6 | 25,734 | 1,434,024 | 211,530 | 3 | 21,779 | 649,086 | 4 | 10,668 | 205,572 | 30,323 | 0.5 | 3,848 |
| | 21,738,358 | 100 | 417,851 | 30,138,256 | 100 | 510,097 | 53,721,576 | 7,924,354 | 100 | 765,970 | 18,089,274 | 100 | 280,337 | 39,423,646 | 5,815,297 | 100 | 530,627 |

Our sales to top five dealers, franchisees or sales agents in 2014, 2015 and 2016 and the six months ended 30 June 2017 amounted for approximately 9.2%, 5.3%, 5.0% and 5.2%, respectively, of our turnover; and our sales to the largest dealer or sales agent for the same periods amounted for approximately 2.7%, 1.3%, 1.2% and 2.2%, respectively, of our turnover.

### Pricing Policy

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

### Payment Arrangements

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

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

## RESEARCH AND DEVELOPMENT

We believe technology is a key driver of our sustained growth and, therefore, we place significant emphasis on research and development. Our research and development team was first established in 2003 and had approximately 5,967 members as of 30 June 2017. Of these members, over 793 hold masters or doctorate degrees in engineering or other subjects relating to automobile manufacturing. We seek to develop new products to cater to changing market preference. Set forth below is a summary of our major research and development events and developments:

| Year | Major events and developments |
|---|---|
| 2014 . . . . . . . . . | Continue to expand our products offering to develop more environmentally friendly and energy-saving vehicles, and constantly replace or upgrade our products and create synchronous designs for our new A class and B class products based on FE platform, KC platform and other new platforms by using designs developed in our design centres. |
| 2015 . . . . . . . . . | Started the production of GX7, one of our SUV models, which has received a design award from the China Automotive Engineering Society. Launched KC-1, one of our passenger cars, which has received market acceptance and contributed to our sales growth in 2017. |
| 2016 . . . . . . . . . | Launched new models of Geely Boyue and Vision SUV. |
| 2017 . . . . . . . . . | Launched new models of Vision series. |

In addition, we are developing the FE platform, which mainly focuses on A00 to A classes sedans and is expected to be completed in 2015. We also aim to continue to replace or upgrade our products in response to market developments and create synchronous designs for our new A class and B class products based on FE platform, KC platform and other new platforms by using designs developed in our design centres.

We incurred research and development costs amounted to approximately RMB211.6 million, RMB258.8 million, RMB211.5 million (US$31.2 million) and RMB123.1 million (US$18.2 million), respectively, in 2014, 2015 and 2016 and the six months ended 30 June 2017, representing approximately 1.0%, 0.9%, 0.4% and 0.3%, respectively, of our total turnover for the same period. We intend to maintain our research and development investment.

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

## INTELLECTUAL PROPERTY RIGHTS

We are committed to the development and protection of our intellectual property portfolio. We regard our patents, trademarks, trade secrets and other intellectual property rights as crucial to our continued success. Drawing upon the talents of our research and development team and the research and development support from Geely Holding, our research and development activities have resulted in over 10,154 registered patents in the PRC, which are mainly utility model patents and jointly owned by Geely Holding and us. These patents primarily pertain to our major product lines and key parts and components. In addition, there are over 1,956 patent registration applications pending with the State Intellectual Property Office of the PRC, which were jointly applied by Geely Holding and us. Furthermore, we are authorised by Geely Holding to use certain of its patents that are registered in the PRC.

The trademarks we use to market our products under the brand of Geely are held by Geely Holding or Geely Group. We are authorised by Geely Holding and Geely Group to use these trademarks. The Geely brand name has been recognised as a "Well-Known Trademark" in the PRC by the State Administration for Industry and Commerce since 2006. We may be involved in legal disputes or proceedings regarding our intellectual property rights from time to time. In November 2017, Ford Motor Company has filed an extension for a formal opposition with the United States Patent and Trademark Office ("**USPTO**") with respect to our trademark application for our joint venture brand "Lynk & Co.", arguing that there might be insufficient distinction between the "Lynk & Co." brand and Ford Motor Company's "Lincoln" brand. The USPTO has granted the extension request and as of the date of this offering memorandum, Ford Motor Company has not filed the formal opposition. See "Risk Factors – Risks Relating to Our Business – We may be involved in disputes arising out of our operations and may face significant liability as a result." Save as disclosed above, as of the date of this offering circular, we are not aware of any legal, arbitration or administrative proceedings against us that would have a material adverse effect on our business, results of operations or financial position.

## COMPETITION

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

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

## ENVIRONMENTAL PROTECTION AND WORKPLACE SAFETY

### Environmental Protection

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

As of 30 June 2017, some of our PRC subsidiaries in the PRC had not received the pollutant discharge permit for certain of our production facilities or the environmental inspection completion report for certain of our production projects for various reasons including the delay in conducting the relevant evaluations due to additional time required for production facilities that were being built. The failure to obtain such permits or approvals may subject us to fines and penalties imposed by the relevant PRC environmental authorities and we may be required to suspend the use of production facilities or cease operations, provided that such failure is not in compliance with applicable national and local environmental regulations.

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

### Safety Management

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

## INSURANCE

We currently maintain property commercial insurance, employer's liability insurance, cash insurance and public liability insurance for major operational risks. Our insurance policies do not cover business interruptions or environmental damages not arising from our operations or caused by natural disasters, such as floods. Accordingly, there may be circumstances in which we will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect our financial position and results of operations. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we had not filed any material claims against our insurers or had material disputes with our insurers.

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

## PROPERTIES

We own certain properties for our operations. When we state that we own certain properties in China, we own the relevant long-term land use rights. In China, with very few exceptions, industrial land is owned by the state.

We occupy our properties for purposes of, among others, production, storage and office use. As of 30 June 2017, we owned and rented certain properties from third parties with a total gross floor area of approximately 9.8 million sq.m. and 625,000 sq.m., respectively, in the PRC.

## EMPLOYEES

As of 30 June 2017, we had a total of approximately 34,100 employees. Set forth below is a breakdown of our employees by function:

| Employee Function | Number of Employees |
|---|---|
| Manufacturing | 18,706 |
| Research and development | 5,967 |
| Management | 1,359 |
| Quality control | 2,991 |
| Procurement | 404 |
| Production and operation management | 1,064 |
| Administration | 1,699 |
| Sales and marketing and services | 448 |
| Project management and project infrastructure | 511 |
| Accounting and finance | 338 |
| Information technology | 183 |
| Human resources and public relations | 362 |
| Legal and internal control | 68 |
| **Total** | **34,100** |

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

## LEGAL PROCEEDINGS

We may from time to time be involved in contract disputes or legal proceedings arising from the ordinary course of our business.

Except as otherwise disclosed herein, as of the date of this offering circular, we are not aware of any legal, arbitration or administrative proceedings against us or any of our Directors or senior management members which may have a material adverse effect on our business, results of operations or financial position.

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

## POLICIES AFFECTING THE PRC AUTOMOBILE INDUSTRY

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

(1) the NDRC;

(2) the General Administration of Quality Supervision, Inspection and Quarantine of the PRC ("**GAQSIQ**");

(3) MIIT; and

(4) Ministry of Environmental Protection of the PRC ("**MEP**").

The above authorities have different functions, but they work collaboratively with each other to effectively monitor the PRC automobile industry. The NDRC is principally responsible for determining the policy of the PRC automobile industry and the long-term planning of the industry development. MIIT is responsible for administering the PRC automobile industry. The GAQSIQ specialises in products quality control. The MEP is responsible for restraining the level of emission of automobiles.

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

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

**Foreign Investment in Automobile Industry**

According to the currently effective Catalogue on Industry Guidelines for Foreign Investment (2017 Revision) (外商投資產業指導目錄(2017修訂)), which was jointly promulgated by the NDRC and MOFCOM on 28 June 2017 and became effective on 28 July 2017, foreign investments in vehicle engine manufacturing and research and development are encouraged, and foreign investments in the design and manufacturing of certain specified automobile parts, components or materials are encouraged.

According to the Catalogue on Industry Guidelines for Foreign Investment (2017 Revision), in the case of a sino-foreign joint venture, the Chinese partner(s) must hold a minimum of 50% of the equity interest in the joint venture which manufactures vehicles or specialty vehicles. A foreign company may establish no more than two automobile manufacturing joint ventures in China that produce the same category of vehicles, but this restriction does not apply to those foreign companies cooperating with their respective Chinese joint venture partners to acquire other Chinese automobile manufacturing enterprises or to establish battery electric vehicle manufacturing enterprises.

According to the Policy, in the case of a listed company which manufactures vehicles, specialty vehicles, agricultural transport vehicles or motorcycle, where any legal person's shares in such listed company is offered, there must be one Chinese legal person shareholder whose shareholding is relatively controlling and is more than the sum of legal persons' shares held by foreign parties in such listed company after such offering.

**Manufacturers' Qualification and Compulsory Authentication of Automobile Products**

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

The GAQSIQ is in charge of the administration of automobile product quality certifications. According to the Administrative Rules for Compulsory Product Certification issued by the GAQSIQ in 2009 and the Catalogue of Products Subject to the Compulsory Product Certification issued by Certification and Accreditation Administration of China on 25 July 2017, automobile products, including imported vehicles and parts and components, are subject to compulsory certification tests conducted by government-designated certification agencies for compliance of various safety and technical standards and requirements. An automobile product may only be sold in China or imported into China after passing such an authentication and receiving a China Compulsory Certification. This is commonly known as a 3C or CCC certification.

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

**Emissions and Pollution**

The PRC government has adopted various measures to establish a uniform supervision and administration system with respect to vehicle emissions, including an automobile product authentication procedure and a network of testing centres across China. The MEP from time to time publishes notices to inform the public of new vehicle models that comply with its regulatory emission standards. Automobile manufacturers shall conduct strict inspection of products leaving the factory, and vehicle models and automobile products failing to meet such regulatory emission standards shall not be allowed to leave the factory or be registered.

The MEP limits exhaust emission on the basis of China I, II, III, IV, V and VI Standards from time to time. Starting from 17 September 2013, new vehicle models and automobile products shall be approved according to China V standard. Starting from 1 January 2018, China III and IV Standards shall be replaced by China V Standard and all light vehicles sold and registered shall comply with China V standard. Starting from 23 December 2016, new vehicle models and automobile products shall be approved according to China VI standard. Starting from 1 July 2020, China V Standard shall be replaced by China VI Standard and all light vehicles sold and registered shall comply with China VI standard. Different limits of exhaust emission and tests in such standards shall be applied to different types of vehicles.

The emission standards will impose higher compliance expenditures on the PRC automobile manufacturers, including the research and development costs, to satisfy engine and vehicle design and engineering requirements.

**Automobile Sales and After Sales Services**

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

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

**Automobile Financing**

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

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

**Recall of Defective Automobiles**

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

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

**Repair, Replacement and Return Liability**

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

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

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

**Fuel-Efficient Automobiles Subsidy**

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

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

**Automobile Exports**

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

**Policies Affecting the Issue of the Bonds**

The NDRC issued the NDRC Notice on 14 September 2015, which came into effect on the same day.

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

We have completed the NDRC Pre-issuance Registration in relation to the Bonds by receiving the registration certificate dated 24 October 2017 from NDRC which granted us the permission of issuance of the foreign debts up to US$700.0 million. Such registration certificate will expire on 31 March 2018. We or our PRC holding company shall make the NDRC Post-issuance Filing within 10 working days following the completion of the issuance of the Bonds.

# MANAGEMENT

## DIRECTORS

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

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

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

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

The members of the Board of Directors are as follows:

| Name | Age | Position |
|---|---|---|
| Li Shu Fu . . . . . . . . . . . . . . . . . . . . . | 53 | Chairman and Executive Director |
| Yang Jian . . . . . . . . . . . . . . . . . . . . . | 55 | Vice Chairman and Executive Director |
| Li Dong Hui, Daniel . . . . . . . . . . . . . . | 47 | Vice Chairman and Executive Director |
| Gui Sheng Yue . . . . . . . . . . . . . . . . . . | 53 | Chief Executive Officer and Executive Director |
| An Cong Hui . . . . . . . . . . . . . . . . . . . | 47 | Executive Director |
| Ang Siu Lun, Lawrence . . . . . . . . . . . . | 57 | Executive Director |
| Wei Mei . . . . . . . . . . . . . . . . . . . . . . | 48 | Executive Director |
| Carl Peter Edmund Moriz Forster . . . . . | 62 | Non-executive Director |
| Lee Cheuk Yin, Dannis . . . . . . . . . . . . | 46 | Independent Non-executive Director |
| Yeung Sau Hung, Alex . . . . . . . . . . . . | 67 | Independent Non-executive Director |
| An Qing Heng . . . . . . . . . . . . . . . . . . | 72 | Independent Non-executive Director |
| Wang Yang . . . . . . . . . . . . . . . . . . . | 42 | Independent Non-executive Director |

### Executive Directors

**Mr. Li Shu Fu (李書福)**, aged 53, is our Chairman and Executive Director. Mr. Li joined our Group on 9 June 2005 and is responsible for our overall strategic planning, Board leadership, corporate governance and formulation of the corporate policies. Mr. Li is also the controlling shareholder, founder, chairman of the board of directors of Geely Holding. Mr. Li has over 30 years of experience in the investment and management of the automobile manufacturing business in the PRC. Mr. Li is a member of the Chinese People's Political Consultative Conference. Mr. Li was accredited as one of the "50 Most Influential Persons in China's Automotive Industry in the 50 Years" in 2003 by *China Automotive News (中國汽車報)*. Mr. Li holds a master's degree in engineering from Yan Shan University (燕山大學).

**Mr. Yang Jian (楊健)**, aged 55, is our Vice Chairman and Executive Director. Mr. Yang joined our Group on 9 June 2005 and is responsible for assisting the Chairman in our Board leadership and corporate governance. Mr. Yang was appointed as the Vice Chairman of our Board on 1 July 2008, and subsequently, as the vice chairman of the board of directors of Geely Holding on 29 December 2011. Mr. Yang was also the chairman of four of our key operating subsidiaries, namely, Zhejiang Jirun Automobile Co., Ltd. (浙江吉潤汽車有限公司) ("**Zhejiang Jirun**"), Shanghai Maple Guorun Automobile Co., Ltd. (上海華普國潤汽車有限公司), Zhejiang Ruhoo Automobile Co., Ltd. (浙江陸虎汽車有限公司) and Hunan Geely Automobile Components Co., Ltd. (湖南吉利汽車部件有限公司). Since joining Geely Holding in 1996, Mr. Yang was involved in a number of different job functions within our Group including product research and development, engineering and construction, manufacturing, quality improvement, marketing, after-sales service and our operation and management in the PRC and overseas. Mr. Yang graduated from Zhejiang Radio and Television University (浙江廣播電視大學) with focus on production management. Mr. Yang holds the designations of senior economist and senior engineer in the PRC.

**Mr. Li Dong Hui, Daniel (李東輝)**, aged 47, is our Vice Chairman and Executive Director, joined our Group in July 2016 and was appointed an executive vice president and Chief Financial Officer ("**CFO**") of Geely Holding in June 2016, a board member of Geely Holding in April 2011, and a member of the board of directors of Volvo Car Corporation in April 2012. Mr. Li is also a director of certain subsidiaries of our Group. He is responsible for our overall strategic planning of accounting and financing system which includes accounting and financial management, cost control management, budget management, accounting reconciliation, accounting control, internal control review, taxation management, cash flow management, capital operation management, operational risk control, and investment and financing activities monitoring, etc. Mr. Li was a vice president and CFO of Geely Holding from April 2011 to March 2014, and an executive director of our Company from May 2011 to March 2014. Mr. Li has extensive professional and senior managerial experiences with both the PRC and sino-foreign multinational companies, particularly in the fields of accounting and financial management, financing structure, strategic planning and business development. Prior to joining Geely Holding, he held key accounting, financing and corporate management positions as vice president, CFO, general manager and business development director in the PRC companies including Guangxi Liugong Machinery Company Ltd. (2010) and China Academy of Post and Telecommunication (1991), and sino-foreign multinational companies including headquarter of Cummins Inc., and its China Division (2006- 2009), BMW Brilliance Automotive Ltd (2001-2005), ASIMCO Braking System (Guangzhou) Co., Ltd., ASIMCO Braking System (Zhuhai) Co., Ltd. (1997-2001) and Danfoss (Tianjin) Ltd. (1996); his last position was the vice chairman and the president (finance) of Beijing Orient Landscape Co., Ltd. (北京東方園林生態股份有限公司) (Stock Code of Shenzhen Stock Exchange: 002310) (2014-2016). Mr. Li graduated from the Kelley School of Business of Indiana University in the USA with a master's degree in business administration in 2010 and graduated from the Beijing Institute of Machinery in the PRC with a master's degree in management engineering with a major in financial management in 1997. Also, Mr. Li graduated from the Renmin University of China in the PRC with a bachelor's degree in philosophy in 1991. He is currently the independent director of China CYTS Tours Holding Co., Ltd. (中青旅控股股份有限公司) (Shanghai Stock Exchange Stock Code: 600138).

**Mr. Gui Sheng Yue (桂生悅)**, aged 53, is our Chief Executive Officer and Executive Director. Mr. Gui joined our Group on 9 June 2005 and is responsible for our overall administration, risk management and compliance. Mr. Gui has been our Chief Executive Officer since 23 February 2006. He was also the chairman of DSI Holdings Pty Limited, our former wholly owned subsidiary. He has been appointed as an independent non-executive director of Radford Capital Investment Ltd. (Hong Kong Stock Exchange Stock Code: 901) since 1 November 2013. Mr. Gui has over 30 years of experience in administration and project management. Mr. Gui previously worked with China Resources (Holdings) Co., Ltd. Mr. Gui holds a bachelor of science degree in mechanical engineering from Xi'an Jiaotong University (西安交通大學) and a master's degree in business administration from University of San Francisco.

**Mr. An Cong Hui (安聰慧)**, aged 47, is our Executive Director. Mr. An joined our Group on 30 December 2011, and is responsible for our overall administration. Mr. An had been a vice president of Geely Holding since 2003, then became the president of Geely Holding with effect from 29 December 2011. Mr. An is currently the chairman of our principal operating subsidiary, namely Zhejiang Jirun, and a director of certain of our subsidiaries. Mr. An joined Geely Holding since 1996 and has held various key positions in Geely Holding including chief engineering officer and general manager. Mr. An has extensive professional knowledge and senior managerial experience in the automotive industry, particularly in the field of automotive engineering. Mr. An was previously in charge of the overall operation under the "Emgrand" product brand following our implementation of the multi-brand strategy and our production of gearboxes, engines and drivetrain systems. From 1996 to now, Mr. An has held various key positions in Geely Holding including chief engineering officer and general manager. He has a diploma in contemporary accounting from the Hubei University of Economic and Management (湖北經濟管理大學).

**Mr. Ang Siu Lun, Lawrence (洪少倫)**, aged 57, is our Executive Director. Mr. Ang joined our Group on 23 February 2004 and is mainly responsible for our international business development, capital market and investors' relationship. Prior to joining us, Mr. Ang worked in a number of major international investment banks for 17 years with extensive experience in equity research, investment banking and financial analysis, focusing on China asset market, automobile industry and investment banking business. Mr. Ang is also a non-executive director of Honbridge Holdings Limited (Hong Kong Stock Exchange Stock Code: 8137). Previously, he was an independent non-executive director of Genvon Group Limited (Hong Kong Stock Exchange Stock Code: 2389). Mr. Ang holds a bachelor of science degree in physics and computer science and a master of business administration degree from the Chinese University of Hong Kong.

**Ms. Wei Mei (魏梅)**, aged 48, is our Executive Director. Ms. Wei joined our Group on 17 January 2011. Ms. Wei is also a vice president of Geely Holding and is responsible for the human resources management and training of Geely Holding since June 2009. From 2003 to 2007, Ms. Wei was the group human resources director of Beiqi Foton Motor Co., Ltd. ("**Foton Motor**") and focused on Foton Motor's human resources management, control and training. Prior to that, Ms. Wei worked in the group of Qingdao Haier Co., Ltd. ("**Qingdao Haier**") from 1991 to 2002 and served a number of positions in the department of integration and dishwashers business unit of Qingdao Haier Refrigerator Co., Ltd., participating in the development, diversification and globalisation of Qingdao Haier. Ms. Wei was in charge of organisational management, operation appraisal, quality system management and human resources, and was also directing the operation management of Haier dishwashers and other small appliances. Ms. Wei holds a bachelor's degree in science and a master's degree in management from the Ocean University of China (中國海洋大學), and a doctoral degree in management from the Northwest A&F University (西北農林科技大學).

**Non-executive Director**

**Mr. Carl Peter Edmund Moriz Forster**, aged 62, is our Non-executive Director. Mr. Forster joined our Group on 9 January 2013. Mr. Forster is the chief advisor to a member of Geely Holding and has been appointed as a member of the board of directors of Volvo Car Corporation since February 2013. Mr. Forster is currently a non-executive director of IMI plc, Birmingham (Stock Code of LSE: IMI), the chairman of Chemring Group Plc (Stock Code of LSE: CHG), the chairman of the supervisory board, member of the investment committee and partner of Lead Equities AG, a member of the Verwaltungsrat and a substantial shareholder of The Mobility House AG, a member of the board of Geely UK, the chairman of Friedola Tech Gmbh, the chairman of London Taxi Corporation, a non-executive director of Cosworth Ltd., a non-executive director of Gordon Murray Design, and the chairman of Emerald Automotive Ltd.. He was the chairman of the supervisory board and a substantial shareholder of ZMDi AG, and a non-executive director of Rexam plc (Stock Code of LSE: REX). Mr. Forster has over 30 years of professional experience in the global automotive industry, particularly in the fields of automotive products and development as well as strategic planning and general management. Mr. Forster held a number of senior management or chief executive officer positions and directorship in many international consultancy and automobile corporations including McKinsey & Company, Inc., BMW, General Motors Europe, Rolls-Royce Holdings plc (London Stock Exchange Stock Code: RR) and Tata Motors Limited, Mumbai. Mr. Forster obtained a diploma in economics from the Rheinische Friedrich-Wilhelm University in Bonn in 1976 and a diploma in aeronautical engineering from the Technical University in Munich in 1982.

**Independent Non-executive Directors**

**Mr. Lee Cheuk Yin, Dannis (李卓然)**, aged 46, is our Independent Non-executive Director. He joined our Group on 28 June 2002. Mr. Lee is a managing director of DLK Advisory Limited, and is an independent non-executive director of each of Tiangong International Company Limited (Hong Kong Stock Exchange Stock Code: 826), China Unienergy Group Limited (Stock Code of HKEx: 1573) and CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited, Stock Code of HKEx: 1141). Mr. Lee has over 24 years of experience in accounting and auditing. He was an executive director of Guojin Resources Holdings Limited (Hong Kong Stock Exchange Stock Code: 630) and AMVIG Holdings Limited (Hong Kong Stock Exchange Stock Code: 2300), and a non-executive director of Kam Hing International Holdings Limited (Hong Kong Stock Exchange Stock Code: 2307), and an independent non-executive director of U-Home Group Holdings Limited (Hong Kong Stock Code: 2327). He obtained the bachelor of business administration degree from Texas A&M University in the United States. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

**Mr. Yeung Sau Hung, Alex (楊守雄)**, aged 67, is our Independent Non-executive Director. Mr. Yeung joined our Group on 6 June 2005. He was the chief executive officer and responsible officer of LW Asset Management Advisors Limited, a regulated fund management company in Hong Kong, after his retirement from the role of chief executive officer of DBS Vickers (Hong Kong) Ltd ("**DBS Vickers**"). He currently is the Responsible Officer of another regulated fund management company and a non-executive director of GRST Technology Research Company. Mr. Yeung has more than 31 years of experience in the financial services industry. Prior to joining DBS Vickers, he was the deputy chairman of the management committee of a listed consumer electronics company for four years and was the country head of the division of Greater China Equities and the managing director of Deutsche Securities Limited (Hong Kong). Mr. Yeung graduated with a master of business administration degree from University of Southern California.

**Mr. An Qing Heng (安慶衡)**, aged 72, is our Independent Non-executive Director. Mr. An joined our Group on 17 April 2014. Mr. An is currently the deputy director of the Advisory Committee of China Automotive Industry and the chairperson of Beijing Association of Automobile Manufacturers. Mr. An is also the independent director of Liaoning SG Automotive Group Co., Ltd. (Shanghai Stock Exchange Stock Code: 600303), and was the independent director of Yechiu Metal Recycling (China) Limited (Shanghai Stock Exchange Stock Code: 601388) and Henan Province Xixia Automobile Water Pump Co., Ltd. (Stock Code of Shenzhen Stock Exchange: 002536). Mr. An has extensive professional and management experience in the automotive industry, particularly in the fields of automotive engineering and manufacturing. Mr. An had held various positions with Beijing Gear Works Factory, Beijing United Automobile and Motorcycle Manufacturing Company and Beijing Automotive Industry Company including the vice factory director, chief engineer and general manager. He then served as the chairman and the Communist Party Committee Secretary (黨委書記) of Beijing Automotive Industry Holding Company Limited and was once concurrently the chairman of Foton Motor, Beijing Jeep Corporation and Beijing Benz Automotive Company Limited. Mr. An has been a member of the 8th and 10th sessions of Beijing Political Consultative Conference (北京市政治協商委員會), a representative of the 11th session of the Beijing Municipal People's Congress (北京市人民代表大會), and a member of the Standing Committee of the 4th, 5th, 6th and 7th sessions of the Beijing Association for Science and Technology (北京市科學技術協會常委會). Mr. An holds a professional qualification in automotive tractors and engines of the Department of Agricultural Machinery (currently known as the Department of Automotive Engineering) of Tsinghua University (清華大學) in 1968. Mr. An has the qualification of senior engineering (professor level) accredited by the Senior Vocational Title Inspecting Committee of Beijing Municipality (北京市高級專業技術職務評審委員會).

**Mr. Wang Yang (汪洋)**, aged 42, is our Independent Non-executive Director. Mr. Wang joined our Group on 15 September 2010 as our Non-executive Director and was re-designated as our Independent Non-executive Director on 17 May 2012. Mr. Wang is presently a partner of Primavera Capital Group. Mr. Wang worked in China International Capital Corporation's ("**CICC**") Private Equity Group from 2000 to 2001. From 2002 to 2006, Mr. Wang worked in CICC's investment banking division as a vice president, focusing on China-based companies' initial public offerings and restructurings. From 2006 to 2010, Mr. Wang worked in Goldman Sachs Principal Investment Area as a managing director and focused on private equity investments in China. Mr. Wang holds a bachelor of engineering dual-degree in management engineering and computer science and a master of science degree in management science and engineering from Shanghai Jiaotong University (上海交通大學).

## SENIOR MANAGEMENT

**Mr. Cheung Chung Yan, David (張頌仁)**, aged 41, is our Financial Controller and Company Secretary. Mr. Cheung joined our Group on 17 May 2005. Mr. Cheung was also a director of DSI Holdings Pty Limited, our former wholly owned subsidiary. He is also an independent non-executive director of Ourgame International Holdings Limited (Hong Kong Stock Exchange Stock Code: 6899). Mr. Cheung has over 19 years of experience in auditing, accounting and financial management. Mr. Cheung holds a bachelor's degree of business administration in accounting from the Hong Kong University of Science and Technology. Mr. Cheung is a fellow member of the Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors.

**Mr. Dai Yang, Daniel (戴陽)**, aged 62, is our Vice President (International Business). Mr. Dai joined our Group on 5 May 2005 and is responsible for our investor relation and international business in Hong Kong. Prior to joining us, Mr. Dai has mainly focused his career on projects investment. Mr. Dai previously was an assistant general manager of China Resources Investment Co., Ltd., and a general manager of Da Fang Investment Co., Ltd. in Hong Kong. Mr. Dai holds a bachelor's degree of arts from Beijing Normal College (北京師範學院) and a master's degree of linguistics from Beijing Foreign Language Institute (北京外國語學院).

**Mr. Poon Chi Kit (潘志傑)**, aged 37, joined our Group on 1 July 2011. He was appointed as the Head of Internal Audit of our Company with effect from 1 October 2015 and is in charge of our risk assessment and monitoring, internal audit, and internal control infrastructure development. He was the group financial controller of Kandi Electric Vehicles Group Co., Ltd., our former joint venture. Mr. Poon holds a bachelor's degree in civil engineering from the National University of Singapore. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 11 years of experience in auditing, accounting and financial management.

## COMPANY SECRETARY

**Mr. Cheung Chung Yan, David (張頌仁)**, details of Mr. Cheung's biography are set out above.

## BOARD COMMITTEES

### Remuneration Committee

We established the remuneration committee on 31 December 2004 with written terms of reference which deal clearly with its duties and authorities. The terms of reference was updated on 31 December 2014. The remuneration committee is mainly responsible for determining the policy for the remuneration package of Executive Directors and senior management with access to independent professional advice at our expense if necessary; assessing performance of Executive Directors and senior management; approving the terms of service contracts of Executive Directors and senior management; and making recommendations to the Board on the remuneration of Non-executive Directors.

The remuneration committee has five members, comprising Mr. Yeung Sau Hung, Alex, Mr. Lee Cheuk Yin, Dannis and Mr. Wang Yang, all being our Independent Non-executive Directors, and Ms. Wei Mei, our Executive Director. The remuneration committee is chaired by Mr. Yeung Sau Hung, Alex.

### Audit Committee

We established the audit committee on 31 December 2004 with written terms of reference which deal clearly with its duties and authorities. The terms of reference was updated on 31 December 2015. The audit committee is responsible for investigating any activity within its terms of reference fairly and independently and take appropriate follow-up action if necessary; seeking any information it requires from any employee, whereas all employees are directed to cooperate with any request made by the committee; and reviewing and ensuring that proper arrangements are in place for our employees to raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee also acts as the key representative body for overseeing our relations with the external auditor.

The audit committee has five members, comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang, all being our Independent Non-executive Directors. The Committee is chaired by Mr. Lee Cheuk Yin, Dannis.

### Nomination Committee

We established the nomination committee on 30 December 2011 with written terms of reference which deal clearly with its duties and authorities. The terms of reference was updated on 31 December 2014. The Nomination Committee is responsible for determining the policy for the nomination of Directors with the right to seek independent professional advice at our expense if necessary.

The nomination committee has five members, comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex and Mr. Wang Yang, all being our Independent Non-executive Directors, and Mr. Gui Sheng Yue, our Chief Executive Officer and Executive Director. The nomination committee is chaired by Mr. Wang Yang.

## SHARE OPTION SCHEME

Our share option scheme was adopted pursuant to the shareholders' resolution passed on 18 May 2012. See note 33 to the audited financial statements as of and for the year ended 31 December 2016 starting on page F-107 of this offering circular.

## PRINCIPAL SHAREHOLDERS

As of 31 December 2017, according to the register we maintain in accordance with Section 336 of the SFO, the following parties had interests or short positions in 5% or more of our issued share capital:

| Name | Capacity | Number of shares held | Approximate percentage of shareholding[4] |
|---|---|---|---|
| Mr. Li Shu Fu[1] . . . . . . . . | Interest in controlled corporation | 4,124,204,000[2] | 45.98%(L) |
| Geely Holding[1] . . . . . . . . | Interest in controlled corporation | 4,100,977,000[2] | 45.72%(L) |
| Proper Glory[1] . . . . . . . . . | Beneficial owner | 2,636,705,000 | 29.39%(L) |
| Geely Group Limited[1] . . . | Interest in controlled corporation | 2,636,705,000 | 29.39%(L) |
| | Beneficial owner | 87,000 | 0.001%(L) |
| Zhejiang Geely[3] . . . . . . . | Beneficial owner | 776,408,000 | 8.66%(L) |

*Notes:*

(1) Proper Glory Holding Inc. ("**Proper Glory**") is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu. Geely Holding is a private company incorporation in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) The shares held by Mr. Li Shu Fu and Geely Holding as of 31 December 2017 include derivative interests.

(3) Zhejiang Geely Automobile Company Limited ("**Zhejiang Geely**") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(4) "(L)" means long position, "(S)" means short position and "(LP)" means lending pool.

Except as disclosed above, no other parties were recorded in the register of the Company required to be maintained under Section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as of 31 December 2017.

## RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between us or our consolidated subsidiaries and our Directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

## TRANSACTIONS

The table below sets forth certain material transactions between us and our related parties for the periods indicated:

| | | For the year ended 31 December | | | | For the six months ended 30 June | | |
|---|---|---|---|---|---|---|---|---|
| **Names of related parties** | **Nature of transactions** | **2014** | **2015** | **2016** | **2016** | **2016** | **2017** | **2017** |
| | | (RMB) | (RMB) | (RMB) | (US$) (in thousands) | (RMB) | (RMB) | (US$) |
| Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司) | Sales of complete and semi knock down kits and sedan tool kits | 8,459,803 | 14,554,461 | 26,768,993 | 3,948,637 | 10,292,435 | 13,846,546 | 2,042,474 |
| | Sales of automobile parts and components | 4,644 | 15,397 | 1,009 | 149 | – | – | – |
| | Claims income on defective materials purchased | 56,631 | 80,610 | 114,687 | 16,917 | 42,627 | 71,719 | 10,579 |
| | Purchase of complete buildup units | 8,748,155 | 15,270,192 | 27,039,398 | 3,988,524 | 10,529,239 | 14,107,084 | 2,080,906 |
| | Purchase of automobile parts and components | – | 21,645 | 6,066 | 895 | – | – | – |
| | Sub-contracting fee paid | 26,054 | 31,709 | 31,188 | 4,600 | 14,723 | 31,188 | 4,600 |
| | Claims paid on defective materials sold | 55,799 | 73,151 | 114,619 | 16,907 | 54,503 | 83,592 | 12,330 |
| | Acquisition of property, plant and equipment | 949 | 6,343 | 3,369 | 497 | – | – | – |
| | Research and development services rendered | – | 6,567 | 64 | 9 | – | – | – |
| | Disposal of property, plant, and equipment | – | 1,026 | 1,364 | 201 | – | – | – |
| | Disposal of intangible assets | – | – | 13,386 | 1,975 | – | – | – |

| Names of related parties | Nature of transactions | For the year ended 31 December 2014 | 2015 | 2016 | 2016 | For the six months ended 30 June 2016 | 2017 | 2017 |
|---|---|---|---|---|---|---|---|---|
| | | (RMB) | (RMB) | (RMB) | (US$) | (RMB) | (RMB) | (US$) |
| | | | | | (in thousands) | | | |
| Shanghai Maple Automobile Company Limited (上海華普汽車有限公司) | Sales of complete and semi knock down kits and sedan tool kits | 233,573 | – | – | – | – | – | – |
| | Sales of automobile parts and components | 515 | 479 | 521 | 77 | – | – | – |
| | Claims income on defective materials purchased | 2,102 | 244 | – | – | – | – | – |
| | Purchase of complete buildup units | 243,776 | – | – | – | – | – | – |
| | Claims paid on defective materials sold | 1,076 | – | – | – | – | – | – |
| | Rental income | 962 | 178 | 66 | 10 | – | – | – |
| | Research and development services rendered | – | 1,480 | 68 | 10 | – | – | – |
| Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司) | Sales of complete knock down kits and sedan tool kits | 7,232,232 | 11,132,964 | 23,859,407 | 3,519,450 | 5,922,606 | 22,802,596 | 3,363,562 |
| | Sales of complete knock down kits (Electric Vehicles) | – | – | 128,283 | 18,923 | – | – | – |
| | Sales of automobile parts and components | 902 | 772 | 1,139 | 168 | – | – | – |
| | Claims income on defective materials purchased | 70,924 | 101,606 | 110,864 | 16,353 | 38,815 | 56,888 | 8,391 |
| | Purchase of complete buildup units | 7,514,731 | 11,661,224 | 24,619,656 | 3,631,593 | 6,090,630 | 24,211,266 | 3,571,352 |
| | Purchase of automobile parts and components | 18,675 | 333 | 35 | 5 | 42,360 | 464 | 68 |
| | Sub-contracting fee paid | 18,052 | 17,575 | 14,850 | 2,190 | 8,100 | 14,850 | 2,190 |
| | Claims paid on defective materials sold | 64,926 | 103,850 | 110,914 | 16,361 | 49,174 | 68,329 | 10,079 |
| | Acquisition of property, plant and equipment | 1,812 | 1,241 | 2,261 | 334 | – | – | – |
| | Rental income | 290 | 290 | 154 | 23 | – | – | – |
| Zhejiang Geely Automobile Parts and Components Company Limited (浙江吉利汽車零部件採購有限公司) | Claims income on defective materials purchased | 20,858 | 25,316 | 36,319 | 5,357 | 11,724 | 25,210 | 3,719 |
| | Purchase of automobile parts and components | 3,282,616 | 4,601,237 | 9,070,513 | 1,337,972 | 2,749,673 | 7,341,282 | 1,082,897 |
| | Acquisition of property, plant and equipment | – | 1,758 | 939 | 139 | – | – | – |
| | Disposal of subsidiaries | 185,500 | – | – | – | – | – | – |

| Names of related parties | Nature of transactions | For the year ended 31 December | | | | For the six months ended 30 June | | |
|---|---|---|---|---|---|---|---|---|
| | | 2014 | 2015 | 2016 | 2016 | 2016 | 2017 | 2017 |
| | | (RMB) | (RMB) | (RMB) | (US$) (in thousands) | (RMB) | (RMB) | (US$) |
| Taizhou Haoqing Automobile Sales Company Limited (台州豪情汽車銷售有限公司) | Sales of after sales car parts | 3,837 | 3,254 | – | – | – | – | – |
| | Sales of complete buildup units | 137,838 | 186,964 | 507,913 | 74,921 | 159,942 | 294,908 | 43,501 |
| | Sales of automobiles parts and components | – | – | 5,782 | 853 | 2,542 | 3,186 | 470 |
| | Claims income on defective materials purchased | – | – | 2,546 | 376 | – | – | – |
| | Claims paid on defective materials sold | 1,053 | 1,611 | – | – | – | – | – |
| | Acquisition of property, plant and equipment | – | 581 | – | – | – | – | – |
| Zhejiang Wisdom Electronics Equipment Company Limited *(note (2))* (浙江智慧電裝有限公司) | Purchase of automobile parts and components | 10,426 | – | – | – | – | – | – |
| | Rental income | 86 | – | – | – | – | – | – |
| | Claims income on defective materials purchased | 24 | – | – | – | – | – | – |
| Chengdu New Land Automobile Co., Ltd (成都新大地汽車有限責任公司) | Sales of complete knock down kits and sedan tool kits | 2,923,968 | – | – | – | – | – | – |
| | Purchase of complete buildup units | 3,096,706 | – | – | – | – | – | – |
| | Acquisition of property, plant and equipment | 1,335 | – | – | – | – | – | – |
| | Claims paid on defective materials sold | 26,660 | – | – | – | – | – | – |
| | Claim income on defective materials purchased | 23,195 | – | – | – | – | – | – |
| Shanghai LTI Automobile Components Company Limited (上海英倫帝華汽車部件有限公司) | Sales of automobile parts and components | 239 | 33 | 4 | 1 | – | – | – |
| | Purchase of automobile parts and components | 1,695 | 4,424 | 7,883 | 1,163 | 3,492 | 5,099 | 752 |
| | Rental income | 7,617 | 4,198 | 7,494 | 1,105 | 3,759 | 7,494 | 1,105 |
| | Sales of complete knock down kits and sedan tool kits | 103 | – | – | – | – | – | – |
| | Claims paid on defective materials sold | 5 | – | – | – | – | – | – |
| Hunan Jisheng International Drivetrain System Company Limited *(note (3))* (湖南吉盛國際動力傳動系統有限公司) | Purchase of automobile parts and components | 98,905 | 69,574 | – | – | – | – | – |
| | Sales of automobile parts and components | 10 | – | – | – | – | – | – |
| | Claims income on defective materials purchased | 6,020 | 11,188 | – | – | – | – | – |
| Shandong Geely Gearbox Company Limited (山東吉利變速器有限公司) | Acquisition of property, plant and equipment | 580 | – | – | – | – | – | – |

