2021

ANNUAL REPORT

# Intelligence that drives us


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)

19th Asian Games Hangzhou 2022

GEELY AUTO

Official Prestige Partner of the 19th Asian Games Hangzhou 2022

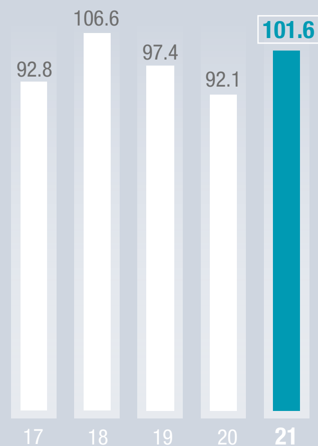
# Contents

# Key Figures

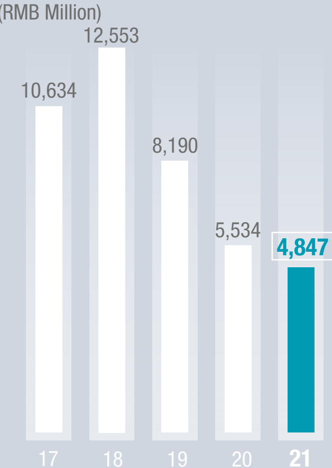
# FIVE YEARS FINANCIAL SUMMARY



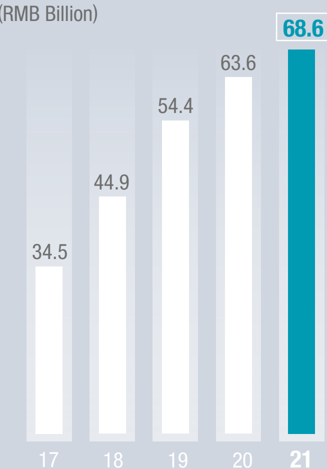
### Revenue
(RMB Billion)




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




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



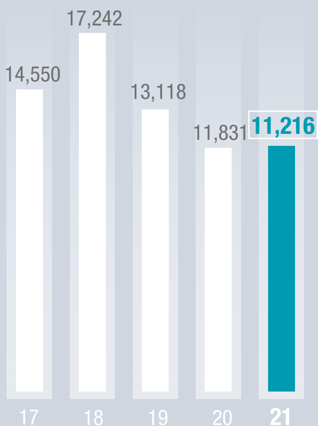

## A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

| | **2021 RMB'000** | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|---|---|
| Revenue | **101,611,056** | 92,113,878 | 97,401,248 | 106,595,133 | 92,760,718 |
| Profit before taxation | **4,665,175** | 6,440,978 | 9,636,268 | 14,958,973 | 12,773,961 |
| Taxation | **(312,167)** | (866,348) | (1,374,910) | (2,284,575) | (2,038,572) |
| Profit for the year | **4,353,008** | 5,574,630 | 8,261,358 | 12,674,398 | 10,735,389 |
| Attributable to: | | | | | |
| Equity holders of the Company | **4,847,448** | 5,533,790 | 8,189,638 | 12,553,207 | 10,633,715 |
| Non-controlling interests | **(494,440)** | 40,840 | 71,720 | 121,191 | 101,674 |
| | **4,353,008** | 5,574,630 | 8,261,358 | 12,674,398 | 10,735,389 |
| Assets and liabilities | | | | | |
| Total assets | **134,341,404** | 110,815,729 | 107,927,578 | 91,460,980 | 84,980,752 |
| Total liabilities | **(64,120,432)** | (46,602,463) | (53,003,112) | (46,086,262) | (50,169,918) |
| Total equity | **70,220,972** | 64,213,266 | 54,924,466 | 45,374,718 | 34,810,834 |
| Represented by: | | | | | |
| Equity attributable to equity holders of the Company | **68,606,146** | 63,631,114 | 54,435,626 | 44,943,977 | 34,467,047 |
| Non-controlling interests | **1,614,826** | 582,152 | 488,840 | 430,741 | 343,787 |
| | **70,220,972** | 64,213,266 | 54,924,466 | 45,374,718 | 34,810,834 |

