

GEELY

吉利汽車控股有限公司

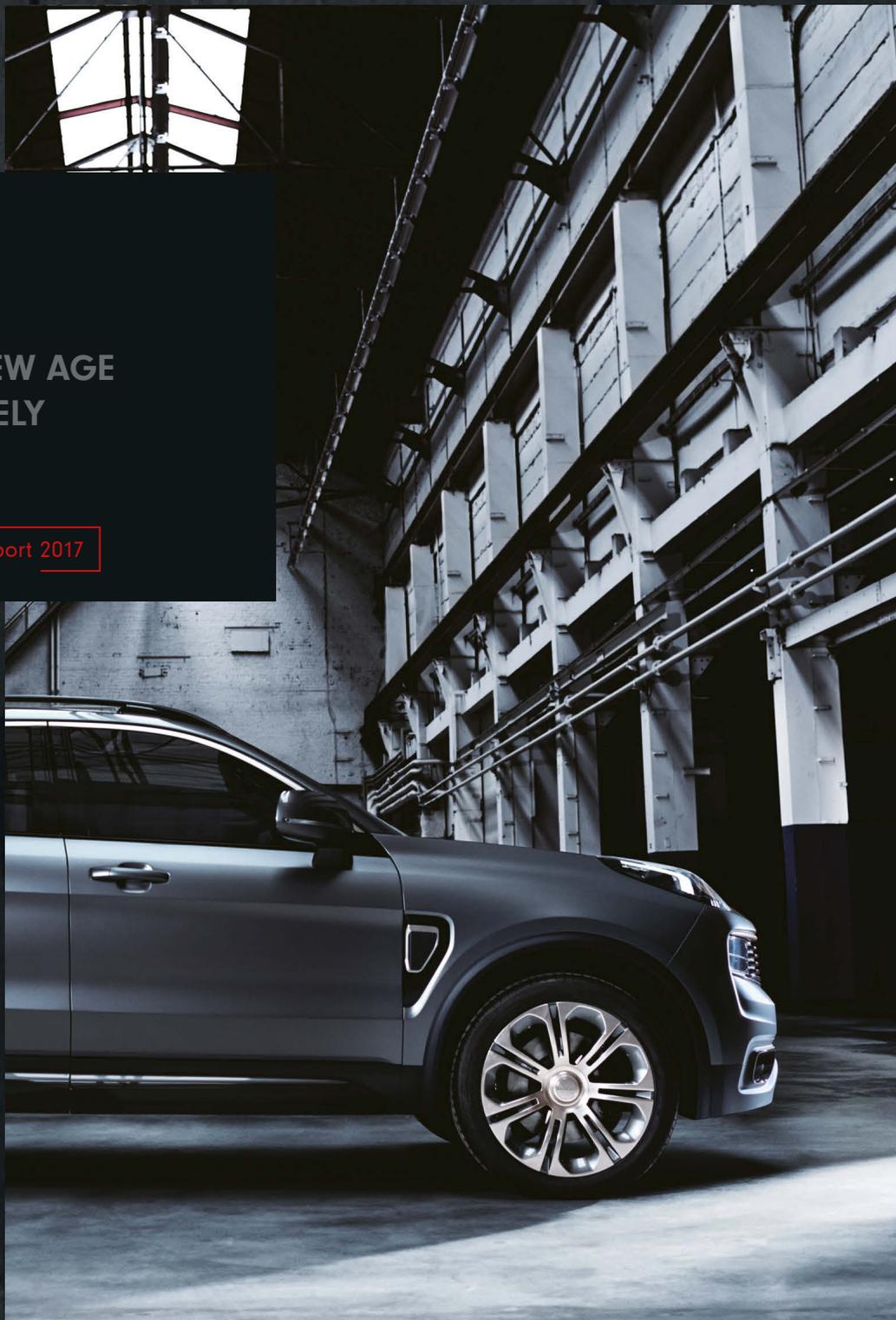
GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0175)

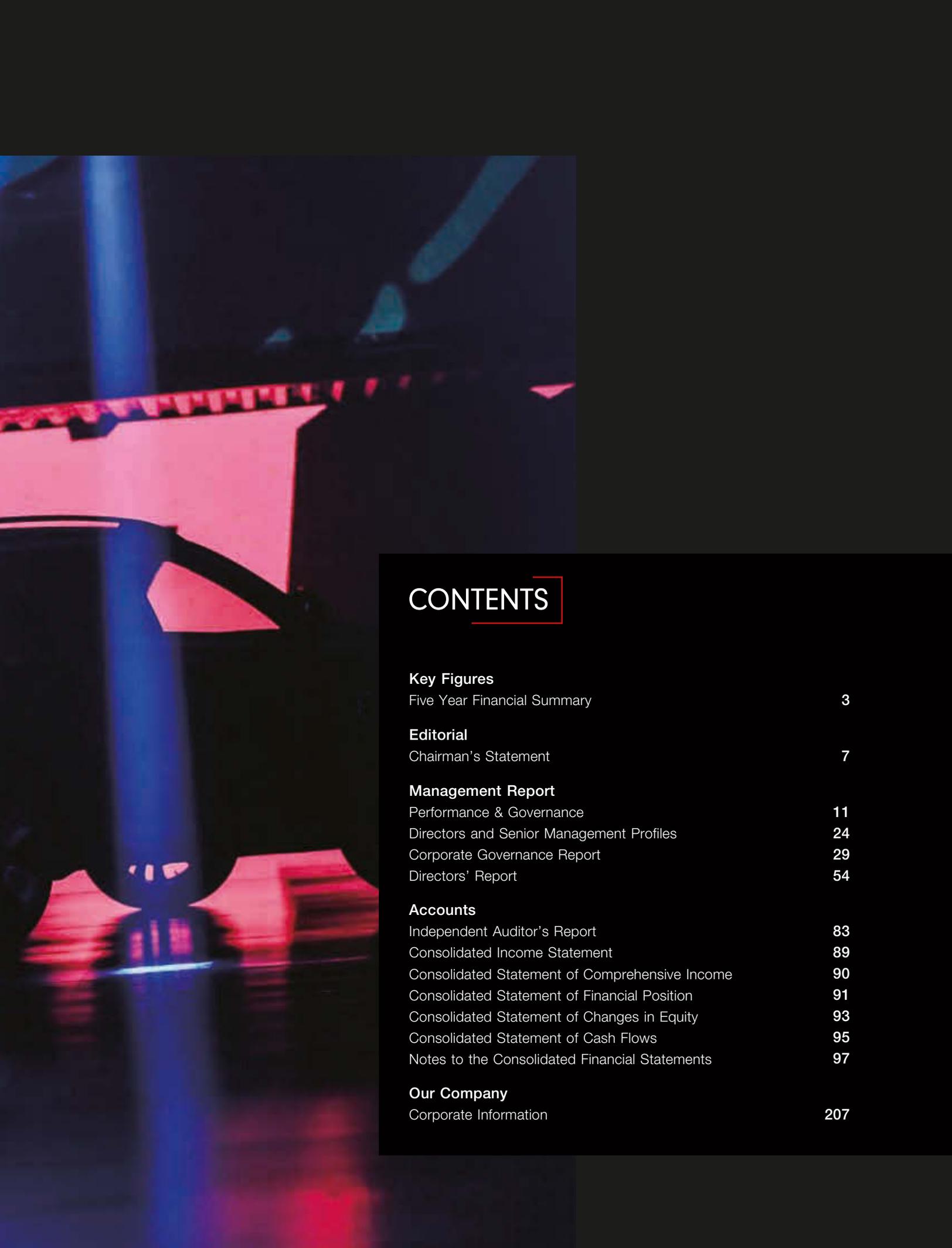
THE NEW AGE
OF GEELY

Annual Report 2017



**MORE THAN
A CAR**





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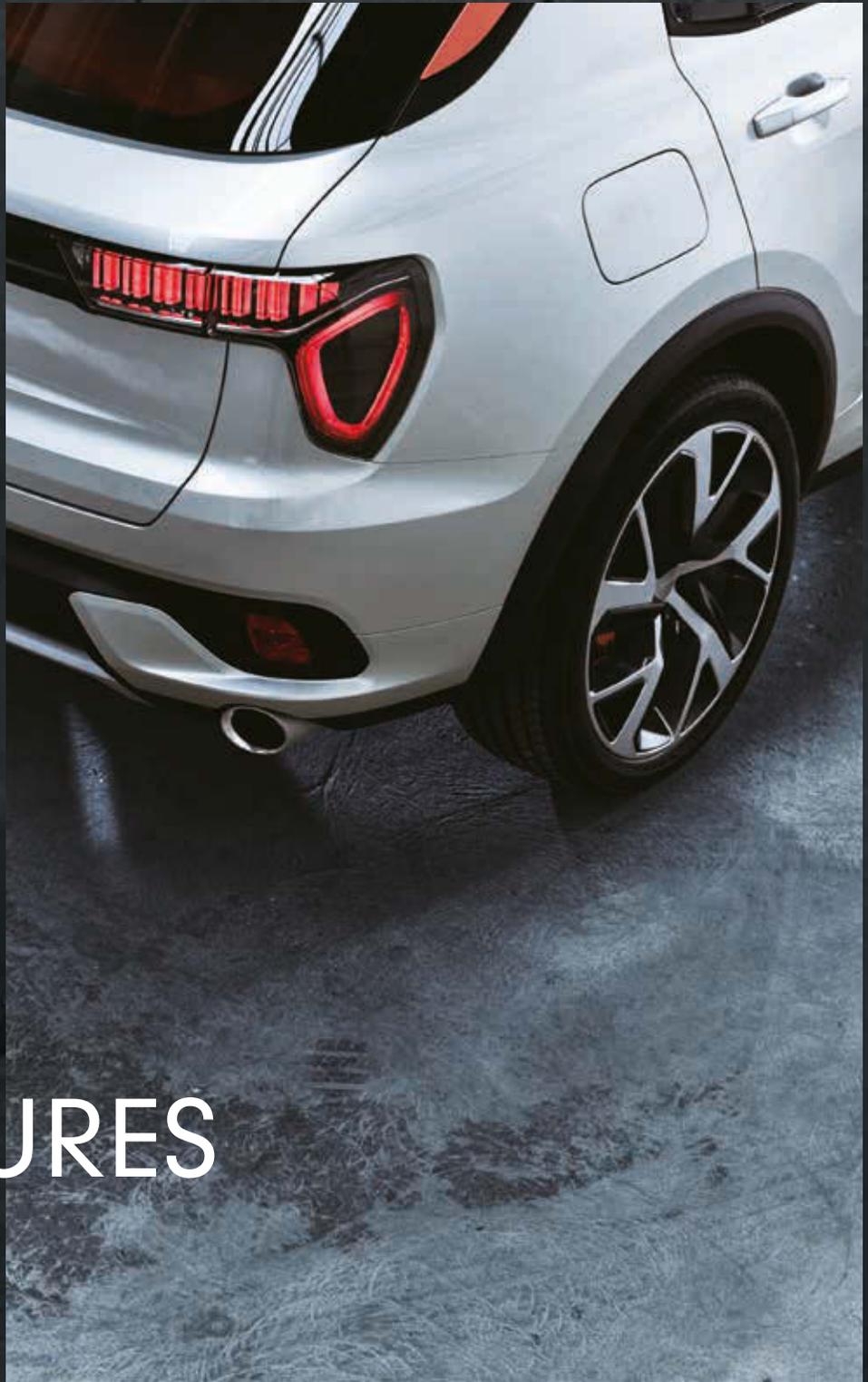
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Our Company

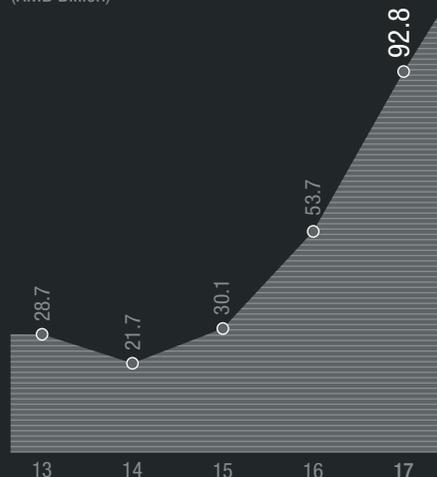
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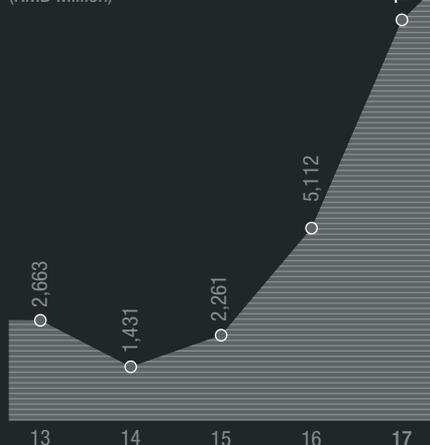
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FIVE YEAR FINANCIAL SUMMARY

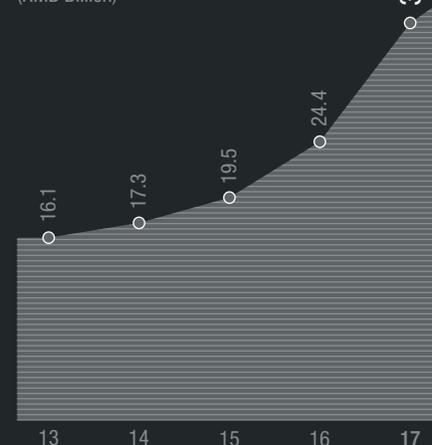
Revenue
(RMB Billion)



Profit attributable to equity holders of the Company
(RMB Million)



Equity attributable to equity holders of the Company
(RMB Billion)



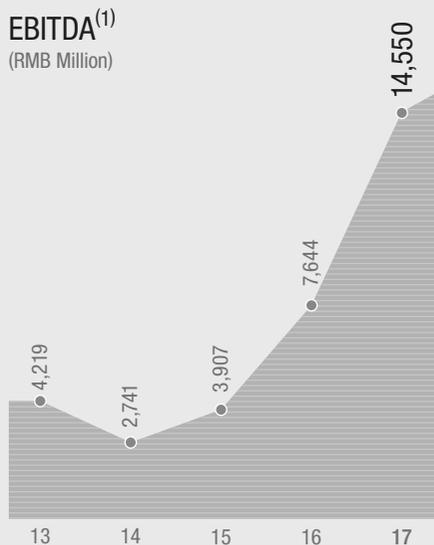
A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	92,760,718	53,721,576	30,138,256	21,738,358	28,707,571
Profit before taxation	12,773,961	6,203,943	2,874,805	1,943,305	3,304,182
Taxation	(2,038,572)	(1,033,755)	(586,143)	(494,177)	(623,934)
Profit for the year	10,735,389	5,170,188	2,288,662	1,449,128	2,680,248
Attributable to:					
Equity holders of the Company	10,633,715	5,112,398	2,260,529	1,430,588	2,663,136
Non-controlling interests	101,674	57,790	28,133	18,540	17,112
	10,735,389	5,170,188	2,288,662	1,449,128	2,680,248
Assets and liabilities					
Total assets	84,980,752	67,582,836	42,292,460	37,280,150	33,599,308
Total liabilities	(50,169,918)	(42,896,587)	(22,552,937)	(19,813,800)	(17,369,617)
Total equity	34,810,834	24,686,249	19,739,523	17,466,350	16,229,691
Represented by:					
Equity attributable to equity holders of the Company	34,467,047	24,437,227	19,523,816	17,287,996	16,068,024
Non-controlling interests	343,787	249,022	215,707	178,354	161,667
	34,810,834	24,686,249	19,739,523	17,466,350	16,229,691

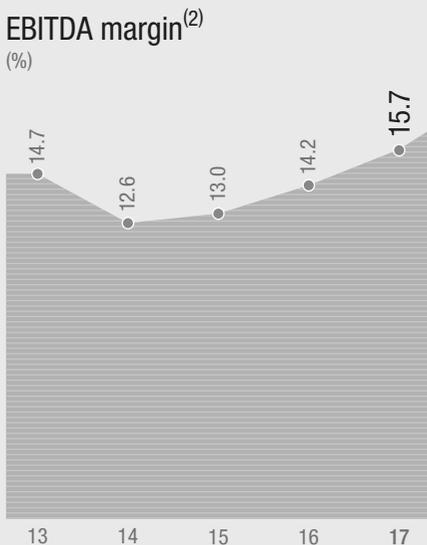
FIVE YEAR FINANCIAL SUMMARY

OTHER KEY FINANCIAL FIGURES

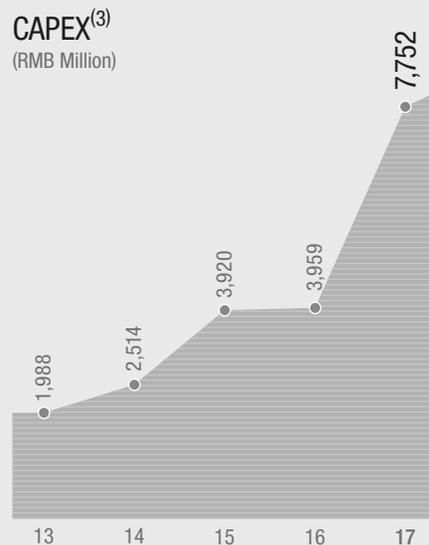
EBITDA⁽¹⁾
(RMB Million)



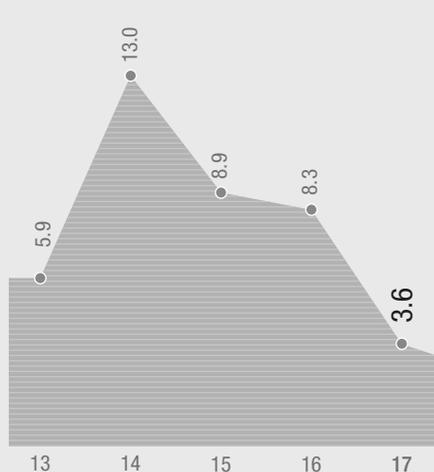
EBITDA margin⁽²⁾
(%)



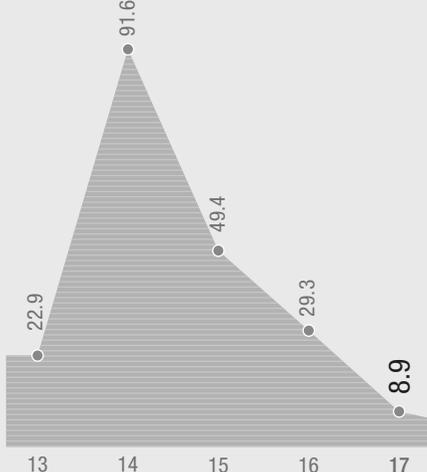
CAPEX⁽³⁾
(RMB Million)



Total debt⁽⁴⁾/Total capital⁽⁵⁾
(%)



Total debt/EBITDA⁽⁵⁾
(%)



(1) EBITDA is calculated by adding taxes, depreciation and amortization, and finance cost, excluding other income other than government subsidies to profit for the year.

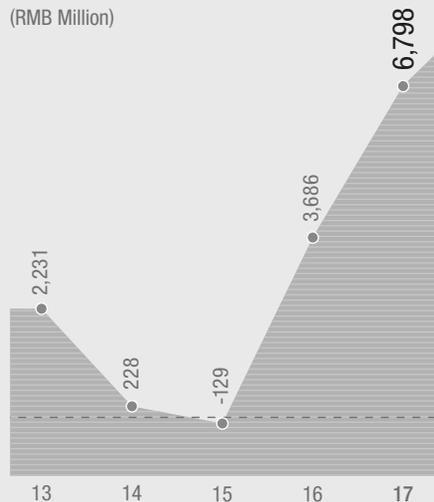
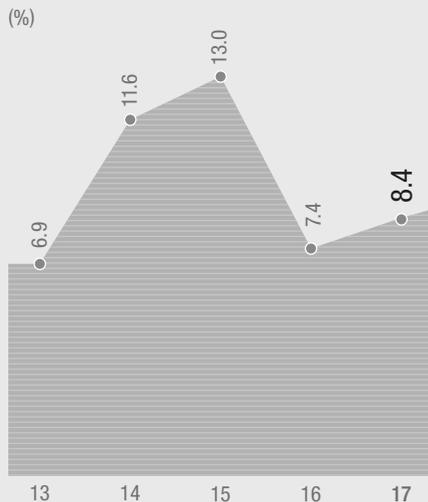
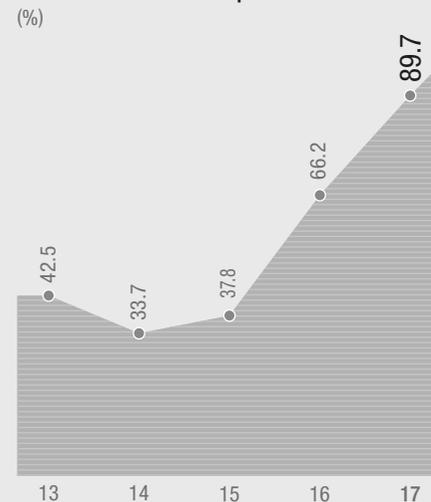
(2) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant year, expressed as a percentage.

(3) CAPEX includes capital expenditures on property, plant and equipment, intangible assets and land lease prepayments.

(4) Total debt is the sum of current and non-current borrowings, convertible bonds and senior notes.

(5) Total capital includes total non-current borrowings plus total equity.

FIVE YEAR FINANCIAL SUMMARY

EBITDA-CAPEX
(RMB Million)

CAPEX/Revenue
(%)

EBITDA/Interest expense
(%)


	Formula	2017	2016	Change in Percentage Increase/ (Decrease)
For the year				
Revenue (RMB'000)		92,760,718	53,721,576	73
Profit attributable to equity holders of the Company (RMB'000)	(1)	10,633,715	5,112,398	108
Per share				
Basic earning per share (RMB)		1.19	0.58	105
Diluted earning per share (RMB)		1.16	0.57	104
Dividend per share (HK\$)		0.29	0.12	142
Net asset value (NAV) per share (RMB)	(2)/(5)	3.84	2.75	40
At year end				
Equity attributable to equity holders of the Company (RMB'000)	(2)	34,467,047	24,437,227	41
Total assets (RMB'000)	(3)	84,980,752	67,582,836	26
Borrowings (including Senior Notes) (RMB'000)	(4)	1,296,460	2,242,691	(42)
Number of shares in issue	(5)	8,970,514,540	8,882,861,540	1
Share price during the year				
– High (HK\$)		29.80	9.20	224
– Low (HK\$)		7.39	2.76	168
Financial ratios				
Gearing ratio	(4)/(2)	3.8%	9.2%	(59)
= (Borrowings/Equity attributable to equity holders of the Company)				
Return on total assets	(1)/(3)	12.5%	7.6%	64
Return on equity attributable to equity holders of the Company	(1)/(2)	30.9%	20.9%	48



EDITORIAL

领克

CHAIRMAN'S STATEMENT



LI SHU FU
Chairman

OUR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FOR 2017 INCREASED BY 108% OVER 2016 TO RMB10.63 BILLION, MAINLY ATTRIBUTABLE TO THE SIGNIFICANT INCREASE IN SALES VOLUME AND THE IMPROVEMENT IN PRODUCT MIX DURING THE YEAR.

BUSINESS OVERVIEW

China's passenger vehicle market recorded a steady growth in 2017, supported by the continued growth in the demand for Sport Utility Vehicles ("SUVs"). Although sedans remained the biggest segment in the market, their sales volume recorded a slight decline in 2017. Indigenous brands however continued to grow faster than the overall passenger vehicle market in China, raising their market share to 44% in 2017, according to China Association of Automobile Manufacturers.

We strengthened our leading position in China's indigenous brand segment in 2017, helped by the good sales performance of our A-segment sedans as well as our SUV models, in particular "Geely Boyue" (吉利博越), making the Group the largest indigenous brand vehicle manufacturer in China in terms of sales volume during the period. The launch of three new compact SUV models "Vision X3", "Vision X1" and "Vision S1" during the year, further enriched our product portfolio in the mass market SUV segment. As a result, we achieved a respectful 66% growth in domestic sales volume (including the sales volume of "Lynk&Co" vehicles sold by our 50%-owned joint venture) in 2017. Our group's export sales volume however posted a 46% YoY decline in 2017 as a result of our prudent approach to curtail financial risks in the export markets. Our group sold a total of 1,247,116 units of vehicles (including the sales volume of "Lynk&Co" vehicles sold by our 50%-owned joint venture) in 2017, up 63% from 2016. Our five most popular models in 2017 included "Geely Boyue" (吉利博越), "New Emgrand", "New Vision", "Emgrand GS" and "Vision SUV", which together accounted for 75% of our group's total sales volume in 2017.

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW

Our group's financial performance in 2017 beat the management's expectations with total revenue increased by 73% to RMB92.76 billion for the year ended 31 December 2017. During the year, our group's average ex-factory selling price ("ASP") continued to improve, mainly driven by the improvement in product mix (i.e. increased proportion of higher-priced models). Total net profit of our group grew 108% from RMB5.17 billion in 2016 to RMB10.74 billion in 2017 due to the increase in overall sales volume, higher ASP and the improved profit margin during the year. After accounting for non-controlling interests, our net profit attributable to shareholders was up 108% from RMB5.11 billion in 2016 to RMB10.63 billion in 2017. Diluted earnings per share was up 104% to RMB1.16. During the year, our group's capital contribution of RMB3.75 billion to the Lynk&Co JV and the early redemption of the Company's US\$300 million 5-year

senior notes accounted for a 11% year-on-year ("YoY") decrease in total cash level (bank balances and cash + pledged bank deposits) to RMB13.45 billion at the end of 2017.

DIVIDEND

In view of the strong operational cash inflow in 2017 and the current high cash level, our board of directors decided to increase our dividend payout ratio and recommend the payment of a final dividend of HK\$0.29 (2016: HK\$0.12) per share for 2017.

PROSPECTS

With our Group's core mission of 'Building Refined Cars for Everyone (造每個人的精品車) under the "Geely" brand', we will continue to invest more resources to enhance our product quality, after-sale services and brand image. 2017 was a stellar year for our Group with our



annual sales volume exceeding 1 million units and annual net profit surpassing RMB10 billion levels for the first time ever in our history. I trust the successful implementation of our long-term business plan and strategies over the next few years should propel our group to become a leading global automobile group.

The technological cooperation between our group and Volvo Car Corporation ("VCC"), which is majority-owned by our parent, 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited or "Geely Holding"), in the development of Compact Modular Architecture ("CMA") platform reached another important milestone in 2017. During the year, group members of Geely Holding, VCC and ourselves agreed to form to a new equity joint venture, namely 領克投資有限公司 (LYNK&CO Investment Co., Ltd. or "Lynk&Co JV"), to engage in the manufacturing and sale of vehicles under the "Lynk&Co" brand, and the provision of after-sale services. The first model under "Lynk&Co"



CHAIRMAN'S STATEMENT

brand, namely “Lynk&Co01”, was developed from the CMA platform and was successfully launched in the China market at the end of 2017. The CMA platform, the “Lynk&Co” brand, and its new business model are key parts of our group’s strategy to expand our group’s sales into the high-end passenger vehicle markets and beyond the China market. I am confident that the cooperation between our group and VCC should strengthen further in the years ahead and could generate huge benefits of synergy for both companies. Further, we shall expand our products portfolio further by launching our first ever multi-purpose vehicle (MPV) model) in 2018. I believe this should put ourselves in a stronger position to enhance customer satisfaction. To prepare for expected increase in demand for new energy



vehicles and as part of our group’s new energy vehicle strategy: “Blue Geely Initiatives”, our group will start to offer electrified versions for most of its major vehicle models starting from 2018, signifying the beginning of our group’s major transformation from a traditional vehicle manufacturer to a truly new energy vehicle manufacturer.

Given our tremendous achievement in gaining significant market share and enhancing customer satisfaction in the China market over the past few years and the successful launch of our new “Lynk&Co” brand last year, I firmly believe that our group is on the right track of

becoming a leading global automobile group, with a mid-term sales volume target of 2 million units (including the sales volume of “Lynk&Co” vehicles sold by our 50%-owned joint venture) by year 2020. This should allow us to sustain our rapid growth and continue to generate good return to our shareholders in the years ahead. Finally, I would like to pay tribute to all our staff for their hard work and achievements and to our shareholders for their continued support during the year.

Li Shu Fu

Chairman

21 March 2018

MANAGEMENT REPORT



PERFORMANCE & GOVERNANCE

OVERALL PERFORMANCE

The performance of Geely Automobile Holdings Limited (the “Company”, together with its subsidiaries, collectively the “Group”) exceeded the management’s expectation in 2017, driven by the good domestic demand for its new models launched over the last two years and the stable sales performance for other existing models. The Group’s sales volume in the China market was up 66% from 2016, compared with 1.4% year-on-year (“YoY”) growth of the overall China’s passenger vehicle market in 2017 according to China Association of Automobile Manufacturers (“CAAM”). The strong performance of the Group is a reflection of its continual improvement in products offering, technologies development and innovation, product quality and brand image. As a result of the Group’s prudent approach to alleviate financial risks in the export markets, the export sales volume of the Group decreased by 46% YoY, compared with 26% YoY growth of China’s overall vehicle exports according to CAAM. Overall, the Group sold a total of 1,247,116 units of vehicles (including the sales volume of “Lynk&Co” vehicles sold by the Group’s 50%-owned joint venture) in 2017, up 63% from 2016 and exceeded the Group’s 2017 sales volume target of 1,100,000 units, although it had been revised from the original level of 1,000,000 units during the year. Total revenue increased by 73% to RMB92.76 billion in 2017 due to the higher sales volume and the improvement in product mix during the year. The Group’s profit attributable to the equity holders increased faster by 108% to RMB10.63 billion in 2017 due to margin improvement during the year. In 2017, government grants and subsidies were up 13% to RMB0.91 billion from 2016. The government grants and subsidies during the year were mainly cash subsidies from the governments in respect of the Group’s operating and research and development activities.

FORMATION OF LYNK&CO JV TO OPERATE “LYNK&CO” BUSINESS AND DISPOSAL OF ZHEJIANG KINGKONG

On 4 August 2017, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or “Zhejiang Jirun”), an indirect subsidiary of the Company, entered into a joint venture agreement with 浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited or “Zhejiang Haoqing”) (a subsidiary of 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited or “Geely Holding”) and 沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Company Limited or “VCI”) (a subsidiary of Volvo Car Corporation or “VCC”), pursuant to which Zhejiang Jirun, Zhejiang Haoqing and VCI 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 after-sale services relating thereto. On 18 September 2017, the formation of the joint venture company had been duly approved by the independent shareholders of the Company at the extraordinary general meeting. The joint venture company, namely 領克投資有限公司 (LYNK & CO Investment Co., Ltd. or “Lynk&Co JV”) was subsequently established in October 2017 with a registered capital of RMB7.5 billion and it is owned as to 50% by Zhejiang



PERFORMANCE & GOVERNANCE

Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Lynk&Co JV is an indirect joint venture of the Company and its financial results are equity accounted for in the consolidated financial statements of the Group.