| Names of related parties | Nature of transactions | For the year ended 31 December 2014 (RMB) | 2015 (RMB) | 2016 (RMB) | 2016 (US$) | For the six months ended 30 June 2016 (RMB) | 2017 (RMB) | 2017 (US$) |
|---|---|---|---|---|---|---|---|---|
| | | | | | (in thousands) | | | |
| Geely Automobile Research Development Co., Ltd (寧波吉利汽車研究開發有限公司) | Sales of complete knock down kits and sedan tool kits | – | 12,159 | 973 | 144 | – | – | – |
| | Sales of automobile parts and components | 1,816 | 2,391 | 3,631 | 536 | – | – | – |
| Zhejiang Jirun Chunxiao Automobile Components Company Limited *(note (4))* (浙江吉潤春曉汽車部件有限公司) | Sales of automobile parts and components | 739 | – | – | – | – | – | – |
| DSI Holdings Pty Limited | Research and development fee paid | 12,573 | – | – | – | – | – | – |
| | Sales of automobile parts and components | 228 | – | – | – | – | – | – |
| Volvo Technology (Shanghai) Co., Ltd (沃爾沃汽車技術(上海)有限公司) | Service fee income | – | 2,151 | – | – | – | – | – |
| Hangzhou Geely New Energy Automobile Sales Company Limited (杭州吉利新能源汽車銷售有限公司) | Sales of complete buildup units | – | – | 2,218,473 | 327,242 | 595,322 | 859,761 | 126,822 |
| | Claims income on defective materials purchased | – | – | 38 | 6 | – | – | – |
| Shenzhen Geely Automobile Sales Company Limited (深圳吉利汽車銷售有限公司) | Sales of complete buildup units (Electric Vehicles) | – | – | 11,435 | 1,687 | – | – | – |
| Shanxi New Energy Automobile Industrial Company Limited (山西新能源汽車工業有限公司) | Sales of automobile parts and components | – | – | 2,015 | 297 | – | – | – |
| | Acquisition of a subsidiary | – | – | 720,244 | 106,242 | – | – | – |
| Baoji Geely Automobile Company Limited (寶雞吉利汽車有限公司) | Acquisition of a subsidiary | – | – | 702,207 | 103,581 | – | – | – |
| Hangzhou Geely Yiyun Technology Company Limited (杭州吉利易雲科技有限公司) | IT services expenses | – | – | 28,919 | 4,266 | – | – | – |
| Zhejiang Geely Business Services Company Limited (浙江吉利商務服務有限公司) | Business travel services expenses | – | – | 30,110 | 4,441 | – | – | – |

| Names of related parties | Nature of transactions | For the year ended 31 December 2014 (RMB) | 2015 (RMB) | 2016 (RMB) | 2016 (US$) (in thousands) | For the six months ended 30 June 2016 (RMB) | 2017 (RMB) | 2017 (US$) |
|---|---|---|---|---|---|---|---|---|
| Viridi E-Mobility Technology (Suzhou) Co., Ltd (威睿電動汽車技術(蘇州)有限公司) | Purchase of automobile parts and components | – | – | – | – | – | 12,596 | 1,858 |
| Kandi Electric Vehicles (Shanghai) Co., Ltd. *(note (5))* (康迪電動汽車(上海)有限公司) | Sales of automobile parts and components | – | – | 15,563 | 2,296 | – | 13,857 | 2,044 |
| | Purchase of automobile parts and components | – | – | 973 | 144 | – | – | – |
| **Associates** | | | | | | | | |
| Mando (Ningbo) Automotive Parts Co., Limited (萬都(寧波)汽車零部件有限公司) | Purchase of automobile parts and components | 735,838 | 1,169,254 | 1,199,332 | 176,911 | 212,867 | – | – |
| | Claims income on defective materials purchased | 4,870 | – | – | – | – | – | – |
| | Service fee income | – | 4,015 | 5,257 | 775 | – | 3,531 | 521 |
| Faurecia Emissions Control Technologies (Ningbo) Co., Ltd. (佛吉亞排氣控制技術(寧波)有限公司) | Purchase of automobile parts and components | – | 180,922 | – | – | 83,825 | – | – |
| Ningbo DIPO Traffic Facilities Co., Ltd (寧波帝寶交通器材有限公司) | Purchase of automobile parts and components | 2,431 | 38,676 | – | – | 5,305 | – | – |
| Closed Joint Stock Company BELGEE | Sales of complete buildup units | 531,474 | 15,601 | 214,541 | 31,646 | 52,127 | 22,224 | 3,278 |
| **Joint venture and its Subsidiary** | | | | | | | | |
| Kandi Electric Vehicles (Shanghai) Co., Ltd. (康迪電動汽車(上海)有限公司) | Sales of complete buildup units | 49,011 | – | 303 | 45 | – | – | – |
| | Sales of automobile parts and components | 44,837 | 71,802 | 65,880 | 9,718 | 42,525 | – | – |
| | Purchase of automobile parts and components | – | – | 308 | 45 | – | – | – |
| | Disposal of property, plant and equipment | 4,549 | – | – | – | – | – | – |
| Genius Auto Finance Company Limited (吉致汽車金融有限公司) | Service fee income | – | 6,030 | 9,920 | 1,463 | – | – | – |

| Names of related parties | Nature of transactions | For the year ended 31 December 2014 (RMB) | 2015 (RMB) | 2016 (RMB) | 2016 (US$) (in thousands) | For the six months ended 30 June 2016 (RMB) | 2017 (RMB) | 2017 (US$) |
|---|---|---|---|---|---|---|---|---|
| **Immediate parent** | | | | | | | | |
| Proper Glory Holding Inc. | Disposal of a subsidiary | 474,375 | – | – | – | – | – | – |
| **Ultimate holding company** | | | | | | | | |
| Zhejiang Geely Holding Group | Rental income | 460 | – | – | – | – | – | – |
| Company Limited (浙江吉利控股集團有限公司) | Disposal of joint ventures | – | – | 1,346,487 | 198,617 | – | – | – |

*Notes:*

(1) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(2) In May 2014, the Company's ultimate holding company disposed Zhejiang Wisdom Electronics Equipment Company Limited to an independent third party. Subsequently, it is no longer a related company of the Group.

(3) In May 2015, the Company's ultimate holding company disposed of Hunan Jisheng to an independent third party. Subsequently, Hunan Jisheng is no longer a related company of the Group. The transactions represented purchases and claims income before the disposal.

(4) Zhejiang Jirun Chunxiao Automobile Components Company Limited was acquired by the Group as a wholly owned subsidiary in May 2015. The transactions represented sales before the acquisition.

(5) In October 2016, the Company disposed of Kandi Electric to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries became related companies of the Group.

## PLEDGE OF ASSETS AND FINANCIAL GUARANTEE CONTRACTS

As of 30 June 2017, we had provided guarantees with respect to banking facilities granted to our ultimate holding company amounting to RMB870.0 million (US$128.3 million). Without taking account of any collateral held, this represented our maximum exposure under the financial guarantee contracts at the reporting dates. During the period, the maximum guarantee provided by us was determined to be RMB870.0 million (US$128.3 million). As of the date of this offering circular, our ultimate holding company has provided 100% counter guarantees to us by way of cash in respect of the above guarantees provided by us to the respective banks.

We would be liable to pay the banks if the banks are unable to recover the loans. No provisions for our obligations under the financial guarantee contracts have been made as our management did not consider it probably that our ultimate holding company would be in default under these bank loans guaranteed by us. According to the terms of the bank loans, the earliest repayment date of the bank loans will be December 2018 for an amount of RMB270.0 million (US$39.7 million).

To fund our existing business operations and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks. As of 30 June 2017, our total borrowings amounted to RMB2,018.9 million (US$297.8 million). We have fully redeemed the 2019 Notes on 30 November 2017. Since 30 June 2017, we have from time to time incurred additional indebtedness in the ordinary course of business. We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

## PRC FINANCING AGREEMENTS

### Bank Financing Agreements

Certain of our PRC subsidiaries have entered into financing agreements with China Construction Bank and Bank of America. The loans are typically used to satisfy our working capital requirements and are repayable within one year.

#### *Interest*

The principal amounts outstanding under bear interest at fixed rates ranging between 3.95% and 6% per annum.

Any overdue amount under the financing agreement will be subject to a penalty interest at the rate of 1.5% above the normal interest rate per annum.

#### *Covenants*

Under the financing agreements, our subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lenders' and/or obtaining the lenders' prior consent:

- dispose, transfer, grant, pledge or mortgage account receivables transferred to China Construction Bank;
- enter into other export commercial invoice financing agreements with third parties;
- create encumbrances on any part of properties or assets or deal with assets in a way that may adversely affect its ability to repay its loans;
- transfer part or all of the liabilities under the financing agreement to a third party;
- merger, split, transfer of shares, sales of assets or decrease of registered capital; and
- make major investments or increase the debt financing.

#### *Events of Default*

The financing agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorised use of loan proceeds, material change to the legal status, assets, operations, management and financial status, failure to fulfil the obligations under the financing agreements and failure to obtain the lender's approval for an act that requires the latter's approval. The banks are entitled to terminate the financing agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

***Guarantee and Security***

Certain of our PRC subsidiaries have entered into security agreements with the banks in connection with the financing agreements, pursuant to which such PRC subsidiaries have provided security and guarantees including banker's acceptance and property rights of such PRC subsidiaries.

## OFFSHORE FACILITY AGREEMENT

### HSBC Facility

On 31 October 2017, we entered into a facility agreement with, among others, various financial institutions as lenders and The Hongkong and Shanghai Banking Corporation Limited as facility agent for a US$ term loan facility in an aggregate amount of US$200.0 million for the term of 24 months commencing from 31 October 2017 (the "**HSBC Facility**"). As of the date of this offering circular, we have drawn down the facility in full.

***Interest***

The principal amounts outstanding under the HSBC Facility generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate.

***Covenants***

The HSBC Facility contains customary covenants and restrictions, including, among others, negative pledge on assets (with certain exemptions), financial covenant consolidated EBITDA, consolidated fixed charges, consolidated net borrowings and consolidated tangible net worth.

***Events of default***

The HSBC Facility contains certain customary events of default, including non-payment of principal or interest, cross default, insolvency, and breaches of its terms. If any event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

# TAXATION

*The following summary of certain Cayman Islands, Hong Kong and PRC income tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds.*

## CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or premium to any holder of the Bonds, as the case may be, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Bonds. An instrument of transfer in respect of a Bond or the Global Certificate in respect of the Bonds is stampable if executed in or brought into the Cayman Islands. We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, have obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

The Tax Concessions Law (2011 Revision)

In accordance with the provision of section 6 of The Tax Concessions Law (2011 Revision), the Governor in Cabinet undertakes with us:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and

- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of our shares, debentures or other obligations, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

- These concessions shall be for a period of 20 years from 18 June 1996.

## HONG KONG

### Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Bonds) or distributions in respect of the Bonds.

### Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposition or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest payments on the Bonds will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such distribution is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Bonds where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

### Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond (for so long as the register of holders of the Bonds is maintained outside Hong Kong).

## PRC

### Income Tax

Under the EIT Law, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "tax resident enterprise" of the PRC. Under the implementing rules to the EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, a circular issued by SAT on 22 April 2009 specifies that certain offshore enterprises controlled by a PRC company or a PRC company group will be classified as resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision-making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders meetings; and half or more of the senior management or directors having voting rights. Although the circular only applies to offshore enterprises controlled by PRC enterprises and not to those controlled by PRC individuals, the determining criteria set forth in the circular may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals.

We hold our shareholders' meeting and Board meetings outside China and keep our shareholders' list outside China. However, most of our directors and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities to determine whether we are a PRC resident enterprise for tax purposes.

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently intend to take the position that we are not a PRC resident enterprise for tax purpose. We cannot assure you that tax authorities will respect this position. Our PRC legal advisors, Zhong Lun, has advised us that if we are deemed to be a PRC resident enterprise for enterprise income purpose, among other things, we would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income, possibly excluding dividends from PRC subsidiaries. Furthermore, if we were treated as a PRC tax resident enterprise under the PRC law, any interest paid by us to non-resident Bondholders and any gains realised from transfer of Bonds by such non-resident Bondholders may be regarded as income from sources within the PRC and therefore be subject to a 10% enterprise income tax if the Bondholder is a non-resident enterprise, or 20% individual income tax if the Bondholder is a non-resident individual (which tax may be withheld at source by us in the case of interest payments). The tax may be exempted or reduced under applicable tax treaties between the PRC and the Bondholder's home country, such as the tax arrangement with Hong Kong.

**VAT**

On 23 March 2016, the MOF and the SAT issued Circular 36, which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by and be subject to VAT.

According to Circular 36, the entities and individuals providing the services within PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services potentially subject to VAT include the provision of financial services such as the provision of the loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the Bondholders providing the loans to us, which thus shall be regarded as the financial services for VAT purposes. In the event we were deemed to be in the PRC by the PRC tax authorities, the Bondholders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by us to any non-resident Bondholders may subject to withholding VAT at the rate of 6 per cent. plus related surcharges.

Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties, and the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

**Stamp Duty**

No PRC stamp duty will be imposed on non-PRC Bondholders either upon the issue of the Bonds or upon a subsequent transfer of the Bonds to the extent that the register of Bondholders is maintained outside the PRC and the issue and the sale of the Bonds is made outside the PRC.

## SUBSCRIPTION AND SALE

We have entered into a subscription agreement with the Joint Lead Managers dated 18 January 2018 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, we have agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table.

| | **Principal amount of the Bonds to be subscribed for** |
|---|---:|
| | **(US$)** |
| Barclays Bank PLC | 78,846,000 |
| BNP Paribas | 69,231,000 |
| Deutsche Bank AG, Hong Kong Branch | 84,615,000 |
| UBS AG Hong Kong Branch | 67,308,000 |
| Total | 300,000,000 |

The Subscription Agreement provides that the Joint Lead Managers and their respective subsidiaries, affiliates or any person who controls any of them or any of their respective directors, officers, employees, affiliates or agents will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to us.

Certain Joint Lead Managers and Co-Managers and their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, us and our subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and Co-Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for us and our subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, each of the Joint Lead Managers and/or its respective affiliate(s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any of our securities and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Each of the Joint Lead Managers or its respective affiliates may purchase the Bonds for its own account or for the accounts of its customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of us and our subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, any of the Joint Lead Managers appointed and acting in its capacity as a Stabilising Manager or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as our agent. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the Issue Date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilising Manager.

**General**

The distribution of this offering circular or any offering material and the offering, sale or delivery of the Bonds are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by us, the Joint Lead Managers or the Co-Managers that would permit a public offering, or any other offering under circumstances, not permitted by applicable law, of the Bonds, or possession or distribution of this offering circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering circular comes are required by us, the Joint Lead Managers and the Co-Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession, distribute or publish this offering circular or any other offering material relating to the Bonds, in all cases at their own expense.

**United States**

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager represents, warrants and undertakes to us that:

(i) it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S; and

(ii) neither it nor any of its Affiliates (nor any person acting on behalf of such Joint Lead Manager or any of its Affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Bonds.

**United Kingdom**

Each of the Joint Lead Managers has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21 (1) of the FSMA) does not apply to the Company; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

**Prohibition of Sales to EEA Retail Investors**

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

**Hong Kong**

Each of the Joint Lead Managers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

**The People's Republic of China**

Each of the Joint Lead Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

**Singapore**

Each of the Joint Lead Managers has acknowledged that this offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments), (Shares and Debentures) Regulations 2005 of Singapore.

### *Japan*

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**") and, accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

### *Cayman Islands*

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Bonds unless we are listed on the Cayman Islands Stock Exchange.

## RATINGS

The Bonds are expected to be rated "BBB-" by S&P. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Bonds. The rating does not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Bonds, on other securities of ours, or on us. Additionally, we have been rated "BBB-" with a stable outlook by S&P. We cannot assure you that the rating will remain in effect for any given period or that the rating will not be revised by such rating agency in the future if in its judgement circumstances so warrant. Such rating should be evaluated independently of any other rating on the Bonds, on other of our securities, or on us.

## LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Sidley Austin as to matters of English law and Hong Kong Law, Maples and Calder as to matters of Cayman Islands law, and Zhong Lun Law Firm as to matters of PRC law. Certain legal matters will be passed upon for the Joint Lead Managers by King & Wood Mallesons as to matters of English and PRC law.

## AUDITOR

The published consolidated financial statements as of and for the years ended 31 December 2015 and 2016 reproduced in this offering circular have been audited by Grant Thornton Hong Kong Limited, certified public accountants, as stated in their reports appearing herein, and in our annual reports for the years ended 31 December 2015 and 2016. The published consolidated financial statements as of and for the six months ended 30 June 2017 reproduced or incorporated by reference in this offering circular have been reviewed by Grant Thornton Hong Kong Limited, certified public accountants. This information is not audited and accordingly the degree of reliance on such information should be restricted in light of the limited nature of the review procedure applied. The published consolidated financial statements as of and for the year ended 31 December 2014 are incorporated by reference in this offering circular. The condensed consolidated financial information as of and for the six months ended 30 June 2016 is included for comparison purposes in the condensed consolidated financial statements as of and for the six months ended 30 June 2017.

## CONSENTS

We have obtained all necessary consents, approvals and authorisations in the Cayman Islands and Hong Kong in connection with the issue and performance of the obligations under the Bonds. The entering into of the Trust Deed and the Agency Agreement governing the Bonds and the issue of the Bonds have been authorised by a resolution of our Board of Directors dated 11 January 2018.

## LITIGATION

Except as disclosed in this offering circular, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Bonds.

## NO MATERIAL ADVERSE CHANGE

Except as disclosed in this offering circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since 30 June 2017 that is material in the context of the issue of the Bonds.

## DOCUMENTS AVAILABLE

For so long as any of the Bonds are outstanding, copies of the Trust Deed and the Agency Agreement relating to the Bonds governing the Bonds may be inspected free of charge during normal business hours on any weekday (except public holidays) at the principal place of business for the time being of the Trustee and the specified office of the Principal Paying Agent.

## CLEARING SYSTEM AND SETTLEMENT

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Bonds is set forth below:

| | ISIN | Common Code |
|---|---|---|
| Regulation S Global Bonds . . . . . . . . . . . . . . . . . . . . . . . . | XS1755436190 | 175543619 |

## LISTING OF THE BONDS

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Company or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for definitive Certificates, we will appoint and maintain a paying agent in Singapore where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for definitive Certificates, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

## INDEX TO CONSOLIDATED FINANCIAL INFORMATION



*Notes:*

(1) The unaudited condensed consolidated interim financial statements set out herein have been reproduced from our interim report for the six months ended 30 June 2017 and page references are references to pages set forth in such report.

(2) The audited consolidated financial statements set out herein have been reproduced from our annual report for the year ended 31 December 2016 and page references are references to pages set forth in such report.

(3) The audited consolidated financial statements set out herein have been reproduced from our annual report for the year ended 31 December 2015 and page references are references to pages set forth in such report.

# INDEPENDENT REVIEW REPORT

Grant Thornton
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**To the Board of Directors of Geely Automobile Holdings Limited**
*(incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the interim financial report of Geely Automobile Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 4 to 30 which comprises the condensed consolidated statement of financial position as at 30 June 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**Grant Thornton Hong Kong Limited**
*Certified Public Accountants*
Level 12
28 Hennessy Road
Wanchai
Hong Kong

16 August 2017

**Chiu Wing Ning**
Practising Certificate No.: P04920

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

| | Note | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| **Revenue** | 3 | **39,423,646** | 18,089,274 |
| Cost of sales | | **(31,869,514)** | (14,882,254) |
| **Gross profit** | | **7,554,132** | 3,207,020 |
| Other income | 4 | **661,410** | 743,592 |
| Distribution and selling expenses | | **(1,737,487)** | (821,392) |
| Administrative expenses, excluding share-based payments | | **(1,180,592)** | (712,713) |
| Share-based payments | | **(14,023)** | (23,671) |
| Finance costs, net | 5(a) | **(9,266)** | (22,877) |
| Share of results of associates | | **13,986** | 6,206 |
| Share of results of joint ventures | | **21,598** | (33,506) |
| **Profit before taxation** | 5 | **5,309,758** | 2,342,659 |
| Taxation | 6 | **(923,370)** | (412,771) |
| **Profit for the period** | | **4,386,388** | 1,929,888 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **4,343,563** | 1,907,242 |
| Non-controlling interests | | **42,825** | 22,646 |
| | | **4,386,388** | 1,929,888 |
| **Earnings per share** | | | |
| Basic | 8 | **RMB48.77 cents** | RMB21.67 cents |
| Diluted | 8 | **RMB47.68 cents** | RMB21.65 cents |

The notes on pages 10 to 30 are integral parts of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 7.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Profit for the period** | **4,386,388** | 1,929,888 |
| **Other comprehensive income (after tax of RMBNil) for the period:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of foreign operations | **7,118** | (42,759) |
| **Total comprehensive income for the period** | **4,393,506** | 1,887,129 |
| **Attributable to:** | | |
| Equity holders of the Company | **4,350,626** | 1,864,830 |
| Non-controlling interests | **42,880** | 22,299 |
| Total comprehensive income for the period | **4,393,506** | 1,887,129 |

The notes on pages 10 to 30 are integral parts of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | Note | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **11,688,970** | 10,650,313 |
| Intangible assets | 10 | **7,555,420** | 6,461,809 |
| Land lease prepayments | | **1,982,774** | 2,002,895 |
| Goodwill | | **6,916** | 6,916 |
| Interests in associates | 11 | **333,596** | 304,686 |
| Interest in a joint venture | 12 | **718,928** | 697,330 |
| Available-for-sale financial assets | | **21,779** | 21,779 |
| Deferred tax assets | | **161,645** | 188,107 |
| | | **22,470,028** | 20,333,835 |
| **Current assets** | | | |
| Land lease prepayments | | **45,677** | 42,875 |
| Inventories | 13 | **5,089,141** | 3,065,807 |
| Trade and other receivables | 14 | **19,374,975** | 29,040,631 |
| Income tax recoverable | | **6,586** | 14,891 |
| Pledged bank deposits | | **13,406** | 39,304 |
| Bank balances and cash | | **20,774,436** | 15,045,493 |
| | | **45,304,221** | 47,249,001 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **36,597,309** | 39,778,994 |
| Bank borrowings | 17 | **–** | 174,375 |
| Income tax payable | | **615,339** | 676,830 |
| | | **37,212,648** | 40,630,199 |
| **Net current assets** | | **8,091,573** | 6,618,802 |
| **Total assets less current liabilities** | | **30,561,601** | 26,952,637 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

| | Note | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 18 | **163,639** | 162,708 |
| Reserves | | **27,861,228** | 24,274,519 |
| **Equity attributable to equity holders of the Company** | | **28,024,867** | 24,437,227 |
| **Non-controlling interests** | | **291,902** | 249,022 |
| **Total equity** | | **28,316,769** | 24,686,249 |
| **Non-current liabilities** | | | |
| Senior notes | 15 | **2,018,890** | 2,068,316 |
| Deferred tax liabilities | | **225,942** | 198,072 |
| | | **2,244,832** | 2,266,388 |
| | | **30,561,601** | 26,952,637 |

The notes on pages 10 to 30 are integral parts of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Unaudited) | Share premium RMB'000 (Unaudited) | Capital reserve RMB'000 (Unaudited) | Statutory reserve RMB'000 (Unaudited) | Translation reserve RMB'000 (Unaudited) | Share option reserve RMB'000 (Unaudited) | Accumulated profits RMB'000 (Unaudited) | Sub-total RMB'000 (Unaudited) | Non-controlling interests RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| Balance at 1 January 2016 | 161,354 | 5,818,466 | 164,790 | 118,993 | 84,684 | 572,962 | 12,602,567 | 19,523,816 | 215,707 | 19,739,523 |
| Profit for the period | – | – | – | – | – | – | 1,907,242 | 1,907,242 | 22,646 | 1,929,888 |
| Other comprehensive income: | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations | – | – | – | – | (42,412) | – | – | (42,412) | (347) | (42,759) |
| Total comprehensive income for the period | – | – | – | – | (42,412) | – | 1,907,242 | 1,864,830 | 22,299 | 1,887,129 |
| Transactions with owners: | | | | | | | | | | |
| Share issued under share option scheme | 8 | 1,732 | – | – | – | (436) | – | 1,304 | – | 1,304 |
| Disposal of subsidiaries | – | – | – | – | – | – | – | – | (1,109) | (1,109) |
| Equity settled share-based payments | – | – | – | – | – | 23,671 | – | 23,671 | – | 23,671 |
| Transfer upon forfeiture of share options | – | – | – | – | – | (22,619) | 22,619 | – | – | – |
| Final dividend declared and approved in respect of the previous year (note 7) | – | – | – | – | – | – | (280,967) | (280,967) | – | (280,967) |
| Total transactions with owners | 8 | 1,732 | – | – | – | 616 | (258,348) | (255,992) | (1,109) | (257,101) |
| Balance at 30 June 2016 | 161,362 | 5,820,198 | 164,790 | 118,993 | 42,272 | 573,578 | 14,251,461 | 21,132,654 | 236,897 | 21,369,551 |
| **Balance at 1 January 2017** | **162,708** | **6,212,325** | **164,790** | **170,420** | **(138,153)** | **478,714** | **17,386,423** | **24,437,227** | **249,022** | **24,686,249** |
| Profit for the period | - | - | - | - | - | - | 4,343,563 | 4,343,563 | 42,825 | 4,386,388 |
| Other comprehensive income: | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations | - | - | - | - | 7,063 | - | - | 7,063 | 55 | 7,118 |
| **Total comprehensive income for the period** | - | - | - | - | 7,063 | - | 4,343,563 | 4,350,626 | 42,880 | 4,393,506 |
| Transactions with owners: | | | | | | | | | | |
| Share issued under share option scheme | 931 | 262,933 | - | - | - | (76,208) | - | 187,656 | - | 187,656 |
| Equity settled share-based payments | - | - | - | - | - | 14,023 | - | 14,023 | - | 14,023 |
| Transfer upon forfeiture of share options | - | - | - | - | - | (273) | 273 | - | - | - |
| Final dividend declared and approved in respect of the previous year (note 7) | - | - | - | - | - | - | (964,665) | (964,665) | - | (964,665) |
| **Total transactions with owners** | 931 | 262,933 | - | - | - | (62,458) | (964,392) | (762,986) | - | (762,986) |
| **Balance at 30 June 2017** | **163,639** | **6,475,258** | **164,790** | **170,420** | **(131,090)** | **416,256** | **20,765,594** | **28,024,867** | **291,902** | **28,316,769** |

The notes on pages 10 to 30 are integral parts of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Cash flows from operating activities** | | |
| Profit before taxation | **5,309,758** | 2,342,659 |
| Adjustments for non-cash items | **864,494** | 607,000 |
| Operating profit before working capital changes | **6,174,252** | 2,949,659 |
| Net changes in working capital | **2,891,954** | 930,977 |
| Cash generated from operations | **9,066,206** | 3,880,636 |
| Income taxes paid | **(922,224)** | (443,370) |
| *Net cash generated from operating activities* | **8,143,982** | 3,437,266 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(876,223)** | (725,675) |
| Addition of intangible assets | **(1,511,501)** | (1,007,439) |
| Addition of land lease prepayments | **(6,666)** | – |
| Proceeds from disposal of property, plant and equipment | **18,533** | 18,895 |
| Proceeds from disposal of intangible assets | **6,115** | – |
| Change in pledged bank deposits | **25,898** | 1,402 |
| Net cash inflow on disposal of an associate | **13,860** | – |
| Net cash outflow on disposal of subsidiaries | **–** | (1,991) |
| Additional capital injection in an associate | **(27,592)** | – |
| Interest received | **47,546** | 31,658 |
| *Net cash used in investing activities* | **(2,310,030)** | (1,683,150) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of shares upon exercise of share options | **187,656** | 1,304 |
| Proceeds from bank borrowings | **–** | 325,500 |
| Repayment of bank borrowings | **(174,375)** | – |
| Interest paid | **(54,830)** | (52,370) |
| *Net cash (used in)/generated from financing activities* | **(41,549)** | 274,434 |
| **Net increase in cash and cash equivalents** | **5,792,403** | 2,028,550 |
| Cash and cash equivalents at the beginning of the period | **15,045,493** | 9,166,926 |
| Effect of foreign exchange rate changes | **(63,460)** | 29,592 |
| **Cash and cash equivalents at the end of the period, represented by bank balances and cash** | **20,774,436** | 11,225,068 |

The notes on pages 10 to 30 are integral parts of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 1. Basis of Preparation

The interim financial report (the "Interim Financial Report") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 16 August 2017.

The Interim Financial Report is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2016 except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") as disclosed in note 2.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company and its subsidiaries' (together referred to as the "Group") annual financial statements for the year ended 31 December 2016.

## 2. Adoption of New and Amended HKFRSs

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. 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.

In the current period, the HKICPA has issued the following new and amended HKFRSs but not yet effective which are relevant to the Group:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| HK(IFRIC) – Interpretation 22 | Foreign Currency Transactions and Advance Consideration[1] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date not yet determined

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

## 2. Adoption of New and Amended HKFRSs *(Continued)*

### HKFRS 9 "Financial Instruments" ("HKFRS 9")

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

*(a) Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL"), and (3) fair value through other comprehensive income ("FVTOCI").

For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy is to state the available-for-sale equity investments at cost until disposal or impairment, when gains or losses are recognised in profit or loss. This change in policy will impact the Group's net assets and total comprehensive income.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

## 2. Adoption of New and Amended HKFRSs *(Continued)*

### HKFRS 9 "Financial Instruments" ("HKFRS 9") *(Continued)*

*(b)* ***Impairment***

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. Revenue and Segment Information

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

Revenue represents the consideration received and receivable from sales, net of discounts, returns and value-added taxes ("VAT") or related sales taxes, of automobiles and automobile parts and components.

## 4. Other Income

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Government grants and subsidies (note) | **500,643** | 534,366 |
| Gain on disposal of scrap materials | **16,196** | 2,528 |
| Gain on disposal of an associate (note 11) | **1,192** | – |
| Gain on disposal of subsidiaries | **–** | 72 |
| Net foreign exchange gain | **89,181** | 143,886 |
| Rental income | **12,821** | 11,728 |
| Sundry income | **41,377** | 51,012 |
| | **661,410** | 743,592 |

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

## 5. Profit Before Taxation

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

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **RMB'000** | RMB'000 |
| | | **(Unaudited)** | (Unaudited) |
| **(a)** | **Finance income and costs** | | |
| | **Finance costs** | | |
| | Effective interest expense on senior notes (note 15) | **2,917** | 2,165 |
| | Coupon expense on senior notes | **53,368** | 52,314 |
| | Interest on bank borrowings wholly repayable within five years | **527** | 56 |
| | | **56,812** | 54,535 |
| | **Finance income** | | |
| | Bank and other interest income | **(47,546)** | (31,658) |
| | **Net finance costs** | **9,266** | 22,877 |
| **(b)** | **Staff costs (including directors' emoluments)** | | |
| | Salaries, wages and other benefits | **1,788,690** | 1,168,951 |
| | Retirement benefit scheme contributions | **117,789** | 81,329 |
| | Equity settled share-based payments | **14,023** | 23,671 |
| | | **1,920,502** | 1,273,951 |
| **(c)** | **Other items** | | |
| | Cost of inventories | **31,869,514** | 14,882,254 |
| | Depreciation | **439,584** | 363,893 |
| | Net foreign exchange gain | **89,181** | 143,886 |
| | Amortisation of land lease prepayments | **23,985** | 18,695 |
| | Amortisation of intangible assets | **411,775** | 292,064 |
| | Research and development costs | **123,051** | 96,578 |
| | Net loss on disposal of property, plant and equipment | **10,808** | 26,787 |
| | Impairment loss on interest in an associate | **–** | 3,349 |
| | Unrealised loss on financial assets at fair value through profit or loss | **–** | 187 |

## 6. Taxation

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| – The People's Republic of China ("PRC") enterprise income tax | **870,622** | 387,762 |
| – Overseas tax | **897** | 6,038 |
| – Over-provision in prior years | **(2,481)** | (957) |
| | **869,038** | 392,843 |
| Deferred tax | **54,332** | 19,928 |
| | **923,370** | 412,771 |

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the six months ended 30 June 2017 and 2016.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (six months ended 30 June 2016: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the six months ended 30 June 2017 (six months ended 30 June 2016: 15%).

The share of results of associates and joint ventures in the condensed consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

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

## 7. Dividends

During the current period, a final dividend for the year ended 31 December 2016 of HK$0.12 per share (six months ended 30 June 2016: HK$0.038 per share), amounting to approximately RMB964,665,000 (six months ended 30 June 2016: RMB280,967,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2016 final dividend was paid in July 2017 and is reflected as a dividend payable in the Interim Financial Report.

## 8. Earnings Per Share

### (a) Basic earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB4,343,563,000 (six months ended 30 June 2016: RMB1,907,242,000) and the weighted average number of ordinary shares of 8,905,566,319 shares (2016: 8,802,127,148 shares), calculated as follows:

***Weighted average number of ordinary shares***

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| Issued ordinary shares at 1 January | **8,882,861,540** | 8,801,986,540 |
| Effect of shares options exercised | **22,704,779** | 140,608 |
| Weighted average number of ordinary shares at 30 June | **8,905,566,319** | 8,802,127,148 |

## 8. Earnings Per Share *(Continued)*

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB4,343,563,000 (six months ended 30 June 2016: RMB1,907,242,000) and the weighted average number of ordinary shares of 9,110,706,420 shares (2016: 8,808,966,024 shares), calculated as follows:

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| Weighted average number of ordinary shares (basic) at 30 June | **8,905,566,319** | 8,802,127,148 |
| Effect of deemed issue of shares under the Company's share option scheme | **205,140,101** | 6,838,876 |
| Weighted average number of ordinary shares (diluted) at 30 June | **9,110,706,420** | 8,808,966,024 |

## 9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately RMB1,507,582,000 (six months ended 30 June 2016: RMB1,219,437,000). Property, plant and equipment with net book value of approximately RMB29,341,000 (six months ended 30 June 2016: RMB45,682,000) were disposed of during the period, resulting in net loss on disposal of approximately RMB10,808,000 (six months ended 30 June 2016: RMB26,787,000).

## 10. Intangible Assets

During the period, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to approximately RMB1,511,501,000 (six months ended 30 June 2016: RMB1,007,439,000).

Intangible assets with net book value of approximately RMB6,115,000 (six months ended 30 June 2016: RMBNil) were disposed of during the period, no gain or loss on disposal was resulted.

## 11. Interests in Associates

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Share of net assets | **336,945** | 308,035 |
| Goodwill | **663** | 663 |
| Impairment loss recognised | **(4,012)** | (4,012) |
| | **333,596** | 304,686 |

In January 2017, the Group disposed of its entire interests in 寧波帝寶交通器材有限公司 Ningbo DIPO Traffic Facilities Co., Ltd# ("Ningbo DIPO") to an independent third party at a cash consideration of approximately RMB13,860,000. The carrying amount of the Group's interests in Ningbo DIPO at the disposal date was RMB12,668,000 and a gain on disposal of RMB1,192,000 was recognised in "Other income" in the condensed consolidated income statement.

In January 2017, Closed Joint Stock Company BELGEE ("BELGEE") effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to Belarusian Ruble ("BYN") 7,753,000 (equivalent to approximately RMB27,592,000) and BYN15,690,000 (equivalent to approximately RMB55,842,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE changed from BYN60,023,000 (equivalent to approximately RMB262,239,000) to BYN83,466,000 (equivalent to approximately RMB345,673,000). As a result of such increase in registered capital, the Group's equity interests in BELGEE were diluted from 35.6% to 33.36%. Despite the dilution in the equity interests, the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

# The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

## 12. Interest in a Joint Venture

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Share of net assets | **718,928** | 697,330 |

## 13. Inventories

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Raw materials | **1,271,364** | 790,037 |
| Work in progress | **550,252** | 340,130 |
| Finished goods | **3,267,525** | 1,935,640 |
| | **5,089,141** | 3,065,807 |

## 14. Trade and Other Receivables

| | Note | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **Trade and notes receivables** | | | |
| Trade receivables | | | |
| – Third parties | | **735,976** | 794,960 |
| – Associates | | **14,982** | 247,904 |
| – Related companies controlled by the substantial shareholder of the Company | | **944,929** | 194,496 |
| | (a) | **1,695,887** | 1,237,360 |
| Notes receivables | (b) | **12,568,159** | 24,864,054 |
| | | **14,264,046** | 26,101,414 |
| **Deposits, prepayment and other receivables** | | | |
| Prepayment to suppliers | | | |
| – Third parties | | **92,596** | 89,691 |
| – Related companies controlled by the substantial shareholder of the Company | | **1,516,761** | 376,129 |
| | | **1,609,357** | 465,820 |
| Deposits paid for acquisition of property, plant and equipment | | **533,407** | 355,077 |
| VAT and other taxes receivables | | **2,610,107** | 1,396,907 |
| Utility deposits and other receivables | | **329,200** | 454,657 |
| | | **5,082,071** | 2,672,461 |
| Amounts due from related companies controlled by the substantial shareholder of the Company | (c) | **28,858** | 27,345 |
| Amount due from ultimate holding company | (c) | **–** | 236,256 |
| Amount due from a joint venture | (c) | **–** | 3,155 |
| | | **5,110,929** | 2,939,217 |
| | | **19,374,975** | 29,040,631 |

## 14. Trade and Other Receivables *(Continued)*

### (a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date, at the reporting date:

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| 0 – 60 days | **1,015,820** | 441,619 |
| 61 – 90 days | **15,953** | 30,417 |
| Over 90 days | **173,151** | 50,288 |
| | **1,204,924** | 522,324 |

For overseas customers, the Group allows credit periods ranged from 30 days to 720 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date, at the reporting date:

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| 0 – 60 days | **112,976** | 295,659 |
| 61 – 90 days | **13,881** | 25,726 |
| 91 – 365 days | **77,401** | 237,934 |
| Over 365 days | **286,705** | 155,717 |
| | **490,963** | 715,036 |

### (b) Notes receivables

All notes receivables are denominated in RMB. As at 30 June 2017 and 31 December 2016, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

### (c) Amounts due from related companies/ultimate holding company/a joint venture

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

Except for trade and other receivables of RMB76,053,000 (31 December 2016: RMB146,263,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

## 15. Senior Notes

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of USD300,000,000 (equivalent to approximately RMB1,836,750,000) (the "Senior Notes").