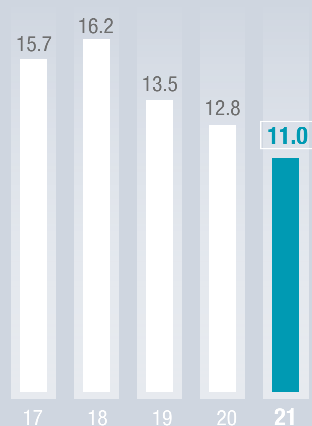
# FIVE YEARS FINANCIAL SUMMARY

## OTHER KEY FINANCIAL FIGURES

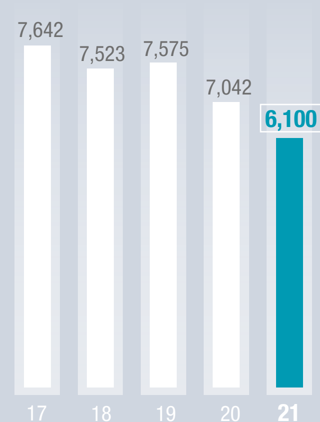
### EBITDA[1]
(RMB Million)



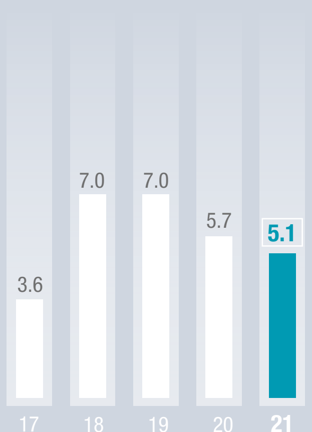

### EBITDA Margin[2]
(%)



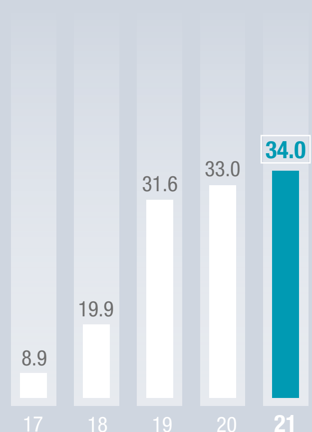

### CAPEX[3]
(RMB Million)




### Total debt[4]/Total capital[5]
(%)




### Total debt/EBITDA
(%)



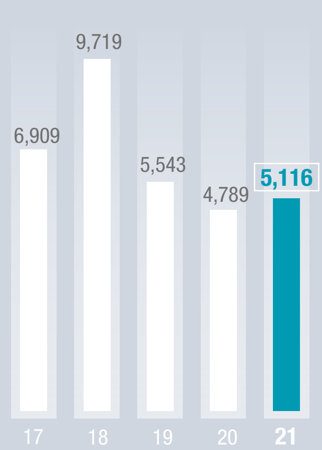

(1) EBITDA is calculated by adding taxes, depreciation and amortisation, and finance cost, excluding other income other than government subsidies to profit for the year.
(2) EBITDA margin is calculated by dividing EBITDA by turnover for the relevant year, expressed as a percentage.
(3) CAPEX includes cash outlays on additions to 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 bonds payable or senior notes.
(5) Total capital includes total non-current borrowings plus total equity.

# FIVE YEARS FINANCIAL SUMMARY



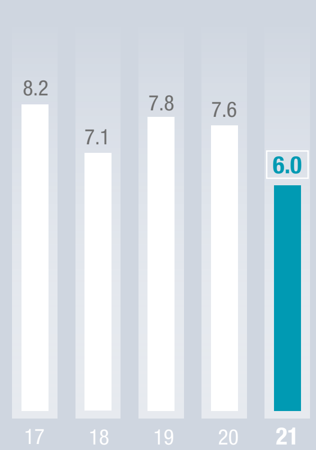
## EBITDA-CAPEX

(RMB Million)

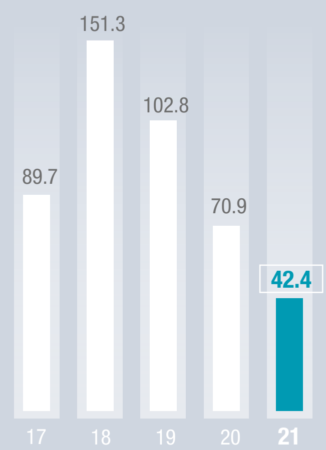



## CAPEX/Revenue

(%)