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 Co., Ltd. or “Fulin Guorun”) and Centurion Industries Limited (“Centurion”), both being subsidiaries of the Company, entered into a disposal agreement with Zhejiang Haoqing, pursuant to which Fulin Guorun and Centurion agreed to dispose of their respective 8% and 91% equity interests in 浙江金剛汽車有限公司 (Zhejiang Kingkong Automobile Company Limited or “Zhejiang Kingkong”) to Zhejiang Haoqing at an aggregate cash consideration of RMB1,241,686,840. The disposal is part of the internal restructuring to facilitate the provision of manufacturing services by Zhejiang Kingkong to Lynk&Co JV and sharing of manufacturing facilities between Lynk&Co JV and VCC to achieve better operational efficiency. The disposal consideration was determined after arm’s length negotiations amongst the parties, which represents a premium of 50% over the net assets value of Zhejiang Kingkong prepared under the Hong Kong Financial Reporting Standards (“HKFRS”) as adjusted by the appraised value of the land and properties of Zhejiang Kingkong as at 30 June 2017. The disposal had been subsequently completed in September 2017. The disposal generated a gain of RMB548 million for the Group.

The formation of Lynk&Co JV should allow the Group to participate in the operation of the Lynk&Co business, which should be marketed globally striving towards a premium position, and is expected to broaden the income stream of the Group and further strengthen the Group’s market position in the automobile market, while the disposal of Zhejiang Kingkong should facilitate the optimization of the Company’s resources utilization.



DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN LYNK & CO AUTO SALES

On 26 October 2017, Zhejiang Jirun, entered into a disposal agreement with Lynk&Co JV, pursuant to which Zhejiang Jirun agreed to dispose of the entire equity interests in 領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited or “LYNK & CO Auto Sales”, together with its subsidiary, the “LYNK & CO Auto Sales Group”) to Lynk&Co JV at a cash consideration of RMB100,000,000, which was determined after arm’s length negotiations between the parties and represented the then registered capital of LYNK & CO Auto Sales contributed by the Group. The LYNK & CO Auto Sales Group did not have material activities being carried out prior to the disposal. The disposal had been subsequently completed in October 2017 and the financial results of LYNK & CO Auto Sales Group are no longer consolidated into the financial statements of the Group. The disposal generated a gain of RMB15 million for the Group.

The disposal should facilitate the establishment of the Lynk&Co JV’s dealers network, sales and marketing and after-sale services under the “Lynk&Co” brand in the PRC, which is in line with the business scope and strategy of Lynk&Co JV.

PERFORMANCE & GOVERNANCE

ACQUISITIONS OF THE ENTIRE REGISTERED CAPITAL OF BAOJI GEELY ENGINE, YILI AUTOMOBILE COMPONENTS AND NINGBO SHANGZHONGXIA

On 7 November 2017, 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited or “Geely Luoyou”), an indirect subsidiary of the Company, entered into an acquisition agreement with 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited or “Zhejiang Geely”), pursuant to which Geely Luoyou agreed to acquire and Zhejiang Geely has conditionally agreed to sell the entire equity interest of 寶雞吉利發動機有限公司 (Baoji Geely Engine Company Limited or “Baoji Geely Engine”) for a cash consideration of RMB345,100,000; Geely Luoyou entered into an acquisition agreement with Zhejiang Geely and 上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited or “Shanghai Maple”), a subsidiary of Geely Holding, pursuant to which Geely Luoyou agreed to acquire, and Zhejiang Geely and Shanghai Maple agreed to sell the entire equity interest of 浙江義利汽車零部件有限公司 (Zhejiang Yili Automobile Components Company Limited or “Yili Automobile Components”) for a cash consideration of RMB495,000,000; and Geely Luoyou entered into an acquisition agreement with Geely Holding, pursuant to which Geely Luoyou agreed to acquire and Geely Holding has conditionally agreed to sell the entire equity interest of 寧波上中下自動變速器有限公司 (Ningbo Shangzhongxia Automatic Transmission Company Limited or “Ningbo Shangzhongxia”) for a cash consideration of RMB993,100,000. The considerations for Baoji Geely Engine, Yili Automobile Components and Ningbo Shangzhongxia (collectively the “Target Companies”) were determined after arm’s length negotiations between the respective purchasers and vendors with reference to the respective net asset value of the Target Companies prepared under the HKFRS as at 30 September 2017, the valuation premium over the carrying value of the industrial complexes entitled to the Target Companies, and the capital contributions made into the Target Companies before completion of the acquisitions. On 27 December 2017, the acquisitions had been duly approved by the independent

shareholders of the Company at the extraordinary general meeting and the disposals had been subsequently completed by end of December 2017. Upon completion of the acquisitions, each of the Target Companies becomes an indirect subsidiary of the Company and its financial results are consolidated into the financial statements of the Group.

The vehicle engines and transmissions to be manufactured by the Target Companies should mainly be sold to the group of Lynk&Co JV (“LYNK & CO Group”) and the Geely Holding Group for use in the “Lynk&Co” vehicles and, to a lesser extent, for use in Volvo-branded vehicles, and also be used in the Group’s future top-end vehicle models at a later stage. In addition to being light weight and compact, the vehicle engines and transmissions to be manufactured by the Target Companies should possess advanced technologies and superior performance in terms of power output and fuel consumption (for engines) and transmission efficiency (for transmissions), that are targeted to meet the needs of the Group, the LYNK & CO Group and the Geely Holding Group for high performance and multi-functional vehicles.

COMPLETION OF EARLY REDEMPTION OF US\$300 MILLION 5.25% SENIOR NOTES DUE 2019

On 31 October 2017, the Company announced to redeem in full the outstanding principal amount of the US\$300 million (equivalent to approximately RMB1,981,521,000) 5.25% senior notes due 2019 (“Notes”) at a redemption price equal to 102.625%. On 1 December 2017, the Company announced that completion of the redemption took place on 30 November 2017. The redeemed Notes had been cancelled and delisted from The Stock Exchange of Hong Kong Limited with effect from the close of business on 7 December 2017. With an aggregate principal amount of US\$307,875,000 (equivalent to approximately RMB2,033,536,000) plus accrued and unpaid interest of US\$2,362,500, the total redemption price paid by the Company was US\$310,237,500 (equivalent to approximately RMB2,049,140,000).

PERFORMANCE & GOVERNANCE

The Company used its internal cash reserve and bank financings to pay the aggregate principal amount plus accrued and unpaid interest. The Company considered that there was be no material impact on its financial position as a result of the redemption of the Notes.

ISSUANCE OF US\$300 MILLION 3.625% BONDS DUE 2023

In January 2018, the Company issued US\$300 million 3.625% bonds bearing an interest rate of 3.625% per annum payable semi-annually in arrears due 2023 (the “Bonds”) commencing on 25 July 2018, raising the net proceeds of around US\$297.5 million (equivalent to RMB1,909,950,000). The Company intended to use the net proceeds to refinance the Group’s certain existing indebtedness and for business development and other general corporate purposes. The Bonds had been rated by Standard & Poor’s Ratings Services with an assigned rating of “BBB-” (investment grade). The Bonds are listed on the Singapore Exchange Securities Trading Limited and no listing of the Bonds has been sought in Hong Kong by the Company.

As at the date of this report, the net proceeds of the Bonds have not been utilized.

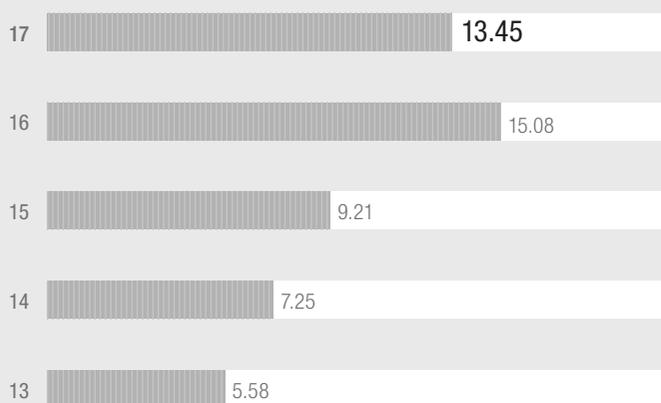
FINANCIAL RESOURCES

Total capital expenditures for the Group amounted to RMB7.8 billion in 2017, which was in line with the budgeted amount of RMB7.9 billion fixed at the beginning of the year. Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB354 million to minus RMB8,027 million at the end of 2017 due to large increase in trade and notes payables. The Group’s capital contribution of RMB3.75 billion to the Lynk&Co JV and the early redemption of the Company’s US\$300 million 5-year senior notes accounted for a 11% YoY decrease in total cash level (bank balances and cash + pledged bank deposits) to RMB13.45 billion at the end of 2017. The Group’s total borrowings (included bank

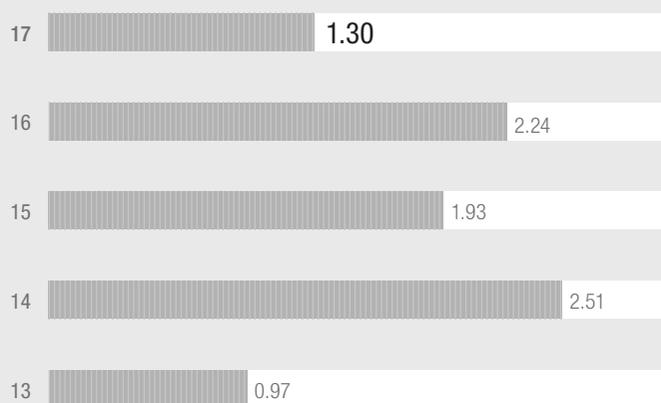
borrowings) decreased by 42% to RMB1.3 billion. At the end of 2017, the financial position of the Group remained strong with net cash on hand (total cash level – borrowings) of RMB12.15 billion versus a net cash level of RMB18.77 billion six months ago. At the end of 2017, the Group’s total borrowings were solely denominated in US\$, which aligned with the currency mix of the Group’s revenues from export business. In addition, net notes receivable (bank notes receivables – bank notes payables) at the end of 2017 amounted to RMB27.75 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivables with the banks.

Budgeted capital expenditures of the Group amount to about RMB11.5 billion in 2018, including the funding for the research and development of new vehicle platforms and models and the financing of the expansion and upgrading of production facilities at existing plants. The Group plans to fund capital expenditures from its operational cash flow, cash reserve, additional bank borrowings, and fund raising exercises in the international capital market. As at the date of this report, the Company has no definite plan or schedule on raising funds in the international capital market.

PERFORMANCE & GOVERNANCE

Cash and Bank Balances(RMB Billion)
As at 31 December**Total Borrowings**

(Including Senior Notes but excluding Convertible Bonds)

(RMB Billion)
As at 31 December**VEHICLE MANUFACTURING**

The Group sold a total of 1,247,116 units of vehicles (including the sales volume of “Lynk&Co” vehicles sold by its 50%-owned joint venture) in 2017, up 63% from 2016. The Group’s sales volume growth in 2017 was mainly attributable to the good demand for its new models launched over the last two years and the stable sales performance for other existing models. During the year, the Group’s sales volume of sedans grew 31% to 778,416 units in 2017, while its SUV sales volume grew 169% to 468,700 units in 2017 from 173,970 units in 2016.

The Group’s domestic sales volume posted a robust growth of 66% in 2017 to 1,235,361 units, compared to the 3% increase in the sales volume by China’s indigenous brand passenger vehicle makers and the 1.4% growth of the overall China’s passenger vehicle market during the year. According to the CAAM, the Group’s market share in China’s passenger vehicle market was up from 3.1% in 2016 to 5.0% in 2017 whilst the Group’s market share in China’s SUV segments increased at a faster pace from 1.9% in 2016 to 4.6% in 2017. Export sales volume of the Group decreased by 46% to 11,755 units in 2017 and accounted for 0.9% of the Group’s total sales volume during the year. The Group’s share of China’s total export of passenger vehicles decreased from 4.6% in 2016 to 1.8% in 2017 according to the CAAM.

PERFORMANCE & GOVERNANCE

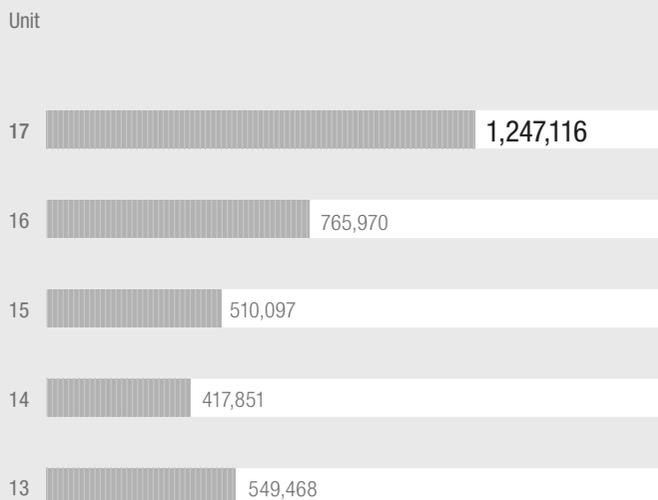


The Group maintained its leading position in China’s sedan market in 2017, being the only indigenous brand amongst China’s top sedan manufacturers during the period. The Group’s “Emgrand” series A-segment sedans (including “New Emgrand” and its NEV versions, “Emgrand GS” and “Emgrand GL”) remained the most important vehicles series of the Group with a sales volume of 512,308 units in 2017, accounting for about 41% of the Group’s total sales volume during the period. “New Emgrand” was the only indigenous brand sedan model in the top 10 best-selling sedan models in China’s passenger vehicle market for two consecutive years since 2016. The Group’s new generation of A+ segment sedan model “Emgrand GL” ranked number 5 amongst the top 10 best-selling indigenous brand sedan models in 2017, according to the CAAM. The Group’s B segment sedan model “Geely GC9” (吉利博瑞) achieved stable sales during 2017 despite the planned launch of its upgraded version in early 2018. The model maintained its position as the best-selling indigenous brand B segment sedans model in China in 2017. The model was also awarded the Best Domestic Mid-sized Car 2017 (最佳國產中級轎車) by a Germany magazine “Auto Motor and Sport” (AMS), reflecting the recognition by international media of the high standards and quality of the model.

On a model by model basis, “Geely Boyue” (吉利博越) became the Group’s most popular model and accounted for 22% of the Group’s total sales volume in 2017, helping the Group to significantly strengthen its position in China’s rapid growing SUV sector. The total sales volume of the Group’s SUV models, which included two mid-size SUV models namely “Geely Boyue” (吉利博越) and “Vision SUV”, and the three newly launched compact SUV models “Vision X3”, “Vision X1” and “Vision S1”, amounted to 468,700 units in 2017, increased about 169% from 2016. According to the CAAM, the Group ranked number three amongst the largest SUV manufacturers in terms of sales volume in 2017. Its key SUV models “Geely Boyue” (吉利博越) ranked number five amongst the top 10 best-selling SUV models during the same period. In view of the expected continued strong demand for SUVs in China in the coming years, the Group plans to launch two more new SUV models in 2018. This should further bolster the Group’s competitive position in China’s SUV market, providing important growth momentum for the Group in the coming years.

During the year, “Geely Boyue” (吉利博越), “New Emgrand”, “New Vision”, “Emgrand GS” and “Vision SUV” were the Group’s top five models in terms of sales volume in 2017. The Group’s average ex-factory selling price improved further in 2017, helped by the continued improvement in product mix as a result of the higher proportion of higher-priced models like the SUVs and new models during the year.

Annual Sales Volume



PERFORMANCE & GOVERNANCE

In 2017, the Group further improved its sales and marketing system in China, enabling it to provide better sales and after-sale services to its customers. The Group’s products are currently sold under the “Geely” brand and the “Lynk&Co” brand (through distribution channel under the Lynk&Co JV), targeting at different market segments. “Geely” brand is the Group’s main stream mass market brand, while “Lynk&Co” is a joint-venture brand between the Group and VCC, targeting at global high-end market. By the end of 2017, the Group and the Lynk&Co JV had more than 880 dealers and 82 dealers, respectively, in China.

On technology side, the Group launched its first technology brand: “iNTEC” in May 2017 to provide a framework for the Group’s future technology development to achieve full humanized intelligent and intellectual driving. The “iNTEC” brand of technologies comprise leading technologies in safety (“G-Safety”), connectivity (“G-Netlink), Powertrain (“G-Power”), Interior Environment and eco-friendly (“G-Blue”) and autonomous driving (“G-Pilot”). We believe the “iNTEC” technologies should further strengthen the Group’s competitive

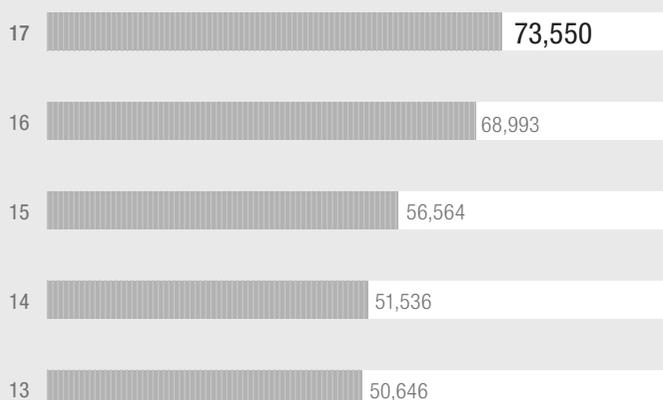
edges in vehicle technologies, enabling the Group to satisfy the customers’ increasingly demand for motor vehicles as a mean to improve their lives and driving experience.

In “J.D. Power 2017 China Customer Service Index (CSI) StudySM”, which analyzed and measured service experiences and customer satisfaction of vehicle owners with the dealer service, “Geely” brand was the only indigenous brand among top ten brands in the mass market segment, ranking number four in the survey with a high score of 735 in 2017 when compared with the mass market average score of 703.



Average Pre-tax Ex-Factory Prices*

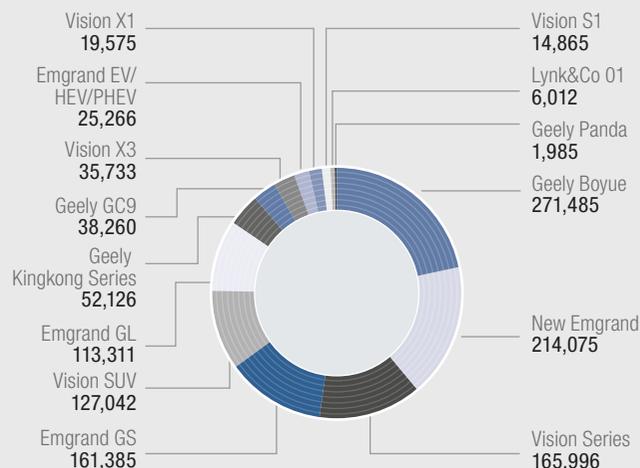
(RMB)



* excluding the sale of Lynk&Co vehicles

Breakdown of Sales Volume by Models in 2017

Unit



PERFORMANCE & GOVERNANCE

EXISTING PRODUCTION FACILITIES

Name	Interests	Usable Annual Production Capacity <i>(Units Per Double Shift)</i>	Models
Luqiao plant	99.0%	150,000	Geely Kingkong Series (1.5L) Vision X3 (1.5L)
Ningbo/Cixi plants	99.0%	300,000	New Emgrand (1.3L, 1.5L, 1.8L) Vision S1 (1.4L, 1.5L) Emgrand EV
Chunxiao plant	99.0%	160,000	Geely GC9 (1.8L, 2.4L, 3.5L) Geely Boyue (1.8L, 2.0L, 2.4L)
Xiangtan plant	99.0%	200,000	Vision Series (1.3L, 1.5L, 1.8L) Geely Panda (1.0L, 1.3L)
Jinan plant	99.0%	50,000	Geely Panda (1.0L, 1.3L)
Chengdu plant	99.0%	130,000	Vision SUV (1.3L, 1.8L, 2.0L, 2.4L)
Baoji plant	99.0%	200,000	Geely Boyue (1.8L, 2.0L, 2.4L)
Linhai plant	99.0%	210,000	Emgrand GL (1.3L, 1.4L, 1.8L) Emgrand GS (1.3L, 1.4L, 1.8L)
Jinzhong plant	99.0%	100,000	Emgrand GL (1.3L, 1.4L, 1.8L)
Total		1,500,000	

NEW ENERGY VEHICLES STRATEGY

The Group announced and started to implement its New Energy Vehicle (“NEV”) strategy named “Blue Geely Initiatives” in November 2015. “Blue Geely Initiatives” is a 5-year campaign demonstrating the Group’s dedication to transformation into industry leader in NEV technologies. The initiative’s target is to ensure that up to 90% of the Group’s total sales volume could be in the form of new energy vehicles by 2020. Following the commercial launch of the Group’s first EV (electric vehicles) model: “Emgrand EV” in 2015, the Group has achieved good customer recognition in China for the quality and performance of its electric vehicles. As a result, “Emgrand EV” had consistently

ranked amongst the best-selling full size electric vehicle models in China over the past few years. In view of the initial success of “Emgrand EV” and according to the product plan laid down by the “Blue Geely Initiatives”, the Group has started to speed up its product offerings on NEVs and officially launched “Emgrand PHEV” (plugin-hybrid-electric vehicles) in 2017. More PHEV vehicle models are expected to be offered to the market over the next few years. This should help to put the Group in a good position to achieve the ambitious target set under the “Blue Geely Initiatives”. In its second full year of implementation of “Blue Geely Initiatives”, the Group sold 25,266 units of NEV models, mainly “Emgrand EV”, in 2017, up 47% from 2016.

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NEW PRODUCTS

In 2018, the Group plans to significantly increase its new model offerings in the new energy sector, launching EV and PHEV models for all its major existing models and some new models. The Group will also start to replace its existing powertrain (mainly engines and transmissions) with a new generation of powertrain jointly developed between the Group and VCC. According to the Group's preliminary plan, the following new models are expected to be offered to the market in 2018:

Under the "Geely" brand:

- A new generation of B segment sedan;
- The Group's first multi-purpose vehicle (MPV) model;
- A new version of mid-size SUVs under the "Boyue" family;
- A brand new A segment sedan with good fuel efficiency;
- A new A0 segment SUV to supplement the Group's current SUV model portfolio;
- Two pure electric vehicle models from the Group's brand new EV platform;
- Upgraded versions of all major existing models;
- "PHEV" and "HEV" versions for all major existing models

Under the "Lynk&Co" brand:

- The brand's first cross-over vehicle model;
- The brand's first sedan vehicle model;
- "PHEV" versions for all "Lynk&Co" models

EXPORTS

The Group continued to adopt a prudent approach in its export business in 2017 so as to limit the Group's exposure to the currency and receivable risk associated with its the export business. This is achieved by scaling down the Group's business activities, while maintaining a minimum presences in its export markets during the year. Consequently, the Group exported a merely 11,755 units of vehicles in 2017, down 46% from 2016 and represented only 0.9% of the Group's total sales

volume during the year. As a result of the prudent approach, the Group's share of China's total exports of passenger vehicles decreased from 4.6% in 2016 to 1.8% in 2017 according to the CAAM. "Geely Boyue" (吉利博越), "Kingkong" and "Geely Panda", were the most popular export models in terms of sales volume in 2017, accounting for 45%, 20% and 16%, respectively, of the Group's total exports during the year.

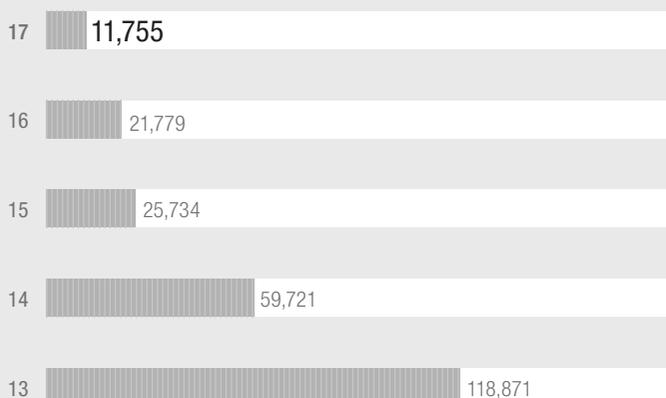
Developing countries in the Middle East, Europe and Africa were the most important export markets of the Group in 2017. Amongst which, the most important export destinations in terms of sales volume in 2017 were Belarus and Sir Lanka, which together accounted for 47% of the Group's total export sales volume in 2017. In addition to export of vehicles from China, the Group also assembles some models sold overseas using contract manufacturing arrangements with local partners. At the end of 2017, the Group exported its products to 20 countries through 20 sales agents and 231 sales and service outlets.

Despite the Group's recent investments to speed up localization of production in its major export markets, the majority of the Group's costs are still denominated in RMB. On the other hand, most of the Group's export sales are charged in US\$, meaning that appreciation of RMB could erode the competitiveness of the Group's products in the export markets. As most of the Group's products are retailing at the export markets in local currencies, the devaluation of the local currencies against US\$ and RMB could also affect the Group's competitiveness and therefore its sales volume in these markets. The devaluation of local currencies could also result in foreign exchange losses at countries where we have set up local subsidiaries, associates or joint ventures. To mitigate the currency risk, the Group has embarked on plans to build additional overseas plants to increase the proportion of its costs in local currencies. Further, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

PERFORMANCE & GOVERNANCE

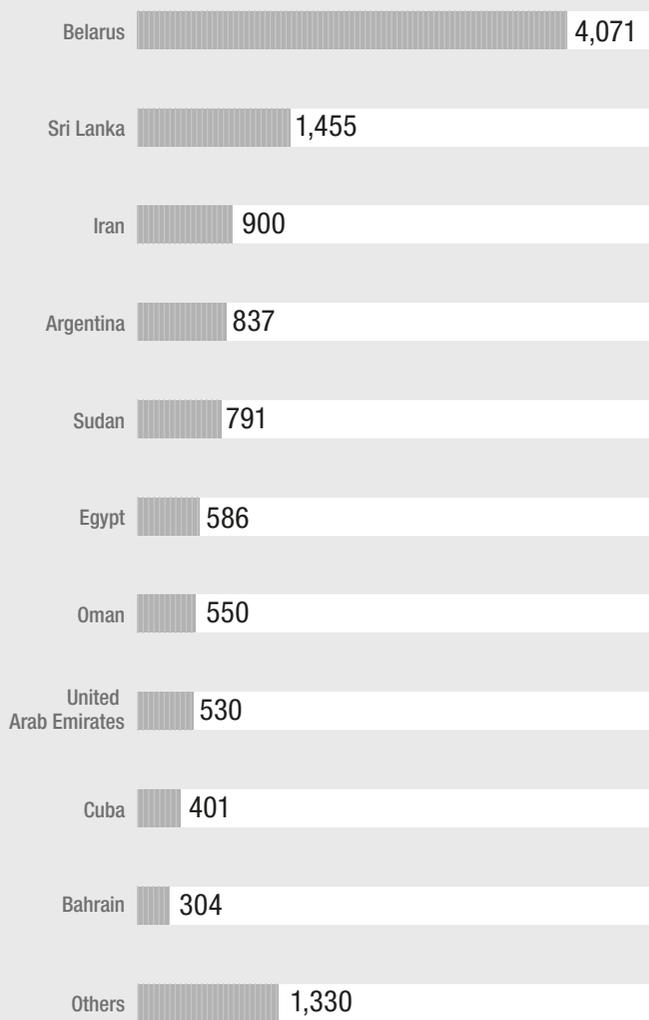
Export Sales Volume

Unit



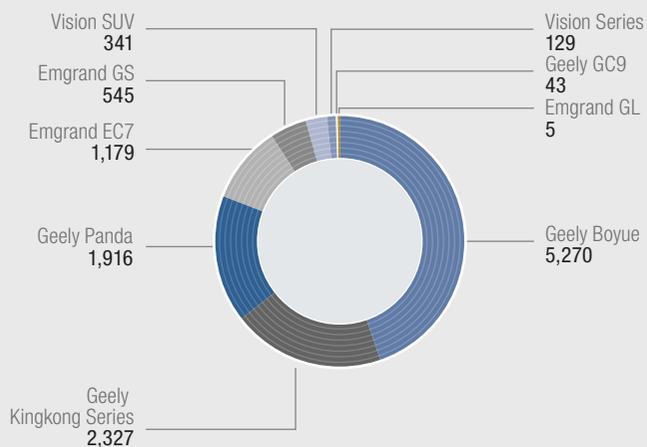
Top Export Destinations in 2017

Unit



Breakdown of Export Sales Volume by Models in 2017

Unit



PERFORMANCE & GOVERNANCE

OUTLOOK

While we remain optimistic about the growth prospects for the Chinese passenger vehicle market, the elimination of purchase tax subsidies for fuel efficient vehicles from January 2018 could have some negative impact on the sales volume growth of passenger vehicles in China during the early part of the year. Further, competition in the China market should continue to intensify as most key players, both foreign and domestic, are still trying hard to seize higher market shares there, prompting us to stay in high alert to defend our market share in the world's most competitive vehicle market. On the positive front, we expect the Group's major export markets to show reasonable recovery in 2018, helped by their current suppressed level of sales and the relatively stable economic situation recently in our major export markets, providing good opportunities for the Group to revive its export business.

The Group's overall competitiveness and management capabilities have strengthened significantly over the past few years following its successful strategic transformation to improve brand image, product quality, customer service satisfaction, technology and innovation, as reflected by the promising market acceptance for the Group's new products, the increase in its market share in China, and the rapid improvement in customer satisfactions as shown in J.D. Power's recent study on customer after-sale services. In addition, the Group's financial position remained strong as a result of good operational cash inflow over the past few years. This should enable the Group to continue investing for the future and respond to the rapid market changes more efficiently.

With the successful launches of the Group's new energy vehicle strategy: the "Blue Geely Initiatives" and its first electric vehicle model at the end of 2015 and the subsequent offer of new vehicle models under the compact modular architecture ("CMA"), a sophisticated flexible vehicle platform jointly developed and shared with VCC and designed for next generation of new energy vehicles, the Group is in an advantageous position to satisfy our customers' increasing needs for intelligent vehicles, which are smarter, electrified and fully connected. This, together with the substantial investment in the iNTEC technologies over the past few years, should ensure the Group to be well prepared and equipped to cope with the upcoming radical changes in the automobile sector.

In 2018, the Group plans to significantly increase the proportion of new energy vehicles in its sales volume by adding new energy versions for most of its major models following the tremendous success of its first batch of NEVs: the Emgrand EVs and Emgrand PHEVs. To leverage on our strong and unique cooperation relationship with VCC, we significantly broaden our cooperation and technology sharing with VCC. As a result, more advanced powertrain, will also be available for the existing models and most of our new models. Upgraded versions of the existing major models to incorporate the Group's latest advanced technologies and new design philosophy will also be offered to consumers thus further strengthening the Group's new product pipeline in 2018. With the Group's substantial investments in new technologies and innovations in the areas of lightweight technologies, advanced powertrain and NEVs over the past few years, the Group's products have become far more environmentally friendly and fuel-efficient. The amount of new products offering should reach a historic high in 2018, providing substantial momentum to support the Group's overall sales volume growth in 2018. Further, the continued shift of preference on vehicle procurement by the Chinese Government towards more indigenous brand products should provide additional opportunities for the Group to further expand its sales.