The Senior Notes are listed on the SEHK. Details of the terms of the Senior Notes have been set out in the Group's annual financial statements for the year ended 31 December 2016.

The movements of the Senior Notes for the period/year are set out below:

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| **Carrying amount** | | |
| At the beginning of the period/year | **2,068,316** | 1,928,856 |
| Exchange differences | **(52,343)** | 134,802 |
| Interest expenses | **2,917** | 4,658 |
| At the end of the period/year | **2,018,890** | 2,068,316 |

## 16. Trade and Other Payables

| | Note | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **Trade and notes payables** | | | |
| Trade payables | | | |
| – Third parties | | **20,655,941** | 21,083,397 |
| – Associates | | **859,400** | 1,627,710 |
| – Related companies controlled by the substantial shareholder of the Company | | **572,025** | 330,157 |
| | (a) | **22,087,366** | 23,041,264 |
| Notes payables | (b) | **183,930** | 99,540 |
| | | **22,271,296** | 23,140,804 |
| **Other payables** | | | |
| Receipts in advance from customers | | | |
| – Third parties | | **6,077,537** | 7,909,709 |
| – Related companies controlled by the substantial shareholder of the Company | | **6,872** | 723 |
| | | **6,084,409** | 7,910,432 |
| Deferred government grants which conditions have not been satisfied | | **1,899,697** | 1,572,863 |
| Payables for acquisition of property, plant and equipment | | **1,335,501** | 714,524 |
| Accrued staff salaries and benefits | | **382,570** | 514,534 |
| VAT and other taxes payables | | **85,512** | 85,063 |
| Dividends payable | | **964,819** | – |
| Other accrued charges | | **2,150,769** | 1,950,900 |
| | | **12,903,277** | 12,748,316 |
| Amounts due to related companies controlled by the substantial shareholder of the Company | (c) | **1,153,047** | 3,889,874 |
| Amount due to ultimate holding company | (c) | **269,689** | – |
| | | **14,326,013** | 16,638,190 |
| | | **36,597,309** | 39,778,994 |

## 16. Trade and Other Payables *(Continued)*

### (a) Trade payables

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

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| 0 – 60 days | **19,840,098** | 20,638,859 |
| 61 – 90 days | **1,433,194** | 1,624,387 |
| Over 90 days | **814,074** | 778,018 |
| | **22,087,366** | 23,041,264 |

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

### (b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 30 June 2017 and 31 December 2016, all notes payables have maturities of less than six months from the reporting date.

As at 30 June 2017, the Group pledged bank deposits of RMB13,406,000 (31 December 2016: RMB39,304,000) to secure the notes payables.

### (c) Amounts due to related companies/ultimate holding company

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

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

## 17. Bank Borrowings

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Bank loans, unsecured | **–** | 174,375 |

As at 31 December 2016, the Group's bank borrowings were carried at amortised cost, repayable within three months and interest bearing at the London Interbank Offered rates plus 1% per annum. Also, there was a repayable on demand clause in the banking facilities. The bank loans were fully repaid during the current period.

## 18. Share Capital

| | Number of shares | Nominal value RMB'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.02 each | | |
| At 31 December 2016 and 30 June 2017 | **12,000,000,000** | **246,720** |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.02 each | | |
| At 1 January 2016 | 8,801,986,540 | 161,354 |
| Shares issued under share option scheme | 80,875,000 | 1,354 |
| At 31 December 2016 and 1 January 2017 | 8,882,861,540 | 162,708 |
| Shares issued under share option scheme | 51,720,000 | 931 |
| At 30 June 2017 (unaudited) | **8,934,581,540** | **163,639** |

## 19. Commitments

### Capital expenditure commitments

At the reporting date, the Group had the following capital commitments:

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Contracted but not provided for | | |
| – purchase of property, plant and equipment | **2,048,983** | 2,281,468 |

### Operating lease commitments – as lessee

At the reporting date, the total future minimum lease payments in respect of office and factory premises and other assets under non-cancellable operating leases are payable as follows:

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Office and factory premises | | |
| – Within one year | **3,969** | 5,516 |
| – In the second to fifth years inclusive | **10,565** | 10,564 |
| – After five years | **2,641** | 3,961 |
| | **17,175** | 20,041 |

Leases are negotiated and rentals are fixed for an initial period of one to three years (31 December 2016: one to three years) with an option to renew the leases when all terms are renegotiated.

## 19. Commitments *(Continued)*

### Operating lease commitments – as lessor

At the reporting date, the total future minimum lease receipts in respect of leasehold land and buildings, motor vehicles and plant and machinery under non-cancellable operating leases are receivable as follows:

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Leasehold land and buildings | | |
| – Within one year | **8,755** | 7,101 |
| – In the second to fifth years inclusive | **28,092** | 26,679 |
| – After five years | **17,722** | 22,038 |
| | **54,569** | 55,818 |
| Motor vehicles and plant and machinery | | |
| – Within one year | **6,811** | 4,001 |
| – In the second to fifth years inclusive | **16,004** | 16,004 |
| – After five years | **16,892** | 21,005 |
| | **39,707** | 41,010 |
| | **94,276** | 96,828 |

Leases are negotiated and rental are fixed for an initial period of one to fourteen years (31 December 2016: one to fourteen years).

## 20. Retirement Benefits Scheme

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' relevant income to the scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB24,000) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employees' basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in these countries.

For the six months ended 30 June 2017, the aggregate employer's contributions made by the Group and charged to the condensed consolidated income statement amounted to RMB117,789,000 (six months ended 30 June 2016: RMB81,329,000).

## 21. Equity Settled Share-Based Payment Transactions

The Company has operated a share option scheme for eligible participants of the Group. Details of the terms of the scheme have been set out in the Group's annual financial statements for the year ended 31 December 2016.

**2017 (Unaudited)**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the period | Exercised during the period | Forfeited during the period | Outstanding at 30 June |
|---|---|---|---|---|---|---|---|
| **Directors** | 18 January 2010 to 17 January 2020 | 4.07 | 37,700,000 | – | (200,000) | – | 37,500,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 8,500,000 | – | – | – | 8,500,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | 15,500,000 | – | (750,000) | – | 14,750,000 |
| | | | 61,700,000 | – | (950,000) | – | 60,750,000 |
| **Employees** | 18 January 2010 to 17 January 2020 | 4.07 | 224,505,000 | – | (46,315,000) | (175,000) | 178,015,000 |
| | 21 April 2010 to 20 April 2020 | 4.07 | 11,780,000 | – | – | – | 11,780,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 7,250,000 | – | (200,000) | – | 7,050,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | 14,400,000 | – | (830,000) | – | 13,570,000 |
| | 2 June 2016 to 1 June 2020 | 4.08 | 1,000,000 | – | – | – | 1,000,000 |
| | | | 258,935,000 | – | (47,345,000) | (175,000) | 211,415,000 |
| **Other eligible participants** | 2 June 2016 to 1 June 2020 | 4.08 | 20,300,000 | – | (3,425,000) | – | 16,875,000 |
| | 31 March 2018 to 30 March 2022 | 12.22 | – | 5,500,000 | – | – | 5,500,000 |
| | | | 20,300,000 | 5,500,000 | (3,425,000) | – | 22,375,000 |
| | | | **340,935,000** | **5,500,000** | **(51,720,000)** | **(175,000)** | **294,540,000** |

## 21. Equity Settled Share-Based Payment Transactions *(Continued)*

2016 (Unaudited)

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the period | Exercised during the period | Forfeited during the period | Outstanding at 30 June |
|---|---|---|---|---|---|---|---|
| **Directors** | 18 January 2010 to 17 January 2020 | 4.07 | 57,500,000 | – | – | – | 57,500,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 5,000,000 | – | – | – | 5,000,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | 16,000,000 | – | – | – | 16,000,000 |
| | | | 78,500,000 | – | – | – | 78,500,000 |
| **Employees** | 18 January 2010 to 17 January 2020 | 4.07 | 284,760,000 | – | (210,000) | (3,520,000) | 281,030,000 |
| | 21 April 2010 to 20 April 2020 | 4.07 | 13,000,000 | – | – | – | 13,000,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 16,500,000 | – | – | – | 16,500,000 |
| | 25 June 2012 to 24 June 2022 | 4.07 | 9,000,000 | – | – | (9,000,000) | – |
| | 17 January 2013 to 16 January 2023 | 4.11 | 4,100,000 | – | – | – | 4,100,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | 16,900,000 | – | (250,000) | (1,150,000) | 15,500,000 |
| | 2 June 2016 to 1 June 2020 | 4.08 | 1,000,000 | – | – | – | 1,000,000 |
| | | | 345,260,000 | – | (460,000) | (13,670,000) | 331,130,000 |
| **Other eligible participants** | 2 June 2016 to 1 June 2020 | 4.08 | 20,400,000 | – | – | – | 20,400,000 |
| | | | 444,160,000 | – | (460,000) | (13,670,000) | 430,030,000 |

## 21. Equity Settled Share-Based Payment Transactions *(Continued)*

During the six months ended 30 June 2017, 5,500,000 options were granted on 31 March 2017 with estimated fair values of approximately RMB20,210,000. The closing price of the Company's shares on the date on which the options were granted was HK$11.9. The exercise price of the share options granted is HK$12.22 per share. None of the share options will be vested in the first year and one-fourth of share options granted will vest in every year after the first year of the grant date.

The fair values were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

| | |
|---|---|
| Exercise price | HK$12.22 |
| Expected volatility | 44.17% |
| Expected life | 5 years |
| Risk-free rate | 1.37% |
| Expected dividend yield | 0.95% |

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the six months ended 30 June 2017, the Group recognised a total of RMB14,023,000 (six months ended 30 June 2016: RMB23,671,000) in relation to share options granted by the Company and the share-based payment expenses were shown as a separate line item on the face of the condensed consolidated income statement.

## 22. Material Related Party Transactions

In addition to the transactions/information disclosed elsewhere in this Interim Financial Report, during the period, the Group had the following material transactions with related parties:

| Name of related parties | Nature of transactions | Six months ended 30 June<br>**2017**<br>**RMB'000**<br>**(Unaudited)** | <br>2016<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| **Related companies** (notes (a) and (b)) | | | |
| Zhejiang Geely Automobile Company Limited#<br>浙江吉利汽車有限公司 | Sales of complete knock down kits and sedan tool kits | **13,846,546** | 10,292,435 |
| | Claims income on defective materials purchased | **71,719** | 42,627 |
| | Purchase of complete build up units | **14,107,084** | 10,529,239 |
| | Sub-contracting fee paid | **31,188** | 14,723 |
| | Claims paid on defective materials sold | **83,592** | 54,503 |
| Zhejiang Haoqing Automobile Manufacturing Company Limited#<br>浙江豪情汽車製造有限公司 | Sales of complete knock down kits and sedan tool kits | **22,802,596** | 5,922,606 |
| | Claims income on defective materials purchased | **56,888** | 38,815 |
| | Purchase of complete buildup units | **24,211,266** | 6,090,630 |
| | Purchase of automobile parts and components | **464** | 42,360 |
| | Sub-contracting fee paid | **14,850** | 8,100 |
| | Claims paid on defective materials sold | **68,329** | 49,174 |

## 22. Material Related Party Transactions *(Continued)*

| Name of related parties | Nature of transactions | Six months ended 30 June<br>**2017**<br>**RMB'000**<br>**(Unaudited)** | <br>2016<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| **Related companies** (notes (a) and (b)) | | | |
| Zhejiang Geely Automobile Parts and Components Company Limited#<br>浙江吉利汽車零部件採購有限公司 | Claims income on defective materials purchased | **25,210** | 11,724 |
| | Purchase of automobile parts and components | **7,341,282** | 2,749,673 |
| Taizhou Haoqing Automobile Sales Company Limited#<br>台州豪情汽車銷售有限公司 | Sales of complete buildup units | **294,908** | 159,942 |
| | Sales of automobile parts and components | **3,186** | 2,542 |
| Shanghai LTI Automobile Components Company Limited#<br>上海英倫帝華汽車部件有限公司 | Rental income | **7,494** | 3,759 |
| | Purchase of automobile parts and components | **5,099** | 3,492 |
| Hangzhou Geely New Energy Automobile Sales Company Limited#<br>杭州吉利新能源汽車銷售有限公司 | Sales of complete buildup units | **859,761** | 595,322 |
| Viridi E-Mobility Technology (Suzhou) Co., Ltd#<br>威睿電動汽車技術(蘇州)有限公司 | Purchase of automobile parts and components | **12,596** | – |
| Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note (c))<br>康迪電動汽車(上海)有限公司 | Sales of automobile parts and components | **13,857** | – |

## 22. Material Related Party Transactions *(Continued)*

| Name of related parties | Nature of transactions | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| **Associates** | | | |
| Mando (Ningbo) Automotive Parts Company Limited# 萬都(寧波)汽車零部件有限公司 | Purchase of automobile parts and components | **–** | 212,867 |
| | Service income | **3,531** | – |
| Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司 | Purchase of automobile parts and components | **–** | 83,825 |
| Ningbo DIPO Traffic Facilities Co., Ltd# (note (d)) 寧波帝寶交通器材有限公司 | Purchase of automobile parts and components | **–** | 5,305 |
| Closed Joint Stock Company BELGEE | Sales of complete buildup units | **22,224** | 52,127 |
| **Subsidiary of the joint venture** | | | |
| Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note (c)) 康迪電動汽車(上海)有限公司 | Sales of automobile parts and components | **–** | 42,525 |

Notes:

(a) The Group and the related parties are under the common control of the substantial shareholder of 浙江吉利控股集團有限公司 Zhejiang Geely Holding Group Company Limited#, the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the condensed consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(c) In October 2016, the Group has disposed of 康迪電動汽車集團有限公司 Kandi Electric Vehicles Group Co., Ltd# ("Kandi Electric") to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries have become related companies of the Group.

(d) In January 2017, the Group has disposed of Ningbo DIPO to an independent third party. Subsequently, Ningbo DIPO had no longer been an associate of the Group.

# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

## 23. Fair Value Measurements of Financial Instruments

***Fair value of financial assets and liabilities carried at other than fair value***

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017 and 31 December 2016 due to their short-term maturities, except for the Senior Notes for which the trading volume of the Senior Notes in public market is low, management estimated the fair value of the Senior Notes to be approximately RMB2,099,179,000 (31 December 2016: RMB2,165,518,000) by reference to the 30-day average market price of the Senior Notes.

## 24. EVENTS AFTER THE REPORTING DATE

### Formation of a joint venture

On 4 August 2017, 浙江吉潤汽車有限公司 Zhejiang Jirun Automobile Company Limited# ("Zhejiang Jirun"), a 99% owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with 浙江豪情汽車製造有限公司 Zhejiang Haoqing Automobile Manufacturing Company Limited# ("Zhejiang Haoqing") and 沃爾沃汽車(中國)投資有限公司 Volvo Car (China) Investment Company Limited# ("VCI"), fellow subsidiaries owned by the Company's ultimate holding company (the "JV Parties"), pursuant to which Zhejiang Jirun and the JV Parties have conditionally agreed to form a joint venture company (the "JV Company") to engage in the manufacturing and sale of automobiles under the Lynk & Co brand, and the provision of after-sale services relating thereto. Pursuant to the Joint Venture Agreement, the JV Company will be owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. The registered capital of the JV Company will be RMB7,500,000,000, which shall be contributed by Zhejiang Jirun, Zhejiang Haoqing and VCI in cash in proportion to their respective equity interests in the JV Company. Upon establishment, the JV Company will become a joint venture of the Company and its financial results will be equity accounted for in the consolidated financial statements of the Group. Please refer to the Company's announcement dated 4 August 2017 for further details.

### Disposal of 浙江金剛汽車有限公司 Zhejiang Kingkong Automobile Company Limited# ("Zhejiang Kingkong")

On 4 August 2017, 浙江福林國潤汽車零部件有限公司 Zhejiang Fulin Guorun Automobile Parts & Components Company Limited# ("Fulin Guorun") and Centurion Industries Limited ("Centurion"), wholly-owned subsidiaries of the Company, entered into a disposal agreement with Zhejiang Haoqing, pursuant to which Fulin Guorun and Centurion have conditionally agreed to dispose of their respective 8% and 91% equity interests in Zhejiang Kingkong to Zhejiang Haoqing at an aggregate consideration of approximately RMB1,241,687,000 (the "Disposal"). Upon completion of the Disposal, the Group will no longer hold any interests in Zhejiang Kingkong. Please refer to the Company's announcement dated 4 August 2017 for further details.

# 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.

Accounts

# INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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**To the members of Geely Automobile Holdings Limited**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Geely Automobile Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 87 to 190, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (Continued)

### IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS

We identified the impairment of intangible assets as a key audit matter due to the judgements being made about future results of the business in assessing the recoverability of intangible assets. As at 31 December 2016, intangible assets of RMB6,461,809,000 consisted of capitalised development costs related to multiple cash-generating units ("CGUs").

The Company's management performed impairment assessment of the Group's intangible assets by allocating the intangible assets to CGUs, the recoverable amount of each CGU was determined based on value-in-use calculations using future cash flow projections. Based on the results of the impairment assessment which involved significant management's judgements and key assumptions, including growth rates and discount rates applied to the value-in-use calculations, the Company's management has concluded that there was no impairment of intangible assets for the year ended 31 December 2016.

Our audit procedures to assess the impairment testing of the Group's intangible assets by the Company's management included the following:

- Assessing the valuation methodology adopted by the management.

- Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic.

- Assessing the reasonableness of key assumptions, including growth rates and discount rates, based on our knowledge of the business and industry.

- Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

We found the management's judgements and assumptions used in the impairment assessment to be reasonable based on the available evidence. Please refer to note 15 to the consolidated financial statements and the accounting policy as set out in note 4(e) to the consolidated financial statements. The critical judgements and estimates on impairment of intangible assets are disclosed in note 5 to the consolidated financial statements.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## OTHER INFORMATION (Continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work we have performed, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Accounts

# INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Grant Thornton Hong Kong Limited**
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

22 March 2017

**Chiu Wing Ning**
Practising Certificate No.: P04920

Accounts

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Revenue** | 6 | **53,721,576** | 30,138,256 |
| Cost of sales | | **(43,879,859)** | (24,667,603) |
| **Gross profit** | | **9,841,717** | 5,470,653 |
| Other income | 8 | **1,131,401** | 1,066,007 |
| Distribution and selling expenses | | **(2,502,713)** | (1,567,935) |
| Administrative expenses, excluding share-based payments | | **(2,559,915)** | (2,175,600) |
| Share-based payments | 33 | **(42,192)** | (61,875) |
| Finance costs, net | 9(a) | **(30,105)** | (6,440) |
| Share of profits of associates | 18 | **31,014** | 41,503 |
| Share of results of joint ventures | | **(39,684)** | 108,492 |
| Gain on disposal of interests in joint ventures | 19 | **374,420** | – |
| **Profit before taxation** | 9 | **6,203,943** | 2,874,805 |
| Taxation | 10 | **(1,033,755)** | (586,143) |
| **Profit for the year** | | **5,170,188** | 2,288,662 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **5,112,398** | 2,260,529 |
| Non-controlling interests | | **57,790** | 28,133 |
| | | **5,170,188** | 2,288,662 |
| **Earnings per share** | | | |
| Basic | 12 | **RMB57.96 cents** | RMB25.68 cents |
| Diluted | 12 | **RMB57.33 cents** | RMB25.66 cents |

The notes on pages 95 to 190 are integral parts of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 11.

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| **Profit for the year** | **5,170,188** | 2,288,662 |
| **Other comprehensive (loss)/income (after tax of RMBNil) for the year:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations recognised | **(224,910)** | 90,804 |
| **Total comprehensive income for the year** | **4,945,278** | 2,379,466 |
| **Attributable to:** | | |
| Equity holders of the Company | **4,889,561** | 2,350,333 |
| Non-controlling interests | **55,717** | 29,133 |
| | **4,945,278** | 2,379,466 |

The notes on pages 95 to 190 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **10,650,313** | 8,034,427 |
| Intangible assets | 15 | **6,461,809** | 5,260,241 |
| Land lease prepayments | 16 | **2,002,895** | 1,537,713 |
| Goodwill | 17 | **6,916** | 2,584 |
| Interests in associates | 18 | **304,686** | 284,774 |
| Interests in joint ventures | 19 | **697,330** | 1,709,081 |
| Available-for-sale financial assets | 23 | **21,779** | 21,650 |
| Deferred tax assets | 27 | **188,107** | 94,138 |
| | | **20,333,835** | 16,944,608 |
| **Current assets** | | | |
| Land lease prepayments | 16 | **42,875** | 37,001 |
| Inventories | 20 | **3,065,807** | 1,226,169 |
| Trade and other receivables | 21 | **29,040,631** | 14,836,439 |
| Financial assets at fair value through profit or loss | 22 | **–** | 17,118 |
| Income tax recoverable | | **14,891** | 23,666 |
| Pledged bank deposits | | **39,304** | 40,533 |
| Bank balances and cash | | **15,045,493** | 9,166,926 |
| | | **47,249,001** | 25,347,852 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | **39,778,994** | 20,114,371 |
| Bank borrowings | 26 | **174,375** | – |
| Income tax payable | | **676,830** | 334,883 |
| | | **40,630,199** | 20,449,254 |
| **Net current assets** | | **6,618,802** | 4,898,598 |
| **Total assets less current liabilities** | | **26,952,637** | 21,843,206 |

## Accounts

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 28 | **162,708** | 161,354 |
| Reserves | 29 | **24,274,519** | 19,362,462 |
| **Equity attributable to equity holders of the Company** | | **24,437,227** | 19,523,816 |
| **Non-controlling interests** | | **249,022** | 215,707 |
| **Total equity** | | **24,686,249** | 19,739,523 |
| **Non-current liabilities** | | | |
| Senior notes | 24 | **2,068,316** | 1,928,856 |
| Deferred tax liabilities | 27 | **198,072** | 174,827 |
| | | **2,266,388** | 2,103,683 |
| | | **26,952,637** | 21,843,206 |

Approved and authorised for issue by the Board of Directors on 22 March 2017.

| | |
|---|---|
| **Li Shu Fu** | **Gui Sheng Yue** |
| *Director* | *Director* |

The notes on pages 95 to 190 are integral parts of these consolidated financial statements.

**Accounts**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 28) | Share premium RMB'000 (note 29(a)) | Capital reserve RMB'000 (note 29(c)) | Statutory reserve RMB'000 (note 29(b)) | Translation reserve RMB'000 (note 29(d)) | Share option reserve RMB'000 (note 29(e)) | Accumulated profits RMB'000 (note 29(f)) | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| Balance at 1 January 2015 | 161,346 | 5,815,964 | 164,790 | 106,113 | (5,120) | 549,723 | 10,495,180 | 17,287,996 | 178,354 | 17,466,350 |
| Profit for the year | – | – | – | – | – | – | 2,260,529 | 2,260,529 | 28,133 | 2,288,662 |
| Other comprehensive income: | | | | | | | | | | |
| Exchange differences on translation of foreign operations recognised | – | – | – | – | 89,804 | – | – | 89,804 | 1,000 | 90,804 |
| Total comprehensive income for the year | – | – | – | – | 89,804 | – | 2,260,529 | 2,350,333 | 29,133 | 2,379,466 |
| Transactions with owners: | | | | | | | | | | |
| Transfer of reserves | – | – | – | 12,880 | – | – | (17,174) | (4,294) | – | (4,294) |
| Share issued under share option scheme | 8 | 2,502 | – | – | – | (775) | – | 1,735 | – | 1,735 |
| Capital contribution from non-controlling interests | – | – | – | – | – | – | – | – | 8,931 | 8,931 |
| Disposal of a subsidiary | – | – | – | – | – | – | – | – | 309 | 309 |
| Equity settled share-based payments (note 33) | – | – | – | – | – | 61,875 | – | 61,875 | – | 61,875 |
| Transfer upon forfeiture of share options | – | – | – | – | – | (37,861) | 37,861 | – | – | – |
| Dividends paid to equity holders of the Company (note 11) | – | – | – | – | – | – | (173,829) | (173,829) | – | (173,829) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | (1,020) | (1,020) |
| Total transactions with owners | 8 | 2,502 | – | 12,880 | – | 23,239 | (153,142) | (114,513) | 8,220 | (106,293) |
| Balance at 31 December 2015 | 161,354 | 5,818,466 | 164,790 | 118,993 | 84,684 | 572,962 | 12,602,567 | 19,523,816 | 215,707 | 19,739,523 |

## Accounts

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 28) | Share premium RMB'000 (note 29(a)) | Capital reserve RMB'000 (note 29(c)) | Statutory reserve RMB'000 (note 29(b)) | Translation reserve RMB'000 (note 29(d)) | Share option reserve RMB'000 (note 29(e)) | Accumulated profits RMB'000 (note 29(f)) | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| **Balance at 1 January 2016** | 161,354 | 5,818,466 | 164,790 | 118,993 | 84,684 | 572,962 | 12,602,567 | 19,523,816 | 215,707 | 19,739,523 |
| Profit for the year | – | – | – | – | – | – | 5,112,398 | 5,112,398 | 57,790 | 5,170,188 |
| Other comprehensive loss: | | | | | | | | | | |
| Exchange differences on translation of foreign operations recognised | – | – | – | – | (222,837) | – | – | (222,837) | (2,073) | (224,910) |
| **Total comprehensive income for the year** | – | – | – | – | (222,837) | – | 5,112,398 | 4,889,561 | 55,717 | 4,945,278 |
| Transactions with owners: | | | | | | | | | | |
| Transfer of reserves | – | – | – | 51,427 | – | – | (62,292) | (10,865) | – | (10,865) |
| Share issued under share option scheme | 1,354 | 393,859 | – | – | – | (121,731) | – | 273,482 | – | 273,482 |
| Disposal of subsidiaries (note 30) | – | – | – | – | – | – | – | – | (1,214) | (1,214) |
| Equity settled share-based payments (note 33) | – | – | – | – | – | 42,192 | – | 42,192 | – | 42,192 |
| Transfer upon forfeiture of share options | – | – | – | – | – | (14,709) | 14,709 | – | – | – |
| Dividends paid to equity holders of the Company (note 11) | – | – | – | – | – | – | (280,959) | (280,959) | – | (280,959) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | (21,188) | (21,188) |
| **Total transactions with owners** | 1,354 | 393,859 | – | 51,427 | – | (94,248) | (328,542) | 23,850 | (22,402) | 1,448 |
| **Balance at 31 December 2016** | 162,708 | 6,212,325 | 164,790 | 170,420 | (138,153) | 478,714 | 17,386,423 | 24,437,227 | 249,022 | 24,686,249 |

The notes on pages 95 to 190 are integral parts of these consolidated financial statements.

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# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **6,203,943** | 2,874,805 |
| Adjustments for: | | | |
| Depreciation and amortisation | | **1,654,261** | 1,142,678 |
| Interest income | 9(a) | **(85,429)** | (96,909) |
| Finance costs | 9(a) | **115,534** | 103,349 |
| Share of profits of associates | 18 | **(31,014)** | (41,503) |
| Share of results of joint ventures | | **39,684** | (108,492) |
| Gain on disposal of interests in joint ventures | 19 | **(374,420)** | – |
| Gain on deemed disposal of partial interest in a joint venture | 8 | **–** | (4,921) |
| Net loss/(gain) on disposal of property, plant and equipment | 9(c) | **42,727** | (4,092) |
| Loss on disposal of intangible assets | 9(c) | **1,047** | 22,567 |
| Net foreign exchange (gain)/loss | | **(229,972)** | 456,741 |
| Gain on disposal of subsidiaries | 8 | **(1,277)** | (62,879) |
| Unrealised gain on financial assets at fair value through profit or loss | 8 | **–** | (1,824) |
| Gain on disposal of financial assets at fair value through profit or loss | 8 | **(491)** | – |
| Bargain purchase gain arising from acquisition of a subsidiary | 8 | **–** | (139) |
| Equity settled share-based payments | 33 | **42,192** | 61,875 |
| Write-down of inventories | 9(c) | **861** | 20,920 |
| Impairment loss on interest in an associate | 18 | **3,349** | – |
| Bad debts written off | 9(c) | **172,407** | – |
| Operating profit before working capital changes | | **7,553,402** | 4,362,176 |
| Inventories | | **(1,847,667)** | 515,161 |
| Trade and other receivables | | **(12,740,277)** | 1,930,510 |
| Trade and other payables | | **16,126,003** | 1,023,997 |
| Cash generated from operations | | **9,091,461** | 7,831,844 |
| Income taxes paid | | **(753,702)** | (423,018) |
| *Net cash generated from operating activities* | | **8,337,759** | 7,408,826 |

## Accounts

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(486,262)** | (1,570,519) |
| Proceeds from disposal of property, plant and equipment | | **75,899** | 233,012 |
| Proceeds from disposal of available-for-sale financial assets | | **–** | 16,120 |
| Addition of land lease prepayments | | **(102,583)** | (32,032) |
| Proceeds from disposal of land lease prepayments | | **–** | 4,506 |
| Addition of intangible assets | | **(2,655,180)** | (2,106,126) |
| Proceeds from disposal of intangible assets | | **12,625** | 445,627 |
| Government grants received | | **757,643** | 237,677 |
| Change in pledged bank deposits | | **1,229** | 6,918 |
| Net cash outflow on acquisition of subsidiaries | | **(1,383,779)** | (1,133,929) |
| Net cash inflow/(outflow) on disposal of subsidiaries | | **9,670** | (3,047) |
| Investment in a joint venture | | **–** | (720,000) |
| Proceeds from disposal of interests in joint ventures | | **1,110,231** | – |
| Acquisition of available-for-sale financial assets | | **–** | (9,500) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **17,609** | – |
| Interest received | | **85,429** | 96,909 |
| *Net cash used in investing activities* | | **(2,557,469)** | (4,534,384) |
| **Cash flows from financing activities** | | | |
| Dividends paid | 11(b) | **(280,959)** | (173,829) |
| Dividend paid to non-controlling interests | | **(21,188)** | (1,020) |
| Proceeds from issuance of shares upon exercise of share options | 28 | **273,482** | 1,735 |
| Capital contribution from non-controlling interests | | **–** | 8,931 |
| Proceeds from bank borrowings | | **325,500** | – |
| Repayments of bank borrowings | | **(162,750)** | (691,616) |
| Interest paid | | **(104,627)** | (74,996) |
| *Net cash generated from/(used in) financing activities* | | **29,458** | (930,795) |
| **Net increase in cash and cash equivalents** | | **5,809,748** | 1,943,647 |
| Cash and cash equivalents at the beginning of the year | | **9,166,926** | 7,203,176 |
| Effect of foreign exchange rate changes | | **68,819** | 20,103 |
| **Cash and cash equivalents at the end of the year, represented by bank balances and cash** | | **15,045,493** | 9,166,926 |

The notes on pages 95 to 190 are integral parts of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 1. GENERAL INFORMATION

Geely Automobile Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section to the annual report. As at 31 December 2016, the directors consider the immediate parent of the Company to be Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the "BVI"). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司, which is incorporated in the People's Republic of China (the "PRC") and is beneficially owned by Mr. Li Shu Fu and his associate.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

# The English translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

## 2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 87 to 190 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out in note 4 below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3. ADOPTION OF NEW AND AMENDED HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and amended HKFRSs relevant to the Group's operations that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKAS 7 | Statement of cash flows: Disclosure Initiative[1] |
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective date not yet determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. Except for the adoption of HKFRS 9 "Financial Instruments", HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 16 "Leases" of which the directors are assessing the impact on the results and financial position of the Group, the directors anticipate that the adoption of the other new and amended HKFRSs is unlikely to have a significant impact on the consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the financial instruments classified as available-for-sale financial assets or financial assets at fair value through profit or loss are stated at their fair values as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), which is also the functional currency of the Company.

### (b) Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of consolidation (Continued)

A subsidiary is an entity, directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of consolidation (Continued)

Changes in the Group's interests in subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss (see note 4(j)) unless the investments are held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

### (c) Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, if any, the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses (see note 4(j)). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

On disposal of a cash-generating unit or an associate and a joint venture, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (d) Interests in associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities measured and contingent liabilities assumed of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities measured over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Interests in associates and joint ventures (Continued)

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate and joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with those used by the Group.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between (i) the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as they would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

In the Company's statement of financial position, interests in a joint venture is stated at cost less impairment losses (see note 4(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

## Accounts

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 4(j)). Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

***Research and development costs***

Costs associated with research activities are recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

The costs capitalised include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

Capitalised development costs are amortised over 3 to 10 years. All other development costs are recognised as an expense in the period in which it is as incurred.

Both the period and method of amortisation are reviewed annually.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (g) Foreign currency translation

In preparing the financial statements of each individual group entity, foreign currency transactions are translated into the functional currency of the individual group entity at exchange rates prevailing at the dates of the transactions. As at each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates and not retranslated.

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary assets and liabilities that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi ("RMB")) at the exchange rates prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

Financial assets are classified into the following categories:

– loans and receivables;

– available-for-sale financial assets; and

– financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

***Available-for-sale financial assets***

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Impairment of financial assets (other than at fair value through profit or loss)***

Objective evidence of impairment of individual financial assets (other than at fair value through profit or loss) includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for that financial asset because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data including but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

*(i)* *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition), where the effect of discounting is material. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Impairment of financial assets (other than at fair value through profit or loss) (Continued)***

*(ii) Financial assets carried at cost*

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and it is not reversed in subsequent periods.

Impairment losses on financial assets other than financial assets at fair value through profit or loss and other receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity investment and unquoted equity investment carried at cost are not reversed in a subsequent period.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are divided into two subcategories, including financial assets held for trading and those designated as financial assets at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative, including separated embedded derivatives, that is not designated and effective as a hedging instrument.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial assets at fair value through profit or loss (Continued)***

Financial asset (other than a financial asset held for trading) may be designated as a financial asset at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping of financial assets is provided internally on that basis to the key management personnel; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as a financial asset at fair value through profit or loss.

At each reporting date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 4(l).

***Financial liabilities***

The Group's financial liabilities include bank borrowings, senior notes and trade and other payables. They are included in line items in the consolidated statement of financial position as borrowings under current or non-current liabilities or trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(r)).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial liabilities (Continued)***

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

***Trade and other payables***

Trade and other payables are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

***Interest bearing borrowings***

Interest bearing borrowings, including bank borrowings and senior notes, are classified as financial liabilities and recognised initially at fair value, less attributable transaction costs. Interest bearing borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the interest bearing borrowings, together with any interest and fee payable, using the effective interest method.

Interest bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

***Financial guarantees issued***

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised on a straight-line basis over the life of the guarantee. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount (i.e. the amount initially recognised less accumulated amortisation), where appropriate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in profit or loss.

For financial liabilities, they are derecognised from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

### (i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(j)). Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives less their estimated residual values, if any, using the straight-line method as follows:

| | |
|---|---|
| Leasehold buildings | 30 years |
| Plant and machinery | 7 to 10 years |
| Leasehold improvements | Over the shorter of the unexpired lease terms and 3 years |
| Furniture and fixtures, office equipment and motor vehicles | 5 to 10 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses (see note 4(j)). Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

### (j) Impairment

Internal and external sources of information are reviewed at the reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- land lease prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries and interest in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment (Continued)

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the interim reporting date, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

### (k) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and value added taxes ("VAT") or related sales taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on profit or loss as follows:

Revenue from sales of automobiles and automobile parts and components and scrap materials is recognised when the products are delivered and title has been passed.

Claim income on defective materials purchased is recognised when the claim has been made to and confirmed by relevant suppliers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Interest income is recognised as it accrues using the effective interest method.

### (m) Taxation

Income tax expense comprises current tax and deferred tax.

Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The carrying amount of a deferred tax asset is reviewed at the reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and current tax liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and deferred tax liabilities, if they relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Equity settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share premium for the shares issued) or the option expires (when it is released directly to accumulated profits).

If the share options granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

### (o) Employee benefits

#### *(i) Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *(ii) Retirement benefit costs*

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the PRC and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lease.

#### *(ii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

### (q) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The government grants relating to the purchase of land leases prepayments, intangible assets and property, plant and equipment for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation and amortisation expenses.

Government grants relating to income is presented in gross under “Other income” in the consolidated income statement.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (s) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (t) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any members of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Fair value measurements of share-based payments***

In valuing the share-based payments realised in the Group's consolidated financial statements, the Group has used the Binomial Option Pricing model, which makes various assumptions on factors outside the Group's control, such as share price volatility and risk-free interest rates. Details of the options and assumptions used in deriving the share-based payments are disclosed in note 33.

The directors use their judgement to determine whether valuation techniques applied are appropriate to the circumstances of the Group. For the year ended 31 December 2016, the share-based payments recognised was RMB42,192,000 (2015: RMB61,875,000).

***Allowance for bad and doubtful debts***

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables (note 21). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required. Bad debts of RMB172,407,000 (2015: RMBNil) has been written off during the year.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

***Write-down of inventories***

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. Inventories of RMB861,000 (2015: RMB20,920,000) has been written down during the year.

***Impairment of long lived-assets***

If circumstances indicate that the carrying amount of a long-lived asset, including property, plant and equipment and intangible assets (notes 14 and 15), may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. No impairment was provided for long lived-assets during the year (2015: RMBNil).

***Depreciation and amortisation***

Property, plant and equipment and intangible assets (notes 14 and 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

***Impairment of investments***

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy as set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. Impairment loss of RMB3,349,000 (2015: RMBNil) was provided for interest in an associate during the year.

***Deferred tax***

As at 31 December 2016, deferred tax assets of RMB7,657,000 (2015: RMB28,144,000) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,209,828,000 (2015: RMB1,983,847,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

As at 31 December 2016, deferred tax liabilities of RMB198,072,000 (2015: RMB174,827,000) relating to the undistributed profits of the subsidiaries operated in the PRC have been recognised in the Group's consolidated statement of financial position. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB9,166,229,000 (2015: RMB8,577,099,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future. Further details are disclosed in note 27.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

***Interests in joint ventures and associates***

As disclosed in note 19, the Group invested in Genius Auto Finance Company Limited ("Genius AFC") as at 31 December 2016. Unanimous consent from the Group and BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC for certain key corporate matters is needed. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance, despite the Group has an equity interest of 80%. Also, the Group and BNP Paribas Personal Finance have rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC is classified as a joint venture of the Group and accounted for using equity method.

As disclosed in note 18, the Group retains significant influence over Ningbo DIPO Traffic Facilities Co., Ltd.# 寧波帝寶交通器材有限公司 and Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司, through the power to nominate representative on their respective board of directors, despite the Group's equity interests are 18% and 9% respectively. As a result, the investments are classified as associates of the Group and accounted for using equity method.

# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

## 6. REVENUE

Revenue represents the consideration received and receivable from sales, net of discounts, returns and VAT or related sales taxes, of automobiles and automobile parts and components.

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 7. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

### Geographical information

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

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| **Revenue from external customers** | | |
| PRC | **52,287,552** | 28,301,651 |
| Europe | **194,729** | 571,751 |
| Middle East | **583,354** | 252,448 |
| Africa | **236,041** | 537,520 |
| Central and South America | **217,672** | 185,181 |
| Other countries | **202,228** | 289,705 |
| | **53,721,576** | 30,138,256 |
| **Specified non-current assets** | | |
| Hong Kong, place of domicile | **531** | 892 |
| PRC | **20,052,451** | 16,750,055 |
| Other countries | **70,967** | 77,873 |
| | **20,123,949** | 16,828,820 |

## 8. OTHER INCOME

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Unrealised gain on financial assets at fair value through profit or loss | – | 1,824 |
| Rental income (note a) | 22,847 | 20,512 |
| Gain on disposal of financial assets at fair value through profit or loss | 491 | – |
| Gain on disposal of scrap materials | 8,705 | 52,745 |
| Gain on disposal of subsidiaries | 1,277 | 62,879 |
| Gain on deemed disposal of partial interest in a joint venture (note 19) | – | 4,921 |
| Net gain on disposal of property, plant and equipment (note b) | – | 4,092 |
| Net foreign exchange gain | 242,480 | – |
| Bargain purchase gain arising from acquisition of a subsidiary | – | 139 |
| Government grants and subsidies (note c) | 802,283 | 847,290 |
| Sundry income | 53,318 | 71,605 |
| | 1,131,401 | 1,066,007 |

Notes:

(a) Rental income net of outgoings for the year ended 31 December 2016 was RMB4,759,000 (2015: RMB6,999,000).

(b) Net gain on disposal of property, plant and equipment included government grants received of RMB231,773,000 (2015: RMB116,281,000).

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 9. PROFIT BEFORE TAXATION

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

| | | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| (a) | **Finance income and costs** | | |
| | **Finance costs** | | |
| | Effective interest expense on senior notes (note 24) | **4,658** | 4,232 |
| | Coupon expense on senior notes | **106,999** | 99,063 |
| | Interest on bank borrowings wholly repayable within five years | **3,877** | 54 |
| | | **115,534** | 103,349 |
| | **Finance income** | | |
| | Bank and other interest income | **(85,429)** | (96,909) |
| | **Net finance costs** | **30,105** | 6,440 |
| (b) | **Staff costs (including directors' emoluments (note 13)) (note a)** | | |
| | Salaries, wages and other benefits | **2,637,856** | 1,694,240 |
| | Retirement benefit scheme contributions | **180,739** | 127,954 |
| | Equity settled share-based payments (note 33) | **42,192** | 61,875 |
| | | **2,860,787** | 1,884,069 |
| (c) | **Other items** | | |
| | Cost of inventories (note a) | **43,879,859** | 24,667,603 |
| | Auditor's remuneration | **6,864** | 6,559 |
| | Depreciation (note a) | **733,531** | 589,078 |
| | Amortisation of land lease prepayments | **43,857** | 37,589 |
| | Amortisation of intangible assets | **876,873** | 516,011 |
| | Net loss/(gain) on disposal of property, plant and equipment (note c) | **42,727** | (4,092) |
| | Loss on disposal of intangible assets (note b) | **1,047** | 22,567 |
| | Net foreign exchange (gain)/loss | **(242,480)** | 472,092 |
| | Net claims paid on defective materials purchased | **9,470** | 78,930 |
| | Operating leases charges on premises | **22,463** | 18,892 |
| | Research and development costs | **211,531** | 258,769 |
| | Impairment loss on interest in an associate | **3,349** | – |
| | Bad debts written off | **172,407** | – |
| | Write-down of inventories | **861** | 20,920 |

Notes:

(a) Cost of inventories included RMB2,379,447,000 (2015: RMB1,581,125,000) 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) Loss on disposal of intangible assets included government grants received of RMB525,870,000 (2015: RMB121,396,000).

(c) Net loss/(gain) on disposal of property, plant and equipment included government grants received of RMB231,773,000 (2015: RMB116,281,000).

## 10. TAXATION

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Current tax: | | |
| PRC enterprise income tax | **1,131,039** | 592,848 |
| (Over)/Under-provision in prior years | **(26,560)** | 9,782 |
| | **1,104,479** | 602,630 |
| Deferred tax (note 27) | **(70,724)** | (16,487) |
| | **1,033,755** | 586,143 |

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2016 and 2015.

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% (2015: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15%.

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 10. TAXATION (Continued)

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

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| Profit before taxation | **6,203,943** | 2,874,805 |
| Tax at the PRC enterprise income tax rate of 25% (2015: 25%) | **1,550,986** | 718,701 |
| Tax effect of expenses not deductible in determining taxable profit | **56,047** | 11,973 |
| Tax effect of non-taxable income | **(4,614)** | (7,443) |
| Tax effect of unrecognised tax losses | **128,857** | 165,368 |
| Utilisation of previously unrecognised tax losses | **(52,158)** | (18,439) |
| Tax effect of different tax rates of entities operating in other jurisdictions | **27,046** | 56,363 |
| Deferred tax charge on distributable profits withholding tax (note 27) | **23,245** | 26,092 |
| Effect of tax concessions and lower tax rates for certain PRC subsidiaries | **(669,094)** | (376,254) |
| (Over)/Under-provision in prior years | **(26,560)** | 9,782 |
| Tax expense for the year | **1,033,755** | 586,143 |

The Group is also liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liabilities of RMB23,245,000 (2015: RMB26,092,000) was recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

## 11. DIVIDENDS

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

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Final dividend proposed after the reporting date of HK$0.12 (2015: HK$0.038) per ordinary share | **960,054** | 280,959 |

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2016.

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

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.038 (2015: HK$0.025) per ordinary share | **280,959** | 173,829 |

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## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB5,112,398,000 (2015: RMB2,260,529,000) and weighted average number of ordinary shares of 8,820,613,787 shares (2015: 8,801,663,773 shares), calculated as follows:

***Weighted average number of ordinary shares***

| | **2016** | 2015 |
|---|---|---|
| Issued ordinary shares as at 1 January | **8,801,986,540** | 8,801,446,540 |
| Effect of shares options exercised | **18,627,247** | 217,233 |
| Weighted average number of ordinary shares as at 31 December | **8,820,613,787** | 8,801,663,773 |

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB5,112,398,000 (2015: RMB2,260,529,000) and the weighted average number of ordinary shares (diluted) of 8,917,049,937 shares (2015: 8,809,512,286 shares), calculated as follows:

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

| | **2016** | 2015 |
|---|---|---|
| Weighted average number of ordinary shares (basic) as at 31 December | **8,820,613,787** | 8,801,663,773 |
| Effect of deemed issue of shares under the Company's share option scheme | **96,436,150** | 7,848,513 |
| Weighted average number of ordinary shares (diluted) as at 31 December | **8,917,049,937** | 8,809,512,286 |

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and chief executive's remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

**2016**

| Name of director | Fees RMB'000 | Salaries RMB'000 | Discretionary bonus RMB'000 | Rental allowance RMB'000 | Retirement scheme contribution RMB'000 | Sub-total RMB'000 | Equity settled share-based payments RMB'000 (note a) | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | |
| Mr. An Cong Hui | 8 | – | – | – | – | 8 | 362 | 370 |
| Mr. Ang Siu Lun, Lawrence | – | 2,503 | 545 | – | 30 | 3,078 | 2,066 | 5,144 |
| Mr. Gui Sheng Yue (Chief Executive Officer) | – | 2,699 | 588 | 594 | 30 | 3,911 | 2,349 | 6,260 |
| Mr. Li Dong Hui, Daniel (Vice Chairman) (note b) | 4 | – | – | – | – | 4 | 460 | 464 |
| Mr. Li Shu Fu (Chairman) | – | 328 | – | – | 15 | 343 | – | 343 |
| Mr. Liu Jin Liang (note c) | 5 | – | – | – | – | 5 | 371 | 376 |
| Ms. Wei Mei | 8 | – | – | – | – | 8 | 726 | 734 |
| Mr. Yang Jian (Vice Chairman) | 8 | – | – | – | – | 8 | 766 | 774 |
| **Non-executive director** | | | | | | | | |
| Mr. Carl Peter Edmund Moriz Forster | – | – | – | – | – | – | 244 | 244 |
| **Independent non-executive directors** | | | | | | | | |
| Mr. An Qing Heng | 151 | – | – | – | – | 151 | 244 | 395 |
| Mr. Fu Yu Wu (note d) | 61 | – | – | – | – | 61 | – | 61 |
| Mr. Lee Cheuk Yin, Dannis | 151 | – | – | – | – | 151 | 206 | 357 |
| Mr. Wang Yang | 151 | – | – | – | – | 151 | 244 | 395 |
| Mr. Yeung Sau Hung, Alex | 151 | – | – | – | – | 151 | 206 | 357 |
| | 698 | 5,530 | 1,133 | 594 | 75 | 8,030 | 8,244 | 16,274 |

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### 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

#### (a) Directors' and chief executive's remuneration (Continued)

2015

| Name of director | Fees RMB'000 | Salaries RMB'000 | Discretionary bonus RMB'000 | Rental allowance RMB'000 | Retirement scheme contribution RMB'000 | Sub-total RMB'000 | Equity settled share-based payments RMB'000 (note a) | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | |
| Mr. An Cong Hui | 8 | – | – | – | – | 8 | 2,140 | 2,148 |
| Mr. Ang Siu Lun, Lawrence | – | 2,220 | 403 | – | 30 | 2,653 | 4,700 | 7,353 |
| Mr. Gui Sheng Yue (Chief Executive Officer) | – | 2,395 | 435 | 551 | 30 | 3,411 | 5,235 | 8,646 |
| Mr. Li Shu Fu (Chairman) | – | 308 | – | – | 14 | 322 | – | 322 |
| Mr. Liu Jin Liang | 8 | – | – | – | – | 8 | 2,140 | 2,148 |
| Ms. Wei Mei | 8 | – | – | – | – | 8 | 2,596 | 2,604 |
| Mr. Yang Jian (Vice Chairman) | 8 | – | – | – | – | 8 | 2,854 | 2,862 |
| **Non-executive directors** | | | | | | | | |
| Mr. Carl Peter Edmund Moriz Forster | – | – | – | – | – | – | 417 | 417 |
| Mr. Ran Zhang (note e) | 3 | – | – | – | – | 3 | – | 3 |
| **Independent non-executive directors** | | | | | | | | |
| Mr. An Qing Heng | 142 | – | – | – | – | 142 | 417 | 559 |
| Mr. Fu Yu Wu | 142 | – | – | – | – | 142 | – | 142 |
| Mr. Lee Cheuk Yin, Dannis | 142 | – | – | – | – | 142 | 655 | 797 |
| Mr. Wang Yang | 142 | – | – | – | – | 142 | 417 | 559 |
| Mr. Yeung Sau Hung, Alex | 142 | – | – | – | – | 142 | 655 | 797 |
| | 745 | 4,923 | 838 | 551 | 74 | 7,131 | 22,226 | 29,357 |

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the years ended 31 December 2015 and 2016. No other director waived any emoluments during the years ended 31 December 2015 and 2016.

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' and chief executive's remuneration (Continued)

Notes:

(a) They represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for equity settled share-based payments as set out in note 4(n) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the Directors' Report and in note 33 to the consolidated financial statements.

(b) Mr. Li Dong Hui, Daniel was appointed as a director and Vice Chairman of the Company on 15 July 2016.

(c) Mr. Liu Jin Liang resigned as a director of the Company on 15 July 2016.

(d) Mr. Fu Yu Wu retired as a director of the Company on 27 May 2016.

(e) Mr. Ran Zhang resigned as a director of the Company on 29 May 2015.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments, two (2015: three) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the other three (2015: two) individuals are as follows:

| | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| Basic salaries and allowances | **4,135** | 2,314 |
| Retirement scheme contributions | **61** | 44 |
| Equity settled share-based payments | **2,265** | 5,175 |
| | **6,461** | 7,533 |

The emoluments of the three (2015: two) individuals with the highest emoluments are within the following bands:

| | **2016 Number of individuals** | 2015 Number of individuals |
|---|---|---|
| HK$1,500,001 – HK$2,000,000 | **1** | – |
| HK$2,000,001 – HK$2,500,000 | **1** | – |
| HK$3,000,001 – HK$3,500,000 | **1** | 1 |
| HK$6,000,001 – HK$6,500,000 | **–** | 1 |
| | **3** | 2 |

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## 14. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress RMB'000 | Leasehold buildings RMB'000 | Plant and machinery RMB'000 | Leasehold improvements RMB'000 | Furniture and fixtures, office equipment and motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At 1 January 2015 | 1,251,208 | 2,623,983 | 3,926,663 | 6,250 | 529,900 | 8,338,004 |
| Exchange differences | – | – | 1,126 | – | (131) | 995 |
| Additions | 1,560,951 | 25,582 | 74,450 | – | 120,803 | 1,781,786 |
| Transfer | (848,533) | 610,434 | 225,063 | – | 13,036 | – |
| Disposals | (17,222) | (3,760) | (488,892) | – | (34,928) | (544,802) |
| Disposed of through disposal of subsidiaries | (59) | (201,508) | (181,596) | – | (4,086) | (387,249) |
| Acquisition through business combinations | 83,360 | 643,954 | 771,086 | – | 9,133 | 1,507,533 |
| At 31 December 2015 and 1 January 2016 | 2,029,705 | 3,698,685 | 4,327,900 | 6,250 | 633,727 | 10,696,267 |
| Additions | 985,808 | 29,008 | 47,824 | 1,608 | 136,539 | 1,200,787 |
| Transfer | (3,009,604) | 897,617 | 2,038,982 | – | 73,005 | – |
| Disposals | (45,321) | (19,717) | (307,994) | (685) | (33,389) | (407,106) |
| Disposed of through disposal of subsidiaries | (2,591) | – | (27,830) | (61) | (2,862) | (33,344) |
| Acquisition through business combinations (note 35) | 2,361,895 | – | 154,761 | – | 5,766 | 2,522,422 |
| **At 31 December 2016** | **2,319,892** | **4,605,593** | **6,233,643** | **7,112** | **812,786** | **13,979,026** |
| **DEPRECIATION** | | | | | | |
| At 1 January 2015 | – | 433,876 | 1,750,184 | 5,038 | 288,201 | 2,477,299 |
| Exchange differences | – | – | 222 | – | (41) | 181 |
| Charge for the year | – | 105,041 | 408,035 | 424 | 75,578 | 589,078 |
| Written back on disposals | – | (327) | (288,839) | – | (26,716) | (315,882) |
| Disposed of through disposal of subsidiaries | – | (25,817) | (60,616) | – | (2,403) | (88,836) |
| At 31 December 2015 and 1 January 2016 | – | 512,773 | 1,808,986 | 5,462 | 334,619 | 2,661,840 |
| Charge for the year | – | 121,672 | 521,748 | 817 | 89,294 | 733,531 |
| Written back on disposals | – | (3,268) | (33,775) | (685) | (18,979) | (56,707) |
| Disposed of through disposal of subsidiaries | – | – | (9,197) | (61) | (693) | (9,951) |
| **At 31 December 2016** | **–** | **631,177** | **2,287,762** | **5,533** | **404,241** | **3,328,713** |
| **NET BOOK VALUE** | | | | | | |
| **At 31 December 2016** | **2,319,892** | **3,974,416** | **3,945,881** | **1,579** | **408,545** | **10,650,313** |
| At 31 December 2015 | 2,029,705 | 3,185,912 | 2,518,914 | 788 | 299,108 | 8,034,427 |

As at 31 December 2016, the Group's property, plant and equipment of RMB135,734,000 (2015: RMB141,297,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

## 15. INTANGIBLE ASSETS

| | Capitalised development costs RMB'000 |
|---|---|
| **COST** | |
| At 1 January 2015 | 5,196,707 |
| Additions | 2,106,126 |
| Disposals | (623,203) |
| Disposed of through disposal of subsidiaries | (91,968) |
| At 31 December 2015 and 1 January 2016 | 6,587,662 |
| Additions | 2,655,180 |
| Acquisition through business combinations (note 35) | 1,998 |
| Disposals | (630,433) |
| Disposed of through disposal of subsidiaries | (46,147) |
| **At 31 December 2016** | **8,568,260** |
| **AMORTISATION** | |
| At 1 January 2015 | 988,477 |
| Charge for the year | 516,011 |
| Disposals | (155,009) |
| Disposed of through disposal of subsidiaries | (22,058) |
| At 31 December 2015 and 1 January 2016 | 1,327,421 |
| Charge for the year | 876,873 |
| Disposals | (90,891) |
| Disposed of through disposal of subsidiaries | (6,952) |
| **At 31 December 2016** | **2,106,451** |
| **NET BOOK VALUE** | |
| **At 31 December 2016** | **6,461,809** |
| At 31 December 2015 | 5,260,241 |

The amortisation charge for the year is included in “Administrative expenses” in the consolidated income statement.

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## 16. LAND LEASE PREPAYMENTS

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| The Group's land lease prepayments comprise: | | |
| Outside Hong Kong, held on: | | |
| – Leases of between 10 to 50 years | **2,045,770** | 1,574,714 |
| Analysed for reporting purposes as: | | |
| Current assets | **42,875** | 37,001 |
| Non-current assets | **2,002,895** | 1,537,713 |
| | **2,045,770** | 1,574,714 |
| Opening net carrying amount | **1,574,714** | 1,160,044 |
| Additions | **102,583** | 32,032 |
| Acquisition through business combinations (note 35) | **412,330** | 436,931 |
| Disposals | **–** | (4,506) |
| Disposed of through disposal of subsidiaries | **–** | (12,198) |
| Annual amortisation charges of land lease prepayments | **(43,857)** | (37,589) |
| Closing net carrying amount | **2,045,770** | 1,574,714 |

As at 31 December 2016, the Group's land lease prepayments of RMB76,754,000 (2015: RMB78,588,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

## 17. GOODWILL

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Carrying amount | | |
| At 1 January | **2,584** | 6,222 |
| Disposal of subsidiaries | **–** | (6,222) |
| Arising on business combinations (note 35) | **4,332** | 2,584 |
| At 31 December | **6,916** | 2,584 |

## 17. GOODWILL (Continued)

Goodwill arose on business combination of the entire interests in Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司 and Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司 in 2016 and Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 in 2015 (note 35). The carrying amount of goodwill is allocated to the cash-generating units of manufacturing of complete knock down kits in Baoji District in Shaanxi Province, Jinzhong District in Shanxi Province and Chunxiao District in Zhejiang Province, the PRC, respectively. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segments. The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. During the year ended 31 December 2016, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2015: RMBNil).

# The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

## 18. INTERESTS IN ASSOCIATES

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| Share of net assets | **308,035** | 284,774 |
| Goodwill | **663** | 663 |
| Impairment loss recognised | **(4,012)** | (663) |
| | **304,686** | 284,774 |
| Represented by: | | |
| Cost of unlisted investments | **271,391** | 271,391 |
| Share of post-acquisition results and other comprehensive income | **53,871** | 22,857 |
| Impairment loss recognised | **(4,012)** | (663) |
| Exchange realignment | **(16,564)** | (8,811) |
| | **304,686** | 284,774 |

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### 18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entity whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2016 and 2015, are as follows:

| Name of associate | Place of establishments and operations | Form of business structure | Particulars of registered capital | Attributable equity interest held by the Group 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|
| Mando (Ningbo) Automotive Parts Co., Limited ("Mando (Ningbo)") 萬都(寧波)汽車零部件有限公司 | PRC | Incorporated | United States dollars ("USD") 85,000,000 | **35%** | 35% | Manufacturing of automobile parts and components |
| Ningbo DIPO Traffic Facilities Co., Ltd.# 寧波帝寶交通器材有限公司 | PRC | Incorporated | USD11,100,000 | **18%** | 18% | Manufacturing of traffic facilities |
| Hangzhou Xuan You Network Technology Limited# 杭州軒優網路技術有限公司 | PRC | Incorporated | RMB1,000,000 | **29.5%** | 29.5% | Provision of webpage design and related technology support services |
| Closed Joint Stock Company BELGEE | Republic of Belarus | Incorporated | USD27,350,000 | **35.6%** | 35.6% | Production, marketing and sales of vehicles |
| Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司 | PRC | Incorporated | USD7,331,200 | **9%** | 9% | Manufacturing of emission control systems |
| PT Geely Mobil Indonesia | Republic of Indonesia | Incorporated | USD3,260,200 | **30%** | 30% | Production, marketing and sales of vehicles |

# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

All associates are indirectly held by the Company.

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

The Group retains significant influence over Ningbo DIPO Traffic Facilities Co., Ltd. and Faurecia Emissions Control Technologies (Ningbo) Co., Ltd. through the power to nominate representative on their respective board of directors.

## 18. INTERESTS IN ASSOCIATES (Continued)

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

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| Non-current assets | **233,326** | 244,013 |
| Current assets | **2,227,258** | 1,212,284 |
| Current liabilities | **(1,821,048)** | (906,633) |
| Non-current liabilities | **(9,167)** | (6,246) |
| Net assets | **630,369** | 543,418 |
| Revenue | **2,150,710** | 1,232,811 |
| Profit for the year | **86,951** | 41,211 |
| Other comprehensive income for the year | **–** | – |
| Total comprehensive income for the year | **86,951** | 41,211 |
| Dividend received from the associate | **–** | – |

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

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| Net assets of Mando (Ningbo) | **630,369** | 543,418 |
| The Group's effective interests in Mando (Ningbo) | **35%** | 35% |
| Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of Mando (Ningbo) | **220,629** | 190,196 |

Aggregate financial information of associates that are not individually material:

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| Aggregate amounts of the Group's share of profits for the year | **581** | 27,079 |
| Aggregate amounts of the Group's share of other comprehensive income for the year | **–** | – |
| Aggregate carrying amount of the Group's interests in these associates | **84,057** | 94,578 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19. INTERESTS IN JOINT VENTURES

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Share of net assets | **697,330** | 1,709,081 |
| Represented by: | | |
| Cost of unlisted investments | **720,000** | 1,720,000 |
| Gain on deemed disposal of interest in a joint venture | **–** | 4,921 |
| Share of post-acquisition results and other comprehensive income | **(22,670)** | 118,639 |
| Unrealised gain on disposal of land lease prepayments to a joint venture | **–** | (71,600) |
| Unrealised gain on disposal of a subsidiary to a joint venture | **–** | (62,879) |
| | **697,330** | 1,709,081 |

Details of the Group's principal 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 2016 and 2015, are as follows:

| Name of joint venture | Place of establishments and operations | Form of business structure | Particulars of registered capital | Proportion of ownership interest held by the Group 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|
| Kandi Electric Vehicles Group Co., Ltd.# ("Kandi Electric") 康迪電動汽車集團有限公司 | PRC | Incorporated | RMB1,000,000,000 | **–** | 50% | Manufacture of electric vehicles and investment holding |
| Ninghai Zhidou Electric Vehicles Company Limited# ("Ninghai Zhidou") 寧海知豆電動汽車有限公司 | PRC | Incorporated | RMB1,111,110,000 | **–** | 45% | Research and production of automobile parts, components and engines, production of electric vehicles and the provision of related after-sale services |
| Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司 | PRC | Incorporated | RMB900,000,000 | **80%** | 80% | Vehicles financing business |

# 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.

Genius AFC is directly held by the Company.

## 19. INTERESTS IN JOINT VENTURES (Continued)

The Company entered into a joint venture agreement ("JV Agreement") with BNP Paribas Personal Finance, an independent third party, for the establishment of a joint venture, Genius AFC, to engage in the vehicles financing business in the PRC in December 2013. Genius AFC was established in August 2015. Genius AFC was held as to 80% by the Company and as to 20% by BNP Paribas Personal Finance. Pursuant to the JV Agreement, the board of directors of Genius AFC consists of five directors, of whom four are nominated by the Group, and one is nominated by BNP Paribas Personal Finance, respectively. As specified in the JV Agreement between the Company and BNP Paribas Personal Finance, unanimous consent from the Company and the joint venture partners is needed as certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNP Paribas Personal Finance. Both of the Group and BNP Paribas Personal Finance have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method.

On 25 July 2016, the Company entered into a master disposal agreement with its ultimate holding company to dispose of the Group's entire interests in Kandi Electric and Ninghai Zhidou at an aggregate cash consideration of approximately RMB1,346,487,000, of which RMB725,413,000 and RMB621,074,000 are for the disposal of Kandi Electric and Ninghai Zhidou, respectively. The disposals were completed on 31 October 2016. The carrying amount of the Group's interests in Kandi Electric and Ninghai Zhidou at the disposal date were RMB512,381,000 and RMB459,686,000, respectively and a gain on disposal of interests in joint ventures of RMB374,420,000 was recognised in the consolidated income statement.

On 8 January 2015, the Group entered into a joint venture agreement with independent third parties for the establishment of a joint venture, Ninghai Zhidou, to engage in the research and production of automobile parts, components and engines, electric vehicles and the provision of related after-sale services in the PRC. The Group has contributed its entire shareholding in Lanzhou Zhidou Electric Vehicles Company Limited (formerly known as "Lanzhou Geely Automobile Industrial Company Limited") ("Lanzhou Zhidou"), which was owned as to 99% by the Group. The registered capital of Ninghai Zhidou was RMB1,000,000,000, and Ninghai Zhidou was owned as to 50% by the Group and as to 50% by the joint venture partners. All decisions need unanimous consent of the Group and the joint venture parties and both of them have the rights to the net assets of Ninghai Zhidou.

In September 2015, Ninghai Zhidou effected an increase in registered capital whereby the other joint venture partners injected additional capital to Ninghai Zhidou amounting to RMB111,110,000. Upon the completion of the capital increase, the registered capital of Ninghai Zhidou changed from RMB1,000,000,000 to RMB1,111,110,000. As a result of such an increase in registered capital, the Group's equity interest in Ninghai Zhidou was diluted from 50% to 45% and a dilution gain of RMB4,921,000 was recognised during the year. The capital increase contributed a deemed disposal for the Group. Despite the dilution in equity interest, the Group was still able to exert joint control over the financial and operating activities on Ninghai Zhidou. Accordingly, the Group continues to account for such investment as a joint venture.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

| | Genius AFC | | Ninghai Zhidou | Kandi Electric |
|---|---|---|---|---|
| | **2016** | 2015 | 2015 | 2015 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | **63,530** | 28,857 | 896,003 | 1,239,611 |
| Current assets | **3,395,115** | 1,136,904 | 3,343,936 | 2,991,142 |
| Current liabilities | **(2,586,983)** | (291,278) | (3,022,912) | (2,795,147) |
| Non-current liabilities | **–** | (1,038) | – | (241,323) |
| Net assets | **871,662** | 873,445 | 1,217,027 | 1,194,283 |
| The above amounts of assets and liabilities include the following: | | | | |
| Cash and cash equivalents | **1,025,575** | 1,024,357 | 467,167 | 942,553 |
| Current financial liabilities (excluding trade and other payables and provisions) | **(2,300,560)** | (274,100) | (486,418) | (1,782,983) |
| Non-current financial liabilities (excluding trade and other payables and provisions) | **–** | (1,038) | – | (241,323) |
| Revenue | **97,375** | 19,602 | 3,397,588 | 1,818,376 |
| (Loss)/profit for the year | **(1,783)** | (26,555) | 103,040 | 166,736 |
| Other comprehensive income for the year | **–** | – | – | – |
| Total comprehensive (loss)/income for the year | **(1,783)** | (26,555) | 103,040 | 166,736 |
| Dividend received from the joint ventures | **–** | – | – | – |
| The above (losses)/profits for the year include the following: | | | | |
| Depreciation and amortisation | **(5,146)** | (1,374) | (25,338) | (70,790) |
| Interest income | **94,505** | 19,468 | – | 13,439 |
| Interest expense | **(14,621)** | (425) | (9,149) | (55,170) |
| Income tax credit/(expense) | **8,147** | – | (4,513) | (46,354) |

## 19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

| | **Genius AFC** | | **Ninghai Zhidou** | **Kandi Electric** |
|---|---|---|---|---|
| | **2016** | 2015 | 2015 | 2015 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| Net assets of the joint venture | **871,662** | 873,445 | 1,217,027 | 1,194,283 |
| The Group's effective interests in the joint venture | **80%** | 80% | 45% | 50% |
| The Group's share of the net assets of the joint venture | **697,330** | 698,756 | 547,662 | 597,142 |
| Unrealised gain on disposal of land lease prepayments to a joint venture | **–** | – | – | (71,600) |
| Unrealised gain on disposal of a subsidiary to a joint venture | **–** | – | (62,879) | – |
| Carrying amount of the Group's interests in the joint venture | **697,330** | 698,756 | 484,783 | 525,542 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Raw materials | **790,037** | 394,917 |
| Work in progress | **340,130** | 244,098 |
| Finished goods | **1,935,640** | 587,154 |
| | **3,065,807** | 1,226,169 |

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Carrying amount of inventories sold | **43,879,859** | 24,667,603 |
| Write-down of inventories | **861** | 20,920 |
| | **43,880,720** | 24,688,523 |

## 21. TRADE AND OTHER RECEIVABLES

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Trade and notes receivables** | | | |
| Trade receivables | | | |
| – Third parties | | **794,960** | 890,920 |
| – A joint venture | | **–** | 53,256 |
| – Associates | | **247,904** | 111,757 |
| – Related companies controlled by the substantial shareholder of the Company | | **194,496** | 537,203 |
| | (a) | **1,237,360** | 1,593,136 |
| Notes receivables | (b) | **24,864,054** | 10,203,692 |
| | | **26,101,414** | 11,796,828 |
| **Deposit, prepayment and other receivables** | | | |
| Prepayment to suppliers | | | |
| – Third parties | | **89,691** | 82,609 |
| – Related companies controlled by the substantial shareholder of the Company | | **376,129** | 750,645 |
| | | **465,820** | 833,254 |
| Deposits paid for acquisition of property, plant and equipment | | **355,077** | 558,920 |
| VAT and other taxes receivables | | **1,396,907** | 1,187,706 |
| Utility deposits and other receivables | | **454,657** | 370,875 |
| | | **2,672,461** | 2,950,755 |
| Amounts due from related companies controlled by the substantial shareholder of the Company | (c) | **27,345** | 62,605 |
| Amount due from ultimate holding company | (c) | **236,256** | 27 |
| Amount due from a joint venture | (d) | **3,155** | 26,224 |
| | | **2,939,217** | 3,039,611 |
| | | **29,040,631** | 14,836,439 |

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers. Further details on the Group's credit policy are set out in note 37. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date, at the reporting date:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| 0 – 60 days | **441,619** | 275,711 |
| 61 – 90 days | **30,417** | 95,013 |
| Over 90 days | **50,288** | 745,188 |
| | **522,324** | 1,115,912 |

For overseas customers, the Group allows credit periods ranged from 30 days to 720 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date, at the reporting date:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| 0 – 60 days | **295,659** | 178,886 |
| 61 – 90 days | **25,726** | 17,208 |
| 91 – 365 days | **237,934** | 125,509 |
| Over 365 days | **155,717** | 155,621 |
| | **715,036** | 477,224 |

As at 31 December 2016, 7% (2015: 24%) of the total trade receivables was due from the Group's five largest customers.

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables (Continued)

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but neither individually nor collectively considered to be impaired is as follows:

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| 1 – 30 days past due | **129,699** | 31,621 |
| 31 – 60 days past due | **65,569** | 95,737 |
| 61 – 90 days past due | **43,516** | 25,484 |
| Over 90 days past due | **258,094** | 785,053 |
| | **496,878** | 937,895 |

As at 31 December 2016, trade receivables of RMB740,482,000 (2015: RMB655,241,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

The Group does not charge interest on overdue balances. Included in the Group's trade receivables were receivables with a carrying amount of RMB496,878,000 (2015: RMB937,895,000) which were past due at the reporting date for which the Group has not provided for impairment loss. The Group held certain property, plant and equipment of an overseas customer with carrying amount of approximately USD9,535,000 (equivalent to approximately RMB68,263,000) as collateral over certain overdue balances for over 90 days amounted to RMB68,263,000 as at 31 December 2016 (2015: RMB199,277,000). The Group did not hold any collateral over the remaining balances. No impairment has been made to the trade receivables. Receivables that were past due but not impaired were mainly related to large corporations that have long trading history with the Group and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable.

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2016 and 2015, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

As at 31 December 2016, none of the Group's notes receivables (2015: RMB23,365,000) were pledged to banks to secure the Group's notes payables (note 25(b)).

### (c) Amounts due from related companies/ultimate holding company

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

### (d) Amount due from a joint venture

The amount due from a joint venture is unsecured, interest-free and repayable on demand.

Except for trade and other receivables of RMB146,263,000 (2015: RMB116,789,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| Listed investments | | |
| – Equity securities listed outside Hong Kong | **–** | 17,118 |

The fair value of the listed investments is based on the quoted market price available.

## 23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Unlisted investments | | |
| – Equity securities | **21,779** | 21,650 |

The unlisted equity securities are stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

## 24. SENIOR NOTES

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of USD300,000,000 (equivalent to approximately RMB1,836,750,000) (the "Senior Notes"). The Senior Notes carry interest at 5.25% per annum, payable semi-annually in arrears on 6 April and 6 October, and will mature on 6 October 2019, unless redeemed earlier.

The Senior Notes are listed on the SEHK. They are unsecured, have senior obligations and guaranteed by certain of the Company's subsidiaries operating in the PRC. The guarantee is effectively subordinated to all existing and future secured obligations of the Company to the extent of the value of the collateral securing such obligations.

At any time on or after 6 October 2017, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if they are redeemed during the twelve-month period beginning on 6 October of the years indicated below:

| **Period** | **Redemption Price** |
|---|---|
| 2017 | 102.625% |
| 2018 and thereafter | 101.313% |

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### 24. SENIOR NOTES (Continued)

The carrying amount of the Senior Notes at initial recognition net of transaction costs amounted to USD296,311,000 (equivalent to approximately RMB1,814,165,000) and the effective interest rate is 5.54% per annum. The Senior Notes are carried at amortised cost and are not expected to be settled within one year.

The movement of the Senior Notes during the year is set out below:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Carrying amount** | | |
| At 1 January | **1,928,856** | 1,820,138 |
| Interest expenses | **4,658** | 4,232 |
| Exchange differences | **134,802** | 104,486 |
| At 31 December | **2,068,316** | 1,928,856 |

The Senior Notes are subject to the fulfilment of certain financial and non-financial covenants, as commonly found in lending arrangements in senior notes. If the Group was to breach the covenants, the principal, and, accrued and unpaid interest of the Senior Notes would become payable on demand. The directors consider that none of the covenants had been breached as at 31 December 2016 and 2015.

## 25. TRADE AND OTHER PAYABLES

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Trade and notes payables** | | | |
| Trade payables | | | |
| – Third parties | | **21,083,397** | 9,001,560 |
| – Associates | | **1,627,710** | 737,199 |
| – Related companies controlled by the substantial shareholder of the Company | | **330,157** | 1,394,491 |
| | (a) | **23,041,264** | 11,133,250 |
| Notes payables | (b) | **99,540** | 71,655 |
| | | **23,140,804** | 11,204,905 |
| **Other payables** | | | |
| Receipts in advance from customers | | | |
| – Third parties | | **7,909,709** | 2,064,772 |
| – Related companies controlled by the substantial shareholder of the Company | | **723** | 234,574 |
| | | **7,910,432** | 2,299,346 |
| Deferred government grants which conditions have not been satisfied | | **1,572,863** | 2,737,519 |
| Payables for acquisition of property, plant and equipment | | **714,524** | 211,267 |
| Accrued staff salaries and benefits | | **514,534** | 419,020 |
| VAT and other taxes payables | | **85,063** | 171,957 |
| Other accrued charges | | **1,950,900** | 1,534,742 |
| | | **12,748,316** | 7,373,851 |
| Amounts due to related companies controlled by the substantial shareholder of the Company | (c) | **3,889,874** | 1,535,585 |
| Amount due to ultimate holding company | (c) | **–** | 30 |
| | | **16,638,190** | 8,909,466 |
| | | **39,778,994** | 20,114,371 |

## 25. TRADE AND OTHER PAYABLES (Continued)

### (a) Trade payables

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

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| 0 – 60 days | **20,638,859** | 8,746,578 |
| 61 – 90 days | **1,624,387** | 1,090,495 |
| Over 90 days | **778,018** | 1,296,177 |
| | **23,041,264** | 11,133,250 |

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

### (b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2016 and 2015, all notes payables have maturities of less than six months from the reporting date.

As at 31 December 2016, the Group pledged notes receivables and pledged bank deposits of RMBNil (2015: RMB23,365,000) and RMB39,304,000 (2015: RMB40,533,000) respectively to secure the notes payables.

### (c) Amounts due to related companies/ultimate holding company

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

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

## 26. BANK BORROWINGS

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Bank loans, unsecured | **174,375** | - |

As at 31 December 2016, the Group's bank borrowings were carried at amortised cost, repayable within three months and interest bearing at the London Interbank Offered rates plus 1% per annum. Also, there is a repayable on demand clause in the banking facilities.

All of the Group's banking facilities are subject to the fulfilment of covenants that are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2016 and 2015, none of the covenants relating to drawn down facilities had been breached.

Further details of the Group's management of liquidity risk were set out in note 37.

## 27. DEFERRED TAX ASSETS AND LIABILITIES

The following is the deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements thereon during the year:

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| At 1 January | **80,689** | 97,026 |
| Exchange differences | **–** | 150 |
| Credit to the consolidated income statement (note 10) | **(70,724)** | (16,487) |
| At 31 December | **9,965** | 80,689 |

**Deferred tax assets**

| | **Unused tax losses RMB'000** | **Intangible assets RMB'000** | **Others RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| At 1 January 2015 | – | 18,114 | 33,595 | 51,709 |
| Exchange differences | – | – | (150) | (150) |
| Credit to the consolidated income statement | 28,144 | 13,547 | 888 | 42,579 |
| At 31 December 2015 and 1 January 2016 | 28,144 | 31,661 | 34,333 | 94,138 |
| (Charge)/Credit to the consolidated income statement | (20,487) | 94,378 | 20,078 | 93,969 |
| **At 31 December 2016** | **7,657** | **126,039** | **54,411** | **188,107** |

## 27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

**Deferred tax liabilities**

| | **Withholding tax on undistributed profits from the PRC subsidiaries RMB'000** |
|---|---|
| At 1 January 2015 | 148,735 |
| Net charge to the consolidated income statement (note 10) | 26,092 |
| At 31 December 2015 and 1 January 2016 | 174,827 |
| Net charge to the consolidated income statement (note 10) | 23,245 |
| **At 31 December 2016** | **198,072** |

The deferred tax assets have been offset against certain deferred tax liabilities in the consolidated statement of financial position as they are related to the same entity and related to tax levied by the same tax authority. The amounts recognised in the consolidated statement of financial position are as follows:

| | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| Deferred tax assets recognised in the consolidated statement of financial position | **(188,107)** | (94,138) |
| Deferred tax liabilities recognised in the consolidated statement of financial position | **198,072** | 174,827 |
| Net deferred tax liabilities | **9,965** | 80,689 |

## 27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

### Deferred tax liabilities (Continued)

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB9,166,229,000 (2015: RMB8,577,099,000).