## EBITDA/Interest expense




| | Formula | 2021 | 2020 | Change in Percentage Increase/ (Decrease) |
|---|---|---|---|---|
| **For the year** | | | | |
| Revenue (RMB'000) | | **101,611,056** | 92,113,878 | 10 |
| Profit attributable to equity holders of the Company (RMB'000) | (1) | **4,847,448** | 5,533,790 | (12) |
| **Per share** | | | | |
| Basic earning per share (RMB) | | **0.48** | 0.56 | (15) |
| Diluted earning per share (RMB) | | **0.48** | 0.56 | (15) |
| Dividend per share (HK$) | | **0.21** | 0.20 | 5 |
| Net asset value (NAV) per share (RMB) | (2)/(5) | **6.85** | 6.48 | 6 |
| **At year end** | | | | |
| Equity attributable to equity holders of the Company (RMB'000) | (2) | **68,606,146** | 63,631,114 | 8 |
| Total assets (RMB'000) | (3) | **134,341,404** | 110,815,729 | 21 |
| Borrowings (including bonds payable) (RMB'000) | (4) | **3,807,877** | 3,909,485 | (3) |
| Number of shares in issue | (5) | **10,018,441,540** | 9,816,626,540 | 2 |
| Share price during the year | | | | |
| – High (HK$) | | **36.45** | 26.40 | 38 |
| – Low (HK$) | | **17.34** | 10.00 | 73 |
| **Financial ratios** | | | | |
| Gearing ratio = (Borrowings/Equity attributable to equity holders of the Company) | (4)/(2) | **5.6%** | 6.1% | (8) |
| Return on total assets | (1)/(3) | **3.6%** | 5.0% | (28) |
| Return on equity attributable to equity holders of the Company | (1)/(2) | **7.1%** | 8.7% | (18) |

# Editorial

# CHAIRMAN'S STATEMENT



OUR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FOR 2021 DECREASED BY **12% FROM 2020 TO RMB4.8 BILLION**, MAINLY DUE TO HIGHER OPERATING AND R&D EXPENSES, AND RECOGNITION OF SHARE-BASED PAYMENTS DURING THE YEAR.

**LI SHU FU**
*Chairman*

## BUSINESS OVERVIEW

We continued to strengthen our leading position in China's passenger vehicle segment during the year, maintaining our positions as the largest indigenous brand vehicle manufacturer and the third largest passenger vehicle brand in terms of sales volume in China, despite the challenge of chip shortage. In 2021, our domestic wholesale volume (including the sales volume# of "Lynk&Co" vehicles sold by our 50%-owned joint venture) fell 3% year-on-year ("YoY") to 1,213,023 units. While our export sales volume continued to grow strongly by 58% YoY to 115,008 units in 2021 as a result of the robust recovery of demand in our major export markets. Overall, our group sold a total of 1,328,031 units of vehicles (including the sales volume# of "Lynk&Co" vehicles sold by our 50%-owned joint venture) in 2021, up 1% from 2020.

During the year, we expanded into the premium intelligent electric vehicle market through the new subsidiary Zeekr Holding. The creation of Zeekr Holding will accelerate our transformation to a new technology company, allowing us to cope with the rapid changes of the automobile industry. In 2021, Zeekr Holding delivered a total of 6,009 units of its first model namely Zeekr 001 since its first delivery in October 2021.

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

## FINANCIAL REVIEW

Our group's financial performance in 2021 was below the management's original expectations primarily due to the global shortage of chip supply during the year. Total revenue increased by 10% to RMB101.6 billion for the year ended 31 December 2021. Total net profit of our group declined 22% from RMB5.6 billion in 2020 to RMB4.4 billion in 2021. After accounting for non-controlling interests, our net profit attributable to equity holders was down 12% from RMB5.5 billion in 2020 to RMB4.8 billion in 2021. Diluted earnings per share was down 15% to RMB0.48. If the non-cash share-based payment expenses were excluded, our net profit attributable to equity holders would have increased by 9% year-on-year to RMB6.1 billion in 2021.