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Further, additional growth could be provided by new “Lynk&Co” joint-venture, which will be in its first full year operation in 2018. The innovative vehicle models from “Lynk&Co” brand emphasize key brand concept like “personalized”, “open platform” and “full connectivity”. The joint-venture’s innovative business model is key element of the Group’s strategy to expand into the upper-end vehicle segment in China and the global market.

The numerous acquisitions in the automobile sector by the Group’s parent over the past few years should provide the Group substantial opportunities for technologies and cost sharing, economies of scales and new market penetration. Longer-term, these acquisitions should provide additional sources for growth of the Group.

2018 should see further increase in investment by the Group in the research and developments of vehicle quality and safety, NEVs and smart car; and the applications of internet, mobile communication, shared mobility and artificial intelligence technologies in its products and services. In 2018, the Group plans to launch more new SUV models to supplement its existing SUV product portfolio, offering our customers a comprehensive range of different SUV products. More new sedan models will also be offered to upgrade and further expand the Group’s sedan product portfolio, aiming to safeguard the Group’s leading position in China’s sedan market. Further, our planned launch of the Group’s first MPV model should help the Group to expand into new market, enabling the Group to compete in all major segments of China’s passenger vehicle market. A large number of NEVs, mainly EVs and PHEVs, will be added to our product portfolio in 2018, significantly increasing the proportion of NEVs in our sales.

Taking into account the Group’s strong new products pipeline for 2018 and the continued strong sales momentum of the Group’s existing models, the Group’s board of directors set its sales volume target for the year of 2018 at 1,580,000 units (including the sales volume target for “Lynk&Co” vehicles), representing an increase of around 27% over 2017.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and Hong Kong and the payment credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group’s strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, bank borrowings and fund raising exercises in the capital market. As at 31 December 2017, the Group’s shareholders’ funds amounted to approximately RMB34.5 billion (As at 31 December 2016: approximately RMB24.4 billion). The Company issued 87.653 million ordinary shares upon exercise of share options during the year.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

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

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advantages with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's current ratio (current assets/current liabilities) was about 1.06 (As at 31 December 2016: 1.16) and the gearing ratio of the Group was about 3.8% (As at 31 December 2016: 9.2%) which was calculated on the Group's total borrowings (excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). As at 31 December 2017, the increase in receivables (in particular, the notes receivables) was (a) mainly due to the Group's robust domestic sales particularly in the fourth quarter of the current year (i.e. the traditional peak seasons for automobile industry) and the Group received huge amount of notes receivables from its customers during that period; and (b) thanks to the relatively low interest environment and strong net cash level, the Group did not opt to discount these notes receivables without recourse but wait to hold them until maturity during most of the times in 2017. In addition, in order to secure an adequate supply of automobile parts & components (in particular, steel, out-sourced engines and other high-end electronic parts & components) from the Group's supply chain during the peak season in the fourth quarter of 2017, the Group had to prepay these inventories to its suppliers towards the end of 2017. Separately, the increasing demand for the Group's products also drove its dealers to pay in advance in order to secure adequate inventories at their sales premises at the year end. As at 31 December 2017, the receipts in advance from customers represented almost 16% (As at 31 December 2016: 19%) of the total current liabilities. Accordingly, the net effect of the above resulted in a slight decrease in current ratio at the end of year 2017 over the previous year.

Total borrowings (excluding trade and other payables) as at 31 December 2017 amounted to approximately RMB1.3 billion (As at 31 December 2016: approximately RMB2.2 billion) were mainly the Group's borrowings and senior notes. At the end of 2017, the Group's total borrowings were denominated in United States Dollars (US\$). They were well matched by the currency mix of the Group's export revenues, which were mainly denominated in US\$. For the borrowings, they were unsecured, interest-bearing and repaid on maturity. The decrease in gearing ratio during the year was mainly due to the early redemption of senior notes in the principal amount of US\$300 million and the increase in equity as a result of profit attained by the Group during the year of 2017. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2017, the total number of employees of the Group was about 41,600 (As at 31 December 2016: 35,100). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILES



(Front) Mr. Yeung Sau Hung, Alex, Mr. Carl Peter Edmund Moriz Forster, Mr. Lee Cheuk Yin, Dannis, Mr. Li Shu Fu, Mr. An Qing Heng and Mr. Wang Yang; (Back) Mr. Ang Siu Lun, Lawrence, Mr. Li Dong Hui, Daniel, Mr. Gui Sheng Yue, Mr. An Cong Hui, Mr. Yang Jian and Ms. Wei Mei

EXECUTIVE DIRECTORS

Mr. Li Shu Fu, aged 54, joined the Company and its subsidiaries (collectively the “Group”) on 9 June 2005 as the Chairman (the “Chairman”) of the board of directors of the Company (the “Board”) and Executive Director, and is responsible for the overall strategic planning, Board leadership, corporate governance and formulation of the corporate policies of the Group. Mr. Li holds a Master’s Degree in Engineering from Yan Shan University. Presently, Mr. Li is the controlling shareholder, founder, chairman of the board of directors of Zhejiang Geely Holding Group Company Limited (“Geely Holding”) (a company incorporated in the PRC, and is ultimately owned by Mr. Li and his associate, a substantial shareholder of the Company). Geely Holding and its subsidiaries are principally engaged in the sale of automobiles and related parts and components wholesale and retail business. Mr. Li has over 31 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” by China Automotive News (中國汽車報).

Mr. Yang Jian, aged 56, joined the Group on 9 June 2005 as an Executive Director, and is responsible for assisting the Chairman in Board leadership and corporate governance of the Group. Mr. Yang was appointed Vice Chairman of the Board on 1 July 2008 whereas he was appointed the vice chairman of the board of directors of Geely Holding on 29 December 2011. Mr. Yang was also the chairman of the four 99%-owned key operating subsidiaries of the Group, namely, Zhejiang Jirun Automobile Company Limited (“Zhejiang Jirun”), Shanghai Maple Guorun Automobile Company Limited, Zhejiang Ruhoo Automobile Company Limited and Hunan Geely Automobile Components Company Limited. Mr. Yang, who graduated from Zhejiang Radio and Television University with focus on production management, holds Senior Economist and Senior Engineer designations. Since joining Geely Holding in 1996, Mr. Yang was involved in a number of different job functions within

DIRECTORS AND SENIOR MANAGEMENT PROFILES

the group including product R&D, engineering and construction, manufacturing, quality improvement, marketing, after-sales service and the operation and management of the Group in the PRC and overseas.

Mr. Li Dong Hui, Daniel, aged 48, joined the Group in July 2016 as an Executive Director and Vice Chairman of the Board. Mr. Li 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 the Group. He is responsible for the overall strategic planning of the Group’s 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 the 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 北京東方園林生態股份有限公司 (Beijing Orient Landscape Co., Ltd.) (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 中青旅控股股份有限公司 (China CYTS Tours Holding Co., Ltd.) (Stock Code of Shanghai Stock Exchange: 600138) and independent non-executive director of YTO Express (International) Holdings Limited (Stock Code of Hong Kong Stock Exchange (“HKEx”): 6123).

Mr. Gui Sheng Yue, aged 54, joined the Group on 9 June 2005 as an Executive Director and is responsible for the overall administration, risk management and compliance of the Group. Mr. Gui was appointed the Chief Executive Officer (“CEO”) of the Company with effect from 23 February 2006. He was also the chairman of DSI Holdings Pty Limited, a former wholly-owned subsidiary of the Company. He is an independent non-executive director of Eagle Ride Investment Holdings Ltd. (Stock Code of HKEx: 901). Mr. Gui has over 31 years of experience in administration and project management. Mr. Gui had also worked with China Resources (Holdings) Company Limited. Mr. Gui holds a Bachelor of Science Degree in Mechanical Engineering from Xi’an Jiaotong University and a Master’s Degree in Business Administration from University of San Francisco.

Mr. An Cong Hui, aged 48, joined the Group on 30 December 2011 as an Executive Director, and is responsible for the overall administration of the Group. Mr. An has been a vice president of Geely Holding since 2003, and has been appointed the president of Geely Holding with effect from 29 December 2011. Mr. An is currently the chairman of the principal operating subsidiary, namely Zhejiang Jirun, and a director of certain subsidiaries of the Group. Mr. An was previously in charge of the overall operation under the “Emgrand” product brand following the implementation of multi-brand strategy by the Group and production of gearboxes, engines and drivetrain systems of the Group. Mr. An has extensive professional knowledge and senior managerial experience in the automotive industry, particularly in the field of

DIRECTORS AND SENIOR MANAGEMENT PROFILES

automotive engineering. He joined Geely Holding since 1996 after graduation from Hubei University of Economic and Management with a Diploma in Contemporary Accounting. From 1996 to now, Mr. An has held various key positions in Geely Holding including chief engineering officer and general manager.

Mr. Ang Siu Lun, Lawrence, aged 58, joined the Group on 23 February 2004 as an Executive Director and is mainly responsible for the international business development, capital market and investors' relationship of the Group. 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. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis. Mr. Ang is a non-executive director of Honbridge Holdings Limited (Stock Code of HKEx: 8137). He was an independent non-executive director of Genvon Group Limited (Stock Code of HKEx: 2389).

Ms. Wei Mei, aged 49, joined the Group on 17 January 2011 as an Executive Director. Ms. Wei is a vice president of Geely Holding and is responsible for the human resources management and training of Geely Holding since June 2009. Ms. Wei holds a Doctoral Degree in Management from the Northwest A&F University, a Master's Degree in Management and a Bachelor's Degree in Science from the Ocean University of China. 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 globalization of Qingdao Haier. Ms. Wei was in charge of organizational management, operation appraisal, quality system management and human resources and was

also directing the operation management of Haier dishwashers and other small appliances.

NON-EXECUTIVE DIRECTOR

Mr. Carl Peter Edmund Moriz Forster, aged 63, joined the Group on 9 January 2013 as a Non-executive Director. Mr. Forster is the chief advisor to a member of Geely Holding and he has been appointed a member of the board of directors of Volvo Car Corporation since February 2013. Mr. Forster has over 31 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 various senior management/CEO positions and directorship in many international consultancy and automobile corporates including McKinsey & Company, Inc., BMW (he was the chief project manager of one of its best-selling models of "BMW 5-Series", and later the head of global manufacturing), General Motors Europe, Rolls-Royce Holdings plc (Stock Code of London Stock Exchange ("LSE"): RR) and Tata Motors Limited, Mumbai (the group steered Jaguar Land Rover into profit). 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. 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 Electric Vehicle Company (formerly known as 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).

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Cheuk Yin, Dannis, aged 47, joined the Group as an Independent Non-executive Director on 28 June 2002. He obtained the Bachelor of Business Administration from Texas A & M University, the USA. 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. He possesses over 25 years of experience in accounting and auditing field. Mr. Lee is currently a managing director of DLK Advisory Limited, and is an independent non-executive director of each of Tiangong International Company Limited (Stock Code of HKEx: 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). He was an executive director of both Guojin Resources Holdings Limited (Stock Code of HKEx: 630) and AMVIG Holdings Limited (Stock Code of HKEx: 2300), a non-executive director of Kam Hing International Holdings Limited (Stock Code of HKEx: 2307), and an independent non-executive director of U-Home Group Holdings Limited (formerly known as Jiwa Bio-Pharm Holdings Limited) (Stock Code of HKEx: 2327).

Mr. Yeung Sau Hung, Alex, aged 68, joined the Group as an Independent Non-executive Director on 6 June 2005. Mr. Yeung was appointed as a non-executive director of GRST Investment (BVI) Limited, a research and manufacturing company focusing on battery technology, on 25 November 2016. He was the CEO in March 2012 and later became the Responsible Officer of LW Asset Management Advisors Ltd., a regulated fund management company. After his resignation in May 2016, he currently is the Responsible Officer of another regulated fund management company and a non-executive director of GRST Technology Research Company. Mr. Yeung entered the fund management and financial consultant profession after his retirement from the role of chief executive officer of DBS Vickers (Hong Kong) Limited (“DBS Vickers”). Mr. Yeung is a MBA graduate from the University of Southern California and brings with him more than 35 years of experience in the financial services industry. Prior

to joining DBS Vickers, Mr. Yeung was the deputy chairman of the management committee of a listed consumer electronics company for four years. Before that, he was the country head of the division of Greater China Equities and the managing director of Deutsche Securities Hong Kong.

Mr. An Qing Heng, aged 73, joined the Group as an Independent Non-executive Director on 17 April 2014. Mr. An has extensive professional and management experience in the automotive industry, particularly in the fields of automotive engineering and manufacturing. Since after graduation from the Faculty of Agricultural Machinery (currently known as the Faculty of Automotive Engineering) of Tsinghua University with a professional qualification in automotive tractors and engines in 1968, he had worked with Beijing Gear Works Factory (北京齒輪總廠), Beijing United Automobile and Motorcycle Manufacturing Company (北京汽車摩托車聯合製造公司) and Beijing Automotive Industry Company (北京汽車工業總公司) in various important positions as 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 (北京汽車工業控股有限責任公司); and was once concurrently the chairman of Beiqi Foton Motor Company Limited (北汽福田汽車股份有限公司), Beijing Jeep Corporation (北京吉普汽車有限公司) and Beijing Benz Automotive Company Limited (北京奔馳汽車有限公司). Mr. An has been a member of Beijing Political Consultative Conference (北京市政治協商委員會) (the 8th and 10th sessions), a representative of Beijing Municipal People’s Congress (北京市人民代表大會) (the 11th session), and a member of the Standing Committee of Beijing Association for Science and Technology (北京市科學技術協會常委會) (the 4th, 5th, 6th and 7th sessions). Mr. An is currently the director of the Advisory Committee of China Automotive Industry (中國汽車工業諮詢委員會). Mr. An has also obtained 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. An is also the independent director of Liaoning SG Automotive Group

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Co., Ltd. (A Share Stock Code of Shanghai Stock Exchange: 600303), and was the independent director of Yechiu Metal Recycling (China) Limited (A Share Stock Code of Shanghai Stock Exchange: 601388) and Henan Province Xixia Automobile Water Pump Co., Ltd. (Stock Code of Shenzhen Stock Exchange: 002536).

Mr. Wang Yang, aged 43, joined the Group as a Non-executive Director on 15 September 2010 and he has been re-designated to an Independent Non-executive Director of the Company with effect from 17 May 2012. Mr. Wang is presently a partner of Primavera Capital Group. 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 the Shanghai Jiaotong University. Mr. Wang used to work in Goldman Sachs (“Goldman Sachs”) Principal Investment Area as a managing director. From 2006 to 2010, working in Goldman Sachs, he focused on private equity investments in the PRC. During the period, he led the Goldman Sachs’ US\$245 million convertible bond investment transaction in the Company. Prior to that, Mr. Wang worked in China International Capital Corporation (“CICC”) investment banking division as a vice president from 2002 to 2006, focusing on China-based companies’ initial public offerings and restructurings. Mr. Wang served major state-owned enterprises in various sectors during this period. Prior to CICC’s investment banking division, Mr. Wang worked in CICC’s Private Equity Group from 2000 to 2001.

SENIOR MANAGEMENT

Mr. Cheung Chung Yan, David, aged 42, joined the Group as the Financial Controller and Company Secretary on 17 May 2005. He was also a director of DSI Holdings Pty Limited, a former wholly-owned subsidiary of the Company and was an independent non-executive director of Ourgame International Holdings Limited (Stock Code of HKEx: 6899). Mr. Cheung holds a Bachelor’s Degree in Business Administration in Accounting from the Hong Kong University of Science and Technology. He is a fellow member of the

Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors. Mr. Cheung has over 20 years of experience in auditing, accounting and financial management.

Mr. Dai Yang, Daniel, aged 63, joined the Group as the Vice President (International Business) on 5 May 2005 and is mainly responsible for the investor relation and international business in Hong Kong. Mr. Dai holds a Master’s Degree of Linguistics from Beijing Foreign Language Institute and a Bachelor’s Degree of Arts from Beijing Normal College. Mr. Dai started his career with China Resources (Holdings) Co. Ltd. in Hong Kong in 1986 and his last position was an assistant general manager of China Resources Investment Co. Ltd. Then, Mr. Dai joined Da Fang Investment Co. Ltd. in Hong Kong as a general manager. Prior to joining the Company, Mr. Dai has mainly focused his career on projects investment.

Mr. Poon Chi Kit, aged 38, joined the Group on 1 July 2011. He was appointed as the Head of Internal Audit of the Company with effect from 1 October 2015 and is in charge of risk assessment and monitoring, internal audit, and internal control infrastructure development of the Group. He was the Group Financial Controller of Kandi Electric Vehicles Group Co., Ltd., a former joint venture of the Group. Mr. Poon holds a Bachelor’s Degree in Civil Engineering from the National University of Singapore. He is a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 12 years of experience in auditing, accounting and financial management.

Mr. Chiu Yeung, Adolph, aged 33, joined the Group on 18 August 2010 as a management trainee in support of the senior management and the Board. He was appointed the Vice President responsible for investment and capital market since October 2015. Mr. Chiu holds a few professional accreditations granted by Hong Kong Securities and Investment Institute. He obtained a Bachelor of Science Degree from University of Science and Technology of China Special Class for the Gifted Young, and once carried out scientific research and worked as teaching assistant in University of Florida.

CORPORATE GOVERNANCE REPORT

Geely Automobile Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) continue to strive for a high standard of corporate governance with a view to upholding a strong and balanced board of directors of the Company (the “Board”) and maintaining a transparent and creditable communication channel with the Company’s shareholders (the “Shareholders”).

Apart from the corporate governance aspect, which will be further discussed in this report below, more details of the Group’s environmental, social and governance (“ESG”) measures including the relevant policies and performance in the areas of environmental, employment and labour standards, operating practices, and community, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group will be covered in the Group’s ESG report, which will be published no later than three months after the publication of annual report, on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company.

For the year ended 31 December 2017, the Company has complied with the code provisions (“CPs”) of the Corporate Governance Code and Corporate Governance Report (“CG Code”), as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for CPs A.2.7, A.6.5 and E.1.2. This report further illustrates as to how the CG Code has been applied, inclusive of the considered reasons for any deviation, in the year under review.

A. DIRECTORS

The directors of the Company (the “Directors”) all possess extensive experience in the automobile industry, commercial management and capital market operation. The Board, with its diverse composition, can provide the management with viewpoints and advices in all material aspects for effective decision making. For Directors’ biographical information, please refer to pages 24 to 28 of this annual report.

The table below illustrates the major duties and responsibilities of the Directors together with their positions held in the Board and its committees, and the dates of their initial appointment and last re-election at the general meetings of the Company.

CORPORATE GOVERNANCE REPORT

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major Duties/Experience/Skills
Mr. Li Shu Fu	Chairman of the Board (the "Chairman") & ED ¹	9 June 2005	25 May 2017	Directs overall corporate strategic direction, Board leadership and corporate governance of the Group
Mr. Yang Jian	Vice Chairman & ED ¹	9 June 2005	25 May 2017	Assists the Chairman in Board leadership and corporate governance of the Group
Mr. Li Dong Hui, Daniel	Vice Chairman & ED ¹	15 July 2016	25 May 2017	Oversees the overall strategic planning of the Group's 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. Gui Sheng Yue	Chief Executive Officer, ED ¹ & member of NC ⁵	9 June 2005	29 May 2015	Oversees administrative management (Hong Kong), risk management (excluding China), compliance and internal controls of the Group
Mr. An Cong Hui	ED ¹	30 December 2011	29 May 2015	Oversees operational and risk management (China) of the Group
Mr. Ang Siu Lun, Lawrence	ED ¹	23 February 2004	27 May 2016	Oversees international business development, capital market and investor relation activities of the Group
Ms. Wei Mei	ED ¹ & member of RC ⁵	17 January 2011	29 May 2015	Oversees human resources management of the Group
Mr. Carl Peter Edmund Moriz Forster	NED ²	9 January 2013	27 May 2016	Provides independent consultancy advice on strategic planning to the Board
Mr. Lee Cheuk Yin, Dannis	INED ³ , chairman of AC ⁴ , member of RC ⁵ & member of NC ⁶	28 June 2002	25 May 2017	Provides independent advice on financial and auditing activities to the Board

CORPORATE GOVERNANCE REPORT

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major Duties/Experience/Skills
Mr. Yeung Sau Hung, Alex	INED ³ , chairman of RC ⁵ , member of AC ⁴ & member of NC ⁶	6 June 2005	27 May 2016	Provides independent advice on corporate finance and investment to the Board
Mr. An Qing Heng	INED ³ & member of AC ⁴	17 April 2014	29 May 2015	Provides independent advice on automobile industry and strategic deployment to the Board
Mr. Wang Yang	INED ³ , chairman of NC ⁶ , member of AC ⁴ & member of RC ⁵	15 September 2010	25 May 2017	Provides independent advice on corporate finance, investments and merger & acquisitions to the Board

Notes:

¹ ED: Executive Director

² NED: Non-executive Director

³ INED: Independent non-executive Director

⁴ AC: Audit Committee

⁵ RC: Remuneration Committee

⁶ NC: Nomination Committee

Responsibilities of Directors

The Directors acknowledge their responsibilities to apply their relevant levels of skill, care and diligence when discharging duties. The Board also understands where potential conflicts of interests arise, the non-executive Directors (including the independent non-executive Directors) will take the lead in discussing the relevant transactions being contemplated when there is a Director or any of his associates having a material interest in the transactions and will abstain from voting.

In order to ensure every newly appointed Director to keep abreast of his responsibilities and conduct (especially in the cases of non-executive Directors and independent non-executive Directors as to bringing independent judgments to the Board), and to obtain a general understanding of the Company's business activities and development, the Company would arrange a comprehensive, formal and tailored induction for him upon appointment. There was no new appointment of Director and thus no induction training had been arranged during the year.

CORPORATE GOVERNANCE REPORT

The Directors disclose to and update the Company the number and nature of offices they hold in public companies or organizations and other significant commitments, together with the time involved every year; any change of such during the year would be properly disclosed in due course. All Directors confirmed that they had given sufficient time and attention to the Group's affairs during the year. The independent non-executive Directors and the non-executive Director also declared their independence to make constructive and informed comments as to the development of the Company's strategy and policies by discharging their duties. The Board reviewed the relevant disclosure, confirmation and declaration together with their actual time contribution, and agreed that all Directors had taken active interests in the Group's affairs during the year.

Continuous Professional Development

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

In addition, as the Directors are geographically dispersed, the Company provided them with listing compliance updates including, amongst other things, Corporate Governance – Director and Company Secretary's Roles for self-learning during the year. The Company received written confirmations from the Directors about their full understanding of such training material. Records of the Directors' participation in other CPD or training sessions provided, if any, will also be maintained by the Company Secretary of the Company (the "Company Secretary").

Supply of and Access to Information

The Company provides the Directors with adequate information in a timely manner that will enable them to make informed decisions and discharge their duties and responsibilities properly. The Company ensures that individual Director will have separate and independent access to its senior management whenever necessary, and any queries raised by the Directors should receive a prompt and full response.

For the notices, intended agendas, papers and materials related to the meetings of the Board and its committees, the management team provides complete, reliable and timely information to the Directors with proper briefing in respect of the matters and issues being contemplated by the Directors at the meetings of the Board and its committees. The Company also keeps the Directors well informed of the execution status and latest developments of the respective matters and issues resolved by them in a timely manner. In addition to regular Board meetings, the Company also provides reports in relation to the Group's consolidated management accounts, sales volume and investor relation activities on a monthly basis, and press releases together with share price performance on an ad-hoc basis to the Directors.

CORPORATE GOVERNANCE REPORT

Securities Transactions of the Directors and the Senior Management

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own guidelines for dealings in the Company’s securities by its relevant employees.

The Directors, having been enquired specifically, confirmed their compliance with the required standard set out in the Model Code during the year and there had been no cases of non-compliance reported. As at 31 December 2017, the details of Directors’ holding of the Company’s securities are set out on pages 61 to 64 of this annual report. The senior management of the Company whose profiles are set out on page 28 of this annual report, save for Mr. Chiu Yeung, Adolph who was interested in 1,250,000 shares of the Company as at 31 December 2017, declared that they did not hold any shares of the Company as at 31 December 2017.

In addition, the Company issues notices to all Directors and relevant employees of the Group reminding them to comply with the Model Code 60 days prior to the publication of the annual results, 30 days prior to the publication of the interim results, and any time when they are in possession of or privy to any unpublished inside information of the Group before it is properly disclosed.

The Company also implements an internal policy on handling inside information which is consistent with the relevant applicable requirements of the Listing Rules. The policy sets out measures and procedures for the Directors and other relevant officers of the Company to assume duty when dealing with inside information and preservation of its confidentiality before proper disclosure. It also sets out guidelines for the Board to disclose timely any material inside information according to the relevant statutory and regulatory requirements.

Insurance for Directors and Senior Management

During the year, the Company has arranged liability insurance for the Directors and senior management to provide appropriate coverage based upon performance of duties by such persons; the Board considered the insured amount was adequate. The insured amount is subject to an annual review by the Board and the Audit Committee.

B. THE BOARD

The Company is headed by the Board effectively through its strong leadership in the strategic orientations and balanced control over the overall management of the business operations.

Corporate Governance Duties

The Board performed (including but not limited to) the following corporate governance duties during the year: (i) reviewed the existing policies of the Company on corporate governance including Whistleblowing Policy, Remuneration Policy and Shareholders’ Communication Policy; (ii) reviewed the coverage of knowledge and skills in the CPD arrangements made for the Directors and/or senior management by the Company; (iii) reviewed the effectiveness of internal procedures for overseeing timely disclosure of material inside information and perseverance of its confidentiality; (iv) monitored the compliance of Model Code by the Directors and relevant employees of the Group; and (v) reviewed the Company’s compliance with the CG Code and disclosure in this report.

CORPORATE GOVERNANCE REPORT

Management Functions Delegated by the Board

The Board has delegated the responsibilities of the execution of strategies and decision making for day-to-day operation and administration functions of the Company to the management team headed by the CEO.

The Board has set out written guidelines for the management team as to when final authority should rest with the Board and its prior approval should be obtained before making decisions or entering into any commitments; issues of such include but not limited to any proposed notifiable transactions, connected transactions, significant domestic and/or overseas investments, major business decisions related to operation and business strategy, change of key management of the Group, and disclosure of inside information.

Composition of the Board

The Listing Rules require the Company to appoint independent non-executive Directors representing at least one-third of the Board and one of whom must have appropriate professional qualifications or accounting or related financial management expertise. As at 31 December 2017, the Board comprised seven executive Directors, one non-executive Director and four independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis (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, Mr. An Qing Heng and Mr. Wang Yang. Details of the compositions of the Board and its committees are set out on page 207 of this report.

The independent non-executive Directors should be identified in all corporate communications that disclose the names of Directors. An updated list of Directors and their roles and functions is maintained on the Company's website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and on the website of the Stock Exchange (<http://www.hkexnews.hk>) for Shareholders' inspection.

Appointments and Re-election of Directors

All Directors, including non-executive Directors, are appointed for a specific term of not more than three years and are subject to retirement by rotation at least once every three years at the Company's general meetings. Directors appointed to fill a casual vacancy should also be subject to election by Shareholders at the first general meeting after appointment.

In accordance with Article 116 of the Company's Articles of Association (the "Articles of Association"), Mr. Gui Sheng Yue, Mr. An Cong Hui, Ms. Wei Mei and Mr. An Qing Heng shall retire by rotation and being eligible, shall offer themselves for re-election at the Company's forthcoming annual general meeting. No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CORPORATE GOVERNANCE REPORT

Meetings of the Board

As required by business needs, the Company held a total of 5 regular Board meetings, 13 ad hoc Board meetings, 113 meetings of the executive committee of the Board (“EC”), 3 meetings of the Audit Committee (“AC”), 4 meetings of the Remuneration Committee (“RC”), 1 meeting of the Nomination Committee (“NC”), 1 annual general meeting (“AGM”) and 3 extraordinary general meetings (“EGM”) for the financial year ended 31 December 2017.

Most of the meetings of the Board and its committees were duly attended by a majority of the Directors through electronic means pursuant to the Articles of Association as most of the Directors’ business engagements were in the PRC. During the year, the Directors attended the meetings of the Board and its committees by themselves and they did not appoint any alternate director. For any Board resolution approving contract, arrangement or any other proposal in which a Director or any of his associates has a material interest (“Interested Director”), the Interested Director abstained from voting at such Board meetings and the relevant meetings of the Board committees, where presence of the non-interested independent non-executive Directors should be assured.

The following table illustrates the attendance of each Director at the meetings of the Board and its committees, and general meetings of the Company. The denominators indicate the number of respective meetings held during the year that each Director is entitled to attend to reflect the effective attendance rate applicable to any Director(s) whom appointed and/or resigned part way during the year.

CORPORATE GOVERNANCE REPORT

Name of Directors	Attendance Rate for Meetings							AGM	EGMs
	Regular	Ad hoc	EC	AC	RC	NC			
	Board	Board							
Meetings	Meetings	Meetings	Meetings	Meetings	Meeting				
Executive Directors									
Mr. Li Shu Fu (<i>Chairman</i>)	4/5	12/13	-	-	-	-	1	0/3	
Mr. Yang Jian (<i>Vice Chairman</i>)	4/5	11/13	-	-	-	-	1	1/3	
Mr. Li Dong Hui, Daniel (<i>Vice Chairman</i>)	5/5	12/13	-	2	-	-	1	3/3	
Mr. Gui Sheng Yue (<i>CEO</i>)	5/5	13/13	113/113	-	-	1/1	1	3/3	
Mr. An Cong Hui	5/5	12/13	-	-	-	-	1	3/3	
Mr. Ang Siu Lun, Lawrence	5/5	13/13	113/113	2	-	-	1	3/3	
Ms. Wei Mei	4/5	12/13	-	-	4/4	-	1	0/3	
Non-executive Director									
Mr. Carl Peter Edmund Moriz Forster	5/5	12/13	-	-	-	-	1	1/3	
Independent Non-executive Directors									
Mr. Lee Cheuk Yin, Dannis	5/5	12/13	-	3/3	4/4	1/1	1	3/3	
Mr. Yeung Sau Hung, Alex	5/5	12/13	-	3/3	4/4	1/1	0	1/3	
Mr. An Qing Heng	5/5	12/13	-	3/3	-	-	1	1/3	
Mr. Wang Yang	5/5	11/13	-	3/3	4/4	1/1	1	3/3	

CORPORATE GOVERNANCE REPORT

Relation of the Board Members

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship(s)) with each other and in particular, with the Chairman and the CEO.