As at the reporting date, the Group has unused tax losses of approximately RMB2,209,828,000 (2015: RMB1,983,847,000) available for offset against future profits. Of the total tax losses, approximately RMB282,204,000 (2015: RMB352,000,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

## 28. SHARE CAPITAL

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Number of shares** | **Nominal value RMB'000** | Number of shares | Nominal value RMB'000 |
| Authorised: | | | | |
| Ordinary shares of HK$0.02 each | | | | |
| At 31 December | **12,000,000,000** | **246,720** | 12,000,000,000 | 246,720 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK$0.02 each | | | | |
| At 1 January | **8,801,986,540** | **161,354** | 8,801,446,540 | 161,346 |
| Shares issued under share option scheme (note) | **80,875,000** | **1,354** | 540,000 | 8 |
| At 31 December | **8,882,861,540** | **162,708** | 8,801,986,540 | 161,354 |

Note:

During the year ended 31 December 2016, share options were exercised to subscribe for 80,875,000 ordinary shares (2015: 540,000 ordinary shares) of the Company at a consideration of approximately RMB273,482,000 (2015: RMB1,735,000) of which approximately RMB1,354,000 (2015: RMB8,000) was credited to share capital and approximately RMB272,128,000 (2015: RMB1,727,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB121,731,000 (2015: RMB775,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(n).

## 29. RESERVES

### (a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

### (b) Statutory reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

### (c) Capital reserve

Capital reserve represents differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the subsidiaries of the Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company, and its subsidiaries in prior years.

### (d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(g).

### (e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(n).

### (f) Accumulated profits

Accumulated profits represent accumulated net profit or losses less dividends paid plus other transfers to or from other reserves.

## 30. DISPOSALS OF SUBSIDIARIES

**Disposal of Zhejiang Shou La Shou Automobile Services Company Limited# ("Shou La Shou") 浙江手拉手汽車服務有限公司 and Hangzhou Ha Man Automobile Services Company Limited# ("Ha Man") 杭州哈曼汽車服務有限公司**

On 28 January 2016, the Group entered into an equity transfer agreement with an independent third party for the disposal of the entire interests in Shou La Shou and Ha Man, the indirectly owned subsidiaries with 64.4% equity interests (the "Disposal"), which are engaged in sales of vehicles and provision of automobile services. The Disposal was completed on the same date. The aggregate consideration for the Disposal was RMB2,110,000 and a gain on disposal of subsidiaries of RMB72,000 was recorded in "Other income" in the consolidated income statement. The carrying amount of total net assets disposed of and non-controlling interests at the disposal date were RMB3,147,000 and RMB1,109,000, respectively.

**Disposal of Hangzhou Xuan Yu Human Resources Company Limited# ("Xuan Yu") 杭州軒宇人力資源有限公司**

In December 2016, the Group entered into an equity transfer agreement for the disposal of the entire interests in Xuan Yu, a wholly owned subsidiary, to a related party controlled by the substantial shareholder of the Company ("Xuan Yu Disposal"). Xuan Yu Disposal was completed on 26 December 2016. The consideration for Xuan Yu Disposal was RMB500,000 and a gain on disposal of subsidiaries of RMB154,000 was recorded in "Other income" in the consolidated income statement. The carrying amount of net assets disposed of at the disposal date was RMB346,000.

**Disposal of Zhejiang Geely Gearbox Limited# ("Zhejiang Gearbox") 浙江吉利變速器有限公司**

In December 2016, the Group entered into an equity transfer agreement for the disposal of 99% equity interest in Zhejiang Gearbox, an indirectly owned subsidiary with 99% equity interest, to an independent third party ("Zhejiang Gearbox Disposal"). Zhejiang Gearbox Disposal was completed on 30 December 2016. The consideration for Zhejiang Gearbox Disposal was RMB11,260,000 and a gain on disposal of subsidiaries of RMB1,051,000 was recorded in "Other income" in the consolidated income statement. The retained interest of 1% in Zhejiang Gearbox of RMB129,000 was recorded in "Available-for-sale financial assets" in the consolidated statement of financial position. The carrying amount of net assets disposed of and non-controlling interests at the disposal date were RMB10,443,000 and RMB105,000, respectively.

# The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

## 31. COMMITMENTS

### Capital expenditure commitments

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

| | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| Contracted but not provided for, net of deposits paid | | |
| – purchase of property, plant and equipment | **2,281,468** | 1,514,991 |

### Operating lease commitments – as lessee

As at the reporting date, the total future minimum lease payments in respect of office and factory premises and other assets under non-cancellable operating leases are payable as follows:

| | **2016 RMB'000** | 2015 RMB'000 |
|---|---|---|
| Office and factory premises | | |
| Within one year | **5,516** | 6,126 |
| In the second to fifth years inclusive | **10,564** | 12,349 |
| After five years | **3,961** | 6,602 |
| | **20,041** | 25,077 |
| Other assets | | |
| Within one year | **–** | 136 |
| | **20,041** | 25,213 |

Leases are negotiated and rental are fixed for an initial period of one to three years (2015: one to three years) with an option to renew the leases when all terms are renegotiated.

## 31. COMMITMENTS (Continued)

### Operating lease commitments – as lessor

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

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| Leasehold land and buildings | | |
| Within one year | **7,101** | 4,391 |
| In the second to fifth years inclusive | **26,679** | 16,877 |
| After five years | **22,038** | 26,235 |
| | **55,818** | 47,503 |
| Motor vehicles and plant and machinery | | |
| Within one year | **4,001** | 4,001 |
| In the second to fifth years inclusive | **16,004** | 16,004 |
| After five years | **21,005** | 25,006 |
| | **41,010** | 45,011 |
| | **96,828** | 92,514 |

Leases are negotiated and rental are fixed for an initial period of one to fourteen years (2015: one to fourteen years).

## 32. RETIREMENT BENEFITS SCHEME

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' relevant income to the scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB24,000) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employee's basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in these countries.

During the year, the aggregate employer's contributions made by the Group amounted to RMB180,739,000 (2015: RMB127,954,000).

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the "Old Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the "New Share Option Scheme") was adopted to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the "Scheme". After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the Board of Directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within five business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of each share option is HK$1.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year from the second year of the grant date.

The subscription price for the shares under the Scheme is a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons:

**2016**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Transfer upon appointment or resignation | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Mr. Ang Siu Lun, Lawrence | 18 January 2010 to 17 January 2020 | 4.07 | 11,000,000 | – | – | – | – | 11,000,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | 5,000,000 | – | – | – | – | 5,000,000 |
| Mr. An Cong Hui | 18 January 2010 to 17 January 2020 | 4.07 | 9,000,000 | – | (4,300,000) | – | – | 4,700,000 |
| Mr. An Qing Heng | 9 January 2016 to 8 January 2020 | 2.79 | 1,000,000 | – | – | – | – | 1,000,000 |
| Mr. Gui Sheng Yue | 18 January 2010 to 17 January 2020 | 4.07 | 11,500,000 | – | – | – | – | 11,500,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | 6,000,000 | – | – | – | – | 6,000,000 |
| Mr. Li Dong Hui, Daniel | 23 March 2012 to 22 March 2022 | 4.07 | – | – | (3,500,000) | – | 7,000,000 | 3,500,000 |
| Mr. Liu Jin Liang | 18 January 2010 to 17 January 2020 | 4.07 | 9,000,000 | – | – | – | (9,000,000) | – |
| Ms. Wei Mei | 18 January 2010 to 17 January 2020 | 4.07 | 3,000,000 | – | (2,100,000) | – | – | 900,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 5,000,000 | – | – | – | – | 5,000,000 |
| Mr. Yang Jian | 18 January 2010 to 17 January 2020 | 4.07 | 12,000,000 | – | (3,000,000) | – | – | 9,000,000 |
| Mr. Lee Cheuk Yin, Dannis | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | (700,000) | – | – | 300,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | 1,000,000 | – | (250,000) | – | – | 750,000 |
| Mr. Yeung Sau Hung, Alex | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | (700,000) | – | – | 300,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | 1,000,000 | – | (250,000) | – | – | 750,000 |
| Mr. Carl Peter Edmund Moriz Forster | 9 January 2016 to 8 January 2020 | 2.79 | 1,000,000 | – | – | – | – | 1,000,000 |
| Mr. Wang Yang | 9 January 2016 to 8 January 2020 | 2.79 | 1,000,000 | – | – | – | – | 1,000,000 |
| | | | 78,500,000 | – | (14,800,000) | – | (2,000,000) | 61,700,000 |

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### 2016 (Continued)

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Transfer upon appointment or resignation | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|---|
| **Employees** | 18 January 2010 to 17 January 2020 | 4.07 | 284,760,000 | – | (61,455,000) | (7,800,000) | 9,000,000 | 224,505,000 |
| | 21 April 2010 to 20 April 2020 | 4.07 | 13,000,000 | – | (920,000) | (300,000) | – | 11,780,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 16,500,000 | – | (2,250,000) | – | (7,000,000) | 7,250,000 |
| | 25 June 2012 to 24 June 2022 | 4.07 | 9,000,000 | – | – | (9,000,000) | – | – |
| | 17 January 2013 to 16 January 2023 | 4.11 | 4,100,000 | – | – | (4,100,000) | – | – |
| | 9 January 2016 to 8 January 2020 | 2.79 | 16,900,000 | – | (1,350,000) | (1,150,000) | – | 14,400,000 |
| | 2 June 2016 to 1 June 2020 | 4.08 | 1,000,000 | – | – | – | – | 1,000,000 |
| | | | 345,260,000 | – | (65,975,000) | (22,350,000) | 2,000,000 | 258,935,000 |
| **Other eligible participants** | 2 June 2016 to 1 June 2020 | 4.08 | 20,400,000 | – | (100,000) | – | – | 20,300,000 |
| | | | 444,160,000 | – | (80,875,000) | (22,350,000) | – | 340,935,000 |

| | Outstanding at 1 January HK$ | Granted during the year HK$ | Exercised during the year HK$ | Forfeited during the year HK$ | Outstanding at 31 December HK$ |
|---|---|---|---|---|---|
| Weighted average exercise price per share | 3.98 | – | 4.04 | 4.01 | 3.96 |
| Weighted average remaining contractual life of options outstanding as at 31 December 2016 | | | | | 3.18 years |
| Number of options exercisable as at 31 December 2016 | | | | | 165,291,000 |
| Weighted average exercise price per share of options exercisable as at 31 December 2016 | | | | | HK$4.07 |

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

2015

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Transfer upon resignation | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Mr. Ang Siu Lun, Lawrence | 18 January 2010 to 17 January 2020 | 4.07 | 11,000,000 | – | – | – | – | 11,000,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 5,000,000 | – | – | – | 5,000,000 |
| Mr. An Cong Hui | 18 January 2010 to 17 January 2020 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| Mr. An Qing Heng | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| Mr. Gui Sheng Yue | 18 January 2010 to 17 January 2020 | 4.07 | 11,500,000 | – | – | – | – | 11,500,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 6,000,000 | – | – | – | 6,000,000 |
| Mr. Liu Jin Liang | 18 January 2010 to 17 January 2020 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| Ms. Wei Mei | 18 January 2010 to 17 January 2020 | 4.07 | 3,000,000 | – | – | – | – | 3,000,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 5,000,000 | – | – | – | – | 5,000,000 |
| Mr. Yang Jian | 18 January 2010 to 17 January 2020 | 4.07 | 12,000,000 | – | – | – | – | 12,000,000 |
| Mr. Lee Cheuk Yin, Dannis | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | – | – | – | 1,000,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| Mr. Yeung Sau Hung, Alex | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | – | – | – | 1,000,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| Mr. Carl Peter Edmund Moriz Forster | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| Mr. Wang Yang | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| | | | 62,500,000 | 16,000,000 | – | – | – | 78,500,000 |

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

2015 (Continued)

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Transfer upon resignation | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|---|
| **Employees** | 18 January 2010 to 17 January 2020 | 4.07 | 306,750,000 | – | (540,000) | (21,450,000) | – | 284,760,000 |
| | 21 April 2010 to 20 April 2020 | 4.07 | 14,000,000 | – | – | (1,000,000) | – | 13,000,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 16,500,000 | – | – | – | – | 16,500,000 |
| | 25 June 2012 to 24 June 2022 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| | 17 January 2013 to 16 January 2023 | 4.11 | 4,100,000 | – | – | – | – | 4,100,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 16,900,000 | – | – | – | 16,900,000 |
| | 2 June 2016 to 1 June 2020 | 4.08 | – | 1,000,000 | – | – | – | 1,000,000 |
| | | | 350,350,000 | 17,900,000 | (540,000) | (22,450,000) | – | 345,260,000 |
| **Other eligible participants** | 2 June 2016 to 1 June 2020 | 4.08 | – | 20,400,000 | – | – | – | 20,400,000 |
| | | | 412,850,000 | 54,300,000 | (540,000) | (22,450,000) | – | 444,160,000 |

| | Outstanding at 1 January HK$ | Granted during the year HK$ | Exercised during the year HK$ | Forfeited during the year HK$ | Outstanding at 31 December HK$ |
|---|---|---|---|---|---|
| Weighted average exercise price per share | 4.07 | 3.30 | 4.07 | 4.07 | 3.98 |
| Weighted average remaining contractual life of options outstanding as at 31 December 2015 | | | | | 4.25 years |
| Number of options exercisable as at 31 December 2015 | | | | | 226,586,000 |
| Weighted average exercise price per share of options exercisable as at 31 December 2015 | | | | | HK$4.07 |

The Group recognised a total of RMB42,192,000 (2015: RMB61,875,000) in relation to share options granted by the Company and the share-based payments were shown as a separate line item on the face of the consolidated income statement.

## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties:

### (a) Transactions

| Name of related parties | Nature of transactions | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司 | Sales of complete knock down kits and sedan tool kits (note f) | **26,768,993** | 14,554,461 |
| | Sales of automobile parts and components (note f) | **1,009** | 15,397 |
| | Claims income on defective materials purchased | **114,687** | 80,610 |
| | Purchase of complete buildup units (note f) | **27,039,398** | 15,270,192 |
| | Purchase of automobile parts and components (note f) | **6,066** | 21,645 |
| | Sub-contracting fee paid (note f) | **31,188** | 31,709 |
| | Claims paid on defective materials sold | **114,619** | 73,151 |
| | Acquisition of property, plant and equipment | **3,369** | 6,343 |
| | Research and development services rendered | **64** | 6,567 |
| | Disposal of property, plant, and equipment | **1,364** | 1,026 |
| | Disposal of intangible assets | **13,386** | - |
| Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司 | Sales of automobile parts and components (note f) | **521** | 479 |
| | Claims income on defective materials purchased | **-** | 244 |
| | Rental income | **66** | 178 |
| | Research and development services rendered | **68** | 1,480 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司 | Sales of complete knock down kits and sedan tool kits (note f) | **23,859,407** | 11,132,964 |
| | Sales of complete knock down kits (Electric Vehicles) (note f) | **128,283** | – |
| | Sales of automobile parts and components (note f) | **1,139** | 772 |
| | Claims income on defective materials purchased | **110,864** | 101,606 |
| | Purchase of complete buildup units (note f) | **24,619,656** | 11,661,224 |
| | Purchase of automobile parts and components (note f) | **35** | 333 |
| | Sub-contracting fee paid (note f) | **14,850** | 17,575 |
| | Claims paid on defective materials sold | **110,914** | 103,850 |
| | Acquisition of property, plant and equipment | **2,261** | 1,241 |
| | Rental income | **154** | 290 |
| Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司 | Claims income on defective materials purchased | **36,319** | 25,316 |
| | Purchase of automobile parts and components (note f) | **9,070,513** | 4,601,237 |
| | Acquisition of property, plant and equipment | **939** | 1,758 |
| Taizhou Haoqing Automobile Sales Company Limited# 台州豪情汽車銷售有限公司 | Sales of after sales car parts | **–** | 3,254 |
| | Sales of complete buildup units (note f) | **507,913** | 186,964 |
| | Sales of automobiles parts and components (note f) | **5,782** | – |
| | Claims income on defective materials purchased | **2,546** | – |
| | Claims paid on defective materials sold | **–** | 1,611 |
| | Acquisition of property, plant and equipment | **–** | 581 |
| Shanghai LTI Automobile Components Company Limited# 上海英倫帝華汽車部件有限公司 | Sales of automobile parts and components (note f) | **4** | 33 |
| | Purchase of automobile parts and components (note f) | **7,883** | 4,424 |
| | Rental income | **7,494** | 4,198 |

## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Hunan Jisheng International Drivetrain System Company Limited# ("Hunan Jisheng") (note (c)) 湖南吉盛國際動力傳動系統有限公司 | Purchase of automobile parts and components | **–** | 69,574 |
| | Claims income on defective materials purchased | **–** | 11,188 |
| Geely Automobile Research Development Co., Ltd# 寧波吉利汽車研究開發有限公司 | Sales of complete knock down kits and sedan tool kits (note f) | **973** | 12,159 |
| | Sales of automobile parts and components (note f) | **3,631** | 2,391 |
| Volvo Car Technology (Shanghai) Co., Ltd# 沃爾沃汽車技術(上海)有限公司 | Service fee income | **–** | 2,151 |
| Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司 | Sales of complete buildup units (Electric Vehicles) (note f) | **2,218,473** | – |
| | Claims income on defective materials purchased | **38** | – |
| Shenzhen Geely Automobile Sales Company Limited# 深圳吉利汽車銷售有限公司 | Sales of complete buildup units (Electric Vehicles) (note f) | **11,435** | – |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Shanxi New Energy Automobile Industrial Company Limited# 山西新能源汽車工業有限公司 | Sales of automobile parts and components (note f) | **2,015** | – |
| | Acquisition of a subsidiary (note 35) (note f) | **720,244** | – |
| Baoji Geely Automobile Company Limited# 寶雞吉利汽車有限公司 | Acquisition of a subsidiary (note 35) (note f) | **702,207** | – |
| Hangzhou Geely Yiyun Technology Company Limited# 杭州吉利易雲科技有限公司 | IT services expenses (note f) | **28,919** | – |
| Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司 | Business travel services expenses (note f) | **30,110** | – |
| Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note d) 康迪電動汽車(上海)有限公司 | Sales of automobile parts and components (note f) | **15,563** | – |
| | Purchase of automobile parts and components (note f) | **973** | – |
| **Associates** | | | |
| Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司 | Purchase of automobile parts and components | **1,199,332** | 1,169,254 |
| | Service fee income | **5,257** | 4,015 |

## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Associates** | | | |
| Ningbo DIPO Traffic Facilities Co., Ltd# 寧波帝寶交通器材有限公司 | Purchase of automobile parts and components | – | 38,676 |
| Closed Joint Stock Company BELGEE | Sales of complete buildup units | 214,541 | 15,601 |
| Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司 | Purchase of automobile parts and components | – | 180,922 |
| **Joint venture and its subsidiary** | | | |
| Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note d) 康迪電動汽車(上海)有限公司 | Sales of complete buildup units | 303 | – |
| | Sales of automobile parts and components | 65,880 | 71,802 |
| | Purchase of automobile parts and components | 308 | – |
| Genius Auto Finance Company Limited# 吉致汽車金融有限公司 | Service fee income | 9,920 | 6,030 |
| **Ultimate holding company** | | | |
| Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司 | Disposal of joint ventures (note 19) (note f) | 1,346,487 | – |

# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions (Continued)

Notes:

(a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue license and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(c) In May 2015, the Company's ultimate holding company has disposed of Hunan Jisheng to an independent third party. Subsequently, Hunan Jisheng was no longer a related company of the Group. The transactions in 2015 represented purchases and claims income before the disposal.

(d) In October 2016, the Company has disposed of Kandi Electric to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries became related companies of the Group.

(e) The related party transactions were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third parties of the Group.

(f) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Directors' Report" section to this annual report.

#### (b) Compensation of key management personnel

The remuneration of directors (as disclosed in note 13) and other members of key management during the year are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Short-term benefits | **14,402** | 12,796 |
| Retirement scheme contribution | **220** | 216 |
| Equity settled share-based payments | **42,192** | 61,875 |
| | **56,814** | 74,887 |

The remuneration of directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends. Total remuneration is included in "staff costs" (see note 9(b)).

## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (c) Financial guarantee contracts

As at 31 December 2016, the Group has provided guarantees with respect to banking facilities granted to the Company's ultimate holding company of RMB590,000,000 (2015: RMB320,000,000), and bank borrowings and notes payables of the Group's related companies totalling RMB101,180,000 (2015: RMB143,690,000). Without taking into account any collateral held, this represented the Group's maximum exposure under the financial guarantee contracts at the reporting date. As at 31 December 2016, the Group's maximum exposure under the financial guarantee contracts was determined to be RMB691,180,000 (2015: RMB463,690,000). As at the reporting date, the Company's ultimate holding company will provide 100% counter guarantees to the Group by way of cash in respect of the above guarantees provided by the Group to the respective banks.

Under the financial guarantee contracts, land lease prepayments and property, plant and equipment of the Group with carrying amounts of RMB76,754,000 (2015: RMB78,588,000) and RMB135,734,000 (2015: RMB141,297,000), respectively have been pledged to the banks as at 31 December 2016.

The Group would only be liable to pay the banks if the banks are unable to recover the loans. No provision for the Group's obligation under the financial guarantee contracts have been made as it was not probable that the repayment of the bank borrowings by the Company's ultimate holding company and settlement of bank borrowing and notes payables by the related companies would be in default. According to the terms of the bank loans, the earliest repayment dates of the bank loans of RMB620,000,000 and RMB270,000,000 are in 2017 and 2018, respectively (2015: RMB400,000,000 and RMB220,000,000 are in 2016 and 2017, respectively), and the notes payables of the related companies would be repayable within one year. The financial guarantee is measured at fair value in initial recognition. The fair value of the guarantee is insignificant.

Other than the material related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 35. BUSINESS COMBINATIONS

### Baoji Geely Automobile Components Company Limited# ("Baoji Geely") 寶雞吉利汽車部件有限公司

On 1 June 2016, Zhejiang Jirun Automobile Company Limited# ("Jirun Automobile") 浙江吉潤汽車有限公司, a 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Baoji Geely for a cash consideration of approximately RMB702,207,000. Baoji Geely is engaged in provision of research, development, production and marketing services and sales of vehicles and related automobile components in the PRC. The acquisition of Baoji Geely was completed on 18 August 2016. Please refer to the Company's circular dated 21 July 2016 for further details.

## 35. BUSINESS COMBINATIONS (Continued)

**Baoji Geely Automobile Components Company Limited# ("Baoji Geely") 寶雞吉利汽車部件有限公司 (Continued)**

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

| | Baoji Geely RMB'000 |
|---|---|
| The net assets acquired: | |
| Property, plant and equipment (note 14) | 1,492,996 |
| Land lease prepayments (note 16) | 189,180 |
| Trade and other receivables | 223,548 |
| Inventories | 3,362 |
| Bank balances and cash | 31,323 |
| Trade and other payables | (1,241,361) |
| | 699,048 |
| Goodwill arising on acquisition (note 17): | |
| Cash consideration transferred | 702,207 |
| Fair value of identifiable net assets acquired | (699,048) |
| | 3,159 |
| Net cash outflow arising on acquisition of a subsidiary: | |
| Cash consideration paid | (702,207) |
| Bank balances and cash acquired | 31,323 |
| | (670,884) |

There is no difference between the pre-acquisition carrying amounts and fair value of the assets acquired and liabilities recognised. No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhance its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising on the acquisition is not expected to be deductible for tax purpose.

## 35. BUSINESS COMBINATIONS (Continued)

### Baoji Geely Automobile Components Company Limited# ("Baoji Geely") 寶雞吉利汽車部件有限公司 (Continued)

Baoji Geely has contributed revenue and loss of RMBNil and RMB132,090,000, respectively from the acquisition date to 31 December 2016.

If the acquisition had occurred on 1 January 2016, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2016 would be RMB53,721,576,000 and RMB5,165,979,000, 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 2016 and could not serve as a basis for the forecast of future operation results.

### Shanxi Geely Automobile Components Company Limited# ("Shanxi Geely") 山西吉利汽車部件有限公司

On 1 June 2016, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Shanxi Geely for a cash consideration of approximately RMB720,244,000. Shanxi Geely is engaged in provision of research, development, production and marketing services and sales of vehicles and related automobile components in the PRC. The acquisition of Shanxi Geely was completed on 12 August 2016. Please refer to the Company's circular dated 21 July 2016 for further details.

## 35. BUSINESS COMBINATIONS (Continued)

**Shanxi Geely Automobile Components Company Limited# ("Shanxi Geely") 山西吉利汽車部件有限公司 (Continued)**

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

| | Shanxi Geely RMB'000 |
|---|---|
| The net assets acquired: | |
| Property, plant and equipment (note 14) | **1,029,426** |
| Intangible assets (note 15) | **1,998** |
| Land lease prepayments (note 16) | **223,150** |
| Trade and other receivables | **128,413** |
| Inventories | **1,554** |
| Bank balances and cash | **7,350** |
| Trade and other payables | **(672,820)** |
| | **719,071** |
| Goodwill arising on acquisition (note 17): | |
| Cash consideration transferred | **720,244** |
| Fair value of identifiable net assets acquired | **(719,071)** |
| | **1,173** |
| Net cash outflow arising on acquisition of a subsidiary: | |
| Cash consideration paid | **(720,244)** |
| Bank balances and cash acquired | **7,350** |
| | **(712,894)** |

There is no difference between the pre-acquisition carrying amounts and fair value of the assets acquired and liabilities recognised. No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhance its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising on the acquisition is not expected to be deductible for tax purpose.

## 35. BUSINESS COMBINATIONS (Continued)

### Shanxi Geely Automobile Components Company Limited# ("Shanxi Geely") 山西吉利汽車部件有限公司 (Continued)

Shanxi Geely has contributed revenue and loss of RMBNil and RMB26,206,000, respectively from the acquisition date to 31 December 2016.

If the acquisition had occurred on 1 January 2016, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2016 would be RMB53,721,576,000 and RMB5,168,457,000, 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 2016 and could not serve as a basis for the forecast of future operation results.

# The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

## 36. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes Senior Notes and bank borrowings) and equity attributable to equity holders of the Company, comprises issued share capital and reserves.

### Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

The gearing ratio as at the reporting date was as follows:

| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
|---|---|---|
| Debt | **2,242,691** | 1,928,856 |
| Equity attributable to equity holders of the Company | **24,437,227** | 19,523,816 |
| Debt to equity ratio | **9%** | 10% |

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit and liquidity risks arises in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

### Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Available-for-sale financial assets | | |
| – Unlisted equity securities | 21,779 | 21,650 |
| Financial assets at fair value through profit or loss | | |
| – Listed equity securities | – | 17,118 |
| Loans and receivables | | |
| – Trade and other receivables | 26,822,827 | 12,256,559 |
| – Pledged bank deposits | 39,304 | 40,533 |
| – Bank balances and cash | 15,045,493 | 9,166,926 |
| | 41,929,403 | 21,502,786 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | | |
| – Trade and other payables | 30,295,699 | 15,077,506 |
| – Bank borrowings | 174,375 | – |
| – Senior notes | 2,068,316 | 1,928,856 |
| | 32,538,390 | 17,006,362 |

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank balances and cash of the Group have been deposited into established banks in countries that the Group operates.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers except as disclosed in note 21(a). In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, excluding financial assets at fair value through profit or loss, in the consolidated statement of financial position after deducting any impairment allowance. In addition, as set out in note 34(c) to the consolidated financial statements, some of the Group's assets have been pledged and the Group also provided guarantees to secure banking facilities granted to the Company's ultimate holding company and to secure the bank borrowings and notes payables to the Group's related companies. The directors consider the Company's ultimate holding company and the related companies have sufficient financial strength and the probability of default is low. The Group does not provide any other guarantees which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

| | Weighted average effective interest rate % | Within one year or on demand RMB'000 | More than one year but less than two years RMB'000 | More than two years RMB'000 | Total contractual undiscounted cash flows RMB'000 | Total carrying amount as at 31 December RMB'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Financial liabilities at amortised cost** | | | | | | |
| Trade and other payables | – | 30,295,699 | – | – | 30,295,699 | 30,295,699 |
| Bank borrowings | 1.83 | 177,566 | – | – | 177,566 | 174,375 |
| Senior notes | 5.54 | 109,363 | 109,363 | 2,166,705 | 2,385,431 | 2,068,316 |
| **Financial guarantee issued** | | | | | | |
| Maximum amount guaranteed (note 34(c)) | – | 691,180 | – | – | 691,180 | – |
| | | 31,273,808 | 109,363 | 2,166,705 | 33,549,876 | 32,538,390 |

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Liquidity risk (Continued)

| | Weighted average effective interest rate % | Within one year or on demand RMB'000 | More than one year but less than two years RMB'000 | More than two years RMB'000 | Total contractual undiscounted cash flows RMB'000 | Total carrying amount as at 31 December RMB'000 |
|---|---|---|---|---|---|---|
| 2015 | | | | | | |
| **Financial liabilities at amortised cost** | | | | | | |
| Trade and other payables | – | 15,077,506 | – | – | 15,077,506 | 15,077,506 |
| Senior notes | 5.54 | 102,229 | 102,229 | 2,127,580 | 2,332,038 | 1,928,856 |
| **Financial guarantee issued** | | | | | | |
| Maximum amount guaranteed (note 34(c)) | – | 463,690 | – | – | 463,690 | – |
| | | 15,643,425 | 102,229 | 2,127,580 | 17,873,234 | 17,006,362 |

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the guarantee arrangement if that amounts are claimed by the counterparty to the guarantee on bank borrowings and notes payables procured by the ultimate holding company of the Company and the Group's related companies respectively. Based on the expectations at the reporting date, the Group considers that no amount will be payable under the guarantee contracts.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Interest rate risk

The Group's interest rate risk relates primarily to Senior Notes (note 24) and bank borrowings (note 26). The Group does not apply any derivatives to hedge the interest rate risk. The Group's cash flow interest rate risk relates primarily to bank borrowings.

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note.

As at 31 December 2016, it is estimated that an increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and accumulated profits by approximately RMB1,744,000 (2015: RMBNil).

### Currency risk

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest-bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollars, USD, Australian dollars and Euro.

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

| | **2016** | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Hong Kong dollars RMB'000** | **USD RMB'000** | **Australian dollars RMB'000** | **Euro RMB'000** | Hong Kong dollars RMB'000 | USD RMB'000 | Australian dollars RMB'000 | Euro RMB'000 |
| Bank balances and cash | **333,447** | **1,906,336** | **371** | **7,453** | 45,028 | 125,828 | 17,941 | 3,980 |
| Trade and other receivables | **535** | **642,947** | **–** | **–** | 546 | 719,211 | – | 1,110 |
| Senior Notes | **–** | **(2,068,316)** | **–** | **–** | – | (1,928,856) | – | – |
| Bank borrowings | **(174,375)** | **–** | **–** | **–** | – | – | – | – |
| Trade and other payables | **–** | **(110,045)** | **–** | **–** | – | (67,208) | – | – |
| Net exposure arising from recognised assets and liabilities | **159,607** | **370,922** | **371** | **7,453** | 45,574 | (1,151,025) | 17,941 | 5,090 |

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Currency risk (Continued)

As the Group is mainly exposed to the effects of fluctuation in Hong Kong dollars/USD/Australian dollars/Euro, the following table indicates the approximate change in the Group's profit after taxation and accumulated profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and accumulated profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

| | Impact of Hong Kong dollars | | Impact of USD | | Impact of Australian dollars | | Impact of Euro | |
|---|---|---|---|---|---|---|---|---|
| | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 |
| Profit after taxation/Accumulated profits | **7,980** | 2,279 | **14,644** | (43,163) | **19** | 897 | **279** | 191 |

### Fair value measurements of financial instruments

***Fair value of financial assets and liabilities carried at other than fair value***

For which the trading volume of the Senior Notes in public market is low, management estimated the fair value of the Senior Notes to be approximately RMB2,165,518,000 (2015: RMB2,000,875,000) by reference to the 30-day average closing market price of the Senior Notes. The fair value measurement was categorised as Level 2 of fair value hierarchy.

Except for the Senior Notes, the carrying amounts of the other financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015 due to their short-term maturities.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **531** | 889 |
| Investments in subsidiaries | **–** | – |
| Interest in a joint venture | **697,330** | 698,756 |
| | **697,861** | 699,645 |
| **Current assets** | | |
| Other receivables | **1,651** | 1,162 |
| Amounts due from subsidiaries | **4,491,780** | 4,486,871 |
| Bank balances and cash | **326,894** | 106,134 |
| | **4,820,325** | 4,594,167 |
| **Current liabilities** | | |
| Other payables | **208,736** | 27,746 |
| Bank borrowings | **174,375** | - |
| | **383,111** | 27,746 |
| **Net current assets** | **4,437,214** | 4,566,421 |
| **Total assets less current liabilities** | **5,135,075** | 5,266,066 |
| **Capital and reserves** | | |
| Share capital | **162,708** | 161,354 |
| Reserves (note) | **2,904,051** | 3,175,856 |
| **Total equity** | **3,066,759** | 3,337,210 |
| **Non-current liabilities** | | |
| Senior notes | **2,068,316** | 1,928,856 |
| | **5,135,075** | 5,266,066 |

Approved and authorised for issue by the Board of Directors on 22 March 2017.

**Li Shu Fu**
*Director*

**Gui Sheng Yue**
*Director*

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

| | Share premium RMB'000 | Share option reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Balance at 1 January 2015 | 5,815,964 | 549,723 | (2,856,345) | 3,509,342 |
| Loss for the year | – | – | (223,259) | (223,259) |
| Transaction with owners: | | | | |
| Equity settled share-based payments (note 33) | – | 61,875 | – | 61,875 |
| Share issued under share option scheme (note 28(a)) | 2,502 | (775) | – | 1,727 |
| Transfer upon forfeiture of share options | – | (37,861) | 37,861 | – |
| Dividends paid to equity holders of the Company (note 11) | – | – | (173,829) | (173,829) |
| Total transactions with owners | 2,502 | 23,239 | (135,968) | (110,227) |
| Balance at 31 December 2015 | 5,818,466 | 572,962 | (3,215,572) | 3,175,856 |
| **Balance at 1 January 2016** | **5,818,466** | **572,962** | **(3,215,572)** | **3,175,856** |
| **Loss for the year** | **–** | **–** | **(305,166)** | **(305,166)** |
| Transaction with owners: | | | | |
| Equity settled share-based payments (note 33) | **–** | **42,192** | **–** | **42,192** |
| Share issued under share option scheme (note 28(a)) | **393,859** | **(121,731)** | **–** | **272,128** |
| Transfer upon forfeiture of share options | **–** | **(14,709)** | **14,709** | **–** |
| Dividends paid to equity holders of the Company (note 11) | **–** | **–** | **(280,959)** | **(280,959)** |
| **Total transactions with owners** | **393,859** | **(94,248)** | **(266,250)** | **33,361** |
| **Balance at 31 December 2016** | **6,212,325** | **478,714** | **(3,786,988)** | **2,904,051** |

As at 31 December 2016, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB2,425,337,000 (2015: RMB2,602,894,000).