# CHAIRMAN'S STATEMENT


As a result of the continued product mix improvement, our group's average ex-factory selling price ("ASP") during the period increased by 8% as compared to the corresponding period last year. After incorporating the sales of "Lynk&Co" vehicles sold by our 50%-owned joint venture on a proforma basis, our group's combined ASP recorded an increase of 9% year-on-year. Thanks to the product mix improvement, gross profit margin further improved in 2021. During the year, our group continued to generate good operational cash inflow. This, together with the Pre-A round external financing carried out by Zeekr Holding, raised our group's total cash level (bank balances and cash + pledged bank deposits) by 46% to RMB28.0 billion at the end of 2021.

## DIVIDEND

Our board of directors recommended the payment of a final dividend of HK$0.21 (2020: HK$0.20) per share for 2021.

## PROSPECTS

The reform of the automobile industry has started a time window for the adjustments of the industrial chain and the expansion of the ecosystem. Over the next ten years, disruptive technological innovation is going to drive earth-shaking changes in global development, productivity and human life. This should trigger enormous transformation in the global automobile industry and the broader revolution in mobility industry such as the industrial reform and the emergence of powerful newcomers. The next decade will also be a crucial time for the global economic development. A new round of scientific and technological revolution like artificial intelligence, big data, quantum computing, and biotech will take place and bring changes to the industry, giving birth to new paradigms and business models.

During 2022, we will continue to drive our globalization ambition and strategy. Even though this will mean greater challenges, but it will also create greater opportunities for the group. To maintain our presence and sustain our growth, the group needs to act proactively to seize the opportunities created by the current trend of electrification, autonomous driving, connectivity and shared mobility in the automobile industry. Through speeding strategic collaborations with the leading partners around the world together with stronger technological edges through business synergy and technology and resources sharing, the group is moving to build a global industrial value chain and create new edges of the industrial chain that could integrate on-line and off-line platform to provide customers with highly competitive and intelligent mobility services. Our aim is to transform and develop the group into a global mobility technology group that strategically synergizes within its operations, drives revolutionary change in the automobile industry, focuses on user experience and creates value for end-users and society.

The world is changing around us and customer needs are becoming more diverse and complex. If we want to be the disruptor, we must continue to lay a strong foundation and plan ahead. It requires courage and focus on our core strengths. We will strengthen our technological ecosystem, create sustainable competitiveness for our enterprises, and create new value for our users. In 2022, we will continue to prioritize and invest in forward-looking technologies, signified by the unveiling a global leader for highly efficient power solutions, namely Leishen Power and the creation of "Zeekr", a new premium pure electric brand focusing on cutting-edge zero emission products.

In 2022, global technological innovation will enter an unprecedentedly intensive and active period. The new generation of information technology will accelerate its breakthrough and applications, and the automobile industry will usher in greater

# CHAIRMAN'S STATEMENT



changes, which will in turn put greater challenges on the corporate governance structure, technological innovation, talent development, cultural value, etc..

This year, the world will still be in the midst of turbulent change. But the trend towards sustainable development has not changed. The fundamentals for long-term growth have not changed. And opportunities are still all around us. In this regard, we must stay true to our vision, stick to our convictions, take responsibility in combating climate change and achieving carbon neutrality, empower the development of innovative new technologies, and pursue common prosperity for all. Last year, we set an even more challenging goal of achieving carbon neutrality by 2045. Our group is committed to take the "Blue Geely Initiatives" as the core, covering the entire life cycle of the vehicle and building an environmental-friendly mobility ecology that is in line with the future trend of clean, green and sustainable development.

The COVID-19 pandemic since last year has changed the way we live, work and commute, posting significant challenge to everyone but also opening up huge opportunities for those who could transform themselves quickly to cope with the changing needs of their customers. We will take this opportunity to further expand our cooperation with key international partners, speeding up digitalization, driving our growth through innovation and building our future using new technologies.