Existing Non-executive Director and Independent Non-executive Directors

Each of the existing non-executive Director and independent non-executive Directors entered into a term of service of three years with the Company under a formal letter of appointment and is subject to retirement by rotation at least once every three years and offer himself for re-election at the annual general meeting of the Company.

Having received annual confirmation from the four independent non-executive Directors for the year ended 31 December 2017 confirming that they had not been involved in any business which might fall under the factors for assessing their independence set out in Rule 3.13 of the Listing Rules, the Company considers all of the independent non-executive Directors are still independent and they have the character, integrity, independence and experience to fulfill their roles effectively.

When a matter should be resolved in a meeting involving a substantial Shareholder or a Director having conflict of interest that determined to be material by the Board, the independent non-executive Directors who have no material interest in the subject matter would attend the meetings of the Board and its committees and lead the discussions.

Chairman and Chief Executive Officer

The roles of Chairman and the CEO are assumed by Mr. Li Shu Fu and Mr. Gui Sheng Yue, respectively, to ensure a balance of power and authority.

The Chairman provides leadership for the effective running of the Board by delegating the Company Secretary to facilitate proper convening of the meetings of the Board and its committees and dissemination of adequate information, in order to ensure that the Directors would be properly briefed on issues being discussed at the meetings of the Board and its committees and that they are encouraged to discuss all key and appropriate issues of the Group timely. The Chairman has delegated the Company Secretary to draw up the agenda of the relevant meetings and circulate it to the Directors for comments, if appropriate, agenda items proposed by the Directors will then be included in the relevant meetings for further discussion and a culture of openness and constructive relations between executive and non-executive Directors are promoted.

CP A.2.7 provides that the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the year ended 31 December 2017, a formal meeting could not be arranged between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of the executive Directors due to the tight schedules of the Chairman and the non-executive Directors (including independent non-executive Directors). Although such meeting was not held during the year, the Chairman has delegated the Company Secretary to gather any concerns and/or questions that the non-executive Director and the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary.

CORPORATE GOVERNANCE REPORT

The CEO is primarily responsible for the daily operations of the Group with the assistance from other executive Directors and the management team. The division of responsibilities between the Board and the management team was clearly established in writing.

The Chairman has also endorsed the Company Secretary to draft relevant policies and guidelines as to upholding good corporate governance practices and procedures of the Group, such as the Shareholders' Communication Policy for maintaining effective communication with Shareholders and directing their views to the Board as a whole. For details of Shareholders' rights, please refer to pages 47 to 49 of this report.

C. BOARD COMMITTEES

The Company currently has four Board committees, namely Executive Committee, Remuneration Committee, Nomination Committee and Audit Committee. The written terms of reference of Remuneration Committee, Nomination Committee and Audit Committee are published on the Company's website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (<http://www.hkexnews.hk>) for Shareholders' inspection.

Executive Committee

An Executive Committee comprising Mr. Gui Sheng Yue and Mr. Ang Siu Lun, Lawrence was established in 2015 pursuant to the Company's Articles of Association. Specific written terms of reference of which was set out to enable the committee to perform its functions properly. The Executive Committee should report back to the Board on their decisions made or recommendations given, if applicable, at least once every year. During the year, the Executive Committee held 113 meetings. Full

minutes of the Executive Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report.

Remuneration Committee

The role and function of the Remuneration Committee is to determine the policy for the remuneration package of executive Directors and senior management with access to independent professional advice at the Company's expense if necessary; to assess performance of executive Directors and senior management; to approve the terms of service contracts of executive Directors and senior management; and to make recommendations to the Board on the remuneration of non-executive Directors. The remuneration packages of executive Directors and senior management should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment at a reasonable and appropriate level); levels of which should be sufficient to attract, retain and/or compensate Directors and senior management to run the Company successfully without paying more than necessary. The updated terms of reference of the Remuneration Committee are published on the Company's website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (<http://www.hkexnews.hk>) for Shareholders' inspection.

Proceedings of the Remuneration Committee

The Remuneration Committee being chaired by an independent non-executive Director currently comprises

CORPORATE GOVERNANCE REPORT

members of three independent non-executive Directors (including the chairman of the committee himself) and one executive Director. Details of the compositions of the Board and its committees are set out on page 207 of this report.

During the year, the Remuneration Committee held 4 meetings. Full minutes of the Remuneration Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report. The Remuneration Committee considered the following proposals and/or made recommendation to the Board during the year:

- Reviewed the basic monthly salary, benefits and year-end bonus of individual executive Directors with reference to their past contribution, experience and duties as well as the Company's Remuneration Policy and prevailing market conditions;
- Renewed the letters of appointment and service contracts of the Directors;

- Approved grant of share options to the eligible participants of the Group; and
- Reviewed the Company's Remuneration Policy and the terms of reference of the committee.

Disclosure of Remuneration Payable to Directors and Senior Management

The Remuneration Committee adopts the model described in CP B.1.2(c)(i), which is to determine, with delegated responsibility, the remuneration packages of the Directors, in particular, the executive Directors, and the senior management. In determining the remuneration packages of the Directors, the Remuneration Committee ensures no Director or any of his/her associate is involved in deciding his/her own remuneration.

The Directors conducted the self-evaluation on their individual performance and contribution to both the Board and the Group during the year.

Under the Company's Remuneration Policy, the remuneration packages of the Directors and senior management are made up of the following two tiers: 1) on short-term basis – basic monthly salaries and discretionary year-end bonus; and 2) on long-term incentive basis – share option scheme and retirement benefits. The diversified remuneration package can reflect the market value of the relevant duties of the Directors and senior management; encourage relevant Directors and senior management to achieve the corporate goal; attract and retain the experienced human resources of the Group; and provide competitive retirement protection.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2017, the remuneration payable to members of senior management was within the following bands:

	Number of Individuals
HKD500,001 – HKD1,000,000	1
HKD1,500,001 – HKD2,000,000	2
HKD2,500,001 – HKD3,000,000	1
	4

The aggregate of the emoluments in respect of the above members of senior management was as follows:

	RMB'000
Basic salaries and allowances	5,044
Retirements benefits and scheme contributions	93
Share-based payment expenses	1,081
	6,218

For details of Directors' remuneration, please refer to pages 135 to 137 of this annual report.

Nomination Committee

The role and function of the Nomination Committee is to determine the policy for the nomination of Directors with the right to seek independent professional advice at the Company's expense if necessary. The updated terms of reference of the Nomination Committee are published on the Company's website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (<http://www.hkexnews.hk>) for Shareholders' inspection.

Proceedings of the Nomination Committee

The Nomination Committee being chaired by an independent non-executive Director currently comprises members of three independent non-executive Directors (including the chairman of the committee himself) and one executive Director. Details of the compositions of the Board and its committees are set out on page 207 of this report.

CORPORATE GOVERNANCE REPORT

The Nomination Committee reviews the composition of the Board on a regular basis so as to ensure that the Board has a good balance of expertise, skills, knowledge and experience which can complement the corporate strategy of the Company. When selecting and recommending candidates for directorship, the committee takes into account the qualification, ability, working experience, leadership, professional ethics and independence (as the case may be) of the candidates before nominating the candidates with high caliber to the Board for selection and appointment.

During the year, the Nomination Committee held 1 meeting. The committee reviewed the existing structure, size and composition of the Board in accordance with the Board Diversity Policy; reviewed the independence of the existing four independent non-executive Directors; and reviewed the terms of reference of the committee. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report.

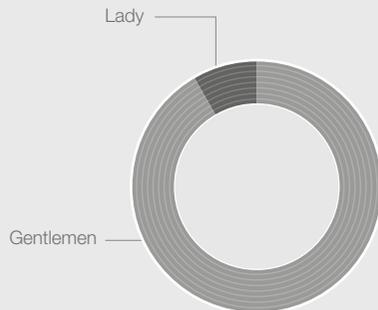
Board Diversity

With a view to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element. The Board Diversity Policy of the Company is published on the Company's website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance".

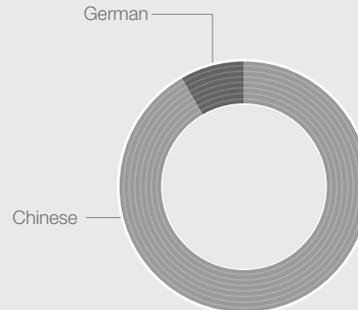
In order to enhance the quality of the performance of the Board and achieve a sustainable and balanced development of the Group, the Board ensures that board diversity will be considered from various aspects when designing the Board's composition and that nomination and selection of candidates as a Board member will be considered against objective criteria based on a range of diversity perspectives. The Board also reviews the Board Diversity Policy at least annually or whenever as appropriate, to ensure its effectiveness. Taking into account the vast development of the consumer products market, a range of diversity perspectives was analyzed for the Board's composition during the year as set out in the pie charts below.

CORPORATE GOVERNANCE REPORT

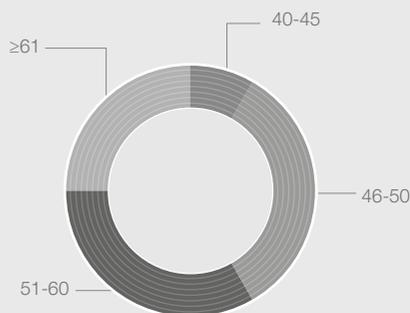
By Gender



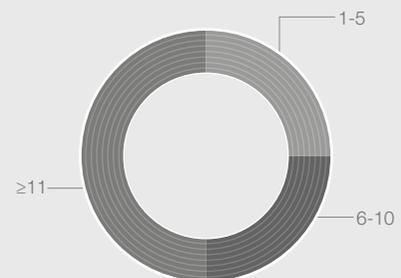
By Ethnicity



By Age



By Length of Service with the Company (years)



Audit Committee

The role and function of the Audit Committee is to investigate any activity within its terms of reference fairly and independently and take appropriate follow-up action if necessary; to seek any information it requires from any employee(s), whereas all employees are directed to cooperate with any request made by the committee; and to review and ensure that proper arrangements are in place for the Company's employees to use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters. The Audit Committee

has the right to seek independent professional advice at the Company's expense if necessary. The Audit Committee also acts as the key representative body for overseeing the Company's relations with the external auditor. The updated terms of reference of the Audit Committee are published on the Company's website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (<http://www.hkexnews.hk>) for Shareholders' inspection.

CORPORATE GOVERNANCE REPORT

Proceedings of the Audit Committee

The Audit Committee being chaired by an independent non-executive Director, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants, currently comprises four members (including the chairman of the committee himself), solely the independent non-executive Directors. Details of the compositions of the Board and its committees are set out on page 207 of this report.

During the year, the Audit Committee held 3 meetings. Full minutes of the Audit Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report. The Audit Committee considered the following businesses and/or made recommendation to the Board, when necessary, during the year:

- Reviewed the Group's audited annual results for the year ended 31 December 2016 including the major accounting issues raised by the external auditor;
- Reviewed the Group's interim results for the six months ended 30 June 2017;
- Assessed the independence and objectivity of the Company's external auditor and approved the annual audit fee for the year ended 31 December 2017;

- Approved the insurance of the Directors' and officers' liabilities of the Company and confirmed the adequacy of insurance coverage;
- Reviewed the internal audit findings conducted by the Internal Audit Department of the Company and assessed the effectiveness of the internal control system of the Group; and
- Reviewed the Whistleblowing Policy and the terms of reference of the committee.

Relationship with the external auditor

Apart from meeting with the Company's external auditor twice a year for approving the interim results and the annual results, the Audit Committee also meets with the external auditor in the absence of the management team of the Company, including executive Directors, whenever necessary to discuss any issues related to the audit (e.g. nature and scope of the audit, reporting obligations, audit fee, nature and scope of non-audit service provided, and those arising from the audit (e.g. judgment used in the financial reporting, compliance with financial reporting and auditing standards), etc.) so as to review and monitor the independence and objectivity of the Company's external auditor, and the effectiveness of the audit process in accordance with applicable standards.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control

For the year ended December 2017, the Board conducted an annual review of the effectiveness of the Group's risk management and internal control systems based on the confirmation made by the management and inputs from the Audit Committee. The Board considered the risk management and internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, effective and adequate during the year.

The Board has an overall and ongoing responsibility for the Group's risk management and internal control systems, and reviewing their effectiveness. It is acknowledged that risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material adverse change or damage.

The Board, through its risk oversight role, ensures that the management establishes an effective risk management, consistent with the Group's strategy and risk appetite. The management establishes risk management policies and internal control processes to identify, evaluate and manage risks. Each business unit implements such policies and processes in the daily operations and reports significant risks identified to the management regularly. The management assesses and evaluates these significant risks reported then allocates sufficient resources to address these risks and monitors the risk management status reported from the relevant business unit from time to time. The management will communicate the risk management and internal

control findings to the Board for its assessment of the effectiveness of the relevant risk management and internal control systems of the Group.

The Internal Audit Department of the Company reviews material internal control aspects of the Group, including financial, operational and compliance controls as well as risk management function and reports the findings to the Audit Committee at least twice a year and on ad-hoc basis. The findings are communicated with the management and actions are taken to resolve defects as and when identified. No material internal control defects were identified during the year.

When the Board and the Audit Committee express concerns over the risk management and internal control matters of the Group, the Internal Audit Department of the Company will investigate and communicate the findings with and make recommendations to the management. The Internal Audit Department of the Company also maintains an effective communication with the external auditor of the Company on the Group's internal control system during interim review and annual audit.

The Group has a policy for handling and dissemination of inside information including relevant control processes and safeguards. The processes and safeguards are implemented on a monthly basis and as needed by relevant department heads and the management involved in the handling and dissemination of inside information.

CORPORATE GOVERNANCE REPORT

D. ACCOUNTABILITY AND AUDIT

The Directors were provided with major financial information and the related explanation and information of the Company that would enable them to make an informed assessment. Such information would be provided on a monthly basis which includes but not limited to the background or explanatory information relating to disclosure, budgets, forecasts and other relevant internal financial information, such as consolidated financial statements of the Company.

The Directors acknowledge their responsibility for preparing the accounts of each financial period, which should give a true and fair view of the operating results and financial conditions of the Company, and for monitoring the integrity of the Company's financial statements and corporate communications. The Directors are also aware that a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures required by the Listing Rules, other regulators and statutory requirements should be presented. In preparing the financial statements for the year ended 31 December 2017, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis. The reporting responsibilities of the independent external auditor of the Company regarding the consolidated financial statements of the Company for the year ended 31 December 2017 in the independent auditor's report set out on pages 83 to 88 of this annual report.

During the year, the Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Board also conducted an annual review on the effectiveness of the internal control system of the Group. Besides, the Company has been announcing the monthly sales volume figures on a voluntary basis since January 2010 to improve the information transparency.

Long-term Strategy

The Company's long-term objective is to deliver sustainable growth in Shareholders' return and become a leading global automobile group with good reputation and integrity, winning respects from its customers. The strategies employed to achieve these goals include:

- Achieving economies of scale through expansion of sales volume and production capacity;
- Increase in sales volume through broadening product range and expansion geographically in both domestic and international markets;
- Focus on quality, technology, customer services and satisfaction;
- Organic expansion to be supplemented by mergers and acquisitions and strategic alliances; and
- Preservation of its competitive strength in cost effectiveness, flexibility and intellectual property resources.

CORPORATE GOVERNANCE REPORT

External Auditor and their Remuneration

Grant Thornton Hong Kong Limited, the independent external auditor of the Company, has declared its reporting responsibilities regarding the consolidated financial statements of the Company for the year ended 31 December 2017 in the independent auditor's report set out on pages 83 to 88 of this annual report.

In 2017, there was no disagreement between the Board and the Audit Committee on the re-appointment of Grant Thornton Hong Kong Limited as well as their fees and terms of engagement after the assessment of their independence and objectivity conducted by the Audit Committee. Grant Thornton Hong Kong Limited will hold office until re-election by the Shareholders at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2017, the remuneration for the provision of audit and non-audit services by the auditor (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the Group was as follows:

	2017
	RMB'000
<hr/>	
Audit Service	
Annual audit	6,853
Non-audit Service	
Interim review	590
<hr/>	
Total	7,443
<hr/>	

CORPORATE GOVERNANCE REPORT

E. COMPANY SECRETARY

The Company Secretary is an employee of the Company and is involved in the Company's affairs. He took more than 15 hours' professional training for the year ended 31 December 2017.

Reporting to the Chairman and/or the CEO, the Company Secretary plays an important role in ensuring proper Board procedures are tailored to the Company's business needs and compliance with all applicable laws, rules and regulations. The Directors could obtain advice and services from the Company Secretary for any updates and developments in corporate governance, applicable laws and regulations when necessary. Upon reasonable request by the Directors, the Company Secretary is delegated by the Board to seek independent professional advice in appropriate circumstances at the Company's expense to assist the Directors in discharging their duties.

The Company Secretary, as delegated by the Chairman, is responsible for preparing meeting agendas and serving notices to the Board and its committees at least 14 days before the regular meetings or at a reasonable time for other ad hoc meetings, as well as ensuring the management's provision of relevant Board papers to the Directors at least 3 days before the meetings. By doing so, the Directors would receive adequate, accurate, clear, complete and reliable information in a timely manner for effective and informed decision making.

The Company Secretary also ensures that the meetings of the Board and its committees are convened and constituted in accordance with all applicable laws, regulations and the procedural requirements set out in the Articles of Association and/or the relevant terms of reference at all times. In addition, the Company Secretary will take minutes of the meetings and circulate

them to the Directors for comments at a reasonable time after the meetings. Minutes of the meetings record in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by Directors. After incorporating Directors' comments, the executed version of the minutes will be maintained by the Company Secretary and are available for Directors' inspection upon request.

F. SHAREHOLDERS' RIGHTS

The Company had posted the Shareholders' Communication Policy, which sets out its policy of maintaining communications with Shareholders, Shareholders' rights and the procedures that Shareholders can use to propose a person for election as a Director, on its website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" for Shareholders' inspection.

How can Shareholders convene an extraordinary general meeting and put forward proposals at the general meetings?

All general meetings other than the annual general meeting are called extraordinary general meetings. An extraordinary general meeting may be convened at the request of Shareholders under the following conditions:

1. On the written requisition of any two or more Shareholders holding as at the date of the requisition not less than 10 per cent of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company;

CORPORATE GOVERNANCE REPORT

2. The requisition must specify the objects of the meeting, be signed by the requisitionists, and be deposited at the principal place of business of the Company in Hong Kong as set out on page 208 of this annual report under the section headed “Corporate Information”;
3. If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held within a further 21 days, the requisitionist(s) representing more than one-half of their total voting rights in aggregate may convene the general meeting themselves, provided that any meeting so convened will not be held after the expiration of three months from the date of deposit of the requisition;
4. The requisitionist(s) must convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board will be reimbursed to them by the Company; and
5. If the Board fails to give Shareholders sufficient notice (i.e. not less than 21 days for the annual general meeting and/or for passing of special resolution(s) at the extraordinary general meeting, or not less than 14 days for passing of ordinary resolution(s) at the extraordinary general meeting), the meeting is deemed not to have been duly convened.

If Shareholders would like to put forward proposals at the general meetings, they have to sign a written proposal specifying the details of the proposal and their contact details (e.g. name, telephone number, email address, etc.) and addressing it to the Board (care of the Company Secretary) then deposit it at the Company’s principal place of business in Hong Kong, not less than 32 days before the upcoming general meeting at the time. The Board will take into account the details of the proposal and reply to the Shareholders concerned by writing of when and how the proposal is considered, or if applicable, why the proposal not accepted in due course. Contact details of the Company’s principal place of business are set out on page 208 of this annual report under the section headed “Corporate Information”.

Enquiries to be properly directed to the Board

The Company’s Investor Relations Department being led by an executive Director, namely Mr. Ang Siu Lun, Lawrence (“Mr. Ang”), is responsible for responding to general enquiries on the Company’s business operations from Shareholders. Mr. Ang is delegated by the Board to handle enquiries from the Shareholders and report to the Board on enquiries gathered for further discussions from time to time, so as to ensure that those enquiries are properly directed.

When dealing with enquiries, the Investor Relations Department of the Company is in strict compliance with the internal policy of the Company on inside information at all times. Contact details of the Company’s principal place of business are set out on page 208 of this annual report under the section headed “Corporate Information”.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders

CP E.1.2 provides that the Chairman and the chairman of respective Board committees should attend the annual general meeting of the Company. During the year ended 31 December 2017, the Chairman did not attend the annual general meeting of the Company in person due to conflict of his schedules and other prior business engagement in the PRC. If the Chairman could not attend the general meeting of the Company in person, he would assign an executive Director, who does not have a material interest in the businesses contemplating in the meeting and should report to him on any enquiries Shareholders might have, to attend such general meeting on his behalf. Further, the Company would facilitate a conference call for Shareholders and the Directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. Through these measures, views of the Shareholders would be properly communicated to the Board as a whole. In addition, the external auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

The Company held its annual general meeting ("AGM") on 25 May 2017. Due to conflict of his schedules and other prior business engagement in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting in person but he participated the meeting via conference call. Mr. Gui Sheng Yue, Mr. Ang Siu Lun, Lawrence, Mr. Lee Cheuk Yin, Dannis and the

Company's external auditor attended and answered questions raised by the Shareholders at the meeting physically. Mr. Carl Peter Edmund Moriz Forster, Mr. An Qing Heng, Mr. Wang Yang and five executive Directors (including the Chairman) participated the meeting via conference call. Record of the attendance of the relevant Directors who physically attended the AGM or participated via conference call is set out on page 36 of this report.

Voting by Poll

For any resolutions proposed by the Company at the general meetings, bundling resolutions should be avoided. The Listing Rules stipulate that any vote of shareholders at all general meetings would be all taken by poll except where the chairman of the general meetings, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands.

The chairman of the general meetings will ensure that an explanation is provided with the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll to ensure that they are familiar with the procedures.

The Company arranges for the notice to Shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

CORPORATE GOVERNANCE REPORT

G. INVESTOR RELATIONS**Constitutional documents of the Company**

The Company's memorandum and articles of association is maintained on its website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and on the website of the Stock Exchange (<http://www.hkexnews.hk>) for Shareholders' inspection. During the year, no changes have been made to the Company's memorandum and articles of association.

Details of substantial Shareholders by aggregate shareholding

Details of Shareholders having a substantial interest in the Company's securities as defined in the Securities and Futures Ordinance as at the date of this report are set out on pages 66 to 67 of this annual report.

Details of the last AGM and EGMs in 2017

Event Date & Time	Venue	Major items discussed	Voting results
AGM on 25 May 2017 (Thursday) at HKT 4:00 p.m.	Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	<ul style="list-style-type: none"> (i) received and considered report of the directors, audited financial statements and auditor's report (ii) declared a final dividend (iii) re-election of directors (iv) authorised the Board to fix the remuneration of the directors (v) re-appointed Grant Thornton Hong Kong Limited as the auditor of the Company (vi) granted a general mandate to the directors to issue and allot new shares 	all resolutions were duly passed by the Shareholders as ordinary resolutions by way of poll

CORPORATE GOVERNANCE REPORT

Event Date & Time	Venue	Major items discussed	Voting results
EGM on 18 September 2017 (Monday) at HKT 4:30 p.m.	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	approved, ratified and confirmed the joint venture agreement in relation to the formation of a joint venture company (details are set out in the Company's circular dated 1 September 2017) and the transactions contemplated thereunder	the resolution was duly passed by the independent Shareholders as an ordinary resolution by way of poll
EGM on 27 December 2017 (Wednesday) at HKT 4:00 p.m.	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	approved, ratified and confirmed the LYNK & CO Financing Arrangements, including the respective annual caps under the LYNK & CO Finance Cooperation Agreement (details are set out in the Company's circular dated 8 December 2017)	the resolution was duly passed by the independent Shareholders as an ordinary resolution by way of poll

CORPORATE GOVERNANCE REPORT

Event Date & Time	Venue	Major items discussed	Voting results
<p>EGM on 27 December 2017 (Wednesday) at HKT 4:30 p.m.</p>	<p>Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong</p>	<p>(i) approved, ratified and confirmed the Baoji Acquisition Agreement and the transactions contemplated thereunder</p> <p>(ii) approved, ratified and confirmed the Yili Acquisition Agreement and the transactions contemplated thereunder</p> <p>(iii) approved, ratified and confirmed the SZX Acquisition Agreement and the transactions contemplated thereunder</p> <p>(iv) approved, ratified and confirmed the Powertrain Sales Agreement, transactions contemplated thereunder and the relevant annual cap amounts</p> <p>(v) approved, ratified and confirmed the revised annual cap amounts under the Services Agreement (details are set out in the Company's circular dated 8 December 2017)</p>	<p>all resolutions were duly passed by the independent Shareholders as ordinary resolutions by way of poll</p>

CORPORATE GOVERNANCE REPORT

Indication of important dates for the Shareholders in 2018/2019

Event	Date
Closure of the Company's register of members ("Book Close") for entitlement of voting rights at the forthcoming annual general meeting	: 22 May 2018 (Tuesday) to 25 May 2018 (Friday)
Forthcoming annual general meeting	: 25 May 2018 (Friday) at HKT 4:00 p.m. at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Ex-final dividend	: 7 June 2018 (Thursday)
Book Close for entitlement of final dividend	: 12 June 2018 (Tuesday) – 15 June 2018 (Friday)
Record date for final dividend entitlement	: 15 June 2018 (Friday)
Final dividend distribution	: July 2018
2018 interim results announcement	: Late August 2018 (to be confirmed)
Financial year end	: 31 December 2018 (Monday)
2018 annual results announcement	: Late March 2019 (to be confirmed)

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their annual report together with the audited consolidated financial statements of Geely Automobile Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 89 and page 90, respectively of the annual report. The directors recommend the payment of a final dividend of HK\$0.29 per ordinary share to the shareholders on the register of members on 15 June 2018, amounting to approximately RMB2,159,774,000.

BUSINESS REVIEW

A fair review of the Group's business including an analysis using financial key performance indicators and the likely future development in the Group's business is set out in the Chairman's Statement on pages 7 to 9 and the Management Report – Performance & Governance on pages 11 to 23 of this annual report. An account of the Group's key relationships with its customers and suppliers, and on which the Group's success depends is set out on page 78 of this annual report and notes 21 and 25 to the consolidated financial statements. Such disclosure forms part of this directors' report.

Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2017 are set out in the Management Report – Performance & Governance on pages 11 to 23.

The principal risks and uncertainties facing the Group are discussed below:

1. It is not certain that the Group may be able to identify or offer popular models to meet changing trends and consumer demands, or to gain market acceptance of the new models

Market trends, consumer demands and needs in the markets where the Group operates change and depend upon various factors, some of which are beyond the Group's control, such as prevailing economic conditions, consumption patterns, disposable income and inherent uncertainty in market. It is believed that the Group's ability to anticipate, identify and respond to those trends in a timely manner is critical to the Group's success. However, it is uncertain that the Group may accurately anticipate the shifts in customer needs, or fail to timely offer new models that meet those changing trends.

To broaden the Group's model portfolio, the Group plans to continue upgrading its existing models, and in the meantime, to develop new models. The Group plans to launch several new models in 2018 whilst a series of new models to be innovated from the technologies of a new modular architecture and set of components based upon its platform strategy, standardization, and shared modularization in product development is scheduled to be launched in the coming years. In the future, the Group plans to provide more advance powertrain options to its customers. However, it is not assured that the Group's model development will accurately reflect the prevailing market trends or customer needs at any given time, or that the new models to be launched will

DIRECTORS' REPORT

be well received by the market. If the new models fail to gain market acceptance, the Group's brand image, business, financial condition, results of operations and prospects will be materially and adversely affected.

2. **It is not certain that the Group's research and development capabilities, on which the Group's continued growth depends, and its research and development efforts may be successful**

The automobile market is characterized by changing technologies, periodic new model introductions and evolving end-user customer and industry requirements. The Group's competitors are continuously developing automobiles that have adopted advanced technologies to operate more efficiently and cost effectively. The Group's continued success, therefore, depends on its ability to continue developing new products that can successfully compete with those offered by the Group's competitors in terms of design, performance and price, which, in turn, depends largely on its research and development capabilities. In addition, the Group's research and development efforts may not be successful or yield the anticipated level of economic benefits. Even if the Group's research and development efforts are successful, the Group 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 Group has strengthened the technological cooperation with Volvo Car Corporation ("Volvo Car"), which is majority-owned by the Group's parent company, Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司 or "Geely Holding"), and has so far achieved remarkable progress in this regard. The cooperation enables both parties to further optimizing resource utilization, and speed up the

implementation of platform strategy, standardization, and shared modularization in product development, which, in turn, a new modular architecture and set of components will be established; based upon which, a series of new models of the Group will be introduced to strengthen the Group's competitiveness in the automobile market. In the meantime, the Group will speed up its products offering on new energy vehicles to prepare itself for the challenge of the stringent statutory requirement on fuel consumption standard in the future and the booming new energy vehicle market.

3. **The Group is subject to product liability exposure which could harm its reputation and materially and adversely affect its business, financial condition and results of operations**

The Group's products can be exposed 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. The Group currently does not maintain product liability insurance to cover potential product liability arising from the use of its 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 the Group for defects as to such parts and components or would only provide the Group with limited indemnification that is insufficient to cover the Group's damages resulting from the product liability claim.

DIRECTORS' REPORT

Product liability claims, with or without merit, may result in significant negative publicity and thus materially and adversely affect the marketability of the Group's products and its reputation, as well as its business, financial condition and results of operations. Moreover, a material design, manufacturing or quality-related failure or defect in the Group's products or other safety issues could warrant a product recall by the Group and result in increased product liability claims. If authorities in the jurisdictions in which the Group sells its products decide that its products fail to conform to applicable quality and safety requirements and standards, the Group could be subject to regulatory actions.

The Group regularly monitors the quality of its products via the collection of quality feedback from its customers and conduct of extensive product testing. Protective measures such as product recalls will be taken to rectify any concerns if product quality issues were to be found to mitigate further warranty liability and ensure the compliance of the relevant product safety regulations. The Group will continuously strengthen the selection of suppliers to ensure high quality automobile components are used to minimize the occurrence of product quality and safety issues.

4. The Group's business, financial condition and results of operations may be materially and adversely affected if it fails to manage its purchase costs or obtain raw materials, parts and components on a timely basis or at reasonable prices

Although the Group usually sources important raw materials and parts and components from multiple suppliers in order to achieve a stable supply, it cannot assure that the suppliers can always adequately serve its 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, the Group may incur additional costs to maintain its production schedules, which, in turn, may decrease its profitability and materially and adversely affect its business, financial condition and results of operations.

In order to remain competitive, the Group tries to manage the costs efficiently and aims to produce products at competitive costs. The Group has plan to further reduce the costs in purchasing raw materials, parts and components for production through the implementation of cost control policies such as streamlining the supply chain and localization of production.