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 39. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2016 and 2015 are as follows:

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | Percentage of equity interests held in 2016 | | Percentage of equity interests held in 2015 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Centurion Industries Limited | British Virgin Islands | USD1 | **100%** | **-** | 100% | – | Investment holding |
| Value Century Group Limited | British Virgin Islands | USD1 | **100%** | **-** | 100% | – | Investment holding |
| Geely International Limited 吉利國際貿易有限公司 | Hong Kong | 2 shares | **100%** | **-** | 100% | – | Investment holding and export of vehicles outside the PRC |
| Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd#* 浙江福林國潤汽車零部件有限公司 | PRC | USD15,959,200 | **-** | **100%** | – | 100% | Research, production, marketing and sales of automobile parts and related components in the PRC |
| Linkstate Overseas Limited | British Virgin Islands | USD1 | **100%** | **-** | 100% | – | Inactive |
| Luckview Group Limited | British Virgin Islands | USD1 | **100%** | **-** | 100% | – | Investment holding |
| Luck Empire Investment Limited 帝福投資有限公司 | Hong Kong | 1 share | **-** | **100%** | – | 100% | Investment holding |
| Zhejiang Kingkong Automobile Parts & Components R&D Company Limited*# 浙江金剛汽車零部件研究開發有限公司 | PRC | USD14,900,000 | **-** | **100%** | – | 100% | Research and development of automobile parts and components in the PRC |

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | Percentage of equity interests held in 2016 | | Percentage of equity interests held in 2015 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司 | PRC | RMB15,000,000 | - | 99% | – | 99% | Sales of automobile parts and components in the PRC |
| Zhejiang Jirun Automobile Company Limited ("Jirun Automobile")^# 浙江吉潤汽車有限公司 | PRC | USD476,636,575 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Shanghai Maple Guorun Automobile Company Limited^# 上海華普國潤汽車有限公司 | PRC | USD121,363,600 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Zhejiang Geely Holding Group Automobile Sales Company Limited#^ 浙江吉利控股集團汽車銷售有限公司 | PRC | RMB60,559,006 | - | 99% | – | 99% | Marketing and sales of vehicles in the PRC |
| Geely International Corporation# 上海吉利美嘉峰國際貿易股份有限公司 | PRC | RMB100,000,000 | - | 99% | – | 99% | Export of vehicles outside the PRC |
| Zhejiang Geely Automobile Research Institute Limited# 浙江吉利汽車研究院有限公司 | PRC | RMB30,000,000 | - | 99% | – | 99% | Research and development of vehicles and related automobile components in the PRC |
| Ningbo Geely Engine Research Institute Limited# (note 2) 寧波吉利發動機研究所有限公司 | PRC | RMB10,000,000 | - | - | – | 99% | Research and development of automobile engines in the PRC |
| Shanghai Maple Automobile Sales Company Limited# 上海華普汽車銷售有限公司 | PRC | RMB20,000,000 | - | 99% | – | 99% | Marketing and sales of vehicles in the PRC |
| Zhejiang Ruhoo Automobile Company Limited^# 浙江陸虎汽車有限公司 | PRC | RMB418,677,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Zhejiang Kingkong Automobile Company Limited^# 浙江金剛汽車有限公司 | PRC | RMB413,000,000 | - | 99% | – | 99% | Research, development, production and sales of vehicles and related automobile components in the PRC |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | Percentage of equity interests held in 2016 Directly | Percentage of equity interests held in 2016 Indirectly | Percentage of equity interests held in 2015 Directly | Percentage of equity interests held in 2015 Indirectly | Principal activities |
|---|---|---|---|---|---|---|---|
| Zhejiang Geely Gearbox Limited# (note 1) 浙江吉利變速器有限公司 | PRC | RMB10,000,000 | - | 1% | – | 99% | Production of automobile components in the PRC |
| Hunan Geely Automobile Components Company Limited^# 湖南吉利汽車部件有限公司 | PRC | USD88,500,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Shanghai Jichong Power Technology Company Limited (formerly known as Guilin Geely Stars Oil Electric Hybrid Engine Company Limited)# 上海吉聰動力技術有限公司 (formerly known as 桂林吉星電子等平衡動力有限公司) | PRC | RMB80,000,000 | - | 99% | – | 99% | Research and development of electric hybrid engines in the PRC |
| Zhejiang Vision Auto-parts Fittings Company Limited# 浙江遠景汽配有限公司 | PRC | RMB50,000,000 | - | 99% | – | 99% | Procurement of automobile parts and components in the PRC |
| Zhejiang Shou La Shou Automobile Services Company Limited#@ (note 1) 浙江手拉手汽車服務有限公司 | PRC | RMB5,000,000 | - | - | – | 64.4% | Sales of vehicles and provision of automobile services |
| Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司 | PRC | RMB50,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Hunan Luoyou Engine Components Company Limited# 湖南羅佑發動機部件有限公司 | PRC | RMB150,000,000 | - | 99% | – | 99% | Production of automobile components in the PRC |
| Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司 | PRC | RMB360,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and sales of related automobile components in the PRC |

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | Percentage of equity interests held in 2016 | | Percentage of equity interests held in 2015 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Jinan Geely Automobile Parts and Components Company Limited# 濟南吉利汽車零部件有限公司 | PRC | RMB10,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of related automobile components in the PRC |
| Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司 | PRC | RMB96,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Hangzhou Xuan Yu Human Resources Company Limited# (note 1) 杭州軒宇人力資源有限公司 | PRC | RMB500,000 | - | - | – | 100% | Not yet commenced business |
| Limited Liability Company "Geely Motors" | Russia | Russian Rouble 10,000 | - | 99% | – | 99% | Marketing and sales of vehicles in Russia |
| Fewin S.A. | Uruguay | USD8,010,418 | - | 100% | – | 100% | Marketing and sales of vehicles in South America |
| Zhejing Fengrui Engine Company Limited# 浙江鋒鋭發動機有限公司 | PRC | RMB100,000,000 (2015: RMB69,210,000) | - | 99% | – | 99% | Production of automobile engines in the PRC |
| Zhejiang Geely Luoyou Engine Company Limited# 浙江吉利羅佑發動機有限公司 | PRC | RMB500,000,000 | - | 99% | – | 99% | Production of automobile engines in the PRC |
| Hangzhou Ha Man Automobile Services Company Limited# (note 1) 杭州哈曼汽車服務有限公司 | PRC | RMB500,000 | - | - | – | 64.4% | Sales of vehicles and provision of automobile services |
| Ningbo Geely Vision Auto-parts Fittings Company Limited# 寧波吉利遠景汽配有限公司 | PRC | RMB10,000,000 | - | 99% | – | 99% | Not yet commenced business |
| Geely Ukraine, LLC | Ukraine | Ukrainian hryvnia 61,000 | - | 99% | – | 99% | Not yet commenced business |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | Percentage of equity interests held in 2016 | | Percentage of equity interests held in 2015 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Ningbo Geely Luoyou Engine Components Company Limited# 寧波吉利羅佑發動機零部件有限公司 | PRC | RMB282,800,000 | - | 99% | – | 99% | Production of automobile components in the PRC |
| Taizhou Geely International Limited# 台州吉利美嘉峰貿易有限公司 | PRC | RMB10,000,000 | - | 99% | – | 99% | Export of vehicles outside the PRC |
| Xiangtan Geely International Limited# 湘潭吉利美嘉峰貿易有限公司 | PRC | RMB10,000,000 | - | 99% | – | 99% | Export of vehicles outside the PRC |
| Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 | PRC | RMB1,100,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Shanxi New Energy Automobile Sales Company Limited# 山西新能源汽車銷售有限公司 | PRC | RMB5,000,000 | - | 99% | – | 99% | Not yet commenced business |
| Baoji Geely Automobile Sales Company Limited# 寶雞吉利汽車銷售有限公司 | PRC | RMB5,000,000 | - | 99% | – | – | Marketing and sales of vehicles in the PRC |
| Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司 | PRC | RMB700,000,000 | - | 99% | – | – | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司 | PRC | RMB600,000,000 | - | 99% | – | – | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Zhejiang Geely International Limited# 浙江吉利汽車國際貿易有限公司 | PRC | RMB10,000,000 | - | 99% | – | – | Export of vehicles outside the PRC |
| Geely Automobile Research Institute (Ningbo) Company Limited# 吉利汽車研究院(寧波)有限公司 | PRC | RMB40,000,000 | - | 99% | – | – | Research and development of vehicles and related automobile components in the PRC |

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

@ The Company has control over this subsidiary through contractual agreement with the non-controlling shareholder.

# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

Note 1: These subsidiaries have been disposed of during the year. Further details are disclosed in note 30.

Note 2: This subsidiary has been deregistered during the year.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information related to subgroup of Jirun Automobile, the subsidiary of the Group which has material non-controlling interest. The summarised financial information presented below represents the amounts before any inter-company elimination.

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Non-controlling interest percentage | **1%** | 1% |
| Non-current assets | **12,469,430** | 9,569,300 |
| Current assets | **48,801,393** | 22,319,612 |
| Current liabilities | **(43,159,462)** | (17,717,473) |
| Non-current liabilities | **(718,214)** | (570,512) |
| Net assets | **17,393,147** | 13,600,927 |
| Carrying amount of non-controlling interest | **169,796** | 132,122 |
| Revenue | **64,203,964** | 36,511,061 |
| Profit for the year | **4,085,187** | 2,220,825 |
| Other comprehensive (loss)/income for the year | **(196,414)** | 91,302 |
| Total comprehensive income for the year | **3,888,773** | 2,312,127 |
| Profit allocated to non-controlling interest | **40,852** | 22,208 |
| Other comprehensive (loss)/income allocated to non-controlling interest | **(1,964)** | 913 |
| Dividend paid to non-controlling interest | **–** | (1,020) |
| Cash flows generated from operating activities | **5,536,060** | 5,222,215 |
| Cash flows used in investing activities | **(2,130,104)** | (2,325,710) |
| Cash flows (used in)/generated from financing activities | **(72,704)** | 82,104 |
| Net cash inflows | **3,333,252** | 2,978,609 |

# INDEPENDENT AUDITORS' REPORT

Grant Thornton
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**To the members of Geely Automobile Holdings Limited**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Geely Automobile Holdings Limited (the "Company") and its subsidiaries set out on pages 80 to 186, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

## AUDITORS' RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Grant Thornton Hong Kong Limited**
*Certified Public Accountants*
Level 12
28 Hennessy Road
Wanchai
Hong Kong

22 March 2016

**Chiu Wing Ning**
Practising Certificate No.: P04920

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

| | Note | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 6 | **30,138,256** | 21,738,358 |
| Cost of sales | | **(24,667,603)** | (17,775,723) |
| **Gross profit** | | **5,470,653** | 3,962,635 |
| Other income | 8 | **1,066,007** | 1,054,625 |
| Distribution and selling expenses | | **(1,567,935)** | (1,250,468) |
| Administrative expenses, excluding share-based payments | | **(2,175,600)** | (1,772,422) |
| Share-based payments | 33 | **(61,875)** | (59,850) |
| Finance costs, net | 9(a) | **(6,440)** | (23,704) |
| Share of profits of associates | 18 | **41,503** | 9,353 |
| Share of profits of joint ventures | 19 | **108,492** | 23,136 |
| **Profit before taxation** | 9 | **2,874,805** | 1,943,305 |
| Taxation | 10 | **(586,143)** | (494,177) |
| **Profit for the year** | | **2,288,662** | 1,449,128 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **2,260,529** | 1,430,588 |
| Non-controlling interests | | **28,133** | 18,540 |
| | | **2,288,662** | 1,449,128 |
| **Earnings per share** | | | |
| Basic | 12 | **RMB25.68 cents** | RMB16.25 cents |
| Diluted | 12 | **RMB25.66 cents** | RMB16.25 cents |

The notes on pages 88 to 186 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 11.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Profit for the year** | **2,288,662** | 1,449,128 |
| **Other comprehensive income (after tax of RMBNil) for the year:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations recognised | **90,804** | (12,075) |
| Share of other comprehensive loss of an associate | **–** | (18,901) |
| | **90,804** | (30,976) |
| **Total comprehensive income for the year** | **2,379,466** | 1,418,152 |
| **Attributable to:** | | |
| Equity holders of the Company | **2,350,333** | 1,399,868 |
| Non-controlling interests | **29,133** | 18,284 |
| | **2,379,466** | 1,418,152 |

The notes on pages 88 to 186 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **8,034,427** | 5,860,705 |
| Intangible assets | 15 | **5,260,241** | 4,208,230 |
| Land lease prepayments | 16 | **1,537,713** | 1,131,286 |
| Goodwill | 17 | **2,584** | 6,222 |
| Interests in associates | 18 | **284,774** | 252,082 |
| Interests in joint ventures | 19 | **1,709,081** | 438,547 |
| Available-for-sale financial assets | 23 | **21,650** | 28,270 |
| Deferred tax assets | 27 | **94,138** | 51,709 |
| | | **16,944,608** | 11,977,051 |
| **Current assets** | | | |
| Land lease prepayments | 16 | **37,001** | 28,758 |
| Inventories | 20 | **1,226,169** | 1,619,505 |
| Trade and other receivables | 21 | **14,836,439** | 16,385,192 |
| Financial assets at fair value through profit or loss | 22 | **17,118** | 15,294 |
| Income tax recoverable | | **23,666** | 3,723 |
| Pledged bank deposits | | **40,533** | 47,451 |
| Bank balances and cash | | **9,166,926** | 7,203,176 |
| | | **25,347,852** | 25,303,099 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | **20,114,371** | 17,016,666 |
| Income tax payable | | **334,883** | 136,645 |
| Bank borrowings | 26 | **–** | 691,616 |
| | | **20,449,254** | 17,844,927 |
| **Net current assets** | | **4,898,598** | 7,458,172 |
| **Total assets less current liabilities** | | **21,843,206** | 19,435,223 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 28 | **161,354** | 161,346 |
| Reserves | 29 | **19,362,462** | 17,126,650 |
| Equity attributable to equity holders of the Company | | **19,523,816** | 17,287,996 |
| Non-controlling interests | | **215,707** | 178,354 |
| **Total equity** | | **19,739,523** | 17,466,350 |
| **Non-current liabilities** | | | |
| Senior notes | 24 | **1,928,856** | 1,820,138 |
| Deferred tax liabilities | 27 | **174,827** | 148,735 |
| | | **2,103,683** | 1,968,873 |
| | | **21,843,206** | 19,435,223 |

Approved for issue by the Board of Directors on 22 March 2016.

**Li Shu Fu**
*Director*

**Gui Sheng Yue**
*Director*

The notes on pages 88 to 186 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 28) | Share premium RMB'000 (note 29(a)) | Capital reserve RMB'000 (note 29(c)) | Statutory reserve RMB'000 (note 29(b)) | Translation reserve RMB'000 (note 29(d)) | Share option reserve RMB'000 (note 29(e)) | Fair value reserve RMB'000 (note 29(f)) | Accumulated profits RMB'000 (note 29(g)) | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| Balance at 1 January 2014 | 161,346 | 5,815,964 | 88,059 | 106,113 | 22,284 | 524,353 | (52) | 9,349,957 | 16,068,024 | 161,667 | 16,229,691 |
| Profit for the year | – | – | – | – | – | – | – | 1,430,588 | 1,430,588 | 18,540 | 1,449,128 |
| Other comprehensive income: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations recognised | – | – | – | – | (12,008) | – | – | – | (12,008) | (67) | (12,075) |
| Share of other comprehensive loss of an associate | – | – | – | – | (18,712) | – | – | – | (18,712) | (189) | (18,901) |
| Total comprehensive income for the year | – | – | – | – | (30,720) | – | – | 1,430,588 | 1,399,868 | 18,284 | 1,418,152 |
| Transactions with owners: | | | | | | | | | | | |
| Disposal of subsidiaries (note 30) | – | – | 76,731 | – | 3,316 | – | 52 | – | 80,099 | (1,597) | 78,502 |
| Equity settled share-based payments (note 33) | – | – | – | – | – | 59,850 | – | – | 59,850 | – | 59,850 |
| Transfer upon forfeiture of share options | – | – | – | – | – | (34,480) | – | 34,480 | – | – | – |
| Dividends paid to equity holders of the Company (note 11) | – | – | – | – | – | – | – | (319,845) | (319,845) | – | (319,845) |
| Total transactions with owners | – | – | 76,731 | – | 3,316 | 25,370 | 52 | (285,365) | (179,896) | (1,597) | (181,493) |
| Balance at 31 December 2014 | 161,346 | 5,815,964 | 164,790 | 106,113 | (5,120) | 549,723 | – | 10,495,180 | 17,287,996 | 178,354 | 17,466,350 |

For the year ended 31 December 2015

| | Attributable to equity holders of the Company | | | | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 28) | Share premium RMB'000 (note 29(a)) | Capital reserve RMB'000 (note 29(c)) | Statutory reserve RMB'000 (note 29(b)) | Translation reserve RMB'000 (note 29(d)) | Share option reserve RMB'000 (note 29(e)) | Accumulated profits RMB'000 (note 29(g)) | Sub-total RMB'000 | RMB'000 | RMB'000 |
| **Balance at 1 January 2015** | 161,346 | 5,815,964 | 164,790 | 106,113 | (5,120) | 549,723 | 10,495,180 | 17,287,996 | 178,354 | 17,466,350 |
| Profit for the year | - | - | - | - | - | - | 2,260,529 | 2,260,529 | 28,133 | 2,288,662 |
| Other comprehensive income: | | | | | | | | | | |
| Exchange differences on translation of foreign operations recognised | - | - | - | - | 89,804 | - | - | 89,804 | 1,000 | 90,804 |
| **Total comprehensive income for the year** | - | - | - | - | 89,804 | - | 2,260,529 | 2,350,333 | 29,133 | 2,379,466 |
| Transactions with owners: | | | | | | | | | | |
| Transfer of reserves | - | - | - | 12,880 | - | - | (17,174) | (4,294) | - | (4,294) |
| Share issued under share option scheme | 8 | 2,502 | - | - | - | (775) | - | 1,735 | - | 1,735 |
| Capital contribution from non-controlling interests | - | - | - | - | - | - | - | - | 8,931 | 8,931 |
| Disposal of a subsidiary (note 30) | - | - | - | - | - | - | - | - | 309 | 309 |
| Equity settled share-based payments (note 33) | - | - | - | - | - | 61,875 | - | 61,875 | - | 61,875 |
| Transfer upon forfeiture of share options | - | - | - | - | - | (37,861) | 37,861 | - | - | - |
| Dividends paid to equity holders of the Company (note 11) | - | - | - | - | - | - | (173,829) | (173,829) | - | (173,829) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (1,020) | (1,020) |
| **Total transactions with owners** | 8 | 2,502 | - | 12,880 | - | 23,239 | (153,142) | (114,513) | 8,220 | (106,293) |
| **Balance at 31 December 2015** | 161,354 | 5,818,466 | 164,790 | 118,993 | 84,684 | 572,962 | 12,602,567 | 19,523,816 | 215,707 | 19,739,523 |

The notes on pages 88 to 186 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | Note | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **2,874,805** | 1,943,305 |
| Adjustments for: | | | |
| Depreciation and amortisation | | **1,142,678** | 873,546 |
| Interest income | 9(a) | **(96,909)** | (57,625) |
| Finance costs | 9(a) | **103,349** | 81,329 |
| Share of profits of associates | 18 | **(41,503)** | (9,353) |
| Share of profits of joint ventures | 19 | **(108,492)** | (23,136) |
| Gain on deemed disposal of partial interest in a joint venture | 8 | **(4,921)** | – |
| Unrealised gain on disposal of land lease prepayments to joint ventures | | **–** | (3,627) |
| Net gain on disposal of property, plant and equipment | 9(c) | **(4,092)** | (34,654) |
| Loss on disposal of intangible assets | 9(c) | **22,567** | 9,835 |
| Net gain on disposal of land lease prepayments | | **–** | (3,754) |
| Net foreign exchange loss | | **456,741** | 647,690 |
| Gain on disposal of a subsidiary | 30 | **(62,879)** | – |
| Unrealised gain on financial assets at fair value through profit or loss | 8 | **(1,824)** | (2,180) |
| Bargain purchase gain arising from acquisition of a subsidiary | 35 | **(139)** | – |
| Equity settled share-based payments | 33 | **61,875** | 59,850 |
| Bad debts written off | | **–** | 8,027 |
| Write-down of inventories | 9(c) | **20,920** | 711 |
| Operating profit before working capital changes | | **4,362,176** | 3,489,964 |
| Inventories | | **515,161** | 97,644 |
| Trade and other receivables | | **1,930,510** | (1,938,291) |
| Trade and other payables | | **1,023,997** | 880,319 |
| Cash generated from operations | | **7,831,844** | 2,529,636 |
| Income taxes paid | | **(423,018)** | (496,675) |
| *Net cash generated from operating activities* | | **7,408,826** | 2,032,961 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(1,570,519)** | (841,272) |
| Proceeds from disposal of property, plant and equipment | | **233,012** | 91,864 |
| Proceeds from disposal of available-for-sale financial assets | | **16,120** | – |
| Addition of land lease prepayments | | **(32,032)** | (235,204) |
| Proceeds from disposal of land lease prepayments | | **4,506** | 23,375 |
| Addition of intangible assets | | **(2,106,126)** | (1,344,129) |
| Proceeds from disposal of intangible assets | | **445,627** | 712 |
| Government grants received | | **237,677** | 424,268 |
| Change in pledged bank deposits | | **6,918** | 58,020 |
| Net cash outflow on acquisition of subsidiaries | 35 | **(1,133,929)** | – |
| Net cash (outflow)/inflow on disposal of subsidiaries | 30 | **(3,047)** | 313,199 |
| Investments in associates | | **–** | (245) |
| Investment in a joint venture | 19 | **(720,000)** | – |
| Acquisition of available-for-sale financial assets | | **(9,500)** | (16,120) |
| Interest received | | **96,909** | 57,625 |
| *Net cash used in investing activities* | | **(4,534,384)** | (1,467,907) |
| **Cash flows from financing activities** | | | |
| Dividends paid | 11(b) | **(173,829)** | (319,845) |
| Dividends paid to non-controlling interests | | **(1,020)** | – |
| Proceeds from issuance of shares upon exercise of share options | 28 | **1,735** | – |
| Proceeds from issuance of senior notes | 24 | **–** | 1,814,165 |
| Capital contribution from non-controlling interests | | **8,931** | – |
| Proceeds from bank borrowings | | **–** | 691,616 |
| Repayments of bank borrowings | | **(691,616)** | (965,642) |
| Interest paid | | **(74,996)** | (48,039) |
| *Net cash (used in)/generated from financing activities* | | **(930,795)** | 1,172,255 |
| **Net increase in cash and cash equivalents** | | **1,943,647** | 1,737,309 |
| Cash and cash equivalents at the beginning of the year | | **7,203,176** | 5,477,747 |
| Effect of foreign exchange rate changes | | **20,103** | (11,880) |
| **Cash and cash equivalents at the end of the year, represented by bank balances and cash** | | **9,166,926** | 7,203,176 |

The notes on pages 88 to 186 are an integral part of these consolidated financial statements.

For the year ended 31 December 2015

## 1. GENERAL INFORMATION

Geely Automobile Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" to the annual report. As at 31 December 2015, the directors consider the immediate parent of the Company to be Proper Glory Holding Inc., which is incorporated in the British Virgin Islands and Mr. Li Shu Fu is the ultimate controlling party of the Company.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

## 2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 80 to 186 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The amendments to the Rules Governing the Listing of Securities on the SEHK (the "Listing rules") relating to financial information with reference to the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year and the main impact is on the presentation and disclosure of certain information on these consolidated financial statements. These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out in note 4 below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

For the year ended 31 December 2015

## 3. ADOPTION OF NEW AND AMENDED HKFRSs

### Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2015

In the current year, the HKICPA has issued the following amendments to HKFRSs (the "new HKFRSs") which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2015:

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2010-2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2011-2013 Cycle |

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

### Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and revised HKFRSs relevant to the Group's operations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[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 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2012-2014 Cycle[1] |

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective date not yet determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. Except for the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" of which directors are accessing the impact on the results and financial position of the Group, the directors anticipate that the adoption of the other new and revised HKFRSs is unlikely to have a significant impact on the consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2015 comprise the Group and the Group's interests in associates and joint ventures.

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), which is also the functional currency of the Company.

### (b) Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of consolidation (Continued)

A subsidiary is an entity, directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to accumulated profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss (see note 4(j)) unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

### (c) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquire, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, if any, the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses (see note 4(j)). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

On disposal of a cash-generating unit or an associate and a joint venture, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (d) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The investment in an associate or a joint venture is accounted for in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities measured and contingent liabilities assumed of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities measured over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate and joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Interests in associates and joint ventures (Continued)

Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with those used by the Group.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between (i) the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as they would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

In the Company's statement of financial position, investments in associates or joint ventures are stated at cost less impairment losses (see note 4(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 4(j)). Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

***Research and development costs***

Costs associated with research activities are recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

The costs capitalised include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

Capitalised development costs are amortised over 5 to 10 years. All other development costs are recognised as an expense in the period in which it is as incurred.

Both the period and method of amortisation are reviewed annually.

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (g) Foreign currency translation

In preparing the financial statements of each individual group entity, foreign currency transactions are translated into the functional currency of the individual group entity at exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates and not retranslated.

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary assets and liabilities that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi ("RMB")) at the exchange rates prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

Financial assets are classified into the following categories:

– loans and receivables;

– available-for-sale financial assets; and

– financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Available-for-sale financial assets***

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the fair value reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

***Impairment of financial assets (other than at fair value through profit or loss)***

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data including but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Impairment of financial assets (other than at fair value through profit or loss) (Continued)***

If any such evidence exists, the impairment loss is measured and recognised as follows:

*(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

*(ii) Available-for-sale financial assets carried at fair value*

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income.

*(iii) Financial assets carried at cost*

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and it is not reversed in subsequent periods.

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Impairment of financial assets (other than at fair value through profit or loss) (Continued)***

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity investment and unquoted equity investment carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity investment increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are divided into two subcategories, including financial assets held for trading and those designated as financial assets at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative, including separated embedded derivatives, that is not designated and effective as a hedging instrument.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial assets at fair value through profit or loss (Continued)***

Financial asset (other than a financial asset held for trading) may be designated as a financial asset at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping of financial assets is provided internally on that basis to the key management personnel; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as a financial asset at fair value through profit or loss.

At each reporting date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 4(l).

***Financial liabilities***

Financial liabilities issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(r)).

***Trade and other payables***

Trade and other payables are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Interest bearing borrowings***

Interest bearing borrowings, including bank borrowings and senior notes, are classified as financial liabilities and recognised initially at fair value, less attributable transaction costs. Interest bearing borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the interest bearing borrowings, together with any interest and fee payable, using the effective interest method.

***Financial guarantees issued***

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised on a straight-line basis over the life of the guarantee. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in profit or loss.

For financial liabilities, they are derecognised from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(j)).

Depreciation is provided to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress) over their estimated useful lives less their estimated residual values, if any, using the straight-line method as follows:

| | |
|---|---|
| Leasehold buildings | 30 years |
| Buildings on freehold land | 10 to 30 years |
| Plant and machinery | 7 to 10 years |
| Leasehold improvements | Over the shorter of the unexpired lease terms and 3 years |
| Furniture and fixtures, office equipment and motor vehicles | 5 to 10 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses (see note 4(j)). Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

Freehold land is stated at cost less accumulated impairment losses (see note 4(j)).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment

Internal and external sources of information are reviewed at the reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– land lease prepayments;

– intangible assets;

– goodwill; and

– investments in subsidiaries and interests in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment (Continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the interim reporting date, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

### (k) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and value added taxes ("VAT") or related sales taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on profit or loss as follows:

Revenue from sales of automobiles and automobile parts and components and scrap materials is recognised when the products are delivered and title has been passed.

Claim income on defective materials purchased is recognised when the claim has been made to and confirmed by relevant suppliers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Interest income is recognised as it accrues using the effective interest method.

### (m) Taxation

Income tax expense comprises current tax and deferred tax.

Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The carrying amount of a deferred tax asset is reviewed at the reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Taxation (Continued)

– in the case of current tax assets and current tax liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and deferred tax liabilities, if they relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### (n) Equity settled share-based transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share premium for the shares issued) or the option expires (when it is released directly to accumulated profits).

If the share options granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Employee benefits

#### *(i) Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *(ii) Retirement benefit costs*

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the PRC and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

### (p) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lease.

#### *(ii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The government grants relating to the purchase of land leases prepayments, intangible assets and property, plant and equipment for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation and amortisation expenses.

Government grants relating to income is presented in gross under "Other income" in the consolidated income statement.

### (r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (s) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any members of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

***Impairment of goodwill***

Determining whether goodwill (note 17) has been impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Any change in the estimates would increase or decrease in the provision for impairment loss and affect the Group's results in future years. As at 31 December 2015, the carrying amount of the Group's goodwill was approximately RMB2,584,000 (2014: RMB6,222,000).

***Fair value measurements of share-based payments***

In valuing the share-based payments in the Group's consolidated financial statements, the Group has used the Binomial Option Pricing model, which makes various assumptions on factors outside the Group's control, such as share price volatility and risk-free interest rates. Details of the options and assumptions used in deriving the share-based payments are disclosed in note 33.

The directors use their judgement to determine whether valuation techniques applied are appropriate to the circumstances of the Group. For the year ended 31 December 2015, the share-based payments recognised was RMB61,875,000 (2014: RMB59,850,000).

***Allowance for bad and doubtful debts***

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables (note 21). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required.

***Write-down of inventories***

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. Write-down of inventories of RMB20,920,000 (2014: RMB711,000) has been recognised during the year.

For the year ended 31 December 2015

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

***Impairment of long-lived assets***

If circumstances indicate that the net book value of a long-lived asset (including property, plant and equipment and intangible assets (notes 14 and 15)) may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs.

***Depreciation and amortisation***

Property, plant and equipment and intangible assets (notes 14 and 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

For the year ended 31 December 2015

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

***Impairment of investments***

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy as set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts.

***Deferred tax***

At 31 December 2015, deferred tax assets of RMB28,144,000 (2014: RMBNil) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,983,847,000 (2014: RMB1,169,000,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

At 31 December 2015, deferred tax liabilities of RMB174,827,000 (2014: RMB148,735,000) relating to the undistributed profits of the PRC subsidiaries have been recognised in the Group's consolidated statement of financial position. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB8,577,099,000 (2014: RMB7,519,779,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future. Further details are disclosed in note 27.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

***Interests in joint ventures and associates***

As disclosed in note 19, the Group invested in Genius Auto Finance Company Limited ("Genius AFC") during the year. Unanimous consent from the Group and BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC for certain key corporate matters is needed. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance, despite the Group has an equity interest of 80%. Also, the Group and BNP Paribas Personal Finance have rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC is classified as a joint venture of the Group and accounted for using equity method.

As disclosed in note 18, the Group retains significant influence over Ningbo DIPO Traffic Facilities Co., Ltd.[#] 寧波帝寶交通器材有限公司 and Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.[#] 佛吉亞排氣控制技術(寧波)有限公司, through the power to nominate representative on their respective board of directors, despite the Group's equity interests are 18% and 9% respectively. As a result, the investments are classified as associates of the Group and accounted for using equity method.

\# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

## 6. REVENUE

Revenue represents the consideration received and receivable from sales, net of discounts, returns and VAT or related sales taxes, of automobiles and automobile parts and components.

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

For the year ended 31 December 2015

## 7. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

### Geographical information

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

| | **2015** | 2014 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Revenue from external customers** | | |
| PRC | **28,301,651** | 17,646,482 |
| Europe | **571,751** | 1,936,504 |
| Middle East | **252,448** | 575,920 |
| South Korea | **–** | 306,870 |
| Africa | **537,520** | 655,467 |
| Central and South America | **185,181** | 269,162 |
| Other countries | **289,705** | 347,953 |
| | **30,138,256** | 21,738,358 |

| | **2015** | 2014 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Specified non-current assets** | | |
| Hong Kong, place of domicile | **892** | 135 |
| PRC | **16,750,055** | 11,818,015 |
| Other countries | **77,873** | 78,922 |
| | **16,828,820** | 11,897,072 |

For the year ended 31 December 2015

## 8. OTHER INCOME

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Unrealised gain on financial assets at fair value through profit or loss | **1,824** | 2,180 |
| Rental income (note a) | **20,512** | 19,183 |
| Gain on disposal of scrap materials | **52,745** | 33,747 |
| Gain on disposal of a subsidiary (note 30) | **62,879** | – |
| Gain on deemed disposal of partial interest in a joint venture (note 19) | **4,921** | – |
| Net gain on disposal of property, plant and equipment (note b) | **4,092** | 34,654 |
| Net gain on disposal of land lease prepayments (note c) | **–** | 3,754 |
| Bargain purchase gain arising from acquisition of a subsidiary (note 35) | **139** | – |
| Government grants and subsidies (note d) | **847,290** | 898,196 |
| Sundry income | **71,605** | 62,911 |
| | **1,066,007** | 1,054,625 |

Notes:

(a) Rental income net of outgoings for the year ended 31 December 2015 is RMB6,999,000 (2014: RMB3,036,000).

(b) Net gain on disposal of property, plant and equipment included government grants received of RMB116,281,000 (2014: RMB254,306,000).

(c) Net gain on disposal of land lease prepayments included government grants received of RMBNil (2014: RMB169,962,000).

(d) Government grants and subsidies mainly relates to cash subsidies in respect of operating and research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

## 9. PROFIT BEFORE TAXATION

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

| | | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| (a) | **Finance income and costs** | | |
| | **Finance costs** | | |
| | Effective interest expense on senior notes (note 24) | **4,232** | 1,235 |
| | Coupon expense on senior notes | **99,063** | 22,761 |
| | Interest on bank borrowings wholly repayable within five years | **54** | 57,333 |
| | | **103,349** | 81,329 |
| | **Finance income** | | |
| | Bank and other interest income | **(96,909)** | (57,625) |
| | **Net finance costs** | **6,440** | 23,704 |
| (b) | **Staff costs (including directors' emoluments (note 13)) (note a)** | | |
| | Salaries, wages and other benefits | **1,694,240** | 1,307,403 |
| | Retirement benefit scheme contributions | **127,954** | 114,299 |
| | Equity settled share-based payments (note 33) | **61,875** | 59,850 |
| | | **1,884,069** | 1,481,552 |
| (c) | **Other items** | | |
| | Cost of inventories (note a) | **24,667,603** | 17,775,723 |
| | Auditors' remuneration | **6,559** | 5,711 |
| | Depreciation (note a) | **589,078** | 554,186 |
| | Amortisation of land lease prepayments (note a) | **37,589** | 28,302 |
| | Amortisation of intangible assets (note a) | **516,011** | 291,058 |
| | Net gain on disposal of property, plant and equipment (note 8b) | **(4,092)** | (34,654) |
| | Loss on disposal of intangible assets (note b) | **22,567** | 9,835 |
| | Net foreign exchange loss | **472,092** | 654,143 |
| | Net claims paid on defective materials purchased | **78,930** | 23,555 |
| | Operating leases charges on premises (note a) | **18,892** | 29,067 |
| | Research and development costs | **258,769** | 211,553 |
| | Bad debts written off | **–** | 8,027 |
| | Write-down of inventories | **20,920** | 711 |

Notes:

(a) Cost of inventories amounted to RMB528,092,000 (2014: RMB320,509,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately for each of these types of expenses.

(b) Loss on disposal of intangible assets included government grants received of RMB121,396,000 (2014: RMBNil).

For the year ended 31 December 2015

## 10. TAXATION

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Current tax: | | |
| PRC enterprise income tax | **592,848** | 471,895 |
| Under-provision in prior years | **9,782** | 616 |
| | **602,630** | 472,511 |
| Deferred tax (note 27) | **(16,487)** | 21,666 |
| | **586,143** | 494,177 |

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2015 and 2014.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2014: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were entitled to an exemption from the PRC enterprise income tax for the two years starting from its first profit-making year, followed by a 50% reduction for the next three years.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15%.

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

## 10. TAXATION (Continued)

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Profit before taxation | **2,874,805** | 1,943,305 |
| Tax at the PRC enterprise income tax rate of 25% (2014: 25%) | **718,701** | 485,826 |
| Tax effect of expenses not deductible in determining taxable profit | **11,973** | 59,450 |
| Tax effect of non-taxable income | **(7,443)** | (17,084) |
| Tax effect of unrecognised tax losses | **165,368** | 187,378 |
| Utilisation of previously unrecognised tax losses | **(18,439)** | (15,227) |
| Tax effect of different tax rates of entities operating in other jurisdictions | **56,363** | 54,543 |
| Deferred tax charge on distributable profits withholding tax (note 27) | **26,092** | 16,219 |
| Effect of tax exemption granted to the PRC subsidiaries | **(376,254)** | (277,544) |
| Under-provision in prior years | **9,782** | 616 |
| Tax expense for the year | **586,143** | 494,177 |

The Group is also liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liabilities of RMB26,092,000 (2014: RMB16,219,000) was recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

For the year ended 31 December 2015

## 11. DIVIDENDS

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Final dividend proposed after the reporting date of HK$0.038 per ordinary share (2014: HK$0.025 per ordinary share) | **280,959** | 173,829 |

The final dividend proposed after the reporting date has not been recognised as a liability at 31 December 2015.

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.025 per ordinary share (2014: HK$0.046 per ordinary share) | **173,829** | 319,845 |

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB2,260,529,000 (2014: RMB1,430,588,000) and weighted average number of ordinary shares of 8,801,663,773 shares (2014: 8,801,446,540 shares), calculated as follows:

***Weighted average number of ordinary shares***

| | **2015** | 2014 |
|---|---|---|
| Issued ordinary shares at 1 January | **8,801,446,540** | 8,801,446,540 |
| Effect of shares options exercised | **217,233** | – |
| Weighted average number of ordinary shares at 31 December | **8,801,663,773** | 8,801,446,540 |

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB2,260,529,000 (2014: RMB1,430,588,000) and the weighted average number of ordinary shares (diluted) of 8,809,512,286 shares (2014: 8,801,446,540 shares), calculated as follows:

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

| | **2015** | 2014 |
|---|---|---|
| Weighted average number of ordinary shares (basic) at 31 December | **8,801,663,773** | 8,801,446,540 |
| Effect of deemed issue of shares under the Company's share option scheme | **7,848,513** | – |
| Weighted average number of ordinary shares (diluted) at 31 December 2015 | **8,809,512,286** | 8,801,446,540 |

For the year ended 31 December 2014, diluted earnings per share equalled to basic earnings per share because the potential ordinary shares outstanding were anti-dilutive.

For the year ended 31 December 2015

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and chief executive's remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

**2015**

| Name of director | Fees RMB'000 | Salaries RMB'000 | Discretionary bonus RMB'000 | Rental allowance RMB'000 | Retirement scheme contribution RMB'000 | Sub-total RMB'000 | Equity settled share-based payments RMB'000 (note a) | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | |
| Mr. An Cong Hui | 8 | – | – | – | – | 8 | 2,140 | 2,148 |
| Mr. Ang Siu Lun, Lawrence | – | 2,220 | 403 | – | 30 | 2,653 | 4,700 | 7,353 |
| Mr. Gui Sheng Yue (Chief Executive Officer) | – | 2,395 | 435 | 551 | 30 | 3,411 | 5,235 | 8,646 |
| Mr. Li Shu Fu (Chairman) | – | 308 | – | – | 14 | 322 | – | 322 |
| Mr. Liu Jin Liang | 8 | – | – | – | – | 8 | 2,140 | 2,148 |
| Ms. Wei Mei | 8 | – | – | – | – | 8 | 2,596 | 2,604 |
| Mr. Yang Jian (Vice Chairman) | 8 | – | – | – | – | 8 | 2,854 | 2,862 |
| **Non-executive directors** | | | | | | | | |
| Mr. Carl Peter Edmund Moriz Forster | – | – | – | – | – | – | 417 | 417 |
| Mr. Ran Zhang (note b) | 3 | – | – | – | – | 3 | – | 3 |
| **Independent non-executive directors** | | | | | | | | |
| Mr. An Qing Heng | 142 | – | – | – | – | 142 | 417 | 559 |
| Mr. Fu Yu Wu | 142 | – | – | – | – | 142 | – | 142 |
| Mr. Lee Cheuk Yin, Dannis | 142 | – | – | – | – | 142 | 655 | 797 |
| Mr. Wang Yang | 142 | – | – | – | – | 142 | 417 | 559 |
| Mr. Yeung Sau Hung, Alex | 142 | – | – | – | – | 142 | 655 | 797 |
| | 745 | 4,923 | 838 | 551 | 74 | 7,131 | 22,226 | 29,357 |

For the year ended 31 December 2015

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' and chief executive's remuneration (Continued)

2014

| Name of director | Fees RMB'000 | Salaries RMB'000 | Discretionary bonus RMB'000 | Rental allowance RMB'000 | Retirement scheme contribution RMB'000 | Sub-total RMB'000 | Equity settled share-based payments RMB'000 (note a) | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | |
| Mr. An Cong Hui | 8 | – | – | – | – | 8 | 1,222 | 1,230 |
| Mr. Ang Siu Lun, Lawrence | – | 2,015 | 877 | – | 13 | 2,905 | 1,494 | 4,399 |
| Mr. Gui Sheng Yue (Chief Executive Officer) | – | 2,173 | 948 | 528 | 13 | 3,662 | 1,562 | 5,224 |
| Mr. Li Dong Hui, Daniel (note c) | 2 | – | – | – | – | 2 | 1,500 | 1,502 |
| Mr. Li Shu Fu (Chairman) | – | 308 | – | – | 13 | 321 | – | 321 |
| Mr. Liu Jin Liang | 8 | – | – | – | – | 8 | 1,222 | 1,230 |
| Ms. Wei Mei | 8 | – | – | – | – | 8 | 1,479 | 1,487 |
| Mr. Yang Jian (Vice Chairman) | 8 | – | – | – | – | 8 | 1,630 | 1,638 |
| **Non-executive directors** | | | | | | | | |
| Mr. Carl Peter Edmund Moriz Forster | – | – | – | – | – | – | – | – |
| Mr. Ran Zhang | 6 | – | – | – | – | 6 | 127 | 133 |
| **Independent non-executive directors** | | | | | | | | |
| Mr. An Qing Heng | 100 | – | – | – | – | 100 | – | 100 |
| Mr. Fu Yu Wu | 142 | – | – | – | – | 142 | – | 142 |
| Mr. Song Lin (note c) | 46 | – | – | – | – | 46 | 136 | 182 |
| Mr. Lee Cheuk Yin, Dannis | 142 | – | – | – | – | 142 | 136 | 278 |
| Mr. Wang Yang | 142 | – | – | – | – | 142 | – | 142 |
| Mr. Yeung Sau Hung, Alex | 142 | – | – | – | – | 142 | 136 | 278 |
| | 754 | 4,496 | 1,825 | 528 | 39 | 7,642 | 10,644 | 18,286 |

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## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' and chief executive's remuneration (Continued)

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the years ended 31 December 2014 and 2015. No other director waived any emoluments during the years ended 31 December 2014 and 2015.