Given our tremendous achievement in enriching our products portfolio, gaining significant market share and enhancing customer satisfaction in the China market over the past few years, the expansion of "Lynk&Co" business to the European market and the successful launch of our "Zeekr" brand, signifying our initial success in penetrating the premium passenger vehicle market in China, all these together with the recently announced cooperation with the leading global technology groups all over the world make us to believe that the group is on the track to achieve our ultimate goal of the best customer satisfaction. This should allow us to sustain our growth and continue to provide 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*
23 March 2022

# Management Report

# PERFORMANCE & GOVERNANCE



## OVERALL PERFORMANCE

The sales performance of Geely Automobile Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") recorded 3% decline in sales volume in the China market from 2020, compared with 2% year-on-year ("YoY") increase in wholesale volume of the overall China's passenger vehicle market in 2021 according to China Association of Automobile Manufacturers ("CAAM"). While the export sales volume of the Group continued to grow strongly by 58% YoY to 115,008 units in 2021, compared with 110% YoY increase in China's overall vehicle exports according to CAAM. Overall, the Group sold a total of 1,328,031 units of vehicles (including the sales volume# of "Lynk&Co" vehicles sold by the Group's 50%-owned joint venture, namely 領克投資有限公司 (Lynk&Co Investment Co., Ltd. or "Lynk&Co JV")) in 2021, up 1% from 2020 and achieved 87% of the Group's full year sales volume target of 1,530,000 units set earlier in 2021. Despite a 19% YoY surge in its overall sales volume in the first half of 2021, the Group's sales volume entered into a downtrend in the second half of 2021, down 12% from the same period last year. Total revenue increased by 10% to RMB101.6 billion in 2021. Despite the negative impact from global shortage of chips supply and raw material price hikes, gross margin ratio improved during the year primarily due to better product mix (i.e. higher proportion of higher-margin models). The selling and distribution expenses during the year have to be kept at relatively high levels to maintain the competitiveness of the Group's dealers in a highly competitive market. The 38% increase in administrative expenses during the year was primarily due to the increase in total expenses in relation to the research and development activities (as detailed below). Starting from 2021, certain subsidiaries of the Group incorporated in the PRC are entitled to claim 200% (2020: 175%) of their research and development costs for income tax deduction ("Super Deduction"). The 64% decrease in taxation mainly stemmed from the significant increase in the research and development costs and thus the additional tax deductible amount available to the Group under the Super Deduction. The higher operating costs of Zeekr Holding during its early stage of development and recognition of share-based payments also constituted key negative factors for the Group's profitability during the year. As a result, the Group's profit attributable to the equity holders decreased by 12% YoY to RMB4.8 billion in 2021. Diluted earnings per share ("EPS") was down 15% to RMB0.48. If the non-cash share-based payment expenses were excluded, the Group's profit attributable to the equity holders would have increased by 9% YoY to RMB6.1 billion in 2021. In 2021, government grants and subsidies were down 5% to RMB0.73 billion from 2020. 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.

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

# PERFORMANCE & GOVERNANCE

## Acquisition of Changxing Components

On 13 May 2021, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Jirun Automobile"), an indirect 99% owned subsidiary of the Company, entered into an acquisition agreement with 吉利長興新能源汽車有限公司 (Geely Changxing New Energy Automobile Company Limited or "Changxing New Energy"), which is an indirect 70% owned subsidiary of Geely Holding, pursuant to which Jirun Automobile agreed to acquire, Changxing New Energy agreed to sell, the entire registered capital of 長興吉利汽車部件有限公司 (Changxing Geely Automobile Components Company Limited or "Changxing Components"), for a cash consideration of approximately RMB2,534.7 million.

The consideration for the acquisition of Changxing Components was determined after arm's length negotiations between Jirun Automobile and Changxing New Energy with reference to (i) the net asset value of Changxing Components prepared under the Hong Kong Financial Reporting Standards ("HKFRS") as at 1 April 2021 of approximately RMB2,534.0 million; and (ii) the valuation premium of the properties entitled to Changxing Components ("Changxing Properties") of approximately RMB0.7 million, being the difference between (a) the market value of Changxing Properties as at 1 April 2021 as stated in the independent valuation report of approximately RMB2,694.9 million; and (b) the carrying value of the Changxing Properties of approximately RMB2,694.2 million as at 1 April 2021. Upon completion of the acquisition in July 2021, Changxing Components becomes an indirect subsidiary of the Company and its financial results are consolidated into the consolidated financial statements of the Group.