5. Increasing competition in the PRC automobile market and volatility of consumer demand could have a material adverse effect on the Group's ability to maintain competitiveness

Increasing consumer purchasing power in the PRC 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 automobile companies to further expand their production capacity. The Group's current market share and profit margin may be diluted or reduced if there is increasing competition for vehicles or further price reductions caused by increased competition. The pricing, recognition and loyalty to the Group's brand of products and the financial and technical resources allocated to the Group's products may be materially and adversely affected if competing automobile products, domestic or foreign, gain a competitive advantage.

DIRECTORS' REPORT

Despite the growing trend in the PRC automobile market, 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 the Group's financial condition and results of operations.

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

On the other hand, the market response to the Group's products may exceed the Group's expectation. Thus, the Group may not have sufficient production capacity to fulfil the customers' demands and as a result, suffer from loss of revenue as the Group cannot deliver the products in a timely manner.

The Group is committed to continuously develop products with improvement in quality and more advanced technologies and powertrain as well as enhancing its production efficiency. A series of new products to be developed from the aforementioned technologies of the new modular architecture and set of components, and new energy vehicle products will broaden the Group's model portfolio. Meanwhile, the Group has a robust sales and marketing strategy to respond to the dynamic market. Diversified campaigns and extensive development of sales network will continue to develop the brand image and provide better outreach to the Group's consumers.

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

The implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in the PRC could put tremendous cost pressure on indigenous brands in the PRC. Further, more major cities in the PRC are expected to introduce local policies to restrict new car licenses 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 curb the growth of new vehicles.

The Group is committed to its new energy vehicles strategy to respond to the challenge in the fuel efficiency and emission standards as well as taking advantage of the exemption of auction and lottery system granted to the new energy vehicles. The Group will also continue its development in powertrain technologies on the conventional vehicles to comply with the regulatory requirements.

DIRECTORS' REPORT

The Group continues its company mission of “Make good cars that are the safest, most environment-friendly and most efficient. Let Geely cars go around the whole world.” with an aim to build up the core value of “Happy Life, Geely Drive!”. The Group hopes to demonstrate its insight on the sustainable development of vehicle market, national economy and society and present happiness to every individual. In this respect, the Group details its manufacture from strength to strength through research and development on and design of vehicles. For the year ended 31 December 2017, the Group complied with the relevant laws and regulations that have a significant impact on the Group.

Environment-friendly performance of complete buildup units has always been the one of the priorities of Geely. The Group pursues excellent environment-friendly performance for each of its products by conducting in-depth researches on and exercising rigorous controls in terms of power research and development, vehicle recycling and environmental adaptation in compliance with national standards. The requirements of our complete buildup units are stricter than that of the national standards. In November 2015, the Group announced the “Blue Geely Initiatives”, a new energy strategy, which is in line with the international development and central government’s efforts put in response to environmental problems. The Group believes that development of new energy vehicles is the right way for sustainability.

The Group keeps watch on the environment-friendly performance of its complete buildup unit products in terms of product research and development and technology. Moreover, it also realizes energy-saving and emission reduction to each of its production and operating area. Choosing locations with scientific approach, harnessing energy-saving technologies and standardizing emission management, the Group mitigates the pressure exerted to the external during the course of its operation.

In addition to refining the Group’s business strategies, the development goal requires participation of every staff member, customer, supplier and stakeholder. The Group hopes to become the pioneer to demonstrate the sustainable development of the vehicle industry, national economy and society.

The particulars of the Group’s environment protection policies, behavior and compliance with the relevant laws and regulations that impose material influence on the Group are set out in Corporate Social Responsibility Report (also known as “Environmental, Social and Governance Report”) of Geely Holding which will be published on the website of Stock Exchange and the websites of Geely Holding and the Company within three months after the publication of the annual report.

DIRECTORS' REPORT

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2018 to 25 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 25 May 2018, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 21 May 2018.

The register of members of the Company will be closed from 12 June 2018 to 15 June 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 11 June 2018.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year, details of movements in the property, plant and equipment and intangible assets of the Group are set out in notes 14 and 15, respectively, to the consolidated financial statements.

SHARE CAPITAL

During the year, details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2017 are set out in note 26 to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in note 32 to the consolidated financial statements.

RESERVES

During the year, details of the movements in the reserves of the Group and the reserves of the Company are set out in the consolidated statement of changes in equity on page 94 and on page 198 of the annual report, respectively.

As at 31 December 2017, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB3,592,041,000 (2016: RMB2,425,337,000). After the reporting date, the directors proposed a final dividend of HK\$0.29 (2016: HK\$0.12) per ordinary share amounting to RMB2,159,774,000 (2016: RMB960,054,000). The final dividend proposed has not been recognised as a liability at the reporting date as set out in note 11 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Li Shu Fu (*Chairman*)
Mr. Yang Jian (*Vice Chairman*)
Mr. Li Dong Hui, Daniel (*Vice Chairman*)
Mr. Gui Sheng Yue (*Chief Executive Officer*)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei

Non-executive director:

Mr. Carl Peter Edmund Moriz Forster

Independent non-executive directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

In accordance with Article 116 of the Company's Articles of Association, Mr. Gui Sheng Yue, Mr. An Cong Hui, Ms. Wei Mei and Mr. An Qing Heng shall retire by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The independent non-executive directors all have a fixed term of 3-year service and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

DIRECTORS' REPORT

(I) Interests and short positions in the shares of the Company

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Shares				
Mr. Li Shu Fu (<i>Note 1</i>)	Interest in controlled corporations	3,925,464,000	–	43.76
Mr. Li Shu Fu	Personal	23,140,000	–	0.26
Mr. Yang Jian	Personal	14,475,000	–	0.16
Mr. Li Dong Hui, Daniel	Personal	4,200,000	–	0.05
Mr. Gui Sheng Yue	Personal	14,300,000	–	0.16
Mr. An Cong Hui	Personal	16,280,000	–	0.18
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Ms. Wei Mei	Personal	4,170,000	–	0.05
Mr. Lee Cheuk Yin, Dannis	Personal	200,000	–	0.002

Note:

1. Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold interests of 3,925,464,000 shares, representing approximately 43.76% of the total issued share capital of the Company as at 31 December 2017. 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.

DIRECTORS' REPORT

(II) Interests and short positions in the underlying shares of the Company

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Share Options				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporations	175,600,000	–	1.96
Mr. Yang Jian	Personal	9,000,000 (Note 2)	–	0.10
Mr. Li Dong Hui, Daniel	Personal	3,500,000 (Note 3)	–	0.04
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	–	0.13
Mr. Gui Sheng Yue	Personal	6,000,000 (Note 4)	–	0.07
Mr. An Cong Hui	Personal	4,700,000 (Note 2)	–	0.05
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.12
Mr. Ang Siu Lun, Lawrence	Personal	5,000,000 (Note 4)	–	0.06
Ms. Wei Mei	Personal	900,000 (Note 2)	–	0.01
Ms. Wei Mei	Personal	5,000,000 (Note 3)	–	0.06
Mr. Carl Peter Edmund Moriz Forster	Personal	1,000,000 (Note 4)	–	0.01

DIRECTORS' REPORT

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Lee Cheuk Yin, Dannis	Personal	200,000 (Note 2)	–	0.002
Mr. Lee Cheuk Yin, Dannis	Personal	500,000 (Note 4)	–	0.006
Mr. Yeung Sau Hung, Alex	Personal	200,000 (Note 2)	–	0.002
Mr. Yeung Sau Hung, Alex	Personal	500,000 (Note 4)	–	0.006
Mr. An Qing Heng	Personal	750,000 (Note 4)	–	0.008
Mr. Wang Yang	Personal	1,000,000 (Note 4)	–	0.01

Notes:

- (1) Mr. Li Shu Fu and his concert parties in aggregate hold derivatives' interest of 175,600,000 shares, representing approximately 1.96% of the total issued share capital of the Company as at 31 December 2017.
- (2) The interest relates to share options granted on 18 January 2010 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 18 January 2010 to 17 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 31 December 2017.
- (3) The interest relates to share options granted on 23 March 2012 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 23 March 2012 to 22 March 2022. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 31 December 2017.
- (4) The interest relates to share options granted on 9 January 2015 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$2.79 for each Share during the period from 9 January 2016 to 8 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 31 December 2017.

DIRECTORS' REPORT

(III) Interests and short positions in the securities of the associated corporations of the Company

Name of director	Name of his associated corporations	Number of shares in his associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. Li Shu Fu	Proper Glory Holding Inc.	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	–	60
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	(Note 4)	–	(Note 4)
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 9)	–	(Note 9)
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 10)	–	(Note 10)
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	(Note 11)	–	(Note 11)
Mr. Li Shu Fu	Baoji Geely Automobile Components Company Limited	(Note 12)	–	(Note 12)
Mr. Li Shu Fu	Shanxi Geely Automobile Components Company Limited	(Note 13)	–	(Note 13)
Mr. Li Shu Fu	Zhejiang Jirun Chunxiao Automobile Components Company Limited	(Note 14)	–	(Note 14)

DIRECTORS' REPORT

Notes:

- (1) Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (2) Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (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) Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (5) Zhejiang Haoqing Automobile Manufacturing Company Limited ("Zhejiang Haoqing") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (6) Zhejiang Jirun Automobile Company Limited ("Zhejiang Jirun") is incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (7) Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") is incorporated in the PRC and is 1%-owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (8) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (9) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (10) Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (11) Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

DIRECTORS' REPORT

- (12) Baoji Geely Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (13) Shanxi Geely Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (14) Zhejiang Jirun Chunxiao Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, as at 31 December 2017, none of the Directors nor the chief executives of the Company and their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers contained in the Listing Rules.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF OTHER PERSONS

As at 31 December 2017, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or the chief executives of the Company, the persons, other than the Directors or the chief executives of the Company, who had interests or a short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

DIRECTORS' REPORT

Substantial shareholders (as defined in the SFO)

Name	Nature of interests	Number of shares held		Approximate percentage of shareholding
		Long position	Short position	(%)
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	–	29.39
Geely Holding (Notes 1 & 2)	Interest in controlled corporation	4,100,977,000	–	45.72
Geely Group Limited (Note 1)	Beneficial owner	87,000	–	0.001
	Interest in controlled corporation	2,636,705,000	–	29.39
Zhejiang Geely (Note 3)	Beneficial owner	776,408,000	–	8.66

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 Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, a brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (2) The shares held by Geely Holding as of 31 December 2017 included 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.

Mr. Li Shu Fu is a director of each of Proper Glory, Geely Holding, Zhejiang Geely and Geely Group Limited. Mr. Yang Jian is a director of each of Geely Holding and Zhejiang Geely. Mr. Li Dong Hui, Daniel is a director of Geely Holding. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

Save as disclosed above, as at 31 December 2017, the directors and the chief executives of the Company are not aware of any other person (other than the directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and of any other member of the Group.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

SHARE OPTIONS

Particulars of the Company's share option scheme and the accounting policy are set out in notes 33 and 4(n) to the consolidated financial statements, respectively.

The following table discloses movements in the Company's share options during the year:

Exercisable period	Exercise price	Outstanding	Granted	Exercised	Forfeited	Outstanding	
		as at 1.1.2017	during the year	during the year	during the year	as at 31.12.2017	
<i>HK\$/share</i>							
Directors							
Mr. Yang Jian	18.1.2010 – 17.1.2020	4.07	9,000,000	–	–	–	9,000,000
Mr. Li Dong Hui, Daniel	23.3.2012 – 22.3.2022	4.07	3,500,000	–	–	–	3,500,000
Mr. Gui Sheng Yue	18.1.2010 – 17.1.2020	4.07	11,500,000	–	–	–	11,500,000
	9.1.2016 – 8.1.2020	2.79	6,000,000	–	–	–	6,000,000
Mr. An Cong Hui	18.1.2010 – 17.1.2020	4.07	4,700,000	–	–	–	4,700,000
Mr. Ang Siu Lun, Lawrence	18.1.2010 – 17.1.2020	4.07	11,000,000	–	–	–	11,000,000
	9.1.2016 – 8.1.2020	2.79	5,000,000	–	–	–	5,000,000
Ms. Wei Mei	18.1.2010 – 17.1.2020	4.07	900,000	–	–	–	900,000
	23.3.2012 – 22.3.2022	4.07	5,000,000	–	–	–	5,000,000
Mr. Carl Peter Edmund Moriz Forster	9.1.2016 – 8.1.2020	2.79	1,000,000	–	–	–	1,000,000
Mr. Lee Cheuk Yin, Dannis	18.1.2010 – 17.1.2020	4.07	300,000	–	(100,000)	–	200,000
	9.1.2016 – 8.1.2020	2.79	750,000	–	(250,000)	–	500,000
Mr. Yeung Sau Hung, Alex	18.1.2010 – 17.1.2020	4.07	300,000	–	(100,000)	–	200,000
	9.1.2016 – 8.1.2020	2.79	750,000	–	(250,000)	–	500,000

DIRECTORS' REPORT

	Exercisable period	Exercise price <i>HK\$/share</i>	Outstanding as at 1.1.2017	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2017
Mr. An Qing Heng	9.1.2016 – 8.1.2020	2.79	1,000,000	–	(250,000)	–	750,000
Mr. Wang Yang	9.1.2016 – 8.1.2020	2.79	1,000,000	–	–	–	1,000,000
Continuous contract employees	18.1.2010 – 17.1.2020	4.07	224,505,000	–	(64,203,000)	(825,000)	159,477,000
	21.4.2010 – 20.4.2020	4.07	11,780,000	–	(7,070,000)	–	4,710,000
	23.3.2012 – 22.3.2022	4.07	7,250,000	–	(800,000)	–	6,450,000
	9.1.2016 – 8.1.2020	2.79	14,400,000	–	(5,580,000)	–	8,820,000
	2.6.2016 – 1.6.2020	4.08	1,000,000	–	(200,000)	–	800,000
Other eligible participants	2.6.2016 – 1.6.2020	4.08	20,300,000	–	(8,850,000)	–	11,450,000
	31.3.2018 – 30.3.2022	12.22	–	5,500,000	–	–	5,500,000
			340,935,000	5,500,000	(87,653,000)	(825,000)	257,957,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company has arranged liability insurance to indemnify the directors and senior management to provide appropriate coverage based upon performance of duties by such persons. During the year ended 31 December 2017, no claim had been made against the directors and senior management of the Company.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of transactions between the Group and other companies under the control of Mr. Li Shu Fu during the year are set out in note 34 to the consolidated financial statements.

Save as disclosed above, no other transaction, arrangement or contract of significance to which the Company, any of its holding companies, its subsidiaries, or fellow subsidiaries was a party and in which a 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.

CONNECTED TRANSACTIONS & CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute connected transactions under Chapter 14A of the Listing Rules. All the connected transactions and continuing connected transactions with disclosure requirements under the Listing Rules during the year were listed below and these transactions were also set out in note 34 to the consolidated financial statements. The directors of the Company confirm they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS**Disposal of equity interests in Zhejiang Kingkong**

Pursuant to the disposal agreement dated 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"), an indirect wholly owned subsidiary of the Company, and Centurion Industries Limited ("Centurion"), a direct wholly owned subsidiary of the Company, entered into a transaction with 浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited or "Zhejiang Haoqing") pursuant to which Fulin Guorun and Centurion agreed to dispose and Zhejiang Haoqing agreed to acquire the 99% equity interests in 浙江金剛汽車有限公司 (Zhejiang Kingkong Automobile Company Limited or "Zhejiang Kingkong") at an aggregate consideration of RMB1,241,686,840.

Formation of a joint venture

Pursuant to the joint venture agreement dated 4 August 2017, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Zhejiang Jirun"), an indirect 99% owned subsidiary of the Company, entered into a transaction with 浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited or "Zhejiang Haoqing") and 沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Company Limited or "VCI") pursuant to which they agreed to form a joint venture, LYNK & CO Investment Co., Ltd. ("LYNK & CO") 領克投資有限公司, to engage in the manufacturing and sale of vehicles under the LYNK & CO brand, and the provision of after-sale services relating thereto. Pursuant to such joint venture agreement, LYNK & CO is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. The registered capital of the LYNK & CO is RMB7,500,000,000, which is contributed by Zhejiang Jirun, Zhejiang Haoqing and VCI in cash in proportion to their respective equity interests in the LYNK & CO.

DIRECTORS' REPORT

Disposal of equity interests in LYNK & CO Auto Sales

Pursuant to the disposal agreement dated 26 October 2017, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Zhejiang Jirun"), an indirect 99% owned subsidiary of the Company, entered into a transaction with 領克投資有限公司 (LYNK & CO Investment Co., Ltd.), a Chinese-foreign equity joint venture of the Company established in the PRC and is owned as to 50% by Zhejiang Jirun, pursuant to which Zhejiang Jirun agreed to dispose of the entire 100% equity interests in 領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited or "LYNK & CO Auto Sales"), to LYNK & CO at a consideration of RMB100,000,000.

Acquisition of the entire equity Interest of the Baoji Geely Engine

Pursuant to the acquisition agreement dated 7 November 2017, 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited or "Geely Luoyou"), an indirect 99% owned subsidiary of the Company, entered into a transaction with 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited or "Zhejiang Geely"), pursuant to which Geely Luoyou agreed to acquire and Zhejiang Geely agreed to sell the entire equity interest of 寶雞吉利發動機有限公司 (Baoji Geely Engine Company Limited or "Baoji Geely Engine") for a consideration of RMB345,100,000. Such acquisition had been subsequently approved by the independent shareholders of the Company at the extraordinary general meeting on 27 December 2017.

Acquisition of the entire equity interest of the Zhejiang Yili

Pursuant to the acquisition agreement dated 7 November 2017, 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited or "Geely Luoyou"), an indirect 99% owned subsidiary of the Company, entered into a transaction with 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited or "Zhejiang Geely"), and 上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited or "Shanghai Maple") pursuant to which Geely Luoyou agreed to acquire and Zhejiang Geely and Shanghai Maple agreed to sell the entire equity interest of 浙江義利汽車零部件有限公司 (Zhejiang Yili Automobile Components Company Limited or "Zhejiang Yili") for a consideration of RMB495,000,000. Such acquisition had been subsequently approved by the independent shareholders of the Company at the extraordinary general meeting on 27 December 2017.

Acquisition of the entire equity interest of the Ningbo Shangzhongxia

Pursuant to the acquisition agreement dated 7 November 2017, 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited or "Geely Luoyou"), an indirect 99% owned subsidiary of the Company, entered into a transaction with 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited or "Geely Holding"), pursuant to which Geely Luoyou agreed to acquire and Geely Holding agreed to sell the entire equity interest of 寧波上中下自動變速器有限公司 (Ningbo Shangzhongxia Automatic Transmission Company Limited or "Ningbo Shangzhongxia") for a consideration of RMB993,100,000. Such acquisition had been subsequently approved by the independent shareholders of the Company at the extraordinary general meeting on 27 December 2017.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS**1. Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2020)**

- ***Sales of complete knock down kits (“CKDs”) and sedan tool kits from the Group to the Geely Holding and its subsidiaries (“Geely Holding Group”)***

Pursuant to the services agreement dated 27 November 2009 and the Company's announcements dated 13 November 2015, 18 October 2016 and 7 November 2017, the Group agreed to supply to the Geely Holding Group the complete knock down kits (“CKDs”) and sedan tool kits in accordance with the product specifications set out in the services agreement with an aggregate largest annual cap of RMB121,443,520,000 for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance

with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB86,056.4 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB88,810 million for sales of CKDs and sedan tool kits for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Sales of complete buildup units (“CBUs”), automobile parts and components; and provision of process manufacturing services from the Geely Holding Group to the Group***

Pursuant to the services agreement dated 27 November 2009 and the Company's announcements dated 13 November 2015, 18 October 2016 and 7 November 2017, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components; and to provide process manufacturing services to the Group in accordance with the product and service specifications set out in the services agreement with an aggregate largest annual cap of RMB153,395,431,000 for the three years ending 31 December 2018.

DIRECTORS' REPORT

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB105,673.2 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB111,271 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

2. **Loan guarantee agreement between the Company and Geely Holding (the loan guarantee agreement has an effective term until 31 December 2018)**

Pursuant to the loan guarantee agreement dated 13 November 2015 and the Company's announcement dated 13 November 2015, the Group agreed to provide guarantees (including the pledge of certain lands, buildings and facilities of the Group) on loans obtained or to be obtained by the Geely Holding Group on behalf of the Group's subsidiaries in relation to the manufacture and research and development of sedans of the Group with the largest annual cap being RMB1,500,000,000 for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB870.0 million which, did not exceed the annual cap of RMB1,500 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

DIRECTORS' REPORT

3. Existing EV agreement and the supplemental EV agreement between the Company and Geely Holding (both the existing EV agreement and the supplemental EV agreement have an effective term until 31 December 2018)

Pursuant to the existing EV agreement dated 13 November 2015 and the supplemental EV agreement dated 5 October 2016, the Group agreed to sell the CBUs for electric vehicles to the Geely Holding Group in accordance with the product and service specifications set out in the existing EV agreement with the original largest annual cap being RMB9,487,180,000 for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB2,757.2 million which, did not exceed the annual cap of RMB5,463 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

4. CBU agreement between the Company and Geely Holding, as supplemented by a supplemental CBU agreement (the CBU agreement and the supplemental CBU agreement have an effective term until 31 December 2017)

Pursuant to the CBU agreement dated 12 December 2014 and the supplemental CBU agreement dated 13 November 2015, the Group agreed to sell to the Geely Holding Group the CBUs, in accordance with the product and service specifications set out in the CBU agreement with the largest annual cap being RMB868,088,000 for the two years ending 31 December 2017.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB580.7 million which, did not exceed the annual cap of RMB868 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

DIRECTORS' REPORT

5. IT services agreement between the Company and Geely Holding (the IT services agreement has an effective term until 31 December 2018)

Pursuant to the IT services agreement dated 13 November 2015, the Geely Holding Group agreed to provide certain information technology ("IT") services to the Group with the largest annual cap being RMB70,827,000 for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB29.4 million which, did not exceed the annual cap of RMB56.7 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

6. Business travel services agreement between the Company and Geely Holding (the business travel services agreement has an effective term until 31 December 2018)

Pursuant to the business travel services agreement dated 13 November 2015, the Geely Holding Group agreed to provide business travel and related services to the Group with the largest annual cap being RMB126,732,000 for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB92.1 million which, did not exceed the annual cap of RMB107.7 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

DIRECTORS' REPORT

7. **The Volvo finance cooperation agreements amongst Genius AFC, VCDC and ZJSH (currently renamed as 沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (Asia Pacific) Investment Holding Co., Ltd.)) (the Volvo finance cooperation agreements have an effective term until 31 December 2018) (capitalised terms were defined in the circular of the Company dated 28 January 2016)**

- ***Wholesale facility agreement between Genius AFC and Volvo wholesale dealers (the wholesale facility agreement has an effective term until 31 December 2018)***

Pursuant to the wholesale facility agreement dated 11 December 2015, Genius AFC will provide vehicles financing to Volvo wholesale dealers to facilitate their purchase of Volvo-branded vehicles with the largest annual cap being RMB49,000 million for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB3,564.2 million which, did not exceed the annual cap of RMB37,000 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Retail loan cooperation agreement between Genius AFC and Volvo retail consumers (the retail loan cooperation agreement has an effective term until 31 December 2018)***

Pursuant to the retail loan cooperation agreement dated 11 December 2015, dealers of Volvo shall recommend the retail consumers to use Genius AFC for obtaining vehicle loans to finance their purchase of Volvo-branded vehicles with the largest annual cap being RMB11,000 million for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB1,026.0 million which, did not exceed the annual cap of RMB9,000 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

DIRECTORS' REPORT

8. **Kandi automobile parts supply agreement between the Company and Kandi JV (the Kandi automobile parts supply agreement has an effective term until 31 December 2018)**

Pursuant to the Kandi automobile parts supply agreement dated 25 July 2016, the Group agreed to sell automobile parts and components to the Kandi JV with the largest annual cap being RMB317,991,000 for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB37.9 million which, did not exceed the annual cap of RMB318 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

9. **EV CKD supply agreement between the Company and Geely Holding (the EV CKD supply agreement has an effective term until 31 December 2018)**

Pursuant to the EV CKD supply agreement dated 25 July 2016, the Group agreed to sell to the Geely Holding Group CKDs in accordance with the product specifications set out in the EV CKD supply agreement with the largest annual cap being RMB1,185,914,000 for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB826.9 million which, did not exceed the annual cap of RMB1,093 million for the year ended 31 December 2017 as approved by the Stock Exchange and the independent shareholders of the Company.

The Company has engaged its auditor to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions set out above in accordance with Listing Rules 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the directors of the Company is decided by the remuneration committee of the Board of Directors of the Company, having regard to the Company's operating results, individual duties and performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's five largest suppliers and the largest supplier are 33.2% and 22.2%, respectively, of the Group's total purchases for the year. Zhejiang Geely Automobile Parts and Components Company Limited, a related company controlled by the substantial shareholder of the Company, was the Group's largest supplier for the year.

The percentage of revenue attributable to the Group's five largest customers and the largest customer are 5.8% and 3.0% respectively, of the Group's total revenue for the year. Hangzhou Geely New Energy Automobile Sales Company Limited, a related company controlled by the substantial shareholder of the Company, was the Group's largest customer for the year.

Save as disclosed above, at no time during the year did the directors, their associates, or shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers or suppliers.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 29 to 53 of the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang who are the independent non-executive directors of the Company.

DIRECTORS' REPORT

FACILITY AGREEMENT WITH COVENANT OF THE CONTROLLING SHAREHOLDERS

On 31 October 2017, the Company as the borrower entered into a facility agreement (the "Facility Agreement") with The Hongkong and Shanghai Banking Corporation Limited (the "Agent") as the coordinator and agent for a syndicate of banks pursuant to which a term loan facility in the principal amount of up to US\$200,000,000 has been granted to the Company for a term of two years. The purpose of the loan facility is to refinance the existing indebtedness of the Group.

Pursuant to the Facility Agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the entire issued share capital of the Company. In case of an event of default, the Agent may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires at least 25% of the issued share capital of the Company to be held in public hands. Based on the information available and within the knowledge of the directors as at the latest practicable date prior to the issue of the annual report, the Company has maintained the prescribed public float as required under the Listing Rules.

COMPETING BUSINESSES

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. Geely Holding, which is ultimately owned by Mr. Li and his associate, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely sedans. The potential production and distribution of Geely sedans by Geely Holding may constitute competing businesses (the "Competing Businesses") to those currently engaged by the Group. Mr. Li has undertaken to the Company (the "Undertaking") on 20 November 2008 that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to, sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable. In addition, it is required that Mr. Li informs that Group of all potential Competing Businesses carried out by him or his associates.

DIRECTORS' REPORT

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the "Volvo Acquisition"). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Despite the fact that the Geely Holding Group is principally engaged in similar business activities as the Group, their respective product offerings do not overlap as the Geely Holding Group's product mix consists of premium automobiles (such as the Volvo brand), which cater for consumers with relatively higher spending power and hence, the Geely Holding Group is considered to operate in a different market segment when compared to the Group. Premium automobiles, which mainly represent Geely Holding Group's product mix, generally refer to vehicles with higher quality, better performance, more precise construction, technologically innovative functions, or features that convey prestige and a strong brand name, whereas economy automobiles, which mainly represent the Group's product mix, generally refer to automobiles that are practical, lightweight and relatively inexpensive for consumers when compared to premium automobiles. Although the Group manufactures sport utility vehicles, they are still not yet compatible to premium automobiles in terms of vehicle class, construction, brand image

and pricing. As such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different products offering (i.e. premium versus economy automobiles) and brand names.

The independent non-executive Directors do not presently intend to exercise the above undertaking in relation to the Volvo Acquisition.

In May 2017, Geely Holding has entered into a heads of agreement for the acquisition of 49.9% equity interests in Proton Holdings Bhd (the "Proton Acquisition"). Proton is a producer of a range of family sedans which is active in the Southeast Asia market and is a potential competitor of the Group. The Proton Acquisition has been completed in October 2017. Although the Group is not a party to the Proton Acquisition, to protect the interests of the Group, Geely Holding has provided an irrevocable undertaking to the Company on 29 November 2017 to the effect that upon being notified of any decision by the Company pursuant to a resolution resolved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to transfer to the Group all or any part of the equity/businesses and related assets of the Proton Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Although the vehicles being produced by Proton Holdings Bhd occupy the same market segment as that of the Group, they could be distinguished from the products of the Group in that they are right-hand drive vehicles and are primarily being market to right-hand drive markets in Southeast Asia. The Group is currently not producing any right-hand drive vehicles and does not possess any right-hand drive models. As such, Proton is considered to be operating in a different market that can be distinguished from the business of the Group.

DIRECTORS' REPORT

Saved as disclosed above, as at 31 December 2017, none of the Directors nor any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

AUDITOR

Grant Thornton Hong Kong Limited retires, and being eligible, offers themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to reappoint Messrs. Grant Thornton Hong Kong Limited as the auditor of the Company.

On behalf of the Board

Li Shu Fu

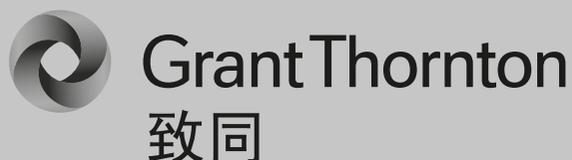
Chairman

21 March 2018

ACCOUNTS



INDEPENDENT AUDITOR'S REPORT



To the members of Geely Automobile Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Geely Automobile Holdings Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 89 to 206 which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intangible assets

Refer to note 15 to the consolidated financial statements and the accounting policies as set out in note 4(e) to the consolidated financial statements.

The key audit matter

We identified the impairment of intangible assets as a key audit matter due to the judgement being made about future results of the business in assessing the recoverability of intangible assets. As at 31 December 2017, intangible assets of RMB10,551,773,000 consisted of capitalised development costs related to multiple cash-generating units ("CGUs").

The Company's management performed impairment assessment of the Group's intangible assets by allocating the intangible assets to CGUs, the recoverable amount of each CGU was determined based on value-in-use calculations using future cash flow projections. Based on the results of the impairment assessment which involved significant management's judgement and key assumptions, including growth rates and discount rates applied to the value-in-use calculations, the Company's management has concluded that there was no impairment of intangible assets for the year ended 31 December 2017.

How the matter was addressed in our audit

Our audit procedures to assess the impairment testing of the Group's intangible assets by the Company's management included the following:

- Assessing the valuation methodology adopted by the management.
- Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included any assumptions that were overly optimistic.
- Assessing the reasonableness of key assumptions, including growth rates of sales volume, selling prices and the amount of operating costs and discount rates, based on our knowledge of the business and industry.
- Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (Continued)

Revenue recognition

Refer to note 6 to the consolidated financial statements and the accounting policies as set out in note 4(l) to the consolidated financial statements.

The key audit matter

Revenue recognition is identified as a key audit matter because of its financial significance to the consolidated financial statements and is one of key performance indicators of the Group. Accordingly, there may be risks of material misstatements related to revenue recognition.