Notes:

(a) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for equity settled share-based payments transactions as set out in note 4(n) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the directors' report and in note 33 to the consolidated financial statements.

(b) Mr. Ran Zhang retired as a director of the Company on 29 May 2015.

(c) Mr. Li Dong Hui, Daniel and Mr. Song Lin resigned as directors of the Company on 28 March 2014 and 28 April 2014 respectively.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments, three (2014: three) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the other two (2014: two) individuals are as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Basic salaries and allowances | **2,314** | 4,475 |
| Retirement scheme contributions | **44** | 114 |
| Equity settled share-based payments | **5,175** | 1,392 |
| | **7,533** | 5,981 |

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following bands:

| | **2015 Number of individuals** | 2014 Number of individuals |
|---|---|---|
| HK$3,000,001 – HK$3,500,000 | **1** | - |
| HK$3,500,001 – HK$4,000,000 | **-** | 1 |
| HK$4,000,001 – HK$4,500,000 | **-** | 1 |
| HK$6,000,001 – HK$6,500,000 | **1** | - |
| | **2** | 2 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress RMB'000 | Freehold land and buildings RMB'000 | Leasehold buildings RMB'000 | Plant and machinery RMB'000 | Leasehold improvements RMB'000 | Furniture and fixtures, office equipment and motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| At 1 January 2014 | 910,497 | 62,463 | 2,914,003 | 4,438,417 | 5,901 | 467,317 | 8,798,598 |
| Exchange differences | 1,667 | (1,454) | – | (7,716) | – | (426) | (7,929) |
| Additions | 729,019 | 37 | 17,738 | 124,641 | 349 | 76,536 | 948,320 |
| Transfer | (219,103) | – | 24,697 | 190,675 | – | 3,731 | – |
| Disposals | (12,182) | – | (316,075) | (359,995) | – | (9,961) | (698,213) |
| Disposed of through disposal of subsidiaries (note 30) | (158,690) | (61,046) | (16,380) | (459,359) | – | (7,297) | (702,772) |
| At 31 December 2014 and 1 January 2015 | 1,251,208 | – | 2,623,983 | 3,926,663 | 6,250 | 529,900 | 8,338,004 |
| Exchange differences | – | – | – | 1,126 | – | (131) | 995 |
| Additions | 1,560,951 | – | 25,582 | 74,450 | – | 120,803 | 1,781,786 |
| Transfer | (848,533) | – | 610,434 | 225,063 | – | 13,036 | – |
| Disposals | (17,222) | – | (3,760) | (488,892) | – | (34,928) | (544,802) |
| Disposed of through disposal of subsidiaries (note 30) | (59) | – | (201,508) | (181,596) | – | (4,086) | (387,249) |
| Acquisition through business combinations (note 35) | 83,360 | – | 643,954 | 771,086 | – | 9,133 | 1,507,533 |
| **At 31 December 2015** | **2,029,705** | **–** | **3,698,685** | **4,327,900** | **6,250** | **633,727** | **10,696,267** |
| **DEPRECIATION** | | | | | | | |
| At 1 January 2014 | – | 14,001 | 405,204 | 1,931,002 | 4,293 | 235,544 | 2,590,044 |
| Exchange differences | – | (441) | – | (5,028) | – | (38) | (5,507) |
| Charge for the year | – | 2,421 | 94,999 | 390,895 | 745 | 65,126 | 554,186 |
| Written back on disposals | – | – | (65,075) | (315,161) | – | (6,461) | (386,697) |
| Disposed of through disposal of subsidiaries (note 30) | – | (15,981) | (1,252) | (251,524) | – | (5,970) | (274,727) |
| At 31 December 2014 and 1 January 2015 | – | – | 433,876 | 1,750,184 | 5,038 | 288,201 | 2,477,299 |
| Exchange differences | – | – | – | 222 | – | (41) | 181 |
| Charge for the year | – | – | 105,041 | 408,035 | 424 | 75,578 | 589,078 |
| Written back on disposals | – | – | (327) | (288,839) | – | (26,716) | (315,882) |
| Disposed of through disposal of subsidiaries (note 30) | – | – | (25,817) | (60,616) | – | (2,403) | (88,836) |
| **At 31 December 2015** | **–** | **–** | **512,773** | **1,808,986** | **5,462** | **334,619** | **2,661,840** |
| **NET BOOK VALUE** | | | | | | | |
| **At 31 December 2015** | **2,029,705** | **–** | **3,185,912** | **2,518,914** | **788** | **299,108** | **8,034,427** |
| At 31 December 2014 | 1,251,208 | – | 2,190,107 | 2,176,479 | 1,212 | 241,699 | 5,860,705 |

The Group's freehold land is located outside Hong Kong. As at 31 December 2015, the Group's property, plant and equipment of RMB141,297,000 (2014: RMB146,250,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

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## 15. INTANGIBLE ASSETS

| | Capitalised development costs RMB'000 |
|---|---|
| **COST** | |
| At 1 January 2014 | 3,933,460 |
| Exchange differences | (324) |
| Additions | 1,344,129 |
| Disposals | (11,801) |
| Disposed of through disposal of subsidiaries (note 30) | (68,757) |
| At 31 December 2014 and 1 January 2015 | 5,196,707 |
| Additions | 2,106,126 |
| Disposals | (623,203) |
| Disposed of through disposal of subsidiaries (note 30) | (91,968) |
| **At 31 December 2015** | **6,587,662** |
| **AMORTISATION** | |
| At 1 January 2014 | 713,417 |
| Exchange differences | (150) |
| Charge for the year | 291,058 |
| Disposals | (1,254) |
| Disposed of through disposal of subsidiaries (note 30) | (14,594) |
| At 31 December 2014 and 1 January 2015 | 988,477 |
| Charge for the year | 516,011 |
| Disposals | (155,009) |
| Disposed of through disposal of subsidiaries (note 30) | (22,058) |
| **At 31 December 2015** | **1,327,421** |
| **NET BOOK VALUE** | |
| **At 31 December 2015** | **5,260,241** |
| At 31 December 2014 | 4,208,230 |

The amortisation charge for the year is included in “Administrative expenses” in the consolidated income statement.

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## 16. LAND LEASE PREPAYMENTS

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| The Group's land lease prepayments comprise: | | |
| Outside Hong Kong, held on: | | |
| – Leases of between 10 to 50 years | **1,574,714** | 1,160,044 |
| Analysed for reporting purposes as: | | |
| Current assets | **37,001** | 28,758 |
| Non-current assets | **1,537,713** | 1,131,286 |
| | **1,574,714** | 1,160,044 |
| Opening net carrying amount | **1,160,044** | 1,196,168 |
| Additions | **32,032** | 221,185 |
| Additions through business combinations (note 35) | **436,931** | – |
| Disposals | **(4,506)** | (189,583) |
| Disposed of through disposal of subsidiaries (note 30) | **(12,198)** | (39,424) |
| Annual amortisation charges of land lease prepayments | **(37,589)** | (28,302) |
| Closing net carrying amount | **1,574,714** | 1,160,044 |

As at 31 December 2015, the Group's land lease prepayments of RMB78,588,000 (2014: RMB80,404,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

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## 17. GOODWILL

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| **Carrying amount** | | |
| At 1 January | **6,222** | 6,222 |
| Disposal of subsidiaries (note 30) | **(6,222)** | – |
| Arising on business combinations (note 35) | **2,584** | – |
| At 31 December | **2,584** | 6,222 |

Goodwill arose from the business combination of the acquisition of the entire interest in Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 during the year (note 35). The carrying amount of goodwill is allocated to the cash-generating unit of manufacturing of complete knock down kits in Chunxiao District in Zhejiang Province, the PRC. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segments. The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2015, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2014: RMBNil) during the year.

# The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

## 18. INTERESTS IN ASSOCIATES

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Share of net assets | **284,774** | 252,082 |
| Goodwill | **663** | 663 |
| Impairment loss recognised | **(663)** | (663) |
| | **284,774** | 252,082 |
| Represented by: | | |
| Cost of unlisted investments | **271,391** | 271,391 |
| Share of post-acquisition results and other comprehensive income | **22,857** | (18,646) |
| Impairment loss recognised | **(663)** | (663) |
| Exchange realignment | **(8,811)** | – |
| | **284,774** | 252,082 |

For the year ended 31 December 2015

## 18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entity whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2015 and 2014, are as follows:

| Name of company | Place of establishments and operations | Form of business structure | Particulars of registered capital | Attributable equity interest held by the Group 2015 | 2014 | Principal activities |
|---|---|---|---|---|---|---|
| Mando (Ningbo) Automotive Parts Co., Ltd. ("Mando (Ningbo)")# 萬都(寧波)汽車零部件有限公司 | PRC | Incorporated | United States dollars ("USD") 85,000,000 | **35%** | 35% | Manufacturing of automobile parts and components |
| Ningbo DIPO Traffic Facilities Co., Ltd.# 寧波帝寶交通器材有限公司 | PRC | Incorporated | USD11,100,000 | **18%** | 18% | Manufacturing of traffic facilities |
| Hangzhou Xuan You Network Technology Limited# 杭州軒優網路技術有限公司 | PRC | Incorporated | RMB1,000,000 | **29.5%** | 29.5% | Provision of webpage design and related technology support services |
| Closed Joint Stock Company BELGEE | Republic of Belarus | Incorporated | USD27,350,000 | **35.6%** | 35.6% | Production, marketing and sales of automobiles |
| Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司 | PRC | Incorporated | USD7,331,200 | **9%** | 9% | Manufacturing of emission control systems |
| PT Geely Mobil Indonesia | Republic of Indonesia | Incorporated | USD3,260,200 | **30%** | 30% | Production, marketing and sales of automobiles |

# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

All associates are indirectly held by the Company.

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

The Group retains significant influence over Ningbo DIPO Traffic Facilities Co., Ltd. and Faurecia Emissions Control Technologies (Ningbo) Co., Ltd. through the power to nominate representative on their respective board of directors.

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## 18. INTERESTS IN ASSOCIATES (Continued)

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Non-current assets | **244,013** | 281,746 |
| Current assets | **1,212,284** | 855,191 |
| Current liabilities | **(906,633)** | (631,199) |
| Non-current liabilities | **(6,246)** | (3,531) |
| Net assets | **543,418** | 502,207 |
| Revenue | **1,232,811** | 810,066 |
| Profit/(Loss) for the year | **41,211** | (15,343) |
| Other comprehensive income for the year | **–** | – |
| Total comprehensive income/(loss) for the year | **41,211** | (15,343) |

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Net assets of Mando (Ningbo) | **543,418** | 502,207 |
| The Group's effective interests in Mando (Ningbo) | **35%** | 35% |
| Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of Mando (Ningbo) | **190,196** | 175,772 |

Aggregate financial information of associates that are not individually material:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Aggregate amounts of the Group's share of profits for the year | **27,079** | 14,723 |
| Aggregate amounts of the Group's share of other comprehensive loss for the year | **–** | (18,901) |
| Aggregate carrying amount of the Group's interests in these associates | **94,578** | 76,310 |

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## 19. INTERESTS IN JOINT VENTURES

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Share of net assets | **1,709,081** | 438,547 |
| Represented by: | | |
| Cost of unlisted investments | **1,720,000** | 500,000 |
| Gain on deemed disposal of partial interest in a joint venture | **4,921** | – |
| Share of post-acquisition profits and other comprehensive income | **118,639** | 13,774 |
| Unrealised gain on disposal of land lease prepayments to a joint venture | **(71,600)** | (75,227) |
| Unrealised gain on disposal of a subsidiary to a joint venture (note 30) | **(62,879)** | – |
| | **1,709,081** | 438,547 |

Details of the Group's principal joint ventures, which are unlisted corporate entity whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2015 and 2014, are as follows:

| Name of joint venture | Place of establishments and operations | Form of business structure | Particulars of registered capital | Proportion of ownership interest held by the Group 2015 | 2014 | Principal activities |
|---|---|---|---|---|---|---|
| Kandi Electric Vehicles Group Co., Ltd.# ("Kandi Electric") 康迪電動汽車集團有限公司 | PRC | Incorporated | RMB1,000,000,000 | **50%** | 50% | Manufacture of electric automobiles and investment holding |
| Ninghai Zhidou Electric Vehicles Company Limited# ("Ninghai Zhidou") 寧海知豆電動汽車有限公司 | PRC | Incorporated | RMB1,111,110,000 (2014: RMBNil) | **45%** | – | Research and production of automobile parts, components and engines, production of electric vehicles and the provision of related after-sale services |
| Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司 | PRC | Incorporated | RMB900,000,000 (2014: RMBNil) | **80%** | – | Vehicles financing business |

# 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.

Except for Genius AFC, all other joint ventures are indirectly held by the Company.

## 19. INTERESTS IN JOINT VENTURES (Continued)

The Group entered into a joint venture agreement ("JV Agreement") with BNP Paribas Personal Finance, an independent third party, for the establishment of a joint venture, Genius AFC, to engage in the vehicles financing business in the PRC in December 2013. Genius AFC was established in August 2015. Genius AFC was held as to 80% by the Group and as to 20% by BNP Paribas Personal Finance. Pursuant to the JV Agreement, the board of directors of Genius AFC will consist of five directors, of whom four will be nominated by the Group, and one will be nominated by BNP Paribas Personal Finance, respectively. As specified in the JV Agreement between the Group and BNP Paribas Personal Finance, unanimous consent from the Group and the joint venture partners is needed as certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance. Both of the Group and BNP Paribas Personal Finance have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method.

On 8 January 2015, the Group entered into a joint venture agreement with independent third parties for the establishment of a joint venture, Ninghai Zhidou, to engage in the research and production of automobile parts, components and engines, electric vehicles and the provision of related after-sale services in the PRC. The Group has contributed its the entire shareholding in Lanzhou Zhidou Electric Vehicles Company Limited (formerly known as Lanzhou Geely Automobile Industrial Company Limited) ("Lanzhou Zhidou"), which was owned as to 99% by the Group. The registered capital of Ninghai Zhidou was RMB1,000,000,000, and Ninghai Zhidou was owned as to 50% by the Group and as to 50% by the joint venture partners. All decisions need unanimous consent of the Group and the joint venture parties and both of them have the rights to the net assets of Ninghai Zhidou. The details of the disposal of Lanzhou Zhidou are disclosed in note 30.

In September 2015, Ninghai Zhidou effected an increase in registered capital whereby the other joint venture partners injected additional capital to Ninghai Zhidou amounting to RMB111,110,000. Upon the completion of the capital increase, the registered capital of Ninghai Zhidou changed from RMB1,000,000,000 to RMB1,111,110,000. As a result of such an increase in registered capital, the Group's equity interest in Ninghai Zhidou was diluted from 50% to 45% and a dilution gain of RMB4,921,000 was recognised during the year. The capital increase contributed a deemed disposal for the Group. Despite the dilution in equity interest, the Group was still able to exert joint control over the financial and operating activities on Ninghai Zhidou. Accordingly, the Group continues to account for such investment as a joint venture.

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## 19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

| | Genius AFC | | Ninghai Zhidou | | Kandi Electric | |
|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| Non-current assets | **28,857** | – | **896,003** | – | **1,239,611** | 1,195,188 |
| Current assets | **1,136,904** | – | **3,343,936** | – | **2,991,142** | 1,615,560 |
| Current liabilities | **(291,278)** | – | **(3,022,912)** | – | **(2,795,147)** | (1,727,777) |
| Non-current liabilities | **(1,038)** | – | **–** | – | **(241,323)** | (55,423) |
| Net assets | **873,445** | – | **1,217,027** | – | **1,194,283** | 1,027,548 |
| The above amount of assets and liabilities include the following: | | | | | | |
| Cash and cash equivalents | **1,024,357** | – | **467,167** | – | **942,553** | 246,520 |
| Current financial liabilities (excluding trade and other payables and provisions) | **(274,100)** | – | **(486,418)** | – | **(1,782,983)** | (730,000) |
| Non-current financial liabilities (excluding trade and other payables and provisions) | **(1,038)** | – | **–** | – | **(241,323)** | (55,423) |
| Revenue | **19,602** | – | **3,397,588** | – | **1,818,376** | 1,325,168 |
| (Loss)/profit for the year | **(26,555)** | – | **103,040** | – | **166,736** | 46,272 |
| Other comprehensive income for the year | **–** | – | **–** | – | **–** | – |
| Total comprehensive (loss)/income for the year | **(26,555)** | – | **103,040** | – | **166,736** | 46,272 |
| Dividend received from the joint ventures | **–** | – | **–** | – | **–** | – |
| The above (loss)/profit for the year including the following: | | | | | | |
| Depreciation and amortisation | **(1,374)** | – | **(25,338)** | – | **(70,790)** | (65,219) |
| Interest income | **19,468** | – | **–** | – | **13,439** | 950 |
| Interest expense | **(425)** | – | **(9,149)** | – | **(55,170)** | (8,601) |
| Income tax expense | **–** | – | **(4,513)** | – | **(46,354)** | (14,772) |

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## 19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

| | Genius AFC | | Ninghai Zhidou | | Kandi Electric | |
|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| Net assets of the joint venture | **873,445** | – | **1,217,027** | – | **1,194,283** | 1,027,548 |
| The Group's effective interests in the joint venture | **80%** | – | **45%** | – | **50%** | 50% |
| The Group's share of the net assets of the joint venture | **698,756** | – | **547,662** | – | **597,142** | 513,774 |
| Unrealised gain on disposal of land lease prepayments to a joint venture | **–** | – | **–** | – | **(71,600)** | (75,227) |
| Unrealised gain on disposal of a subsidiary to a joint venture (note 30) | **–** | – | **(62,879)** | – | **–** | – |
| Carrying amount of the Group's interests in the joint venture | **698,756** | – | **484,783** | – | **525,542** | 438,547 |

## 20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Raw materials | **394,917** | 436,686 |
| Work in progress | **244,098** | 138,054 |
| Finished goods | **587,154** | 1,044,765 |
| | **1,226,169** | 1,619,505 |

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Carrying amount of inventories sold | **24,667,603** | 17,775,723 |
| Write-down of inventories | **20,920** | 711 |
| | **24,688,523** | 17,776,434 |

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## 21. TRADE AND OTHER RECEIVABLES

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Trade and notes receivables** | | | |
| Trade receivables | | | |
| – Third parties | | **890,920** | 1,822,383 |
| – A joint venture | | **53,256** | 29,126 |
| – Associates | | **111,757** | 424,208 |
| – Related companies controlled by the substantial shareholder of the Company | | **537,203** | 1,319,427 |
| | (a) | **1,593,136** | 3,595,144 |
| Notes receivables | (b) | **10,203,692** | 9,221,000 |
| | | **11,796,828** | 12,816,144 |
| **Deposit, prepayment and other receivables** | | | |
| Prepayment to suppliers | | | |
| – Third parties | | **82,609** | 47,977 |
| – Related companies controlled by the substantial shareholder of the Company | | **750,645** | 904,396 |
| | | **833,254** | 952,373 |
| Deposits paid for acquisition of property, plant and equipment | | **558,920** | 430,498 |
| VAT and other taxes receivables | | **1,187,706** | 1,435,122 |
| Utility deposits and other receivables | | **370,875** | 228,180 |
| | | **2,950,755** | 3,046,173 |
| Amounts due from related parties controlled by the substantial shareholder of the Company | (c) | **62,605** | 502,180 |
| Amount due from ultimate holding company | (c) | **27** | 61 |
| Amount due from a joint venture | (d) | **26,224** | 20,634 |
| | | **3,039,611** | 3,569,048 |
| | | **14,836,439** | 16,385,192 |

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## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables

The Group allows an average credit period ranged from 30 days to 90 days to its PRC customers. Further details on the Group's credit policy are set out in note 37. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date, at the reporting date:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| 0 – 60 days | 275,711 | 901,467 |
| 61 – 90 days | 95,013 | 80,922 |
| Over 90 days | 745,188 | 525,465 |
| | 1,115,912 | 1,507,854 |

For overseas customers, the Group allows credit period ranged from 180 days to 450 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date, at the reporting date:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| 0 – 60 days | 178,886 | 502,991 |
| 61 – 90 days | 17,208 | 30,042 |
| 91 – 365 days | 125,509 | 1,383,770 |
| Over 365 days | 155,621 | 170,487 |
| | 477,224 | 2,087,290 |

As at 31 December 2015, 24% (2014: 34%) of the total trade receivables was due from the Group's five largest customers.

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## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables (Continued)

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but neither individually nor collectively considered to be impaired is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 1 – 30 days past due | **31,621** | 280,817 |
| 31 – 60 days past due | **95,737** | 126,692 |
| 61 – 90 days past due | **25,484** | 92,340 |
| Over 90 days past due | **785,053** | 887,881 |
| | **937,895** | 1,387,730 |

As at 31 December 2015, trade receivables of RMB655,241,000 (2014: RMB2,207,414,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

The Group does not charge interest on overdue balances. Included in the Group's trade receivables were receivables with a carrying amount of RMB937,895,000 (2014: RMB1,387,730,000) which were past due at the reporting date for which the Group has not provided for impairment loss. The Group held certain property, plant and equipment of an oversea customer with carrying amount of approximately USD52,737,000 (equivalent to approximately RMB342,263,000) as collateral over certain overdue balances for over 90 days amounted to RMB199,277,000 as at 31 December 2015 (2014: RMB213,447,000). The Group did not hold any collateral over the remaining balances. No impairment has been made to the trade receivables. Receivables that were past due but not impaired were mainly related to large corporations that have long trading history with the Group and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable.

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## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2015 and 2014, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

The Group pledged notes receivables of RMB23,365,000 to banks to secure the Group's notes payables (note 25(b)) as at 31 December 2015.

The Group pledged notes receivables of RMB421,909,000 to banks to secure the Group's notes payables (note 25(b)) and bank borrowings (note 26(a)) as at 31 December 2014.

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

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

### (d) Amount due from a joint venture

The amount due from a joint venture is unsecured, interest-free and repayable on demand.

Except for trade and other receivables of RMB116,789,000 (2014: RMB25,575,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2015** | 2014 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Listed investments | | |
| – Equity securities listed outside Hong Kong | **17,118** | 15,294 |

The fair value of the listed investments is based on the quoted market price available. Further details of the Group's management of equity price risk and the information relating to the fair value measurements are set out in note 37.

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## 23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **2015** | 2014 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Unlisted investments | | |
| – Equity securities | **21,650** | 28,270 |

The unlisted equity securities are stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

## 24. SENIOR NOTES

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of USD300,000,000 (equivalent to approximately RMB1,836,750,000) (the "Senior Notes"). The Senior Notes carry interest at 5.25% per annum, payable semi-annually in arrears on 6 April and 6 October, and will mature on 6 October 2019, unless redeemed earlier.

The Senior Notes are listed on the SEHK. They are unsecured, have senior obligations and guaranteed by certain of the Company's subsidiaries operating in the PRC. The guarantee is effectively subordinated to all existing and future secured obligations of the Company to the extent of the value of the collateral securing such obligations.

At any time on or after 6 October 2017, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if they are redeemed during the twelve-month period beginning on 6 October of the years indicated below:

| **Period** | **Redemption Price** |
|---|---|
| 2017 | 102.625% |
| 2018 and thereafter | 101.313% |

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## 24. SENIOR NOTES (Continued)

The carrying amount of the Senior Notes at initial recognition net of transaction costs amounted to USD296,311,000 (equivalent to approximately RMB1,814,165,000) and the effective interest rate is 5.54% per annum. The Senior Notes are carried at amortised cost and are not expected to be settled within one year.

The movement of the Senior Notes during the year are set out below:

| | **2015** | 2014 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Carrying amount** | | |
| At 1 January | **1,820,138** | – |
| Initial fair value on the date of issuance on 6 October 2014 | **–** | 1,814,165 |
| Exchange differences | **104,486** | 4,738 |
| Interest expenses | **4,232** | 1,235 |
| At 31 December | **1,928,856** | 1,820,138 |

The Senior Notes are subject to the fulfilment of certain financial and non-financial covenants, as commonly found in lending arrangements in senior notes. If the Group was to breach the covenants, the principal, and, accrued and unpaid interest of the Senior Notes would become payable on demand. The directors consider that none of the covenants had been breached as at 31 December 2015 and 2014.

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## 25. TRADE AND OTHER PAYABLES

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Trade and notes payables** | | | |
| Trade payables | | | |
| – Third parties | | **9,001,560** | 7,757,246 |
| – Associates | | **737,199** | 596,489 |
| – Related parties controlled by the substantial shareholder of the Company | | **1,394,491** | 2,400,232 |
| | (a) | **11,133,250** | 10,753,967 |
| Notes payables | (b) | **71,655** | 364,916 |
| | | **11,204,905** | 11,118,883 |
| **Other payables** | | | |
| Receipts in advance from customers | | | |
| – Third parties | | **2,064,772** | 1,983,648 |
| – Related parties controlled by the substantial shareholder of the Company | | **234,574** | 75,387 |
| | | **2,299,346** | 2,059,035 |
| Deferred government grants which conditions have not been satisfied | | **2,737,519** | 1,164,773 |
| Payables for acquisition of property, plant and equipment | | **211,267** | 293,103 |
| Accrued staff salaries and benefits | | **419,020** | 272,784 |
| VAT and other taxes payables | | **171,957** | 207,207 |
| Other accrued charges | | **1,534,742** | 1,153,947 |
| | | **7,373,851** | 5,150,849 |
| Amounts due to related parties controlled by the substantial shareholder of the Company | (c) | **1,535,585** | 476,934 |
| Amount due to ultimate holding company | (c) | **30** | 270,000 |
| | | **8,909,466** | 5,897,783 |
| | | **20,114,371** | 17,016,666 |

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## 25. TRADE AND OTHER PAYABLES (Continued)

### (a) Trade payables

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| 0 – 60 days | **8,746,578** | 8,644,894 |
| 61 – 90 days | **1,090,495** | 723,267 |
| Over 90 days | **1,296,177** | 1,385,806 |
| | **11,133,250** | 10,753,967 |

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

### (b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2015 and 2014, all notes payables have maturities of less than one year from the reporting date.

As at 31 December 2015, the Group pledged notes receivables and pledged bank deposits of RMB23,365,000 (2014: RMB421,909,000) and RMB40,533,000 (2014: RMB47,451,000) respectively to secure the notes payables.

### (c) Amounts due to related parties/ultimate holding company

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

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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## 26. BANK BORROWINGS

| | Note | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|---|
| Bank loans secured by the Group's assets | (a) | **–** | 391,616 |
| Bank loans guaranteed by the ultimate holding company | (b) | **–** | 300,000 |
| Total bank borrowings | | **–** | 691,616 |

At 31 December 2014, the Group's borrowings were carried at amortised cost, repayable within one year or on demand and shown under current liabilities. All bank borrowings are repaid during the year.

Notes:

(a) As at 31 December 2014, these bank borrowings, together with notes payables, were secured by the notes receivables of RMB421,909,000 (note 21(b)) and pledged bank deposits of RMB47,451,000, with interest bearing at 3.95% per annum.

(b) As at 31 December 2014, these bank borrowings were guaranteed by the Company's ultimate holding company and carried interest at 5.6% per annum.

As at 31 December 2014, all bank borrowings were fixed-rate borrowings. Further details of the Group's management of liquidity risk were set out in note 37.

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## 27. DEFERRED TAX ASSETS AND LIABILITIES

The following is the deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements thereon during the year:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| At 1 January | **97,026** | 73,105 |
| Exchange differences | **150** | (2,536) |
| (Credit)/Charge to the consolidated income statement (note 10) | **(16,487)** | 21,666 |
| De-recognition through disposal of subsidiaries (note 30) | **–** | 4,791 |
| At 31 December | **80,689** | 97,026 |

### Deferred tax assets

| | Provisions<br>RMB'000 | Unused tax losses<br>RMB'000 | Intangible assets<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | 36,639 | – | – | 33,482 | 70,121 |
| Exchange differences | 2,137 | – | – | 150 | 2,287 |
| Credit to the consolidated income statement | (23,524) | – | 18,114 | (37) | (5,447) |
| De-recognition through disposal of subsidiaries (note 30) | (15,252) | – | – | – | (15,252) |
| At 31 December 2014 and 1 January 2015 | – | – | 18,114 | 33,595 | 51,709 |
| Exchange differences | – | – | – | (150) | (150) |
| Credit to the consolidated income statement | – | 28,144 | 13,547 | 888 | 42,579 |
| **At 31 December 2015** | **–** | **28,144** | **31,661** | **34,333** | **94,138** |

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## 27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

**Deferred tax liabilities**

| | Withholding tax on undistributed profits from the PRC subsidiaries RMB'000 | Accelerated tax depreciation RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2014 | 132,516 | 10,710 | 143,226 |
| Exchange differences | – | (249) | (249) |
| Charge to the consolidated income statement (note 10) | 16,219 | – | 16,219 |
| De-recognition through disposal of subsidiaries (note 30) | – | (10,461) | (10,461) |
| At 31 December 2014 and 1 January 2015 | 148,735 | – | 148,735 |
| Charge to the consolidated income statement (note 10) | 26,092 | – | 26,092 |
| **At 31 December 2015** | **174,827** | **–** | **174,827** |

For the year ended 31 December 2015

## 27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

### Deferred tax liabilities (Continued)

The deferred tax assets have been offset against certain deferred tax liabilities on the consolidated statement of financial position as they are related to the same entity and related to tax levied by the same tax authority. The amounts recognised in the consolidated statement of financial position are as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Deferred tax assets recognised in the consolidated statement of financial position | **(94,138)** | (51,709) |
| Deferred tax liabilities recognised in the consolidated statement of financial position | **174,827** | 148,735 |
| Net deferred tax liabilities | **80,689** | 97,026 |

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB8,577,099,000 (2014: RMB7,519,779,000).

At the reporting date, the Group has unused tax losses of approximately RMB1,983,847,000 (2014: RMB1,169,000,000) available for offset against future profits. Of the total tax losses, approximately RMB352,000,000 (2014: RMB360,000,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

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## 28. SHARE CAPITAL

| | Number of shares | Nominal value RMB'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.02 each | | |
| At 31 December 2014 and 2015 | **12,000,000,000** | **246,720** |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.02 each | | |
| At 1 January 2014, 31 December 2014 and 1 January 2015 | **8,801,446,540** | **161,346** |
| Shares issued under share option scheme (note) | **540,000** | **8** |
| At 31 December | **8,801,986,540** | **161,354** |

Note: During the year ended 31 December 2015, share options were exercised to subscribe for 540,000 ordinary shares of the Company at a consideration of approximately RMB1,735,000 of which approximately RMB8,000 was credited to share capital and approximately RMB1,727,000 was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB775,000 has been transferred to the share premium account in accordance with the accounting policy set out in note 4(n).

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## 29. RESERVES

### (a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

### (b) Statutory reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

### (c) Capital reserve

Capital reserve represents differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the subsidiaries of the Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company, and its subsidiaries in prior years.

### (d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(g).

### (e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(n).

### (f) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at year end and is dealt with in accordance with the accounting policy in note 4(h).

### (g) Accumulated profits

Accumulated profits represent accumulated net profit or losses less dividends paid plus other transfers to or from other reserves.

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## 30. DISPOSAL OF SUBSIDIARIES

On 8 January 2015, the Company entered into a joint venture agreement with independent third parties for the establishment of a joint venture, Ninghai Zhidou (note 19). The Group has contributed its entire shareholding in Lanzhou Zhidou, its indirectly owned subsidiary with 99% equity interest, to Ninghai Zhidou, in exchange of 50% shareholding in Ninghai Zhidou. Upon the completion of the above-mentioned transaction, Lanzhou Zhidou ceased to be a subsidiary of the Company. The disposal of Lanzhou Zhidou was completed in April 2015. The consideration of the disposal of a subsidiary was RMB500,000,000. The net assets disposed of at the disposal date are set out as follows:

| | RMB'000 |
|---|---|
| **Net assets disposed of:** | |
| Property, plant and equipment (note 14) | 298,413 |
| Intangible assets (note 15) | 69,910 |
| Land lease prepayments (note 16) | 12,198 |
| Goodwill (note 17) | 6,222 |
| Inventories | 460 |
| Trade and other receivables | 62,173 |
| Bank balances and cash | 3,047 |
| Trade and other payables | (77,127) |
| Income tax payable | (1,363) |
| | 373,933 |
| **Net gain on disposal of a subsidiary:** | |
| Fair value of equity interest of Ninghai Zhidou acquired (note 19) | 500,000 |
| Net assets disposed of | (373,933) |
| Non-controlling interests | (309) |
| Unrealised gain on disposal of a subsidiary to a joint venture (note 19) | (62,879) |
| | 62,879 |
| **Net cash outflow arising on disposal:** | |
| Bank balances and cash disposed of | (3,047) |

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## 30. DISPOSAL OF SUBSIDIARIES (Continued)

During the year ended 31 December 2014, the Group disposed of the entire interests in DSI Holdings Pty Limited ("DSI"), Hunan Jisheng International Drivetrain System Company Limited ("Hunan Jisheng") and Shandong Geely Gearbox Company Limited ("Shandong Gearbox"), the indirectly owned subsidiaries of the Company (collectively the "disposal group"), to related companies with a common beneficiary shareholder of the Company. The considerations for the disposals of DSI, Hunan Jisheng and Shandong Gearbox were approximately Australian dollars 88,354,000 (equivalent to approximately RMB474,375,000), RMB85,500,000 and RMB100,000,000, respectively. The disposals of DSI, Hunan Jisheng and Shandong Gearbox were completed in September, August and August 2014, respectively.

| | RMB'000 |
|---|---|
| **Aggregated net assets disposed of:** | |
| Property, plant and equipment (note 14) | 428,045 |
| Intangible assets (note 15) | 54,163 |
| Available-for-sale financial assets | 2,299 |
| Land lease prepayments (note 16) | 39,424 |
| Deferred tax assets (note 27) | 15,252 |
| Inventories | 65,832 |
| Trade and other receivables | 150,056 |
| Bank balances and cash | 165,254 |
| Trade and other payables | (344,588) |
| Income tax recoverable | 16,097 |
| Deferred tax liabilities (note 27) | (10,461) |
| Shareholder's loan | (181,422) |
| Fair value reserve | 52 |
| Translation reserve | 3,316 |
| | 403,319 |
| **Net gain on disposal of subsidiaries (note):** | |
| Cash consideration received | 659,875 |
| Assignment of loan amounts due from DSI by the Group | (181,422) |
| Net assets disposed of | (403,319) |
| Non-controlling interests | 1,597 |
| | 76,731 |
| **Aggregated net cash inflow arising on disposal:** | |
| Cash consideration received | 659,875 |
| Assignment of loan amounts due from DSI by the Group | (181,422) |
| Bank balances and cash disposed of | (165,254) |
| | 313,199 |

Note: As the subsidiaries were disposed of to related companies with a common beneficiary shareholder, the net gain on disposal is recognised as the movement in capital reserve.

## 31. COMMITMENTS

### Capital expenditure commitments

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Contracted but not provided for, net of deposits paid | | |
| – purchase of property, plant and equipment | **1,514,991** | 327,582 |
| – purchase of intangible assets | **–** | 1,258 |
| – investment in a joint venture | **–** | 720,000 |
| | **1,514,911** | 1,048,840 |

### Operating lease commitments – as lessee

At the reporting date, the total future minimum lease payments in respect of office and factory premises and other assets under non-cancellable operating leases are payable as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Office and factory premises | | |
| Within one year | **6,126** | 6,282 |
| In the second to fifth years inclusive | **12,349** | 1,036 |
| After five years | **6,602** | – |
| | **25,077** | 7,318 |
| Other assets | | |
| Within one year | **136** | 803 |
| In the second to fifth years inclusive | **–** | 328 |
| | **136** | 1,131 |
| | **25,213** | 8,449 |

Leases are negotiated and rental are fixed for an initial period of one to three years (2014: one to three years) with an option to renew the leases when all terms are renegotiated.

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## 31. COMMITMENTS (Continued)

### Operating lease commitments – as lessor

At the reporting date, the total future minimum lease receipts in respect of leasehold land and buildings, motor vehicles and plant and machinery under non-cancellable operating leases are receivable as follows:

| | **2015** | 2014 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Leasehold land and buildings | | |
| Within one year | **4,391** | 7,162 |
| In the second to fifth years inclusive | **16,877** | 16,791 |
| After five years | **26,235** | 30,433 |
| | **47,503** | 54,386 |
| Motor vehicles and plant and machinery | | |
| Within one year | **4,001** | 4,001 |
| In the second to fifth years inclusive | **16,004** | 16,004 |
| After five years | **25,006** | 29,007 |
| | **45,011** | 49,012 |
| | **92,514** | 103,398 |

Leases are negotiated and rental are fixed for an initial period of one to fourteen years (2014: one to fourteen years).

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## 32. RETIREMENT BENEFITS SCHEME

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' relevant income to the scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB24,000) (HK$25,000 prior to June 2014) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employee's basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in these countries.

During the year, the aggregate employer's contributions made by the Group amounted to RMB127,954,000 (2014: RMB114,299,000).

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the "Old Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the "New Share Option Scheme") was adopted to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the "Scheme". After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the Board of Directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within five business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of each share option is HK$1.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year from the second year of the grant date.