The acquisition of Changxing Components will enhance the production capabilities of the Group to manufacture a new sedan model under Geely brand. The new models to be built by Changxing Components will further expand the Group's products offering and enhance the overall competitive strength of the Group's products in the market.

## Formation of joint venture with Sunwoda and Geely Holding Automobile to engage in the development, production and sales of hybrid battery cells, battery modules and battery packs

On 27 July 2021, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Jirun Automobile"), an indirect 99% owned subsidiary of the Company, entered into a joint venture agreement with 欣旺達電動汽車電池有限公司 (Sunwoda Electric Vehicle Battery Co., Ltd. or "Sunwoda") and 吉利汽車集團有限公司 (Geely Automobile Group Company Limited or "Geely Holding Automobile", a wholly owned subsidiary of Geely Holding), pursuant to which the parties agreed to form the joint venture to engage in the development, production and sales of hybrid battery cells, battery modules and battery packs.

Pursuant to the joint venture agreement, the registered capital of the joint venture is RMB100 million, and to be contributed as to 41.50%, 30% and 28.50% by Jirun Automobile, Sunwoda and Geely Holding Automobile, respectively. Upon the completion of the formation of the joint venture, the financial results of the joint venture are accounted for using the equity method in the consolidated financial statements of the Group.

The establishment of the joint venture leverages on the strength, resources and expertise of all parties in the manufacturing of batteries for new energy vehicles in the PRC, which in turn ensures a stable supply of the electric vehicle batteries to the Group. In line with the government's initiative in transforming and upgrading vehicle by using energy-saving technology, the Group has been making efforts in developing vehicles which could reduce carbon emission and conserve more energy. The Company believes through establishment of the joint venture, the Group will enhance its supply chain capability and effectively reduce costs.

### Subscription for series B preference shares in ECARX

On 7 September 2021, the Company entered into a subscription agreement with ECARX Holdings Inc. ("ECARX") and ECARX stakeholders, pursuant to which the Company agreed to subscribe for (directly or through its designated affiliate), and ECARX agreed to allot and issue 4,321,521 series B preference shares for a cash consideration of approximately US$50 million.

The cash consideration for the series B preference shares paid by the Company was approximately US$50 million, which was determined with reference to the appraised value of ECARX as at 18 June 2021 based on market approach according to the business valuation report prepared by an independent valuer. The cash consideration for the subscription was funded by the Group's internal financial resources.

ECARX is an automotive intelligence technology company. The Company believes that automotive intelligence will become one of the main trends in the development of the global automobile industry. As a vehicle intelligence full-spectrum solution provider, ECARX has the capabilities of system on chips (SoCs), computing systems, cockpit operating system, software and autonomous driving, and it provides automotive intelligence related products and services including vehicle chip-sets, end-to-end automotive smart cockpit solutions, vehicle intelligent software, ecological products, etc.. The Company expects ECARX will turn around from loss making in the future by benefiting from the strong demand of automotive intelligence services in China.

At present, there are only a few intelligent solution providers in the market that also cover full-spectrum of automotive intelligence products and services. The Company believes that the subscription would provide the Company a valuable opportunity to set foot in the field of automotive intelligence services which also align with the Company's long-term strategy in relation to the creation of an intelligent technology ecology.

### Assets transfer between the Company and Geely Holding

On 15 October 2021, the Company entered into an assets transfer agreement with 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited or "Geely Holding", together with its subsidiaries, collectively the "Geely Holding Group") pursuant to which (i) the Group agreed to purchase and the Geely Holding Group agreed to sell the assets (or Target Assets I which comprise predominantly equipment for use in the Group's research and development for the Lynk&Co-branded, Zeekr-branded and Geely-branded vehicles related products such as vehicles engines and transmissions, as well as a small amount of office equipment and software system) for a maximum cash consideration of approximately RMB632.8 million; and (ii) the Group agreed to sell and the Geely Holding Group agreed to purchase the assets (or Target Assets II which comprise vehicle testing related machinery and equipment which are idle for use) for a maximum cash consideration of approximately RMB357.9 million.