How the matter was addressed in our audit

Our audit procedures in relation to revenue recognition included the following:

- Reviewing sales agreements, on a sample basis, to understand the terms of the sales transactions to assess whether the Group's accounting policies in relation to revenue recognition were applied appropriately and consistently throughout the year.
- Performing analytical review on revenue and gross margin by automobile products categories to identify significant or unusual fluctuation on revenue.
- Assessing, on a sample basis, whether specific revenue transactions around the reporting date had been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including customers' receipts, goods delivery notes and the terms of sales as set out in the distributor agreements.
- Sending confirmations to distributors, and performing inventory count, on a sample basis, at the reporting date.

INDEPENDENT AUDITOR'S REPORT

Other information

The directors are responsible for the other information. The other information comprises all the information included in the 2017 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determined those matters that were of the most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

21 March 2018

Chiu Wing Ning

Practising Certificate No.: P04920

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	6	92,760,718	53,721,576
Cost of sales		(74,779,337)	(43,879,859)
Gross profit		17,981,381	9,841,717
Other income	8	1,229,147	1,130,124
Distribution and selling expenses		(4,055,728)	(2,502,713)
Administrative expenses, excluding share-based payments		(2,922,798)	(2,559,915)
Share-based payments	33	(27,724)	(42,192)
Finance costs, net	9(a)	(35,233)	(30,105)
Share of profits of associates	18	39,211	31,014
Share of results of joint ventures		3,143	(39,684)
Gain on disposal of subsidiaries	30	562,562	1,277
Gain on disposal of interests in joint ventures		-	374,420
Profit before taxation	9	12,773,961	6,203,943
Taxation	10	(2,038,572)	(1,033,755)
Profit for the year		10,735,389	5,170,188
Attributable to:			
Equity holders of the Company		10,633,715	5,112,398
Non-controlling interests		101,674	57,790
Profit for the year		10,735,389	5,170,188
Earnings per share			
Basic	12	RMB1.19	RMB0.58
Diluted	12	RMB1.16	RMB0.57

The notes on pages 97 to 206 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
Profit for the year	10,735,389	5,170,188
Other comprehensive income/(expense) (after tax of RMBNil) for the year:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of foreign operations recognised	14,680	(224,910)
Total comprehensive income for the year	10,750,069	4,945,278
Attributable to:		
Equity holders of the Company	10,648,293	4,889,561
Non-controlling interests	101,776	55,717
Total comprehensive income for the year	10,750,069	4,945,278

The notes on pages 97 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	14	14,052,943	10,650,313
Intangible assets	15	10,551,773	6,461,809
Land lease prepayments	16	2,123,909	2,002,895
Goodwill	17	16,079	6,916
Interests in associates	18	369,360	304,686
Interests in joint ventures	19	4,435,530	697,330
Available-for-sale financial assets	22	21,650	21,779
Deferred tax assets	27	401,325	188,107
		31,972,569	20,333,835
Current assets			
Land lease prepayments	16	47,810	42,875
Inventories	20	6,027,312	3,065,807
Trade and other receivables	21	33,478,308	29,040,631
Income tax recoverable		4,072	14,891
Pledged bank deposits		36,043	39,304
Bank balances and cash		13,414,638	15,045,493
		53,008,183	47,249,001
Current liabilities			
Trade and other payables	25	47,532,529	39,778,994
Bank borrowings	26	1,296,460	174,375
Income tax payable		1,072,958	676,830
		49,901,947	40,630,199
Net current assets		3,106,236	6,618,802
Total assets less current liabilities		35,078,805	26,952,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	28	164,286	162,708
Reserves	29	34,302,761	24,274,519
Equity attributable to equity holders of the Company		34,467,047	24,437,227
Non-controlling interests		343,787	249,022
Total equity		34,810,834	24,686,249
Non-current liabilities			
Senior notes	24	-	2,068,316
Deferred tax liabilities	27	267,971	198,072
		267,971	2,266,388
		35,078,805	26,952,637

Approved and authorised for issue by the Board of Directors on 21 March 2018.

Li Shu Fu
Director

Gui Sheng Yue
Director

The notes on pages 97 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Share option reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 28)	(note 29(a))	(note 29(c))	(note 29(b))	(note 29(d))	(note 29(e))	(note 29(f))			
Balance at 1 January 2016	161,354	5,818,466	164,790	118,993	84,684	572,962	12,602,567	19,523,816	215,707	19,739,523
Profit for the year	-	-	-	-	-	-	5,112,398	5,112,398	57,790	5,170,188
Other comprehensive expense:										
Exchange differences on translation of foreign operations recognised	-	-	-	-	(222,837)	-	-	(222,837)	(2,073)	(224,910)
Total comprehensive income for the year	-	-	-	-	(222,837)	-	5,112,398	4,889,561	55,717	4,945,278
Transactions with owners:										
Transfer of reserves	-	-	-	51,427	-	-	(62,292)	(10,865)	-	(10,865)
Shares issued under share option scheme	1,354	393,859	-	-	-	(121,731)	-	273,482	-	273,482
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(1,214)	(1,214)
Equity settled share-based payments (note 33)	-	-	-	-	-	42,192	-	42,192	-	42,192
Transfer upon forfeiture of share options	-	-	-	-	-	(14,709)	14,709	-	-	-
Dividends paid to equity holders of the Company (note 11)	-	-	-	-	-	-	(280,959)	(280,959)	-	(280,959)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(21,188)	(21,188)
Total transactions with owners	1,354	393,859	-	51,427	-	(94,248)	(328,542)	23,850	(22,402)	1,448
Balance at 31 December 2016	162,708	6,212,325	164,790	170,420	(138,153)	478,714	17,386,423	24,437,227	249,022	24,686,249

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Share option reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 28)	(note 29(a))	(note 29(c))	(note 29(b))	(note 29(d))	(note 29(e))	(note 29(f))			
Balance at 1 January 2017	162,708	6,212,325	164,790	170,420	(138,153)	478,714	17,386,423	24,437,227	249,022	24,686,249
Profit for the year	-	-	-	-	-	-	10,633,715	10,633,715	101,674	10,735,389
Other comprehensive income:										
Exchange differences on translation of foreign operations recognised	-	-	-	-	14,578	-	-	14,578	102	14,680
Total comprehensive income for the year	-	-	-	-	14,578	-	10,633,715	10,648,293	101,776	10,750,069
Transactions with owners:										
Transfer of reserves	-	-	-	9,167	-	-	(9,167)	-	-	-
Shares issued under share option scheme	1,578	428,877	-	-	-	(116,598)	-	313,857	-	313,857
Equity settled share-based payments (note 33)	-	-	-	-	-	27,724	-	27,724	-	27,724
Transfer upon forfeiture of share options	-	-	-	-	-	(7,942)	7,942	-	-	-
Disposal of subsidiaries (note 30)	-	-	-	-	-	-	-	-	(7,011)	(7,011)
Dividends paid to equity holders of the Company (note 11)	-	-	-	-	-	-	(960,054)	(960,054)	-	(960,054)
Total transactions with owners	1,578	428,877	-	9,167	-	(96,816)	(961,279)	(618,473)	(7,011)	(625,484)
Balance at 31 December 2017	164,286	6,641,202	164,790	179,587	(123,575)	381,898	27,058,859	34,467,047	343,787	34,810,834

The notes on pages 97 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before taxation		12,773,961	6,203,943
Adjustments for:			
Depreciation and amortisation		1,938,008	1,654,261
Interest income	9(a)	(127,057)	(85,429)
Finance costs	9(a)	162,290	115,534
Share of profits of associates		(39,211)	(31,014)
Share of results of joint ventures		(3,143)	39,684
Gain on disposal of interests in an associate	18	(1,192)	–
Gain on disposal of interests in joint ventures		–	(374,420)
Net loss on disposal of property, plant and equipment	9(c)	34,074	42,727
Loss on disposal of intangible assets	9(c)	–	1,047
Net foreign exchange gain		(4,105)	(229,972)
Gain on disposal of subsidiaries	30	(562,562)	(1,277)
Gain on disposal of financial assets at fair value through profit or loss	8	–	(491)
Bargain purchase gain arising from acquisition of a subsidiary	8	(3,402)	–
Equity settled share-based payments	33	27,724	42,192
Write-down of inventories	9(c)	–	861
Impairment loss on interest in an associate	9(c)	–	3,349
Bad debts written off	9(c)	67,371	172,407
Operating profit before working capital changes		14,262,756	7,553,402
Inventories		(2,870,040)	(1,847,667)
Trade and other receivables		(4,238,240)	(12,740,277)
Trade and other payables		6,597,957	16,126,003
Cash generated from operations		13,752,433	9,091,461
Income taxes paid		(1,758,931)	(753,702)
<i>Net cash generated from operating activities</i>		11,993,502	8,337,759

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,451,567)	(486,262)
Proceeds from disposal of property, plant and equipment		55,790	75,899
Proceeds from disposal of available-for-sale financial assets		129	–
Additions of land lease prepayments	16	(240,128)	(102,583)
Additions of intangible assets	15	(3,949,951)	(2,655,180)
Additional capital injection in an associate	18	(38,131)	–
Investment in a joint venture	19	(3,750,000)	–
Proceeds from disposal of intangible assets		6,439	12,625
Government grants received		–	757,643
Change in pledged bank deposits		3,261	1,229
Net cash outflows on acquisition of subsidiaries	35	(1,728,634)	(1,383,779)
Net cash inflows on disposal of subsidiaries	30	1,040,728	9,670
Proceeds from disposal of an associate	18	13,860	–
Proceeds from disposal of interests in joint ventures		–	1,110,231
Proceeds from disposal of financial assets at fair value through profit or loss		–	17,609
Interest received		127,057	85,429
<i>Net cash used in investing activities</i>		(11,911,147)	(2,557,469)
Cash flows from financing activities			
Dividends paid	11(b)	(960,054)	(280,959)
Dividends paid to non-controlling interests		–	(21,188)
Proceeds from issuance of shares upon exercise of share options	28	313,857	273,482
Proceeds from bank borrowings	23	1,296,460	325,500
Repayments of bank borrowings	23	(174,375)	(162,750)
Redemption of senior notes	23	(2,033,536)	–
Interest paid	23	(126,950)	(104,627)
<i>Net cash (used in)/generated from financing activities</i>		(1,684,598)	29,458
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		15,045,493	9,166,926
Effect of foreign exchange rate changes		(28,612)	68,819
Cash and cash equivalents at the end of the year, represented by bank balances and cash		13,414,638	15,045,493

The notes on pages 97 to 206 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Geely Automobile Holdings Limited (“the Company”) was incorporated in the Cayman Islands as an exempted company with limited liability. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”).

The addresses of the registered office and principal place of business of the Company are disclosed in “Corporate Information” section to the annual report. As at 31 December 2017, the directors consider the immediate holding company of the Company is Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the “BVI”). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集团有限公司, which is incorporated in the People’s Republic of China (the “PRC”) and is beneficially owned by Mr. Li Shu Fu and his associates.

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are set out in note 39 to the consolidated financial statements.

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 89 to 206 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”). Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the “Group”) is set out in note 4 below.

The HKICPA has issued certain new and amended HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. However, additional disclosure has been included in note 23 to satisfy the new disclosure requirements. Introduced by the amendments to HKAS 7 "Statement of Cash Flows: Disclosure Initiative" which require entities to provide disclosures enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and amended HKFRSs relevant to the Group's operations that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective date not yet determined

The Group anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 9 “Financial Instruments” (“HKFRS 9”)

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”). HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group’s consolidated financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (“FVTPL”) and (3) fair value through other comprehensive income (“FVTOCI”).

For equity securities, the classification is FVTPL regardless of the entity’s business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised costs and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group’s financial assets currently classified as “available-for-sale”, these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group states of the available-for-sale equity investments at cost less impairment loss. This change in policy will have no significant impact on the Group’s net assets and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 9 “Financial Instruments” (“HKFRS 9”) (Continued)

(a) *Classification and measurement (Continued)*

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability’s credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) *Impairment*

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. In the opinion of the directors of the Company, based on the historical experience and existing business model of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group’s future consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”)

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 16 “Leases” (“HKFRS 16”)

As disclosed in note 4(p), currently the Group classifies leases into operating leases. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease. However, based on an initial assessment, the Group expects that the adoption of HKFRS 16 will not materially affect the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), which is also the functional currency of the Company.

(b) Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

A subsidiary is an entity, directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

Changes in the Group's interests in subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to accumulated profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss (see note 4(j)) unless the investments are held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(c) Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, if any, the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses (see note 4(j)). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

On disposal of a cash-generating unit or an associate and a joint venture, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Interests in associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities measured and contingent liabilities assumed of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities measured over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate and joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in associates and joint ventures (Continued)

Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with those used by the Group.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between (i) the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as they would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

In the Company's statement of financial position, interest in a joint venture is stated at cost less impairment losses (see note 4(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Foreign currency translation

In preparing the financial statements of each individual group entity, foreign currency transactions are translated into the functional currency of the individual group entity at exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates and not retranslated.

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary assets and liabilities that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign currency translation (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi ("RMB")) at the exchange rates prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following categories:

- loans and receivables; and
- available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data including but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition), where the effect of discounting is material. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Financial assets carried at cost

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and it is not reversed in subsequent periods.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity investment and unquoted equity investment carried at cost are not reversed in a subsequent period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial liabilities

The Group's financial liabilities include bank borrowings, senior notes and trade and other payables. They are included in line items in the consolidated statement of financial position.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(r)).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

Trade and other payables are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

Interest bearing borrowings

Interest bearing borrowings, including bank borrowings and senior notes, are classified as financial liabilities and recognised initially at fair value, net transaction costs incurred. Interest bearing borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the interest bearing borrowings, using the effective interest method.

Interest bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised on a straight-line basis over the life of the guarantee. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount (i.e. the amount initially recognised less accumulated amortisation), where appropriate.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in profit or loss.

For financial liabilities, they are derecognised from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(j)). Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives less their estimated residual values, if any, using the straight-line method as follows:

Leasehold buildings	30 years
Plant and machinery	7 to 10 years
Leasehold improvements	Over the shorter of the unexpired lease terms and 3 years
Furniture and fixtures, office equipment and motor vehicles	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses (see note 4(j)). Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

Internal and external sources of information are reviewed at the reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- land lease prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries and interest in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment (Continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the interim reporting date, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and value added taxes ("VAT") or related sales taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue from sales of automobiles and automobile parts and components and scrap materials is recognised when the products are delivered and title has been passed.

Claim income on defective materials purchased is recognised when the claim has been made to and confirmed by relevant suppliers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Interest income is recognised as it accrues using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation

Income tax expense comprises current tax and deferred tax.

Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The carrying amount of a deferred tax asset is reviewed at the reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and current tax liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and deferred tax liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(n) Equity settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share premium for the shares issued) or the option expires (when it is released directly to accumulated profits).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Equity settled share-based payments (Continued)

If the share options granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

(o) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Retirement benefit costs*

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the PRC and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

(p) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leased assets (Continued)

(ii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(q) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The government grants relating to the purchase of land leases prepayments, intangible assets and property, plant and equipment for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation and amortisation expenses.

Government grants relating to income is presented in gross under “Other income” in the consolidated income statement.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party, is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any members of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements of share-based payments

In valuing the equity settled share-based payments recognised in the Group's consolidated financial statements, the Group has used the Binomial Option Pricing Model, which makes various assumptions on factors out of the Group's control, such as share price volatility and risk-free interest rates. Details of the options and assumptions used in deriving the equity settled share-based payments are disclosed in note 33.

The directors use their judgement to determine whether valuation techniques applied are appropriate to the circumstances of the Group. For the year ended 31 December 2017, the share-based payments recognised was RMB27,724,000 (2016: RMB42,192,000).

Allowance for bad and doubtful debts

The provision for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables (note 21). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required. Bad debts of RMB67,371,000 (2016: RMB172,407,000) have been written off during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Write-down of inventories

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. No inventories has been written down during the year (2016: write-down of inventories of RMB861,000).

Impairment of long-lived assets

If circumstances indicate that the net book value of a long-lived asset, including property, plant and equipment and intangible assets (notes 14 and 15), may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. No impairment was provided for long-lived assets during the year (2016: RMBNil).

Depreciation and amortisation

Property, plant and equipment and intangible assets (notes 14 and 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of investments

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy as set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. No impairment loss was provided for interest in an associate during the year (2016: RMB3,349,000).

Income taxes

Subsidiaries of the Group are subject to income taxes according to different tax rates of different regions in the PRC. As certain tax affairs are pending the confirmation of relevant tax authorities, the Group shall make reliable estimates and judgements for the expected tax adjustments and amounts resulting from such affairs based on the current tax laws and relevant policies. Subsequently, if differences exist between the initial estimates of such affairs and the actual amount of tax payable due to certain objective reasons, such difference will affect the taxes for the current period and tax payables of the Group.

Deferred tax

As at 31 December 2017, no deferred tax asset has been recognised in respect of the tax losses of RMB2,163,395,000 (2016: RMB2,209,828,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

As at 31 December 2017, deferred tax liabilities of RMB267,971,000 (2016: RMB198,072,000) relating to the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries have been recognised in the Group's consolidated statement of financial position. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB11,557,434,000 (2016: RMB9,166,229,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future. Further details are disclosed in note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Interests in joint ventures and associates

As disclosed in note 19, the Group invested in Genius Auto Finance Company Limited[#] (“Genius AFC”) 吉致汽車金融有限公司 as at 31 December 2017. Unanimous consent from the Group and the other investor, BNP Paribas Personal Finance, or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC for certain key corporate matters is needed. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance, despite the Group has an equity interest of 80%. Also, the Group and BNP Paribas Personal Finance have rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC is classified as a joint venture of the Group and accounted for using equity method. Meanwhile, the Group invested in LYNK & CO Investment Co., Ltd.[#] (“LYNK & CO Investment”) 領克投資有限公司 as at 31 December 2017. Unanimous consent from the Group and the two remaining shareholders of LYNK & CO Investment (the “JV Parties”) or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment for certain key corporate matters is needed. Therefore, LYNK & CO Investment is under the joint control of the Group and the JV Parties. Accordingly, the investment in LYNK & CO Investment is classified as a joint venture of the Group and accounted for using equity method.

As disclosed in note 18, the Group retains significant influence over Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.[#] 佛吉亞排氣控制技術(寧波)有限公司 through the power to nominate representative on the board of directors, despite the Group’s equity interest is 9%. As a result, the investment is classified as an associate of the Group and accounted for using equity method.

[#] The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

6. REVENUE

Revenue represents the consideration received and receivable from sales, net of discounts, returns and VAT or related sales taxes, of automobiles and automobile parts and components.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, interests in associates and joint ventures, goodwill and land lease prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and land lease prepayments, the location of the operations to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

	2017	2016
	RMB'000	RMB'000
Revenue from external customers		
PRC	92,168,021	52,287,552
Europe	180,560	194,729
Middle East	187,756	583,354
Africa	76,443	236,041
Central and South America	67,536	217,672
Other countries	80,402	202,228
	92,760,718	53,721,576
Specified non-current assets		
Hong Kong, place of domicile	232	531
PRC	31,442,068	20,052,451
Other countries	107,294	70,967
	31,549,594	20,123,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Rental income	25,215	22,847
Gain on disposal of financial assets at fair value through profit or loss	–	491
Gain on disposal of scrap materials	26,751	8,705
Gain on disposal of an associate (note 18)	1,192	–
Net claims income on defective materials purchased	31,095	–
Net foreign exchange gain	89,974	242,480
Bargain purchase gain arising from acquisition of a subsidiary (note 35)	3,402	–
Government grants and subsidies (note)	905,300	802,283
Sundry income	146,218	53,318
	1,229,147	1,130,124

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. PROFIT BEFORE TAXATION

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

	2017 RMB'000	2016 RMB'000
(a) Finance income and costs		
Finance costs		
Effective interest expense on senior notes (note 24)	8,908	4,658
Coupon expense on senior notes	96,714	106,999
Loss on early redemption of senior notes	52,015	–
Interest on bank borrowings	4,653	3,877
	162,290	115,534
Finance income		
Bank and other interest income	(127,057)	(85,429)
Net finance costs	35,233	30,105
(b) Staff costs (including directors' emoluments (note 13)) (note a)		
Salaries, wages and other benefits	4,241,354	2,637,856
Retirement benefit scheme contributions	269,085	180,739
Equity settled share-based payments (note 33)	27,724	42,192
	4,538,163	2,860,787
(c) Other items		
Cost of inventories (note a)	74,779,337	43,879,859
Auditor's remuneration	7,443	6,864
Depreciation (note a)	742,679	733,531
Amortisation of land lease prepayments	48,072	43,857
Amortisation of intangible assets	1,147,257	876,873
Net loss on disposal of property, plant and equipment (note c)	34,074	42,727
Loss on disposal of intangible assets (note b)	–	1,047
Net foreign exchange gain	(89,974)	(242,480)
Net claims (income)/paid on defective materials purchased	(31,095)	9,470
Operating leases charges on premises	18,525	22,463
Research and development costs	331,241	211,531
Impairment loss on interest in an associate	–	3,349
Bad debts written off	67,371	172,407
Write-down of inventories	–	861

Notes:

- (a) Cost of inventories included RMB3,643,052,000 (2016: RMB2,379,447,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.
- (b) No government grant received was included in loss on disposal of intangible assets (2016: RMB525,870,000).
- (c) No government grant received was included in net loss on disposal of property, plant and equipment (2016: RMB231,773,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. TAXATION

	2017	2016
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax	2,283,957	1,131,039
Over-provision in prior years	(118,079)	(26,560)
	2,165,878	1,104,479
Deferred tax (note 27)	(127,306)	(70,724)
	2,038,572	1,033,755

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2017 and 2016.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2016: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2017 and 2016.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. TAXATION (Continued)

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

	2017	2016
	RMB'000	RMB'000
Profit before taxation	12,773,961	6,203,943
Tax at the PRC enterprise income tax rate of 25% (2016: 25%)	3,193,490	1,550,986
Tax effect of expenses not deductible	207,029	56,047
Tax effect of non-taxable income	(11,152)	(4,614)
Tax effect of unrecognised tax losses	42,594	128,857
Utilisation of previously unrecognised tax losses	(38,438)	(52,158)
Tax effect of different tax rates of entities operating in other jurisdictions	(65,338)	27,046
Deferred tax charge on distributable profits withholding tax (note 27)	69,899	23,245
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	(1,241,433)	(669,094)
Over-provision in prior years	(118,079)	(26,560)
Tax expense for the year	2,038,572	1,033,755

The Group is also liable to withholding tax on dividends to be distributed from the Group's subsidiaries in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liabilities of RMB69,899,000 (2016: RMB23,245,000) was recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11. DIVIDENDS

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

	2017 RMB'000	2016 RMB'000
Final dividend proposed after the reporting date of HK\$0.29 (2016: HK\$0.12) per ordinary share	2,159,774	960,054

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2017.

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

	2017 RMB'000	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.12 (2016: HK\$0.038) per ordinary share	960,054	280,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

12. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB10,633,715,000 (2016: RMB5,112,398,000) and weighted average number of ordinary shares of 8,932,151,751 shares (2016: 8,820,613,787 shares), calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares as at 1 January	8,882,861,540	8,801,986,540
Effect of shares options exercised	49,290,211	18,627,247
Weighted average number of ordinary shares as at 31 December	8,932,151,751	8,820,613,787

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB10,633,715,000 (2016: RMB5,112,398,000) and the weighted average number of ordinary shares (diluted) of 9,155,568,487 shares (2016: 8,917,049,937 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017	2016
Weighted average number of ordinary shares (basic) as at 31 December	8,932,151,751	8,820,613,787
Effect of deemed issue of shares under the Company's share option scheme	223,416,736	96,436,150
Weighted average number of ordinary shares (diluted) as at 31 December	9,155,568,487	8,917,049,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS**(a) Directors' and chief executive's remuneration**

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

2017

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled	Total RMB'000
							share-based payments RMB'000 (note a)	
Executive directors								
Mr. An Cong Hui	9	-	-	-	-	9	248	257
Mr. Ang Siu Lun, Lawrence	-	2,843	1,238	-	32	4,113	1,285	5,398
Mr. Gui Sheng Yue (Chief Executive Officer)	-	3,065	1,335	537	32	4,969	1,452	6,421
Mr. Li Dong Hui, Daniel (Vice Chairman) (note b)	9	-	-	-	-	9	368	377
Mr. Li Shu Fu (Chairman)	-	351	-	-	16	367	-	367
Ms. Wei Mei	9	-	-	-	-	9	573	582
Mr. Yang Jian (Vice Chairman)	9	-	-	-	-	9	474	483
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster	-	-	-	-	-	-	141	141
Independent non-executive directors								
Mr. An Qing Heng	162	-	-	-	-	162	106	268
Mr. Lee Cheuk Yin, Dannis	162	-	-	-	-	162	81	243
Mr. Wang Yang	162	-	-	-	-	162	141	303
Mr. Yeung Sau Hung, Alex	162	-	-	-	-	162	81	243
	684	6,259	2,573	537	80	10,133	4,950	15,083

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For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)**(a) Directors' and chief executive's remuneration (Continued)**

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows (Continued):

2016

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note a)	Total RMB'000
Executive directors								
Mr. An Cong Hui	8	-	-	-	-	8	362	370
Mr. Ang Siu Lun, Lawrence	-	2,503	545	-	30	3,078	2,066	5,144
Mr. Gui Sheng Yue (Chief Executive Officer)	-	2,699	588	594	30	3,911	2,349	6,260
Mr. Li Dong Hui, Daniel (Vice Chairman) (note b)	4	-	-	-	-	4	460	464
Mr. Li Shu Fu (Chairman)	-	328	-	-	15	343	-	343
Mr. Liu Jin Liang (note c)	5	-	-	-	-	5	371	376
Ms. Wei Mei	8	-	-	-	-	8	726	734
Mr. Yang Jian (Vice Chairman)	8	-	-	-	-	8	766	774
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster	-	-	-	-	-	-	244	244
Independent non-executive directors								
Mr. An Qing Heng	151	-	-	-	-	151	244	395
Mr. Fu Yu Wu (note d)	61	-	-	-	-	61	-	61
Mr. Lee Cheuk Yin, Dannis	151	-	-	-	-	151	206	357
Mr. Wang Yang	151	-	-	-	-	151	244	395
Mr. Yeung Sau Hung, Alex	151	-	-	-	-	151	206	357
	698	5,530	1,133	594	75	8,030	8,244	16,274

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the years ended 31 December 2017 and 2016. No other director waived any emoluments during the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Notes:

- (a) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for equity settled share-based payments as set out in note 4(n) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the Directors' Report and in note 33 to the consolidated financial statements.

- (b) Mr. Li Dong Hui, Daniel was appointed as a director and Vice Chairman of the Company on 15 July 2016.
- (c) Mr. Liu Jin Liang resigned as a director of the Company on 15 July 2016.
- (d) Mr. Fu Yu Wu retired as a director of the Company on 27 May 2016.

(b) Employees' emoluments

Of the five individuals with the highest emoluments, two (2016: two) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017	2016
	RMB'000	RMB'000
Basic salaries and allowances	4,312	4,135
Retirement scheme contributions	65	61
Equity settled share-based payments	943	2,265
	5,320	6,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)**(b) Employees' emoluments (Continued)**

The emoluments of the three (2016: three) individuals with the highest emoluments are within the following bands:

	2017	2016
	Number of individuals	Number of individuals
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	1
	3	3

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For the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Leasehold buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and fixtures, office equipment and motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2016	2,029,705	3,698,685	4,327,900	6,250	633,727	10,696,267
Additions	985,808	29,008	47,824	1,608	136,539	1,200,787
Transfer	(3,009,604)	897,617	2,038,982	-	73,005	-
Disposals	(45,321)	(19,717)	(307,994)	(685)	(33,389)	(407,106)
Disposed of through disposal of subsidiaries	(2,591)	-	(27,830)	(61)	(2,862)	(33,344)
Acquisition through business combinations	2,361,895	-	154,761	-	5,766	2,522,422
At 31 December 2016 and 1 January 2017	2,319,892	4,605,593	6,233,643	7,112	812,786	13,979,026
Additions	3,179,771	68,295	115,588	368	198,497	3,562,519
Transfer	(2,861,666)	1,412,113	1,301,589	-	147,964	-
Disposals	(3,686)	(21,793)	(195,893)	(138)	(55,195)	(276,705)
Disposed of through disposal of subsidiaries	(742,293)	(996,574)	(771,129)	-	(110,103)	(2,620,099)
Acquisition through business combinations (note 35)	362,254	574,262	2,294,061	-	50,446	3,281,023
At 31 December 2017	2,254,272	5,641,896	8,977,859	7,342	1,044,395	17,925,764
DEPRECIATION						
At 1 January 2016	-	512,773	1,808,986	5,462	334,619	2,661,840
Charge for the year	-	121,672	521,748	817	89,294	733,531
Written back on disposals	-	(3,268)	(33,775)	(685)	(18,979)	(56,707)
Disposed of through disposal of subsidiaries	-	-	(9,197)	(61)	(693)	(9,951)
At 31 December 2016 and 1 January 2017	-	631,177	2,287,762	5,533	404,241	3,328,713
Charge for the year	-	142,844	489,194	985	109,656	742,679
Written back on disposals	-	(5,802)	(157,750)	(136)	(23,153)	(186,841)
Disposed of through disposal of subsidiaries	-	(2,290)	(6,164)	-	(3,276)	(11,730)
At 31 December 2017	-	765,929	2,613,042	6,382	487,468	3,872,821
NET BOOK VALUE						
At 31 December 2017	2,254,272	4,875,967	6,364,817	960	556,927	14,052,943
At 31 December 2016	2,319,892	3,974,416	3,945,881	1,579	408,545	10,650,313

As at 31 December 2017, the Group's property, plant and equipment of RMBNil (2016: RMB135,734,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15. INTANGIBLE ASSETS

	Capitalised development costs RMB'000
COST	
At 1 January 2016	6,587,662
Additions	2,655,180
Acquisition through business combinations (note 35)	1,998
Disposals	(630,433)
Disposed of through disposal of subsidiaries	(46,147)
At 31 December 2016 and 1 January 2017	8,568,260
Additions	3,949,951
Acquisition through business combinations (note 35)	1,293,709
Disposals	(501,671)
At 31 December 2017	13,310,249
AMORTISATION	
At 1 January 2016	1,327,421
Charge for the year	876,873
Disposals	(90,891)
Disposed of through disposal of subsidiaries	(6,952)
At 31 December 2016 and 1 January 2017	2,106,451
Charge for the year	1,147,257
Disposals	(495,232)
At 31 December 2017	2,758,476
NET BOOK VALUE	
At 31 December 2017	10,551,773
At 31 December 2016	6,461,809

The amortisation charge for the year is included in "Administrative expenses" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. LAND LEASE PREPAYMENTS

	2017	2016
	RMB'000	RMB'000
The Group's land lease prepayments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	2,171,719	2,045,770
Analysed for reporting purposes as:		
Current assets	47,810	42,875
Non-current assets	2,123,909	2,002,895
	2,171,719	2,045,770
Opening net carrying amount	2,045,770	1,574,714
Additions	240,128	102,583
Acquisition through business combinations (note 35)	209,263	412,330
Disposed of through disposal of subsidiaries (note 30)	(275,370)	–
Annual amortisation charges of land lease prepayments	(48,072)	(43,857)
Closing net carrying amount	2,171,719	2,045,770

The land use right certificates of certain lands with an aggregate carrying value of RMB672,984,000 (2016: RMB563,628,000) are yet to be obtained as at 31 December 2017. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the lands, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2017.