The subscription price for the shares under the Scheme is a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons and movements:

**2015**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Transfer upon resignation | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Mr. Ang Siu Lun, Lawrence | 18 January 2010 to 17 January 2020 | 4.07 | 11,000,000 | – | – | – | – | 11,000,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 5,000,000 | – | – | – | 5,000,000 |
| Mr. An Cong Hui | 18 January 2010 to 17 January 2020 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| Mr. An Qing Heng | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| Mr. Gui Sheng Yue | 18 January 2010 to 17 January 2020 | 4.07 | 11,500,000 | – | – | – | – | 11,500,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 6,000,000 | – | – | – | 6,000,000 |
| Mr. Liu Jin Liang | 18 January 2010 to 17 January 2020 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| Ms. Wei Mei | 18 January 2010 to 17 January 2020 | 4.07 | 3,000,000 | – | – | – | – | 3,000,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 5,000,000 | – | – | – | – | 5,000,000 |
| Mr. Yang Jian | 18 January 2010 to 17 January 2020 | 4.07 | 12,000,000 | – | – | – | – | 12,000,000 |
| Mr. Lee Cheuk Yin, Dannis | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | – | – | – | 1,000,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| Mr. Yeung Sau Hung, Alex | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | – | – | – | 1,000,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| Mr. Carl Peter Edmund Moriz Forster | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| Mr. Wang Yang | 9 January 2016 to 8 January 2020 | 2.79 | – | 1,000,000 | – | – | – | 1,000,000 |
| | | | 62,500,000 | 16,000,000 | – | – | – | 78,500,000 |

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## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### 2015 (Continued)

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Transfer upon resignation | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|---|
| **Employees** | 18 January 2010 to 17January 2020 | 4.07 | 306,750,000 | – | (540,000) | (21,450,000) | – | 284,760,000 |
| | 21 April 2010 to 20 April 2020 | 4.07 | 14,000,000 | – | – | (1,000,000) | – | 13,000,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 16,500,000 | – | – | – | – | 16,500,000 |
| | 25 June 2012 to 24 June 2022 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| | 17 January 2013 to 16 January 2023 | 4.11 | 4,100,000 | – | – | – | – | 4,100,000 |
| | 9 January 2016 to 8 January 2020 | 2.79 | – | 16,900,000 | – | – | – | 16,900,000 |
| | 2 June 2016 to 1 June 2020 | 4.08 | – | 1,000,000 | – | – | – | 1,000,000 |
| | | | 350,350,000 | 17,900,000 | (540,000) | (22,450,000) | – | 345,260,000 |
| **Other eligible participants** | 2 June 2016 to 1 June 2020 | 4.08 | – | 20,400,000 | – | – | – | 20,400,000 |
| | | | 412,850,000 | 54,300,000 | (540,000) | (22,450,000) | – | 444,160,000 |

| | Outstanding at 1 January HK$ | Granted during the year HK$ | Exercised during the year HK$ | Forfeited during the year HK$ | Outstanding at 31 December HK$ |
|---|---|---|---|---|---|
| Weighted average exercise price per share | 4.07 | 3.30 | 4.07 | 4.07 | 3.98 |
| Weighted average remaining contractual life of options outstanding at 31 December 2015 | | | | | 4.25 years |
| Number of options exercisable at 31 December 2015 | | | | | 226,586,000 |
| Weighted average exercise price per share of options exercisable at 31 December 2015 | | | | | HK$4.07 |

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

2014

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Transfer upon resignation | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Mr. Ang Siu Lun, Lawrence | 18 January 2010 to 17 January 2020 | 4.07 | 11,000,000 | – | – | – | – | 11,000,000 |
| Mr. An Cong Hui | 18 January 2010 to 17 January 2020 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| Mr. Gui Sheng Yue | 18 January 2010 to 17 January 2020 | 4.07 | 11,500,000 | – | – | – | – | 11,500,000 |
| Mr. Liu Jin Liang | 18 January 2010 to 17 January 2020 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| Ms. Wei Mei | 18 January 2010 to 17 January 2020 | 4.07 | 3,000,000 | – | – | – | – | 3,000,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 5,000,000 | – | – | – | – | 5,000,000 |
| Mr. Yang Jian | 18 January 2010 to 17 January 2020 | 4.07 | 12,000,000 | – | – | – | – | 12,000,000 |
| Mr. Lee Cheuk Yin, Dannis | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | – | – | – | 1,000,000 |
| Mr. Song Lin | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | – | – | (1,000,000) | – |
| Mr. Yeung Sau Hung, Alex | 18 January 2010 to 17 January 2020 | 4.07 | 1,000,000 | – | – | – | – | 1,000,000 |
| Mr. Li Dong Hui, Daniel | 23 March 2012 to 22 March 2022 | 4.07 | 7,000,000 | – | – | – | (7,000,000) | – |
| | | | 70,500,000 | – | – | – | (8,000,000) | 62,500,000 |

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## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

2014 (Continued)

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Transfer upon resignation | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|---|
| **Employees** | 18 January 2010 to 17January 2020 | 4.07 | 330,600,000 | – | – | (24,850,000) | 1,000,000 | 306,750,000 |
| | 21 April 2010 to 20 April 2020 | 4.07 | 14,400,000 | – | – | (400,000) | – | 14,000,000 |
| | 23 March 2012 to 22 March 2022 | 4.07 | 12,000,000 | – | – | (2,500,000) | 7,000,000 | 16,500,000 |
| | 25 June 2012 to 24 June 2022 | 4.07 | 9,000,000 | – | – | – | – | 9,000,000 |
| | 17 January 2014 to 16 January 2023 | 4.11 | 4,100,000 | – | – | – | – | 4,100,000 |
| | | | 370,100,000 | – | – | (27,750,000) | 8,000,000 | 350,350,000 |
| | | | 440,600,000 | – | – | (27,750,000) | – | 412,850,000 |

| | Outstanding at 1 January HK$ | Forfeited during the year HK$ | Transfer upon resignation HK$ | Outstanding at 31 December HK$ |
|---|---|---|---|---|
| Weighted average exercise price per share | 4.07 | 4.07 | 4.07 | 4.07 |
| Weighted average remaining contractual life of options outstanding at 31 December 2014 | | | | 5 years |
| Number of options exercisable at 31 December 2014 | | | | 198,275,000 |
| Weighted average exercise price per share of options exercisable at 31 December 2014 | | | | HK$4.07 |

## 33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

During the year ended 31 December 2015, 32,900,000 options and 21,400,000 options were granted on 9 January 2015 and 2 June 2015 with estimated total fair values of approximately RMB34,300,000 and RMB25,500,000 respectively. The closing prices of the Company's shares immediately before the date on which the share options granted on 9 January 2015 and 2 June 2015 were HK$2.79 and HK$4.02 respectively. The exercise prices of the share options granted were HK$2.79 per share for share options granted on 9 January 2015 and HK$4.08 per share for share options granted on 2 June 2015 respectively.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair values were measured based on Binomial Option Pricing Model. The inputs into the model are as follows:

| Grant date | 2 June 2015 | 9 January 2015 |
|---|---|---|
| Share price | HK$4.02 | HK$2.79 |
| Exercise price | HK$4.08 | HK$2.79 |
| Expected volatility | 46.12% | 46.72% |
| Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model) | 5 years | 5 years |
| Risk-free interest rate | 1.12% | 1.28% |
| Expected dividends | 1.14% | 1.26% |

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. The Group recognised a total expense of RMB61,875,000 (2014: RMB59,850,000) for the year ended 31 December 2015 in relation to share options granted by the Company. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share options granted.

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## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

Certain transactions fell under the definition of continuing connected transactions (as defined in the Listing Rules) are disclosed in Directors' Report.

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties:

### (a) Transactions

| Name of related parties | Nature of transactions | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Related companies (notes (a) and (b))** | | | |
| Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司 | Sales of complete knock down kits and sedan tool kits | **14,554,461** | 8,459,803 |
| | Sales of automobile parts and components | **15,397** | 4,644 |
| | Claims income on defective materials purchased | **80,610** | 56,631 |
| | Purchase of complete buildup units | **15,270,192** | 8,748,155 |
| | Purchase of automobile parts and components | **21,645** | – |
| | Sub-contracting fee paid | **31,709** | 26,054 |
| | Claims paid on defective materials sold | **73,151** | 55,799 |
| | Acquisition of property, plant and equipment | **6,343** | 949 |
| | Research and development services rendered | **6,567** | – |
| | Sales of property, plant, and equipment | **1,026** | – |
| Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司 | Sales of complete and semi knock down kits and sedan tool kits | **–** | 233,573 |
| | Sales of automobile parts and components | **479** | 515 |
| | Claims income on defective materials purchased | **244** | 2,102 |
| | Purchase of complete buildup units | **–** | 243,776 |
| | Claims paid on defective materials sold | **–** | 1,076 |
| | Rental income | **178** | 962 |
| | Research and development services rendered | **1,480** | – |

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## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Related companies (notes (a) and (b))** | | | |
| Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司 | Sales of complete knock down kits and sedan tool kits | **11,132,964** | 7,232,232 |
| | Sales of automobile parts and components | **772** | 902 |
| | Claims income on defective materials purchased | **101,606** | 70,924 |
| | Purchase of complete buildup units | **11,661,224** | 7,514,731 |
| | Purchase of automobile parts and components | **333** | 18,675 |
| | Sub-contracting fee paid | **17,575** | 18,052 |
| | Claims paid on defective materials sold | **103,850** | 64,926 |
| | Acquisition of property, plant and equipment | **1,241** | 1,812 |
| | Rental income | **290** | 290 |
| Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司 | Claims income on defective materials purchased | **25,316** | 20,858 |
| | Purchase of automobile parts and components | **4,601,237** | 3,282,616 |
| | Acquisition of property, plant and equipment | **1,758** | – |
| | Disposal of subsidiaries (note 30) | **–** | 185,500 |
| Taizhou Haoqing Automobile Sales Company Limited# 台州豪情汽車銷售有限公司 | Sales of after sales car parts | **3,254** | 3,837 |
| | Sales of complete buildup units | **186,964** | 137,838 |
| | Claims paid on defective materials sold | **1,611** | 1,053 |
| | Acquisition of property, plant and equipment | **581** | – |

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## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Related companies (notes (a) and (b))** | | | |
| Zhejiang Wisdom Electronics Equipment Company Limited# ("Zhejiang Wisdom") 浙江智慧電裝有限公司 (note (c)) | Purchase of automobile parts and components | **–** | 10,426 |
| | Rental income | **–** | 86 |
| | Claims income on defective materials purchased | **–** | 24 |
| Chengdu New Land Automobile Co., Ltd# 成都新大地汽車有限責任公司 | Sales of complete knock down kits and sedan tool kits | **–** | 2,923,968 |
| | Purchase of complete buildup units | **–** | 3,096,706 |
| | Acquisition of property, plant and equipment | **–** | 1,335 |
| | Claims paid on defective materials sold | **–** | 26,660 |
| | Claim income on defective materials purchased | **–** | 23,195 |
| Shanghai LTI Automobile Components Company Limited# 上海英倫帝華汽車部件有限公司 | Sales of automobile parts and components | **33** | 239 |
| | Purchase of automobile parts and components | **4,424** | 1,695 |
| | Rental income | **4,198** | 7,617 |
| | Sales of complete knock down kits and sedan tool kits | **–** | 103 |
| Hunan Jisheng International Drivetrain System Company Limited# ("Hunan Jisheng") (note (d)) 湖南吉盛國際動力傳動系統有限公司 | Purchase of automobile parts and components | **69,574** | 98,905 |
| | Sales of automobile parts and components | **–** | 10 |
| | Claims income on defective materials purchased | **11,188** | 6,020 |

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## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Related companies (notes (a) and (b))** | | | |
| Shandong Geely Gearbox Company Limited# 山東吉利變速器有限公司 | Acquisition of property, plant and equipment | – | 580 |
| Geely Automobile Research Development Co., Ltd# 寧波吉利汽車研究開發有限公司 | Sales of complete knock down kits and sedan tool kits | 12,159 | – |
| | Sales of automobile parts and components | 2,391 | 1,816 |
| Zhejiang Jirun Chunxiao Automobile Components Company Limited# (note (e)) 浙江吉潤春曉汽車部件有限公司 | Sales of automobile parts and components | – | 739 |
| DSI Holdings Pty Limited | Research and development fee paid | – | 12,573 |
| | Sales of automobile parts and components | – | 228 |
| Volvo Technology (Shanghai) Co., Ltd# 沃爾沃汽車技術(上海)有限公司 | Service fee income | 2,151 | – |
| **Associates** | | | |
| Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司 | Purchase of automobile parts and components | 1,169,254 | 735,838 |
| | Claims income on defective materials purchased | – | 4,870 |
| | Service fee income | 4,015 | – |

For the year ended 31 December 2015

## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Associates** | | | |
| Ningbo DIPO Traffic Facilities Co., Ltd# 寧波帝寶交通器材有限公司 | Purchase of automobile parts and components | **38,676** | 2,431 |
| Closed Joint Stock Company BELGEE | Sales of complete buildup units | **15,601** | 531,474 |
| Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司 | Purchase of automobile parts and components | **180,922** | – |
| **Joint venture and its subsidiary** | | | |
| Kandi Electric Vehicles (Shanghai) Co., Ltd.# 康迪電動汽車(上海)有限公司 | Sales of complete buildup units | **–** | 49,011 |
| | Sales of automobile parts and components | **71,802** | 44,837 |
| | Disposal of property, plant and equipment | **–** | 4,549 |
| Genius Auto Finance Company Limited# 吉致汽車金融有限公司 | Service fee income | **6,030** | – |
| **Immediate parent** | | | |
| Proper Glory Holding Inc. | Disposal of a subsidiary (note 30) | **–** | 474,375 |
| **Ultimate holding company** | | | |
| Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司 | Rental income | **–** | 460 |

# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

Notes:

(a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue license and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(c) In May 2014, the Company's ultimate holding company has disposed of Zhejiang Wisdom to an independent third party. Subsequently, Zhejiang Wisdom is no longer a related company of the Group.

(d) In May 2015, the Company's ultimate holding company has disposed of Hunan Jisheng to an independent third party. Subsequently, Hunan Jisheng is no longer a related company of the Group. The transactions represented purchases and claims income before the disposal.

(e) Zhejiang Jirun Chunxiao Automobile Components Company Limited had been acquired by the Group as a wholly-owned subsidiary in May 2015 (note 35). The transactions represented sales before the acquisition.

### (b) Compensation of key management personnel

The remuneration of directors (as disclosed in note 13) and other members of key management during the year are as follows:

| | **2015** **RMB'000** | 2014 RMB'000 |
|---|---|---|
| Short-term benefits | **12,796** | 23,552 |
| Retirement scheme contribution | **216** | 775 |
| Equity settled share-based payments | **61,875** | 59,850 |
| | **74,887** | 84,177 |

The remuneration of directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends. Total remuneration is included on "staff costs" (see note 9(b)).

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## 34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personnel (Continued)

Other than the material related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### (c) Financial guarantee contracts

As at 31 December 2015, the Group has provided guarantees with respect to banking facilities granted to the Company's ultimate holding company of RMB320,000,000 (2014: RMB340,000,000), and bank borrowings and notes payables of the Group's joint ventures totalling RMB143,690,000 (2014: RMB138,630,000). Without taking into account of any collateral held, this represented the Group's maximum exposure under the financial guarantee contracts at the reporting date. During the year, the maximum guarantee provided by the Group was determined to be RMB463,690,000 (2014: RMB478,630,000). As at the reporting date, the Company's ultimate holding company will provide 100% counter guarantees to the Group by way of cash in respect of the above guarantees provided by the Group to the respective banks.

Under the financial guarantee contracts, land lease prepayments and property, plant and equipment of the Group with carrying amounts of RMB78,588,000 (2014: RMB80,404,000) and RMB141,297,000 (2014: RMB146,250,000) respectively, have been pledged to the banks as at 31 December 2015.

The Group would only be liable to pay the banks if the banks are unable to recover the loans. No provision for the Group's obligation under the financial guarantee contracts have been made as it was not probable that the repayment of the bank borrowings by the Company's ultimate holding company and settlement of bank borrowings and notes payables by the joint ventures would be in default. According to the terms of the bank loans, the earliest repayment dates of the bank loans of RMB400,000,000 and RMB220,000,000 are in 2016 and 2017 respectively (2014: RMB100,000,000 and RMB240,000,000 in 2015 and 2017 respectively) and the notes payables would be repayable within one year. The financial guarantee is measured at fair value in initial recognition. The fair value of the guarantee is insignificant.

## 35. BUSINESS COMBINATIONS

### Zhejiang Jirun Chunxiao Automobile Components Company Limited ("Chunxiao Automobile")

On 6 February 2015, the Group entered into an equity transfer agreement with Zhejiang Geely Automobile Company Limited, a related party controlled by the substantial shareholder of the Company, to acquire the entire equity interest of Chunxiao Automobile at a cash consideration of RMB1,137,841,000. Chunxiao Automobile is engaged in provision of research, development, production and marketing services and sales of sedans and related automobile components in the PRC. The acquisition of Chunxiao Automobile was completed in May 2015. Details of the acquisition have been set out in the Company's circular dated 16 March 2015.

## 35. BUSINESS COMBINATIONS (Continued)

**Zhejiang Jirun Chunxiao Automobile Components Company Limited ("Chunxiao Automobile") (Continued)**

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

| | Pre-acquisition carrying amounts RMB'000 | Fair value adjustments RMB'000 | Recognised values on acquisition RMB'000 |
|---|---|---|---|
| The net assets acquired: | | | |
| Property, plant and equipment (note 14) | **1,508,483** | **(950)** | **1,507,533** |
| Land lease prepayments (note 16) | **389,902** | **47,029** | **436,931** |
| Trade and other receivables | **293,378** | **–** | **293,378** |
| Inventories | **143,205** | **–** | **143,205** |
| Bank balances and cash | **3,946** | **–** | **3,946** |
| Trade and other payables | **(1,249,736)** | **–** | **(1,249,736)** |
| | **1,089,178** | **46,079** | **1,135,257** |
| Goodwill arising on acquisition (note 17): | | | |
| Cash consideration transferred | | | **1,137,841** |
| Fair value of identifiable net assets acquired | | | **(1,135,257)** |
| | | | **2,584** |
| Net cash outflow arising on acquisition of a subsidiary: | | | |
| Cash consideration paid | | | **(1,137,841)** |
| Bank balances and cash acquired | | | **3,946** |
| | | | **(1,133,895)** |

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

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## 35. BUSINESS COMBINATIONS (Continued)

**Zhejiang Jirun Chunxiao Automobile Components Company Limited ("Chunxiao Automobile") (Continued)**

Chunxiao Automobile has contributed a revenue and a profit of RMBNil and RMB82,512,000 respectively from the acquisition date to 31 December 2015.

If the acquisition had occurred on 1 January 2015, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2015 would be RMB30,138,256,000 and RMB2,318,577,000 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 2015 and could not serve as a basis for the forecast of future operation results.

**Shanxi New Energy Automobile Sales Company Limited# 山西新能源汽車銷售有限公司 ("Shanxi New Energy")**

On 10 June 2015, the Group entered into an equity transfer agreement with Shanxi New Energy Automobile Industrial Company Limited, a related party controlled by the substantial shareholder of the Company, to acquire the entire equity interest of Shanxi New Energy at a cash consideration of RMB5,000,000. Shanxi New Energy engaged in provision of marketing services and sales of automobiles. The acquisition of Shanxi New Energy was completed in July 2015.

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

| | RMB'000 |
|---|---|
| The net assets acquired: | |
| Trade and other receivables | 7,959 |
| Bank balances and cash | 4,966 |
| Trade and other payables | (7,740) |
| Income tax payable | (46) |
| | 5,139 |
| Bargain purchase gain arising from acquisition of a subsidiary (note 8): | |
| Cash consideration transferred | 5,000 |
| Fair value of identifiable net assets acquired | (5,139) |
| | (139) |
| Net cash outflow arising on acquisition of a subsidiary: | |
| Cash consideration paid | (5,000) |
| Bank balances and cash acquired | 4,966 |
| | (34) |

## 35. BUSINESS COMBINATIONS (Continued)

### Shanxi New Energy Automobile Sales Company Limited[#] 山西新能源汽車銷售有限公司 ("Shanxi New Energy") (Continued)

There is no material difference between the pre-acquisition carrying amounts and fair value of the assets acquired and liabilities recognised. No acquisition-related costs had been incurred in relation to the acquisition.

Shanxi New Energy has contributed a revenue and a profit of RMBNil and RMB39,000 respectively from the acquisition date to 31 December 2015. The consolidated revenue and consolidated profit for the year would not be significantly different if the acquisition had occurred on 1 January 2015.

[#] The English translation of the name of the company is for reference only. The official name of the Company is in Chinese.

## 36. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes Senior Notes and bank borrowings) and equity attributable to equity holders of the Company, comprises issued share capital and reserves.

### Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

The gearing ratio at the reporting date was as follows:

| | **2015**<br>**RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| Debt | **1,928,856** | 2,511,754 |
| Equity attributable to equity holders of the Company | **19,523,816** | 17,287,996 |
| Debt to equity ratio | **10%** | 15% |

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit and liquidity risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

### Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank balances and cash of the Group have been deposited into established banks in countries that the Group operates.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers except as disclosed in note 21(a). In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, excluding financial assets at fair value through profit or loss, in the consolidated statement of financial position after deducting any impairment allowance. In addition, as set out in note 34(c) to the consolidated financial statements, some of the Group's assets have been pledged and the Group also provided guarantees to secure banking facilities granted to the Company's ultimate holding company and to secure the bank borrowings and notes payables to the Group's joint ventures. The directors consider the Company's ultimate holding company and the joint ventures have sufficient financial strength and the probability of default is low. The Group does not provide any other guarantees which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

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## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Equity price risk

The Group is exposed to the equity price changes arising from the equity securities classified as financial assets at fair value through profit or loss (note 22).

The Group's listed investments are listed overseas. Decisions to buy or sell securities are based on the Group's liquidity needs. The Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least twice a year against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

At 31 December 2015, it is estimated that an increase/(decrease) of 10% (2014: 10%) in the relevant stock market index (for listed investments) with all other variables held constant, would have increased/decreased the Group's profit after taxation (and accumulated profits) and other components of consolidated equity as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | | **Effect on profit after taxation and accumulated profits RMB'000** | | Effect on profit after taxation and accumulated profits RMB'000 |
| Change in the relevant equity price risk variable | | | | |
| Increase | **10%** | **1,712** | 10% | 1,529 |
| Decrease | **10%** | **1,712** | 10% | 1,529 |

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation (and accumulated profits) and other components of consolidated equity that would arise assuming that the change in the stock market index or other relevant risk variables had occurred at the reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the reporting date. The fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables and that all other variables remain constant. The analysis is performed on the same basis for 2014.

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## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

| | Weighted average effective interest rate % | Within one year or on demand RMB'000 | More than one year but less than two years RMB'000 | More than two years RMB'000 | Total contractual undiscounted cash flows RMB'000 | Total carrying amount as at 31 December RMB'000 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| **Financial liabilities at amortised cost** | | | | | | |
| Trade and other payables | – | 15,077,506 | – | – | 15,077,506 | 15,077,506 |
| Senior notes | 5.54 | 102,229 | 102,229 | 2,127,580 | 2,332,038 | 1,928,856 |
| **Financial guarantee issued:** | | | | | | |
| Maximum amount guaranteed (note 34(c)) | – | 463,690 | – | – | 463,690 | – |
| | | 15,643,425 | 102,229 | 2,127,580 | 17,873,234 | 17,006,362 |

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Liquidity risk (Continued)

| | Weighted average effective interest rate % | Within one year or on demand RMB'000 | More than one year but less than two years RMB'000 | More than two years RMB'000 | Total contractual undiscounted cash flows RMB'000 | Total carrying amount as at 31 December RMB'000 |
|---|---|---|---|---|---|---|
| 2014 | | | | | | |
| **Financial liabilities at amortised cost** | | | | | | |
| Trade and other payables | – | 13,792,858 | – | – | 13,792,858 | 13,792,858 |
| Bank borrowings | 4.55 | 695,791 | – | – | 695,791 | 691,616 |
| Senior notes | 5.54 | – | – | 1,841,547 | 1,841,547 | 1,820,138 |
| **Financial guarantee contracts:** | | | | | | |
| Maximum amount guaranteed (note 34(c)) | – | 478,630 | – | – | 478,630 | – |
| | | 14,967,279 | – | 1,841,547 | 16,808,826 | 16,304,612 |

The amount included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the guarantee arrangement if that amounts are claimed by the counterparty to the guarantee on bank borrowings and notes payables procured by the ultimate holding company of the Company and the Group's joint ventures respectively. Based on the expectations at the reporting date, the Group considers that no amount will be payable for the financial guarantee contracts.

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## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Interest rate risk

The Group's interest rate risk relates primarily to Senior Notes (note 24). The Group does not apply any derivatives to hedge interest rate risk.

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note. Senior Notes bear fixed rate through the contractual terms. Therefore, the Group does not have significant exposure to interest rate risk as at 31 December 2015.

### Currency risk

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest-bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollars, USD, Australian dollars and Euro.

The following table details the Group's exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

| | **2015** | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Hong Kong dollars RMB'000** | **USD RMB'000** | **Australian dollars RMB'000** | **Euro RMB'000** | Hong Kong dollars RMB'000 | USD RMB'000 | Australian dollars RMB'000 | Euro RMB'000 |
| Bank balances and cash | **45,028** | **125,828** | **17,941** | **3,980** | 36,919 | 1,581,650 | 443,854 | 52,537 |
| Trade and other receivables | **546** | **719,211** | **–** | **1,110** | 192 | 1,663,345 | 10 | 281,666 |
| Senior Notes | **–** | **(1,928,856)** | **–** | **–** | – | (1,820,138) | – | – |
| Trade and other payables | **–** | **(67,208)** | **–** | **–** | – | (209,965) | – | – |
| Net exposure arising from recognised assets and liabilities | **45,574** | **(1,151,025)** | **17,941** | **5,090** | 37,111 | 1,214,892 | 443,864 | 334,203 |

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## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Currency risk (Continued)

As the Group is mainly exposed to the effects of fluctuation in Hong Kong dollars/USD/Australian dollars/Euro, the following table indicates the approximate change in the Group's profit after taxation and accumulated profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and accumulated profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

| | Impact of Hong Kong dollars | | Impact of USD | | Impact of Australian dollars | | Impact of Euro | |
|---|---|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| Profit after taxation/Accumulated profits | **2,279** | 1,856 | **(43,163)** | 45,558 | **897** | 22,193 | **191** | 12,533 |

### Fair value measurements of financial instruments

**(a) *Financial assets and liabilities measured at fair value***

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Fair value measurements of financial instruments (Continued)

***(a) Financial assets and liabilities measured at fair value (Continued)***

*(i) Fair value hierarchy (Continued)*

The following tables illustrate the fair value measurement of the Group's financial instruments:

**2015**

| | Fair value at 31 December RMB'000 | Fair value measurement as at 31 December 2015 categorised into Level 1 RMB'000 |
|---|---|---|
| **Recurring fair value measurement** | | |
| Financial assets: | | |
| Financial assets at fair value through profit or loss | | |
| – Listed equity securities held for trading | **17,118** | **17,118** |

2014

| | Fair value at 31 December RMB'000 | Fair value measurement as at 31 December 2014 categorised into Level 1 RMB'000 |
|---|---|---|
| Recurring fair value measurement | | |
| Financial assets: | | |
| Financial assets at fair value through profit or loss | | |
| – Listed equity securities held for trading | 15,294 | 15,294 |

There was no transfer between instruments in Level 1 and Level 2 or transfers into or out of Level 3 for the years ended 31 December 2015 and 2014. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting date in which they occurs.

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

**Fair value measurements of financial instruments (Continued)**

***(b) Fair value of financial assets and liabilities carried at other than fair value***

For which the trading volume of the Senior Notes in public market is low, management estimates the fair value of the Senior Notes to be approximately RMB2,000,875,000 (2014: RMB1,839,153,000) by reference to the 30-day average market price of the Senior Notes. The fair value measurement was categorised as Level 2 of fair value hierarchy.

Except for the Senior Notes, the carrying amounts of the other financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014 due to their short-term maturities.

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## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Note | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **889** | 128 |
| Investments in subsidiaries | | **–** | – |
| Interests in a joint venture | | **698,756** | – |
| Available-for-sale financial asset | | **–** | – |
| | | **699,645** | 128 |
| **Current assets** | | | |
| Other receivables | | **1,162** | 1,736 |
| Amounts due from subsidiaries | | **4,486,871** | 3,582,687 |
| Bank balances and cash | | **106,134** | 1,932,136 |
| | | **4,594,167** | 5,516,559 |
| **Current liabilities** | | | |
| Other payables | | **27,746** | 25,861 |
| **Net current assets** | | **4,566,421** | 5,490,698 |
| **Total assets less current liabilities** | | **5,266,066** | 5,490,826 |
| **Capital and reserves** | | | |
| Share capital | 28 | **161,354** | 161,346 |
| Reserves | (a) | **3,175,856** | 3,509,342 |
| **Total equity** | | **3,337,210** | 3,670,688 |
| **Non-current liabilities** | | | |
| Senior notes | 24 | **1,928,856** | 1,820,138 |
| | | **5,266,066** | 5,490,826 |

Approved for issue by the Board of Directors on 22 March 2016.

| | |
|---|---|
| **Li Shu Fu** | **Gui Sheng Yue** |
| *Director* | *Director* |

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

(a) The movement of reserves represents:

| | Share premium RMB'000 | Share option reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Balance at 1 January 2014 | 5,815,964 | 524,353 | (2,395,007) | 3,945,310 |
| Loss for the year | – | – | (175,973) | (175,973) |
| Transaction with owners: | | | | |
| Equity settled share-based payments (note 33) | – | 59,850 | – | 59,850 |
| Transfer upon forfeiture of share options | – | (34,480) | 34,480 | – |
| Dividends paid to equity holders of the Company (note 11) | – | – | (319,845) | (319,845) |
| Total transactions with owners | – | 25,370 | (285,365) | (259,995) |
| Balance at 31 December 2014 | 5,815,964 | 549,723 | (2,856,345) | 3,509,342 |
| Balance at 1 January 2015 | **5,815,964** | **549,723** | **(2,856,345)** | **3,509,342** |
| Loss for the year | **–** | **–** | **(223,259)** | **(223,259)** |
| Transaction with owners: | | | | |
| Equity settled share-based payments (note 33) | **–** | **61,875** | **–** | **61,875** |
| Share issued under share option scheme | **2,502** | **(775)** | **–** | **1,727** |
| Transfer upon forfeiture of share options | **–** | **(37,861)** | **37,861** | **–** |
| Dividends paid to equity holders of the Company (note 11) | **–** | **–** | **(173,829)** | **(173,829)** |
| Total transactions with owners | **2,502** | **23,239** | **(135,968)** | **(110,227)** |
| Balance at 31 December 2015 | **5,818,466** | **572,962** | **(3,215,572)** | **3,175,856** |

As at 31 December 2015, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB2,602,894,000 (2014: RMB2,959,619,000).

## 39. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2015 and 2014 are as follows:

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | **Percentage of equity interests held in 2015** | | Percentage of equity interests held in 2014 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **Directly** | **Indirectly** | Directly | Indirectly | |
| Centurion Industries Limited | British Virgin Islands | USD1 | **100%** | **-** | 100% | – | Investment holding |
| Value Century Group Limited | British Virgin Islands | USD1 | **100%** | **-** | 100% | – | Investment holding |
| Geely International Limited 吉利國際貿易有限公司 | Hong Kong | HK$2 | **100%** | **-** | 100% | – | Investment holding and export of sedans outside the PRC |
| Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd.#* 浙江福林國潤汽車零部件有限公司 | PRC | USD15,959,200 | **-** | **100%** | – | 100% | Research, production, marketing and sales of automobile parts and related components in the PRC |
| Linkstate Overseas Limited | British Virgin Islands | USD1 | **100%** | **-** | 100% | – | Inactive |
| Luckview Group Limited | British Virgin Islands | USD1 | **100%** | **-** | 100% | – | Investment holding |
| Luck Empire Investment Limited 帝福投資有限公司 | Hong Kong | HK$1 | **-** | **100%** | – | 100% | Investment holding |
| Zhejiang Kingkong Automobile Parts & Components R&D Company Limited*# 浙江金剛汽車零部件研究開發有限公司 | PRC | USD14,900,000 | **-** | **100%** | – | 100% | Research and development of automobile parts and components in the PRC |
| Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司 | PRC | RMB15,000,000 | **-** | **99%** | – | 99% | Sales of automobile parts and components in the PRC |
| Zhejiang Jirun Automobile Company Limited^# 浙江吉潤汽車有限公司 | PRC | USD476,636,575 (2014: USD330,715,081) | **-** | **99%** | – | 99% | Research, development, production, marketing and sales of sedans and related automobile components in the PRC |
| Shanghai Maple Guorun Automobile Company Limited^# 上海華普國潤汽車有限公司 | PRC | USD121,363,600 | **-** | **99%** | – | 99% | Research, development, production, marketing and sales of sedans and related automobile components in the PRC |

For the year ended 31 December 2015

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | Percentage of equity interests held in 2015 Directly | Percentage of equity interests held in 2015 Indirectly | Percentage of equity interests held in 2014 Directly | Percentage of equity interests held in 2014 Indirectly | Principal activities |
|---|---|---|---|---|---|---|---|
| Zhejiang Geely Holding Group Automobile Sales Company Limited#^ 浙江吉利控股集團汽車銷售有限公司 | PRC | RMB60,559,006 | - | 99% | – | 99% | Marketing and sales of sedans in the PRC |
| Geely International Corporation# 上海吉利美嘉峰國際貿易股份有限公司 | PRC | RMB100,000,000 | - | 99% | – | 99% | Export of sedans outside the PRC |
| Zhejiang Geely Automobile Research Institute Limited# 浙江吉利汽車研究院有限公司 | PRC | RMB30,000,000 | - | 99% | – | 99% | Research and development of sedans and related automobile components in the PRC |
| Ningbo Geely Engine Research Institute Limited# 寧波吉利發動機研究所有限公司 | PRC | RMB10,000,000 | - | 99% | – | 99% | Research and development of automobile engines in the PRC |
| Shanghai Maple Automobile Sales Company Limited# 上海華普汽車銷售有限公司 | PRC | RMB20,000,000 | - | 99% | – | 99% | Marketing and sales of sedans in the PRC |
| Zhejiang Ruhoo Automobile Company Limited^# 浙江陸虎汽車有限公司 | PRC | RMB418,677,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of sedans and related automobile components in the PRC |
| Zhejiang Kingkong Automobile Company Limited^# 浙江金剛汽車有限公司 | PRC | RMB413,000,000 | - | 99% | – | 99% | Research, development, production and sales of sedans and related automobile components in the PRC |
| Zhejiang Geely Gearbox Limited# 浙江吉利變速器有限公司 | PRC | RMB10,000,000 | - | 99% | – | 99% | Production of automobile components in the PRC |
| Hunan Geely Automobile Components Company Limited^ 湖南吉利汽車部件有限公司 | PRC | USD88,500,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of sedans and related automobile components in the PRC |
| Guilin Geely Stars Oil Electric Hybrid Engine Company Limited# 桂林吉星電子等平衡動力有限公司 | PRC | RMB80,000,000 | - | 99% | – | 99% | Research and development of electric hybrid engines in the PRC |

For the year ended 31 December 2015

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | Percentage of equity interests held in 2015 | | Percentage of equity interests held in 2014 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Zhejiang Vision Auto-parts Fittings Company Limited# 浙江遠景汽配有限公司 | PRC | RMB50,000,000 | - | 99% | – | 99% | Procurement of automobile parts and components in the PRC |
| Zhejiang Shou La Shou Automobile Services Company Limited#@ 浙江手拉手汽車服務有限公司 | PRC | RMB5,000,000 | - | 64.4% | – | 64.4% | Sales of sedans and provision of automobile services |
| Lanzhou Zhidou Electric Vehicles Company Limited# (note) 蘭州知豆電動汽車有限公司 | PRC | RMB420,000,000 | - | - | – | 99% | Research, development, production, marketing and sales of sedans and related automobile components in the PRC |
| Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司 | PRC | RMB50,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of sedans and related automobile components in the PRC |
| Hunan Luoyou Engine Components Company Limited# 湖南羅佑發動機部件有限公司 | PRC | RMB150,000,000 | - | 99% | – | 99% | Production of automobile components in the PRC |
| Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司 | PRC | RMB360,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of sedans and sales of related automobile components in the PRC |
| Jinan Geely Automobile Parts and Components Company Limited# 濟南吉利汽車零部件有限公司 | PRC | RMB10,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of related automobile components in the PRC |
| Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司 | PRC | RMB96,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of sedans and related automobile components in the PRC |
| Hangzhou Xuan Yu Human Resources Company Limited.# 杭州軒宇人力資源有限公司 | PRC | RMB500,000 | - | 100% | – | 100% | Not yet commenced business |

For the year ended 31 December 2015

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid up capital/ registered capital | Percentage of equity interests held in 2015 | | Percentage of equity interests held in 2014 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Limited Liability Company "Geely Motors" | Russia | Russian Rouble 10,000 | – | 99% | – | 99% | Marketing and sales of sedans in Russia |
| Fewin S.A. | Uruguay | USD8,010,418 | – | 100% | – | 100% | Marketing and sales of sedans in South America |
| Zhejiang Geely Luoyou Engine Company Limited# 浙江吉利羅佑發動機有限公司 | PRC | RMB500,000,000 | – | 99% | – | 99% | Production of automobile engines in the PRC |
| Hangzhou Ha Man Automobile Services Company Limited# 杭州哈曼汽車服務有限公司 | PRC | RMB500,000 | – | 64.4% | – | 64.4% | Not yet commenced business |
| Ningbo Geely Vision Auto-parts Fittings Company Limited# 寧波吉利遠景汽配有限公司 | PRC | RMB10,000,000 | – | 99% | – | 99% | Not yet commenced business |
| Geely Ukraine, LLC | Ukraine | Ukrainian hryvnia 61,000 | – | 99% | – | 99% | Not yet commenced business |
| Ningbo Geely Luoyou Engine Components Company Limited# 寧波吉利羅佑發動機零部件有限公司 | PRC | RMB282,800,000 | – | 99% | – | 99% | Production of automobile components in the PRC |
| Taizhou Geely International Limited# 台州吉利美嘉峰貿易有限公司 | PRC | RMB10,000,000 | – | 99% | – | 99% | Export of sedans outside the PRC |
| Xiangtan Geely International Limited# 湘潭吉利美嘉峰貿易有限公司 | PRC | RMB10,000,000 | – | 99% | – | 99% | Export of sedans outside the PRC |
| Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 | PRC | RMB1,100,000,000 | – | 99% | – | – | Research, development, production, marketing and sales of sedans and related automobile components in the PRC |
| Shanxi New Energy Automobile Sales Company Limited# 山西新能源汽車銷售有限公司 | PRC | RMB5,000,000 | – | 99% | – | – | Not yet commenced business |

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

@ The Company has control over this subsidiary through contractual agreement with the non-controlling shareholder.

# The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

Note: Lanzhou Zhidou has been disposed of during the year. Further details are disclosed in note 30.

For the year ended 31 December 2015

## 39. INVESTMENTS IN SUBSIDIARIES (Continued)

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

The following table lists out the information related to subgroup of Zhejiang Jirun Automobile Company Limited, the subsidiary of the Group which has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Non-controlling interest percentage | **1%** | 1% |
| Non-current assets | **9,569,300** | 7,157,986 |
| Current assets | **22,319,612** | 20,383,805 |
| Current liabilities | **(17,717,473)** | (16,475,351) |
| Non-current liabilities | **(570,512)** | (571,247) |
| Net assets | **13,600,927** | 10,495,193 |
| Carrying amount of non-controlling interests | **132,122** | 100,781 |
| Revenue | **36,511,061** | 27,161,607 |
| Profit for the year | **2,220,825** | 1,201,424 |
| Other comprehensive income/(loss) for the year | **91,302** | (25,583) |
| Total comprehensive income for the year | **2,312,127** | 1,175,841 |
| Profit allocated to non-controlling interests | **22,208** | 12,014 |
| Other comprehensive income/(loss) allocated to non-controlling interests | **913** | (256) |
| Dividends paid to non-controlling interests | **(1,020)** | – |
| Cash flows generated from operating activities | **5,222,215** | 990,486 |
| Cash flows used in investing activities | **(2,325,710)** | (525,697) |
| Cash flows generated from/(used in) financing activities | **82,104** | (221,703) |
| Net cash inflows | **2,978,609** | 243,086 |

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