As at 31 December 2017, the Group's land lease prepayments of RMBNil (2016: RMB76,754,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

17. GOODWILL

	2017	2016
	RMB'000	RMB'000
Carrying amount		
At 1 January	6,916	2,584
Arising on business combinations (note 35)	9,163	4,332
At 31 December	16,079	6,916

Goodwill arose on the acquisition of the entire interests in (a) Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司 and Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 in 2017 (note 35), (b) Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司 and Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司 in 2016 and (c) Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 in 2015 under business combinations. The carrying amount of goodwill is allocated to the cash-generating units of manufacturing of (a) complete knock down kits in Baoji City in Shaanxi Province, Jinzhong City in Shanxi Province and Chunxiao City in Zhejiang Province, the PRC, respectively and (b) vehicle engines in Baoji City in Shaanxi Province and Yiwu City in Zhejiang Province, the PRC, respectively. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segments. The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. During the year ended 31 December 2017, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2016: RMBNil).

The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	RMB'000
Share of net assets	372,709	308,035
Goodwill	663	663
Impairment loss recognised	(4,012)	(4,012)
	369,360	304,686
Represented by:		
Cost of unlisted investments	296,854	271,391
Share of post-acquisition results and other comprehensive income	93,082	53,871
Impairment loss recognised	(4,012)	(4,012)
Exchange realignment	(16,564)	(16,564)
	369,360	304,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entity whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2017 and 2016, are as follows:

Name of associate	Place of establishments and operations	Form of business structure	Particulars of issued and paid up registered capital	Attributable equity interest held by the Group		Principal activities
				2017	2016	
Mando (Ningbo) Automotive Parts Co., Limited ("Mando (Ningbo)") 萬都(寧波)汽車零部件有限公司	PRC	Incorporated	United States dollars ("US\$") 85,000,000	35%	35%	Manufacturing of automobile parts and components
Ningbo DIPO Traffic Facilities Co., Ltd. [#] ("Ningbo DIPO") 寧波帝寶交通器材有限公司	PRC	Incorporated	US\$11,100,000	-	18%	Manufacturing of traffic facilities
Closed Joint Stock Company BELGEE ("BELGEE")	Republic of Belarus ("Belarus")	Incorporated	Belarusian Ruble ("BYN") 97,565,000 (2016: BYN60,023,000)	31.7%	35.6%	Production, marketing and sales of vehicles
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd. [#] ("Faurecia Emissions") 佛吉亞排氣控制技術(寧波)有限公司	PRC	Incorporated	US\$7,900,000	9%	9%	Manufacturing of emission control systems
PT Geely Mobil Indonesia	Republic of Indonesia	Incorporated	US\$3,260,200	30%	30%	Production, marketing and sales of vehicles

[#] The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

All associates are indirectly held by the Company.

In January 2017, the Group disposed of its entire interests in Ningbo DIPO to an independent third party at a cash consideration of approximately RMB13,860,000. The carrying amount of the Group's interests in Ningbo DIPO at the disposal date was RMB12,668,000 and a gain on disposal of RMB1,192,000 was recognised in "Other income" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2017, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN10,844,000 (equivalent to approximately RMB38,131,000) and BYN26,698,000 (equivalent to approximately RMB93,879,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE changed from BYN60,023,000 (equivalent to approximately RMB262,239,000) to BYN97,565,000 (equivalent to approximately RMB394,249,000). As a result of such increase in registered capital, the Group's equity interests in BELGEE were diluted from 35.6% to 31.7%. No dilution gain or loss was recognised during the year as the amount was insignificant. Despite the dilution in the equity interests, the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

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

The Group retains significant influence over Faurecia Emissions through the power to nominate representative on the board of directors.

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

	2017	2016
	RMB'000	RMB'000
Non-current assets	289,752	233,326
Current assets	3,024,259	2,227,258
Current liabilities	(2,554,136)	(1,821,048)
Non-current liabilities	(11,676)	(9,167)
Net assets	748,199	630,369
Revenue	3,346,577	2,150,710
Profit for the year	117,830	86,951
Other comprehensive income for the year	-	-
Total comprehensive income for the year	117,830	86,951
Dividend received from the associate	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

18. INTERESTS IN ASSOCIATES (Continued)

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

	2017	2016
	RMB'000	RMB'000
Net assets of Mando (Ningbo)	748,199	630,369
The Group's effective interests in Mando (Ningbo)	35%	35%
Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of Mando (Ningbo)	261,870	220,629

Aggregate financial information of associates that are not individually material:

	2017	2016
	RMB'000	RMB'000
Aggregate amounts of the Group's share of (loss)/profit for the year	(2,029)	581
Aggregate amounts of the Group's share of other comprehensive income for the year	-	-
Aggregate carrying amount of the Group's interests in these associates	107,490	84,057

19. INTERESTS IN JOINT VENTURES

	2017	2016
	RMB'000	RMB'000
Share of net assets	4,435,530	697,330
Represented by:		
Cost of unlisted investments	4,470,000	720,000
Unrealised gain on disposal of a subsidiary to a joint venture (note 30(b))	(14,943)	-
Share of post-acquisition results and other comprehensive income	(19,527)	(22,670)
	4,435,530	697,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's principal joint ventures which are unlisted corporate entities whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2017 and 2016, are as follows:

Name of joint venture	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group		Principal activities
				2017	2016	
Genius Auto Finance Company Limited [#] ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB900,000,000	80%	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd. [#] ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	50%	-	Manufacturing and sales of vehicles under the "Lynk & Co" brand

[#] The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

Genius AFC is directly held by the Company.

On 4 August 2017, the Group entered into a joint venture agreement (the "JV Agreement 1") with Zhejiang Haoqing Automobile Manufacturing Company Limited[#] ("Zhejiang Haoqing") 浙江豪情汽車製造有限公司 and Volvo Car (China) Investment Company Limited[#] ("VCI") 沃爾沃汽車(中國)投資有限公司, fellow subsidiaries owned by the Company's ultimate holding company (the "JV Parties"), for the establishment of a joint venture, LYNK & CO Investment, to engage in the manufacturing and sales of vehicles under the "Lynk & Co" brand. The registered capital of LYNK & CO Investment was RMB7,500,000,000. LYNK & CO Investment was held as to 50% by the Group, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Pursuant to the JV Agreement 1, the board of directors of LYNK & CO Investment consists of four directors, of whom two are nominated by the Group, one is nominated by Zhejiang Haoqing, and one is nominated by VCI. As specified in the JV Agreement 1 between the Group and the JV Parties, unanimous consent from the Company and the JV Parties is needed as certain key corporate matters of LYNK & CO Investment require an unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment. Therefore, LYNK & CO Investment is under the joint control of the Group and the JV Parties. Both of the Group and JV Parties have the rights to the net assets of LYNK & CO Investment. Accordingly, the investment in LYNK & CO Investment was recognised as a joint venture of the Group and accounted for using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. INTERESTS IN JOINT VENTURES (Continued)

The Group entered into a joint venture agreement (“JV Agreement 2”) with BNP Paribas Personal Finance, an independent third party, for the establishment of a joint venture, Genius AFC, to engage in the vehicles financing business in the PRC in December 2013. Genius AFC was established in August 2015. Genius AFC was held as to 80% by the Company and as to 20% by BNP Paribas Personal Finance. Pursuant to the JV Agreement 2, the board of directors of Genius AFC consists of five directors, of whom four are nominated by the Group, and one is nominated by BNP Paribas Personal Finance. As specified in the JV Agreement 2 between the Company and BNP Paribas Personal Finance, unanimous consent from the Company and BNP Paribas Personal Finance is needed as certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNP Paribas Personal Finance. Both of the Group and BNP Paribas Personal Finance have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method. As at 31 December 2017, the aggregate bank balances deposited by the Group with Genius AFC amounted to approximately RMB3,100,153,000 (2016: RMB2,000,560,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the Genius AFC and LYNK & CO Investment, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	LYNK & CO		2016 RMB'000
	Investment	Genius AFC	
	2017 RMB'000	2017 RMB'000	
Non-current assets	6,666,672	347,162	63,530
Current assets	5,339,868	10,053,066	3,395,115
Current liabilities	(4,576,894)	(9,480,666)	(2,586,983)
Non-current liabilities	-	-	-
Net assets	7,429,646	919,562	871,662
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	743,202	514,635	1,025,575
Current financial liabilities (excluding trade and other payables and provisions)	-	(8,293,777)	(2,300,560)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	-
Revenue	900,483	469,878	97,375
(Loss)/Profit for the year	(70,354)	47,900	(1,783)
Other comprehensive income for the year	-	-	-
Total comprehensive (expense)/income for the year	(70,354)	47,900	(1,783)
Dividend received from the joint ventures	-	-	-
The above (losses)/profits for the year including the following:			
Depreciation and amortisation	(48,943)	(6,429)	(5,146)
Interest income	8,911	461,555	94,505
Interest expense	-	(157,111)	(14,621)
Income tax credit/(expense)	19,023	(16,578)	8,147

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19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation to the carrying amount of the Group's interests in joint ventures recognised in the consolidated financial statements:

	LYNK & CO		2016 RMB'000
	Investment	Genius AFC	
	2017 RMB'000	2017 RMB'000	
Net assets of the joint venture	7,429,646	919,562	871,662
The Group's effective interests in the joint venture	50%	80%	80%
The Group's share of the net assets of the joint venture	3,714,823	735,650	697,330
Unrealised gain on disposal of a subsidiary to a joint venture (note 30(b))	(14,943)	-	-
Carrying amount of the Group's interests in joint ventures	3,699,880	735,650	697,330

20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017 RMB'000	2016 RMB'000
Raw materials	1,317,330	790,037
Work in progress	382,784	340,130
Finished goods	4,327,198	1,935,640
	6,027,312	3,065,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

20. INVENTORIES (Continued)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2017	2016
	RMB'000	RMB'000
Carrying amount of inventories sold	74,779,337	43,879,859
Write-down of inventories	-	861
	74,779,337	43,880,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. TRADE AND OTHER RECEIVABLES

	Note	2017 RMB'000	2016 RMB'000
Trade and notes receivables			
Trade receivables			
– Third parties		377,966	794,960
– Associates		271,002	247,904
– Related companies controlled by the substantial shareholder of the Company		51,733	194,496
	(a)	700,701	1,237,360
Notes receivables	(b)	28,790,926	24,864,054
		29,491,627	26,101,414
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		129,080	89,691
– Related companies controlled by the substantial shareholder of the Company		847,093	376,129
		976,173	465,820
Deposits paid for acquisition of property, plant and equipment		600,692	355,077
VAT and other taxes receivables		1,877,788	1,396,907
Utility deposits and other receivables		208,595	454,657
		3,663,248	2,672,461
Amounts due from related companies controlled by the substantial shareholder of the Company	(c)	323,433	27,345
Amount due from ultimate holding company	(c)	–	236,256
Amount due from a joint venture	(d)	–	3,155
		3,986,681	2,939,217
		33,478,308	29,040,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers. Further details on the Group's credit policy are set out in note 37. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date, at the reporting date:

	2017	2016
	RMB'000	RMB'000
0 – 60 days	167,875	441,619
61 – 90 days	7,689	30,417
Over 90 days	67,476	50,288
	243,040	522,324

For overseas customers, the Group allows average credit periods ranged from 30 days to 720 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date, at the reporting date:

	2017	2016
	RMB'000	RMB'000
0 – 60 days	102,041	295,659
61 – 90 days	84,174	25,726
91 – 365 days	155,309	237,934
Over 365 days	116,137	155,717
	457,661	715,036

As at 31 December 2017, 1% (2016: 7%) of the total trade receivables was due from the Group's five largest customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. TRADE AND OTHER RECEIVABLES (Continued)**(a) Trade receivables (Continued)**

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	RMB'000
1 – 30 days past due	25,606	129,699
31 – 60 days past due	17,196	65,569
61 – 90 days past due	179,782	43,516
Over 90 days past due	258,339	258,094
	480,923	496,878

As at 31 December 2017, trade receivables of RMB219,778,000 (2016: RMB740,482,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

The Group does not charge interest or hold any collateral over the overdue balances. Receivables that were past due but not impaired were mainly related to large corporations that have long trading history with the Group and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable. No impairment has been made to these trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2017 and 2016, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

(c) Amounts due from related companies/ultimate holding company

The amounts due from related companies/ultimate holding company are unsecured, interest-free and repayable on demand.

(d) Amount due from a joint venture

The amount due from a joint venture is unsecured, interest-free and repayable on demand.

Except for trade and other receivables of RMB140,027,000 (2016: RMB146,263,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	RMB'000
Unlisted investments		
– Equity securities	21,650	21,779

The unlisted equity securities are stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. CASH FLOW INFORMATION**Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Bank borrowings RMB'000	Senior notes RMB'000	Total RMB'000
At 1 January 2017	–	174,375	2,068,316	2,242,691
Change from financing cash flows:				
Proceeds from new bank borrowings	–	1,296,460	–	1,296,460
Repayment of bank borrowings	–	(174,375)	–	(174,375)
Redemption of senior notes	–	–	(2,033,536)	(2,033,536)
Other borrowing costs paid	–	(4,104)	(122,846)	(126,950)
Dividends paid	(960,054)	–	–	(960,054)
Total changes from financing cash flows	(960,054)	1,117,981	(2,156,382)	(1,998,455)
Exchange adjustments	–	–	(95,703)	(95,703)
Other changes (note):				
Interest expenses	–	4,653	157,637	162,290
Dividends declared	960,054	–	–	960,054
Others	–	(549)	26,132	25,583
Total other changes	960,054	4,104	183,769	1,147,927
At 31 December 2017	–	1,296,460	–	1,296,460

Note:

Other changes include interest accruals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. SENIOR NOTES

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB1,836,750,000) (the “Senior Notes”). The Senior Notes carried interest at 5.25% per annum, payable semi-annually in arrears on 6 April and 6 October, and the maturity date was 6 October 2019, unless the Company redeemed the Senior Notes before the maturity date.

The Senior Notes were listed on the SEHK. They had senior obligations, were unsecured and guaranteed by certain operating subsidiaries of the Company in the PRC. The guarantee was effectively subordinated to all existing and future secured obligations of the Company to the extent of the value of the collateral securing such obligations.

At any time on or after 6 October 2017, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if they are redeemed during the twelve-month period beginning on 6 October of the years indicated below:

Period	Redemption Price
2017	102.625%
2018 and thereafter	101.313%

The carrying amount of the Senior Notes at initial recognition net of transaction costs amounted to US\$296,311,000 (equivalent to approximately RMB1,814,165,000) and the effective interest rate was 5.54% per annum. The Senior Notes were carried at amortised cost.

On 30 November 2017, the Company has redeemed an aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB1,981,521,000) of all of the outstanding Senior Notes at the redemption price of 102.625% of the principal amount thereof, being US\$307,875,000 (equivalent to approximately RMB2,033,536,000), plus accrued and unpaid interest of US\$2,362,500 (equivalent to approximately RMB15,604,000) on the redemption date. The total redemption price paid by the Company on the redemption date is US\$310,237,500 (equivalent to approximately RMB2,049,140,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

24. SENIOR NOTES (Continued)

The movement of the Senior Notes during the year is set out below:

	2017	2016
	RMB'000	RMB'000
Carrying amount		
At 1 January	2,068,316	1,928,856
Interest expenses	8,908	4,658
Early redemption	(1,981,521)	–
Exchange differences	(95,703)	134,802
At 31 December	–	2,068,316

The Senior Notes were subject to the fulfilment of certain financial and non-financial covenants, as commonly found in lending arrangements in senior notes. If the Group was to breach the covenants, the principal, and, accrued and unpaid interest of the Senior Notes would become payable on demand. The directors considered that none of the covenants had been breached as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

25. TRADE AND OTHER PAYABLES

	Note	2017 RMB'000	2016 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		26,848,633	21,083,397
– Associates		1,252,227	1,627,710
– Related companies controlled by the substantial shareholder of the Company		2,492,942	330,157
	(a)	30,593,802	23,041,264
Notes payables	(b)	1,045,043	99,540
		31,638,845	23,140,804
Other payables			
Receipts in advance from customers			
– Third parties		7,980,480	7,909,709
– Related companies controlled by the substantial shareholder of the Company		3,992	723
		7,984,472	7,910,432
Deferred government grants which conditions have not been satisfied		3,379,500	1,572,863
Payables for acquisition of property, plant and equipment		1,074,740	714,524
Accrued staff salaries and benefits		908,966	514,534
VAT and other taxes payables		104,388	85,063
Other accrued charges		2,430,232	1,950,900
		15,882,298	12,748,316
Amounts due to related companies controlled by the substantial shareholder of the Company	(c)	9,412	3,889,874
Amount due to ultimate holding company	(c)	1,974	–
		15,893,684	16,638,190
		47,532,529	39,778,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

25. TRADE AND OTHER PAYABLES (Continued)**(a) Trade payables**

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

	2017	2016
	RMB'000	RMB'000
0 – 60 days	27,331,331	20,638,859
61 – 90 days	1,849,868	1,624,387
Over 90 days	1,412,603	778,018
	30,593,802	23,041,264

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

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2017 and 2016, all notes payables had maturities of less than six months from the reporting date.

As at 31 December 2017, the Group pledged bank deposits of RMB36,043,000 (2016: RMB39,304,000) respectively to secure the notes payables.

(c) Amounts due to related companies/ultimate holding company

The amounts due to related companies/ultimate holding company are unsecured, interest-free and repayable on demand.

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

26. BANK BORROWINGS

	2017	2016
	RMB'000	RMB'000
Bank borrowings, unsecured	1,296,460	174,375

As at 31 December 2017, the Group's bank borrowings were carried at amortised cost, repayable in October 2019 and interest bearing at the London Interbank Offered Rates plus 1.05% per annum. Pursuant to the facility agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the entire issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

As at 31 December 2016, the Group's bank borrowings were carried at amortised cost, repayable within three months and interest bearing at the London Interbank Offered Rates plus 1% per annum. Also, there was a repayable on demand clause in the banking facilities.

All of the Group's banking facilities are subject to the fulfilment of covenants that are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2017 and 2016, none of the covenants relating to drawn down facilities had been breached.

Further details of the Group's management of liquidity risk were set out in note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27. DEFERRED TAX ASSETS AND LIABILITIES

The following is the deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements thereon during the year:

	2017	2016
	RMB'000	RMB'000
At 1 January	9,965	80,689
Acquisition through business combinations (note 35)	(16,013)	–
Credit to the consolidated income statement (note 10)	(127,306)	(70,724)
At 31 December	(133,354)	9,965

Deferred tax assets

	Unused tax losses	Intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	28,144	31,661	34,333	94,138
(Charge)/Credit to the consolidated income statement	(20,487)	94,378	20,078	93,969
At 31 December 2016 and 1 January 2017	7,657	126,039	54,411	188,107
(Charge)/Credit to the consolidated income statement	(7,657)	43,027	161,835	197,205
Acquisition through business combinations (note 35)	–	–	16,013	16,013
At 31 December 2017	–	169,066	232,259	401,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)**Deferred tax liabilities**

	Withholding tax on undistributed profits from the PRC subsidiaries RMB'000
At 1 January 2016	174,827
Charge to the consolidated income statement (note 10)	23,245
At 31 December 2016 and 1 January 2017	198,072
Charge to the consolidated income statement (note 10)	69,899
At 31 December 2017	267,971

The deferred tax assets have been offset against certain deferred tax liabilities in the consolidated statement of financial position as they are related to the same entity and related to tax levied by the same tax authority. The amounts recognised in the consolidated statement of financial position are as follows:

	2017 RMB'000	2016 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	(401,325)	(188,107)
Deferred tax liabilities recognised in the consolidated statement of financial position	267,971	198,072
Net deferred tax (assets)/liabilities	(133,354)	9,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)**Deferred tax liabilities (Continued)**

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB11,557,434,000 (2016: RMB9,166,229,000).

As at the reporting date, the Group has unused tax losses of approximately RMB2,163,395,000 (2016: RMB2,209,828,000) available for offset against future profits. Of the total tax losses, approximately RMB300,535,000 (2016: RMB282,204,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

28. SHARE CAPITAL

	2017		2016	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Authorised:				
Ordinary shares of HK\$0.02 each				
At 31 December	12,000,000,000	246,720	12,000,000,000	246,720
Issued and fully paid:				
Ordinary shares of HK\$0.02 each				
At 1 January	8,882,861,540	162,708	8,801,986,540	161,354
Shares issued under share option scheme (note)	87,653,000	1,578	80,875,000	1,354
At 31 December	8,970,514,540	164,286	8,882,861,540	162,708

Note:

During the year ended 31 December 2017, share options were exercised to subscribe for 87,653,000 ordinary shares (2016: 80,875,000 ordinary shares) of the Company at a consideration of approximately RMB313,857,000 (2016: RMB273,482,000) of which approximately RMB1,578,000 (2016: RMB1,354,000) was credited to share capital and approximately RMB312,279,000 (2016: RMB272,128,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB116,598,000 (2016: RMB121,731,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(n).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company in prior years.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(g).

(e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(n).

(f) Accumulated profits

Accumulated profits represent accumulated net profit or losses less dividends paid plus other transfers to or from other reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. DISPOSALS OF SUBSIDIARIES**(a) Disposal of Zhejiang Kingkong Automobile Company Limited# 浙江金剛汽車有限公司 (“Zhejiang Kingkong”)**

On 4 August 2017, the Group entered into a disposal agreement with Zhejiang Haoqing for the disposal of the entire interests in Zhejiang Kingkong, an indirectly owned subsidiary with 99% equity interest, at an aggregate cash consideration of approximately RMB1,241,687,000 (“Zhejiang Kingkong Disposal”). Zhejiang Kingkong Disposal was completed on 28 September 2017. Please refer to the Company’s announcement dated 4 August 2017 for further details. The net assets disposed of at the disposal date are set out as follows:

	RMB’000
Net assets disposed of:	
Property, plant and equipment	2,563,304
Land lease prepayments (note 16)	275,370
Trade and other receivables	799,755
Bank balances and cash	104,524
Trade and other payables	(3,041,874)
	701,079
Net gain on disposal of a subsidiary:	
Cash consideration received	1,241,687
Net assets disposed of	(701,079)
Non-controlling interests	7,011
	547,619
Net cash inflow arising on disposal:	
Cash consideration received	1,241,687
Bank balances and cash disposed of	(104,524)
	1,137,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposal of LYNK & CO Auto Sales Company Limited# 領克汽車銷售有限公司 (“LYNK Auto Sales”)

On 26 October 2017, the Group entered into a disposal agreement for the disposal of the entire interests in LYNK Auto Sales, an indirectly owned subsidiary with 99% equity interest, to LYNK & CO Investment, a joint venture of the Company (“LYNK Auto Sales Disposal”). LYNK Auto Sales Disposal was completed on 27 October 2017. The aggregate cash consideration and net gain on disposal of a subsidiary for the LYNK Auto Sales Disposal were RMB100,000,000 and RMB14,943,000, respectively and an unrealised gain on disposal of a subsidiary to a joint venture of RMB14,943,000 was resulted in (note 19). The carrying amount of total net assets disposed of and net cash outflow arising on disposal at the disposal date were RMB70,114,000 and RMB96,435,000, respectively.

The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

31. COMMITMENTS

Capital expenditure commitments

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

	2017	2016
	RMB'000	RMB'000
Contracted but not provided for, net of deposits paid – purchase of property, plant and equipment	4,483,013	2,281,468

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31. COMMITMENTS (Continued)**Operating lease commitments – as lessee**

As at the reporting date, the total future minimum lease payments in respect of office and factory premises under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	RMB'000
Office and factory premises		
– Within one year	7,174	5,516
– In the second to fifth years inclusive	20,435	10,564
– After five years	110	3,961
	27,719	20,041

Leases are negotiated and rental agreements are fixed for an initial period of two to ten years (2016: one to ten years) with an option to renew the leases when all terms are renegotiated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. COMMITMENTS (Continued)

Operating lease commitments – as lessor

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

	2017 RMB'000	2016 RMB'000
Leasehold land and buildings		
– Within one year	7,021	7,101
– In the second to fifth years inclusive	23,849	26,679
– After five years	17,840	22,038
	48,710	55,818
Plant and machinery		
– Within one year	4,001	4,001
– In the second to fifth years inclusive	16,004	16,004
– After five years	17,004	21,005
	37,009	41,010
	85,719	96,828

Leases are negotiated and rental are fixed for an initial period of five to fourteen years (2016: one to fourteen years).

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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 Mandatory Provident Fund Scheme (“the Scheme”), the Group contributes 5% of the employees’ relevant income to the Scheme. Both the employer’s and the employees’ contributions are subject to a maximum of monthly relevant income of HK\$30,000 (equivalent to RMB25,000) per employee. Contributions to the plan vest immediately.

The employees of the Company’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employees’ basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company’s subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in those countries.

During the year, the aggregate employer’s contributions made by the Group amounted to RMB269,085,000 (2016: RMB180,739,000).

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the “Old Share Option Scheme”). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the “New Share Option Scheme”) was adopted to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the “Scheme”. After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the Board of Directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by the shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within five business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of each share option is HK\$1.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year after the first year of the grant date.

The subscription price for the shares under the Scheme is a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons:

2017

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Directors								
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	-	-	-	-	11,000,000
	9 January 2016 to 8 January 2020	2.79	5,000,000	-	-	-	-	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	4,700,000	-	-	-	-	4,700,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	1,000,000	-	(250,000)	-	-	750,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	-	-	-	-	11,500,000
	9 January 2016 to 8 January 2020	2.79	6,000,000	-	-	-	-	6,000,000
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	3,500,000	-	-	-	-	3,500,000
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	900,000	-	-	-	-	900,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	-	-	-	-	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	9,000,000	-	-	-	-	9,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	300,000	-	(100,000)	-	-	200,000
	9 January 2016 to 8 January 2020	2.79	750,000	-	(250,000)	-	-	500,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	300,000	-	(100,000)	-	-	200,000
	9 January 2016 to 8 January 2020	2.79	750,000	-	(250,000)	-	-	500,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	-	-	-	-	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	-	-	-	-	1,000,000
			61,700,000	-	(950,000)	-	-	60,750,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2017 (Continued)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Employees	18 January 2010 to 17 January 2020	4.07	224,505,000	-	(64,203,000)	(825,000)	-	159,477,000
	21 April 2010 to 20 April 2020	4.07	11,780,000	-	(7,070,000)	-	-	4,710,000
	23 March 2012 to 22 March 2022	4.07	7,250,000	-	(800,000)	-	-	6,450,000
	9 January 2016 to 8 January 2020	2.79	14,400,000	-	(5,580,000)	-	-	8,820,000
	2 June 2016 to 1 June 2020	4.08	1,000,000	-	(200,000)	-	-	800,000
			258,935,000	-	(77,853,000)	(825,000)	-	180,257,000
Other eligible Participants	2 June 2016 to 1 June 2020	4.08	20,300,000	-	(8,850,000)	-	-	11,450,000
	31 March 2018 to 30 March 2022	12.22	-	5,500,000	-	-	-	5,500,000
			20,300,000	5,500,000	(8,850,000)	-	-	16,950,000
			340,935,000	5,500,000	(87,653,000)	(825,000)	-	257,957,000
				Outstanding at 1 January HK\$	Granted during the year HK\$	Exercised during the year HK\$	Forfeited during the year HK\$	Outstanding at 31 December HK\$
				3.96	12.22	3.98	4.07	4.13
								Weighted average remaining contractual life of options outstanding as at 31 December 2017
								2.24 years
								Number of options exercisable as at 31 December 2017
								179,274,600
								Weighted average exercise price per share of options exercisable as at 31 December 2017
								HK\$4.03

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2016

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Directors								
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	-	-	-	-	11,000,000
	9 January 2016 to 8 January 2020	2.79	5,000,000	-	-	-	-	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	9,000,000	-	(4,300,000)	-	-	4,700,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	1,000,000	-	-	-	-	1,000,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	-	-	-	-	11,500,000
	9 January 2016 to 8 January 2020	2.79	6,000,000	-	-	-	-	6,000,000
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	-	-	(3,500,000)	-	7,000,000	3,500,000
Mr. Liu Jin Liang	18 January 2010 to 17 January 2020	4.07	9,000,000	-	-	-	(9,000,000)	-
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	3,000,000	-	(2,100,000)	-	-	900,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	-	-	-	-	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	12,000,000	-	(3,000,000)	-	-	9,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	1,000,000	-	(700,000)	-	-	300,000
	9 January 2016 to 8 January 2020	2.79	1,000,000	-	(250,000)	-	-	750,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	1,000,000	-	(700,000)	-	-	300,000
	9 January 2016 to 8 January 2020	2.79	1,000,000	-	(250,000)	-	-	750,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	-	-	-	-	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	-	-	-	-	1,000,000
			78,500,000	-	(14,800,000)	-	(2,000,000)	61,700,000

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For the year ended 31 December 2017

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2016 (Continued)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Employees	18 January 2010 to 17 January 2020	4.07	284,760,000	-	(61,455,000)	(7,800,000)	9,000,000	224,505,000
	21 April 2010 to 20 April 2020	4.07	13,000,000	-	(920,000)	(300,000)	-	11,780,000
	23 March 2012 to 22 March 2022	4.07	16,500,000	-	(2,250,000)	-	(7,000,000)	7,250,000
	25 June 2012 to 24 June 2022	4.07	9,000,000	-	-	(9,000,000)	-	-
	17 January 2013 to 16 January 2023	4.11	4,100,000	-	-	(4,100,000)	-	-
	9 January 2016 to 8 January 2020	2.79	16,900,000	-	(1,350,000)	(1,150,000)	-	14,400,000
	2 June 2016 to 1 June 2020	4.08	1,000,000	-	-	-	-	1,000,000
			345,260,000	-	(65,975,000)	(22,350,000)	2,000,000	258,935,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	20,400,000	-	(100,000)	-	-	20,300,000
			444,160,000	-	(80,875,000)	(22,350,000)	-	340,935,000
				Outstanding at 1 January HK\$	Exercised during the year HK\$	Forfeited during the year HK\$		Outstanding at 31 December HK\$
	Weighted average exercise price per share			3.98	4.04	4.01		3.96
	Weighted average remaining contractual life of options outstanding as at 31 December 2016							3.18 years
	Number of options exercisable as at 31 December 2016							165,291,900
	Weighted average exercise price per share of options exercisable as at 31 December 2016							HK\$4.07

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For the year ended 31 December 2017

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

During the year ended 31 December 2017, 5,500,000 share options were granted on 31 March 2017 with estimated fair values of approximately RMB20,210,000. The closing price of the Company's shares on the date on which the options were granted was HK\$11.90. The exercise price of the share options granted is HK\$12.22 per share.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair values were measured based on Binomial Option Pricing Model. The inputs into the model are as follows:

Grant date	31 March 2017
Share price	HK\$11.90
Exercise price	HK\$12.22
Expected volatility	44.17%
Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model)	5 years
Risk-free interest rate	1.37%
Expected dividend yield	0.95%

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. The Group recognised a total expense of RMB27,724,000 (2016: RMB42,192,000) for the year ended 31 December 2017 in relation to share options granted by the Company and the share-based payments were shown as a separate line item on the consolidated income statement. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share options granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties:

(a) **Transactions**

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Related companies			
(notes a and b)			
Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司	Sales of complete knock down kits and sedan tool kits (note f)	28,966,961	26,768,993
	Sales of automobile parts and components (note f)	3,720	1,009
	Claims income on defective materials purchased	184,019	114,687
	Purchase of complete buildup units (note f)	29,719,819	27,039,398
	Purchase of automobile parts and components (note f)	4,438	6,066
	Sub-contracting fee paid (note f)	18,711	31,188
	Acquisition of subsidiaries (note f) (notes 35(a)&(c))	597,550	–
	Claims paid on defective materials sold	197,170	114,619
Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司	Sales of complete knock down kits and sedan tool kits (note f)	43	–
	Sales of automobile parts and components (note f)	2,365	521
	Acquisition of a subsidiary (note f) (note 35(c))	242,550	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Related companies (notes a and b)			
Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司	Sales of complete knock down kits and sedan tool kits (note f)	57,052,068	23,859,407
	Sales of complete knock down kits (electric vehicles) (note f)	826,298	128,283
	Sales of automobile parts and components (note f)	-	1,139
	Claims income on defective materials purchased	192,985	110,864
	Purchase of complete buildup units (note f)	59,314,043	24,619,656
	Purchase of automobile parts and components (note f)	821	35
	Sub-contracting fee paid (note f)	-	14,850
	Disposal of a subsidiary (note f) (note 30(a))	1,241,687	-
	Claims paid on defective materials sold	198,850	110,914
Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司	Sales of automobile parts and components (note f)	3	-
	Claims income on defective materials purchased	24	36,319
	Purchase of automobile parts and components (note f)	16,575,792	9,070,513
	Claim paid on defective materials sold	56,276	-
Taizhou Haoqing Automobile Sales Services Company Limited (formerly known as Taizhou Haoqing Automobile Sales Company Limited)# 台州豪情汽車銷售服務有限公司 (前稱台州豪情汽車銷售有限公司)	Sales of complete buildup units (note f)	580,737	507,913
	Sales of automobiles parts and components (note f)	7,057	5,782
Shanghai LTI Automobile Company Limited (formerly known as Shanghai LTI Automobile Components Company Limited)# 上海英倫帝華汽車有限公司(前稱上海英倫帝華汽車部件有限公司)	Sales of automobile parts and components (note f)	33	4
	Purchase of automobile parts and components (note f)	12,893	7,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Related companies			
(notes a and b)			
Geely Automobile Research Development Co., Ltd. [#] 寧波吉利汽車研究開發有限公司	Sales of complete knock down kits and sedan tool kits (note f) Sales of automobile parts and components (note f) Purchase of automobile parts and components (note f)	1,702 16 214	973 3,631 –
Hangzhou Geely New Energy Automobile Sales Company Limited [#] 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note f)	2,733,212	2,218,473
Shenzhen Geely Automobile Sales Company Limited [#] 深圳吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note f)	23,993	11,435
Shanxi New Energy Automobile Industrial Company Limited [#] 山西新能源汽車工業有限公司	Sales of automobile parts and components (note f) Acquisition of a subsidiary	1,291 –	2,015 720,244
Baoji Geely Automobile Company Limited [#] 寶雞吉利汽車有限公司	Acquisition of a subsidiary	–	702,207
Hangzhou Geely Yiyun Technology Company Limited [#] 杭州吉利易雲科技有限公司	IT services expenses (note f)	29,374	28,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Related companies (notes a and b)			
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expenses (note f)	92,114	30,110
Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note c) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components (note f) Purchase of automobile parts and components (note f)	37,945 –	15,563 973
Kandi Electric Vehicles Group Co., Ltd.# ("Kandi Electric") (note c) 康迪電動汽車集團有限公司	Sales of complete knock down kits (electric vehicles) (note f)	127	–
Kandi Electric Vehicles Group Co., Ltd.# ("Kandi Electric") (note c) 康迪電動汽車集團有限公司	Sales of complete knock down kits (electric vehicles) (note f)	469	–
Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components (note f)	26,476	–
Zhejiang Kingkong Automobile Company Limited# ("Zhejiang Kingkong") (note d) 浙江金剛汽車有限公司	Sales of automobile parts and components (note f)	21,162	–
Associate			
Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	3,346,577	1,199,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Joint ventures and its subsidiary			
Kandi Electric Vehicles (Shanghai) Co., Ltd. [#] (note c) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components	-	65,880
Genius Auto Finance Company Limited [#] 吉致汽車金融有限公司	Service fee income	-	9,920
LYNK & CO Investment Co., Ltd. [#] 領克投資有限公司	Disposal of a subsidiary (note f) (note 30(b))	100,000	-
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited [#] 浙江吉利控股集團有限公司	Disposal of joint ventures (note f) Acquisition of a subsidiary (note f) (note 35(b))	- 993,100	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)**(a) Transactions (Continued)**

Notes:

- (a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.
- (b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue license and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.
- (c) In October 2016, the Company has disposed of Kandi Electric to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries became related companies of the Group.
- (d) Zhejiang Kingkong had been disposed of by the Group to Zhejiang Haoqing in September 2017 (note 30(a)). The transactions represented sales after the disposal.
- (e) The related party transactions were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third parties of the Group.
- (f) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Directors' Report" section to the annual report.

(b) Remuneration of key management personnel

The remuneration of directors (as disclosed in note 13) and other members of key management personnel during the year are as follows:

	2017	2016
	RMB'000	RMB'000
Short-term benefits	17,186	14,402
Retirement scheme contribution	232	220
Equity settled share-based payments	27,724	42,192
	45,142	56,814

The remuneration of directors and key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends. Total remuneration is included on "staff costs" (see note 9(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(c) Financial guarantee contracts

As at 31 December 2017, the Group has provided guarantees with respect to banking facilities granted to the Company's ultimate holding company of RMB838,500,000 (2016: RMB590,000,000), and bank borrowings and notes payables of the Group's related companies totalling RMBNil (2016: RMB101,180,000). Without taking into account any collateral held, this represented the Group's maximum exposure under the financial guarantee contracts at the reporting date. As at 31 December 2017, the Group's maximum exposure under the financial guarantee contracts was determined to be RMB838,500,000 (2016: RMB691,180,000). As at the reporting date, the Company's ultimate holding company will provide 100% counter guarantees to the Group by way of cash in respect of the above guarantees provided by the Group to the respective banks.

Under the financial guarantee contracts, land lease prepayments and property, plant and equipment of the Group with carrying amounts of RMB76,754,000 and RMB135,734,000, respectively had been pledged to the banks as at 31 December 2016.

The Group would only be liable to pay the banks if the banks are unable to recover the loans. No provision for the Group's obligation under the financial guarantee contracts have been made as it was not probable that the repayment of the bank borrowings by the Company's ultimate holding company would be in default. According to the terms of the bank loans, the earliest repayment dates of the bank loans of RMB291,000,000, RMB355,500,000, RMB189,000,000 and RMB3,000,000 are in 2018, 2019, 2020 and 2021, respectively (2016: RMB620,000,000 and RMB270,000,000 are in 2017 and 2018, respectively). The financial guarantee is measured at fair value in initial recognition. The fair value of the guarantee is insignificant.

Other than the material related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35. BUSINESS COMBINATIONS**(a) Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司 (“Baoji Engine”)**

On 7 November 2017, Zhejiang Geely Luoyou Engine Company Limited# 浙江吉利羅佑發動機有限公司 (“Geely Luoyou”), an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Geely Luoyou has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Baoji Engine for a cash consideration of approximately RMB345,100,000. Baoji Engine is engaged in the research, development, production and sales of vehicle engines and related after-sales parts in the PRC. The acquisition of Baoji Engine was completed on 28 December 2017. Please refer to the Company’s circular dated 8 December 2017 for further details.

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Intangible assets (note 15)	589,326	–	589,326
Deferred tax assets (note 27)	16,013	–	16,013
Property, plant and equipment (note 14)	1,188,484	84,000	1,272,484
Land lease prepayments (note 16)	59,981	14,000	73,981
Trade and other receivables	236,352	–	236,352
Inventories	27,492	–	27,492
Bank balances and cash	55,632	–	55,632
Trade and other payables	(1,930,026)	–	(1,930,026)
	243,254	98,000	341,254
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			345,100
Fair value of identifiable net assets acquired			(341,254)
			3,846
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(345,100)
Bank balances and cash acquired			55,632
			(289,468)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. BUSINESS COMBINATIONS (Continued)

(a) **Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司 (“Baoji Engine”) (Continued)**

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

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Baoji Engine has not contributed any revenue and loss from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2017 would be RMB92,791,978,000 and RMB10,692,291,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2017 and could not serve as a basis for the forecast of future operation results.

(b) **Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司 (“Ningbo SZX”)**

On 7 November 2017, Geely Luoyou and the Company's ultimate holding company entered into an acquisition agreement pursuant to which Geely Luoyou has conditionally agreed to acquire, and the Company's ultimate holding company has conditionally agreed to sell the entire equity interests of Ningbo SZX for a cash consideration of approximately RMB993,100,000. Ningbo SZX is engaged in the research, development, production and sales of transmissions and related after-sales parts in the PRC. The acquisition of Ningbo SZX was completed on 28 December 2017. Please refer to the Company's circular dated 8 December 2017 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. BUSINESS COMBINATIONS (Continued)**(b) Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司 (“Ningbo SZX”) (Continued)**

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Intangible assets (note 15)	668,707	–	668,707
Property, plant and equipment (note 14)	822,012	64,387	886,399
Land lease prepayments (note 16)	60,047	–	60,047
Trade and other receivables	482,905	–	482,905
Inventories	53,944	–	53,944
Bank balances and cash	41,738	–	41,738
Trade and other payables	(1,197,238)	–	(1,197,238)
	932,115	64,387	996,502
Bargain purchase gain arising from acquisition (note 8):			
Cash consideration transferred			993,100
Fair value of identifiable net assets acquired			(996,502)
			(3,402)
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(993,100)
Bank balances and cash acquired			41,738
			(951,362)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35. BUSINESS COMBINATIONS (Continued)

(b) **Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司 (“Ningbo SZX”) (Continued)**

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities.

Ningbo SZX has not contributed any revenue and loss from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2017 would be RMB92,864,473,000 and RMB10,739,194,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2017 and could not serve as a basis for the forecast of future operation results.

(c) **Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 (“Zhejiang Yili”)**

On 7 November 2017, Geely Luoyou and two fellow subsidiaries owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Geely Luoyou has conditionally agreed to acquire, and the fellow subsidiaries have conditionally agreed to sell the entire equity interests of Zhejiang Yili for a cash consideration of approximately RMB495,000,000. Zhejiang Yili is engaged in the research, development, production and sales of vehicle engines and related after-sales parts in the PRC. The acquisition of Zhejiang Yili was completed on 28 December 2017. Please refer to the Company's circular dated 8 December 2017 for further details.

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35. BUSINESS COMBINATIONS (Continued)**(c) Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 (“Zhejiang Yili”) (Continued)**

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

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,078,140	44,000	1,122,140
Intangible assets (note 15)	35,676	–	35,676
Land lease prepayments (note 16)	63,235	12,000	75,235
Trade and other receivables	182,197	–	182,197
Inventories	10,029	–	10,029
Bank balances and cash	7,196	–	7,196
Trade and other payables	(942,790)	–	(942,790)
	433,683	56,000	489,683
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			495,000
Fair value of identifiable net assets acquired			(489,683)
			5,317
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(495,000)
Bank balances and cash acquired			7,196
			(487,804)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35. BUSINESS COMBINATIONS (Continued)

(c) **Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 (“Zhejiang Yili”) (Continued)**

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

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Zhejiang Yili has not contributed any revenue and loss from the acquisition date to 31 December 2017.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2017 would be RMB92,761,937,000 and RMB10,675,865,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2017 and could not serve as a basis for the forecast of future operation results.

The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes Senior Notes and bank borrowings) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

The gearing ratio as at the reporting date was as follows:

	2017	2016
	RMB'000	RMB'000
Debt	1,296,460	2,242,691
Equity attributable to equity holders of the Company	34,467,047	24,437,227
Debt to equity ratio	4%	9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit and liquidity risks arises in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2017 RMB'000	2016 RMB'000
Financial assets		
Available-for-sale financial assets		
– Unlisted equity securities	21,650	21,779
Loans and receivables		
– Trade and other receivables	30,624,347	26,822,827
– Pledged bank deposits	36,043	39,304
– Bank balances and cash	13,414,638	15,045,493
	44,096,678	41,929,403
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	36,168,557	30,295,699
– Bank borrowings	1,296,460	174,375
– Senior notes	–	2,068,316
	37,465,017	32,538,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank balances and cash of the Group have been deposited into established banks in countries that the Group operates.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers. In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, in the consolidated statement of financial position after deducting any impairment allowance. In addition, as set out in note 34(c) to the consolidated financial statements, the Group provided guarantees to secure banking facilities granted to the Company's ultimate holding company. The directors consider the Company's ultimate holding company has sufficient financial strength and the probability of default is low. The Group does not provide any other guarantees which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2017						
Financial liabilities at amortised cost						
Trade and other payables	N/A	36,168,557	–	–	36,168,557	36,168,557
Bank borrowings	2.62	1,296,460	–	–	1,296,460	1,296,460
Financial guarantee issued						
Maximum amount guaranteed (note 34(c))	N/A	838,500	–	–	838,500	–
		38,303,517	–	–	38,303,517	37,465,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**Liquidity risk (Continued)**

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2016						
Financial liabilities at amortised cost						
Trade and other payables	N/A	30,295,699	–	–	30,295,699	30,295,699
Senior notes	5.54	109,363	109,363	2,166,705	2,385,431	2,068,316
Bank borrowings	1.83	177,566	–	–	177,566	174,375
Financial guarantee issued						
Maximum amount guaranteed (note 34(c))	N/A	691,180	–	–	691,180	–
		31,273,808	109,363	2,166,705	33,549,876	32,538,390

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the guarantee arrangement if that amounts are claimed by the counterparty to the guarantee on bank borrowings procured by the ultimate holding company of the Company. Based on the expectations at the reporting date, the Group considers that no amount will be payable under the guarantee contracts.

Bank borrowings with a repayable on demand clause are included in “Within one year or on demand” time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amounts of these bank borrowings amounted to RMB1,296,460,000. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid in accordance with the scheduled repayment date set out in the loan agreement. At that time, the aggregate principal amount and interest cash outflows which will be repaid within one year and more than one year but less than two years would be amounted to RMB33,967,000 and RMB1,330,427,000, respectively, from the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Group's interest rate risk relates primarily to bank borrowings (note 26). The Group does not apply any derivatives to hedge the interest rate risk. The Group's bank borrowings bear variable rates.

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note.

As at 31 December 2017, it is estimated that an increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and accumulated profits by approximately RMB12,965,000 (2016: RMB1,744,000).

Currency risk

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollars, US\$, Australian dollars and Euro.

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2017				2016			
	Hong Kong dollars RMB'000	US\$ RMB'000	Australian dollars RMB'000	Euro RMB'000	Hong Kong dollars RMB'000	US\$ RMB'000	Australian dollars RMB'000	Euro RMB'000
Bank balances and cash	143,655	289,806	5,534	100,841	333,447	1,906,336	371	7,453
Trade and other receivables	647	301,728	-	-	535	642,947	-	-
Senior Notes	-	-	-	-	-	(2,068,316)	-	-
Bank borrowings	-	(1,296,460)	-	-	(174,375)	-	-	-
Trade and other payables	-	(715)	-	-	-	(110,045)	-	-
Net exposure arising from recognised assets and liabilities	144,302	(705,641)	5,534	100,841	159,607	370,922	371	7,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**Currency risk (Continued)**

As the Group is mainly exposed to the effects of fluctuation in Hong Kong dollars/US\$/Australian dollars/Euro, the following table indicates the approximate change in the Group's profit after taxation and accumulated profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and accumulated profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

	Impact of Hong Kong dollars				Impact of Australian dollars			
	2017		2016		2017		2016	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit after taxation/Accumulated profits	7,215	7,980	(36,065)	14,644	277	19	3,790	279

Fair value measurements of financial instruments***Fair value of financial assets and liabilities carried at other than fair value***

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016 due to their short-term maturities.

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For the year ended 31 December 2017

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
Non-current assets		
Property, plant and equipment	232	531
Investments in subsidiaries	–	–
Interest in a joint venture	735,649	697,330
	735,881	697,861
Current assets		
Other receivables	1,910	1,651
Amounts due from subsidiaries	4,505,116	4,491,780
Bank balances and cash	252,887	326,894
	4,759,913	4,820,325
Current liabilities		
Other payables	61,109	208,736
Bank borrowings	1,296,460	174,375
	1,357,569	383,111
Net current assets	3,402,344	4,437,214
Total assets less current liabilities	4,138,225	5,135,075
Capital and reserves		
Share capital	164,286	162,708
Reserves (note)	3,973,939	2,904,051
Total equity	4,138,225	3,066,759
Non-current liabilities		
Senior notes	–	2,068,316
	4,138,225	5,135,075

Approved and authorised for issue by the Board of Directors on 21 March 2018.

Li Shu Fu
Director

Gui Sheng Yue
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016	5,818,466	572,962	(3,215,572)	3,175,856
Loss for the year	–	–	(305,166)	(305,166)
Transaction with owners:				
Equity settled share-based payments (note 33)	–	42,192	–	42,192
Share issued under share option scheme (note 28)	393,859	(121,731)	–	272,128
Transfer upon forfeiture of share options	–	(14,709)	14,709	–
Dividends paid to equity holders of the Company (note 11)	–	–	(280,959)	(280,959)
Total transactions with owners	393,859	(94,248)	(266,250)	33,361
Balance at 31 December 2016	6,212,325	478,714	(3,786,988)	2,904,051
Balance at 1 January 2017	6,212,325	478,714	(3,786,988)	2,904,051
Profit for the year	–	–	1,689,939	1,689,939
Transaction with owners:				
Equity settled share-based payments (note 33)	–	27,724	–	27,724
Share issued under share option scheme (note 28)	428,877	(116,598)	–	312,279
Transfer upon forfeiture of share options	–	(7,942)	7,942	–
Dividends paid to equity holders of the Company (note 11)	–	–	(960,054)	(960,054)
Total transactions with owners	428,877	(96,816)	(952,112)	(620,051)
Balance at 31 December 2017	6,641,202	381,898	(3,049,161)	3,973,939

As at 31 December 2017, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB3,592,041,000 (2016: RMB2,425,337,000).

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Centurion Industries Limited	British Virgin Islands	US\$1	100%	-	100%	-	Investment holding
Value Century Group Limited	British Virgin Islands	US\$1	100%	-	100%	-	Investment holding
Geely International Limited 吉利國際貿易有限公司	Hong Kong	2 shares	100%	-	100%	-	Investment holding and export of vehicles outside the PRC
Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd** 浙江福林國潤汽車零部件有限公司	PRC	US\$15,959,200	-	100%	-	100%	Research, production, marketing and sales of automobile parts and related components in the PRC
Linkstate Overseas Limited	British Virgin Islands	US\$1	100%	-	100%	-	Inactive
Luckview Group Limited	British Virgin Islands	US\$1	100%	-	100%	-	Investment holding
Luck Empire Investment Limited 帝福投資有限公司	Hong Kong	1 share	-	100%	-	100%	Investment holding
Zhejiang Kingkong Automobile Parts & Components R&D Company Limited** 浙江金剛汽車零部件研究開發有限公司	PRC	US\$14,900,000	-	100%	-	100%	Research and development of automobile parts and components in the PRC
Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司	PRC	RMB15,000,000	-	99%	-	99%	Sales of automobile parts and components in the PRC
Zhejiang Jirun Automobile Company Limited ("Jirun Automobile")# 浙江吉潤汽車有限公司	PRC	US\$476,636,575	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Maple Guorun Automobile Company Limited# 上海華普國潤汽車有限公司	PRC	US\$121,363,600	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

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39. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Geely Holding Group Automobile Sales Company Limited [†] 浙江吉利控股集團汽車銷售有限公司	PRC	RMB60,559,006	-	99%	-	99%	Marketing and sales of vehicles in the PRC
Geely International Corporation [†] 上海吉利美嘉峰國際貿易股份有限公司	PRC	RMB100,000,000	-	99%	-	99%	Export of vehicles outside the PRC
Zhejiang Geely Automobile Research Institute Limited [†] 浙江吉利汽車研究院有限公司	PRC	RMB30,000,000	-	99%	-	99%	Research and development of vehicles and related automobile components in the PRC
Shanghai Maple Automobile Sales Company Limited [†] 上海華普汽車銷售有限公司	PRC	RMB20,000,000	-	99%	-	99%	Marketing and sales of vehicles in the PRC
Zhejiang Ruhoo Automobile Company Limited [†] 浙江陸虎汽車有限公司	PRC	RMB418,677,000	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Kingkong Automobile Company Limited [†] (note) 浙江金剛汽車有限公司	PRC	RMB413,000,000	-	-	-	99%	Research, development, production and sales of vehicles and related automobile components in the PRC
Shanghai Jicing Mechanical and Electrical Equipment Company Limited [†] 上海吉茨寧機電設備有限公司	PRC	RMB20,000,000	-	99%	-	-	Not yet commenced business
Ningbo Jining Automobile Parts and Components Company Limited [†] 寧波吉寧汽車零部件有限公司	PRC	RMB20,000,000	-	99%	-	-	Not yet commenced business
Hunan Geely Automobile Components Company Limited [†] 湖南吉利汽車部件有限公司	PRC	US\$88,500,000	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Shanghai Jichong Power Technology Company Limited [†] 上海吉聰動力技術有限公司	PRC	RMB80,000,000	-	99%	-	99%	Research and development of electric hybrid engines in the PRC
Zhejiang Vision Auto-parts Fittings Company Limited [†] 浙江遠景汽配有限公司	PRC	RMB50,000,000	-	99%	-	99%	Procurement of automobile parts and components in the PRC
Chengdu Gaoyuan Automobile Industries Company Limited [†] 成都高原汽車工業有限公司	PRC	RMB50,000,000	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Hunan Luoyou Engine Components Company Limited [†] 湖南羅佑發動機部件有限公司	PRC	RMB150,000,000	-	99%	-	99%	Production of automobile components in the PRC
Jinan Geely Automobile Company Limited [†] 濟南吉利汽車有限公司	PRC	RMB360,000,000	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and sales of related automobile components in the PRC
Jinan Geely Automobile Parts and Components Company Limited [†] 濟南吉利汽車零部件有限公司	PRC	RMB10,000,000	-	99%	-	99%	Research, development, production, marketing and sales of related automobile components in the PRC
Ningbo Vision Automobile Parts and Components Company Limited [†] 寧波遠景汽車零部件有限公司	PRC	RMB96,000,000	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Baoji Geely Engine Company Limited [†] 寶雞吉利發動機有限公司	PRC	RMB300,000,000	-	99%	-	-	Research, development, production and sales of vehicle engines and related after- sales parts in the PRC
Ningbo Shangzhongxia Automatic Transmission Company Limited [†] 寧波上中下自動變速器有限公司	PRC	RMB1,000,000,000	-	99%	-	-	Research, development, production and sales of transmissions and related after- sales parts in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Yili Automobile Components Company Limited [#] 浙江義利汽車零部件有限公司	PRC	RMB500,000,000	-	99%	-	-	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC
Fewin S.A.	Uruguay	US\$8,010,418	-	100%	-	100%	Marketing and sales of vehicles in South America
Limited Liability Company "Borisov Engine Plant (Geely)"	Belarus	BYN1,000,000	-	51%	-	-	Production, marketing and sales of vehicles in Belarus
Limited Liability Company "Geely Motors"	Russia	Russian Rouble 10,000	-	99%	-	99%	Marketing and sales of vehicles in Russia
Zhejiang Fengrui Engine Company Limited [#] 浙江鋒銳發動機有限公司	PRC	RMB100,000,000	-	99%	-	99%	Production of automobile engines in the PRC
Zhejiang Geely Luoyou Engine Company Limited [#] 浙江吉利羅佑發動機有限公司	PRC	RMB500,000,000	-	99%	-	99%	Production of automobile engines in the PRC
Ningbo Geely Vision Auto-parts Fittings Company Limited [#] 寧波吉利遠景汽配有限公司	PRC	RMB10,000,000	-	99%	-	99%	Not yet commenced business
Geely Ukraine, LLC	Ukraine	Ukrainian hryvnia 61,000	-	99%	-	99%	Not yet commenced business
Ningbo Geely Luoyou Engine Components Company Limited [#] 寧波吉利羅佑發動機零部件有限公司	PRC	RMB282,800,000	-	99%	-	99%	Production of automobile components in the PRC
Taizhou Geely International Corporation (formerly known as Taizhou Geely International Limited) [#] 台州吉利汽車銷售有限公司 (前稱台州吉利美嘉峰貿易有限公司)	PRC	RMB10,000,000	-	99%	-	99%	Export of vehicles outside the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows (Continued):

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2017		Percentage of equity interests held in 2016		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Xiangtan Geely International Limited [†] 湘潭吉利美嘉峰貿易有限公司	PRC	RMB10,000,000	-	99%	-	99%	Export of vehicles outside the PRC
Zhejiang Jirun Chunxiao Automobile Components Company Limited [†] 浙江吉潤春曉汽車部件有限公司	PRC	RMB1,100,000,000	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi New Energy Automobile Sales Company Limited [†] 山西新能源汽車銷售有限公司	PRC	RMB5,000,000	-	99%	-	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Sales Company Limited [†] 寶雞吉利汽車銷售有限公司	PRC	RMB5,000,000	-	99%	-	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Components Company Limited [†] 寶雞吉利汽車部件有限公司	PRC	RMB700,000,000	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi Geely Automobile Components Company Limited [†] 山西吉利汽車部件有限公司	PRC	RMB600,000,000	-	99%	-	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Geely International Limited [†] 浙江吉利汽車國際貿易有限公司	PRC	RMB10,000,000	-	99%	-	99%	Export of vehicles outside the PRC
Geely Automobile Research Institute (Ningbo) Company Limited [†] 吉利汽車研究院(寧波)有限公司	PRC	RMB30,000,000	-	99%	-	99%	Research and development of vehicles and related automobile components in the PRC
Ningbo Geely International Limited [†] 寧波吉利汽車國際貿易有限公司	PRC	RMB10,000,000	-	99%	-	-	Not yet commenced business

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

Note : This subsidiary has been disposed of during the year. Further details are disclosed in note 30(a).

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

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For the year ended 31 December 2017

39. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information related to subgroup of Jirun Automobile, the subsidiary of the Group which has material non-controlling interest. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2017	2016
	RMB'000	RMB'000
Non-controlling interest percentage	1%	1%
Non-current assets	24,605,243	12,469,430
Current assets	54,455,627	48,801,393
Current liabilities	(51,106,788)	(43,159,462)
Non-current liabilities	(2,855,173)	(718,214)
Net assets	25,098,909	17,393,147
Carrying amount of non-controlling interest	246,844	169,796
Revenue	112,600,002	64,203,964
Profit for the year	7,695,600	4,085,187
Other comprehensive income/(expense) for the year	9,167	(196,414)
Total comprehensive income for the year	7,704,767	3,888,773
Profit allocated to non-controlling interest	76,956	40,852
Other comprehensive income/(expense) allocated to non-controlling interest	92	(1,964)
Dividend paid to non-controlling interest	–	–
Cash flows generated from operating activities	10,464,756	5,536,060
Cash flows used in investing activities	(10,242,999)	(2,130,104)
Cash flows generated from/(used in) financing activities	314	(72,704)
Net cash inflows	222,071	3,333,252

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For the year ended 31 December 2017

40. EVENT AFTER THE REPORTING DATE

On 18 January 2018, the Company, Barclays Bank PLC, BNP Paribas, Deutsche Bank AG, Hong Kong Branch and UBS AG Hong Kong Branch entered into a subscription agreement in connection with the issue of US\$300,000,000 3.625% bonds due 2023 (the “Bonds Issue”). The estimated net proceeds of the Bonds Issue, after deduction of underwriting discounts and commissions and other offering expenses, amounted to approximately US\$297,500,000 (equivalent to RMB1,909,950,000) and the Group intends to use it to refinance the Group’s certain existing indebtedness and for business development and other general corporate purposes.

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year’s presentation.

CORPORATE INFORMATION

Executive Directors:

Mr. Li Shu Fu (*Chairman*)
Mr. Yang Jian (*Vice Chairman*)
Mr. Li Dong Hui, Daniel (*Vice Chairman*)
Mr. Gui Sheng Yue (*Chief Executive Officer*)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei

Non-executive Director:

Mr. Carl Peter Edmund Moriz Forster

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Audit Committee:

Mr. Lee Cheuk Yin, Dannis (*Committee's Chairman*)
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Remuneration Committee:

Mr. Yeung Sau Hung, Alex (*Committee's Chairman*)
Ms. Wei Mei
Mr. Lee Cheuk Yin, Dannis
Mr. Wang Yang

Nomination Committee:

Mr. Wang Yang (*Committee's Chairman*)
Mr. Gui Sheng Yue
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex

Company Secretary:

Mr. Cheung Chung Yan, David

Auditor:

Grant Thornton Hong Kong Limited

Legal Advisor on Hong Kong Law:

Sidley Austin

Legal Advisor on Cayman Islands Law:

Maples and Calder

CORPORATE INFORMATION

Principal Bankers in Hong Kong (in alphabetical order):

Bank of America, N.A.
China CITIC Bank International Limited
Citibank, N.A., Hong Kong Branch
ING Bank N.A., Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Principal Bankers in the People's Republic of China (in alphabetical order):

Bank of China Limited
China Everbright Bank Company Limited
Industrial Bank Company Limited

Head Office and Principal Place of Business:

Room 2301, 23rd Floor, Great Eagle Centre,
23 Harbour Road, Wan Chai,
Hong Kong
Telephone: (852) 2598 3333
Facsimile: (852) 2598 3399
Email: general@geelyauto.com.hk

Registered Office:

P.O. Box 309, Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

Hong Kong Share Registrars & Transfer Office:

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square,
338 King's Road, North Point
Hong Kong

Investor & Media Relations:

Prime International Consultants Limited

Listing Information:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175

Company's Website:

<http://www.geelyauto.com.hk>



GEELY

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

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