# PERFORMANCE & GOVERNANCE

The maximum considerations for these assets (i.e. Target Assets I & Target Assets II) were determined after arm's length negotiations between the Company and Geely Holding and are equivalent to the aggregate carrying value of these assets as at 31 July 2021. It is expected the consideration for the acquisition of the Target Assets I will be funded by the internal resources of the Group.

As part of the business planning of the Geely Holding Group and the Group, the vehicle engines, transmission and vehicle styling related research and development ("R&D") activities has been undertaken by the Group. The Target Assets I to be acquired by the Group will facilitate the vehicle engines, transmission and vehicle styling related R&D work for Lynk&Co-branded, Zeekr-branded and Geely-branded vehicles and also support further upgrade on both hardware and software side of the Group's R&D technology.

For the transfer of Target Assets II to the Geely Holding Group, the Company considers that the Target Assets II are not being fully utilized due to their idle condition. It is expected such transfer not only will reduce the depreciation and maintenance costs borne by the Group, but also will bring in proceeds as the Group's working capital.

### Formation of Livan Automotive with Lifan Technology to engage in the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles)

On 13 December 2021, the Company entered into an investment cooperation agreement with (力帆科技(集團)股份有限公司 (Lifan Technology (Group) Company Limited or "Lifan Technology"), pursuant to which the parties agreed to form the joint venture to engage in the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles).

Pursuant to the investment cooperation agreement, the registered capital of the joint venture is RMB600 million, and to be contributed as to 50% by the Company (or its designated entity) and as to 50% by Lifan Technology (or its designated entity). Upon the completion of the formation of the joint venture, the financial results of the joint venture are accounted for using the equity method in the consolidated financial statements of the Group.

The establishment of the joint venture is based on the principle of "complementary advantages, mutual support, long-term co-operation and common development", with the ultimate goal of jointly promoting the transformation and upgrade of Lifan Technology's automobile industry through research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles), which will promote a rapid increase in the overall market share of its products in the passenger vehicle market. Meanwhile, the joint venture enables a continuation of promoting the upward development of the Geely brand and form a complete coverage of different levels of the mainstream market through the combination and layout of various brands.

On 24 January 2022, the joint venture has completed the industrial and commercial registration procedures and obtained the business license under the name of 重慶睿藍汽車科技有限公司 (Chongqing Livan Automotive Technology Company Limited* or "Livan Automotive") issued by the Market Supervision and Administration Bureau of Liangjiang New District, Chongqing, the PRC. Livan Automotive will launch a variety of powertrain products in the future. Based on self-developed battery swapping technology, Livan Automotive is committed to creating an intelligent battery swapping ecosystem and providing the market with competitive battery swapping products and services.

### Creation of Zeekr Holding to compete in the highly competitive intelligent electric vehicle market

On 23 March 2021, the Company entered into the framework agreement with Geely Holding, pursuant to which the Company and Geely Holding agreed to form a joint venture company ("JV Company") to engage in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the Zeekr brand and the provision of service relating thereto in the PRC.

Pursuant to the framework agreement, the JV Company issued 2 billion shares. The Company and Geely Holding made capital contributions of RMB2 billion in total and subscribed for 51% (representing RMB1.02 billion or its US$ equivalent) and 49% (representing RMB980 million or its US$ equivalent) of the total shares to be issued by the JV Company, respectively. After its formation in late March 2021, the JV Company becomes a subsidiary of the Company, and its financial results are consolidated into the consolidated financial statements of the Group. The capital contribution for the Group's interests in the JV Company was funded by internal cash reserve of the Group.

The JV Company, namely Zeekr Intelligent Technology Holding Ltd. ("Zeekr Holding"), together with its subsidiaries ("JV Group") thoroughly consolidates the initial layout and incubated intelligent and electrified technologies of the joint venture parties ("JV Parties"), and strategically lays out the intelligent electric vehicles and its upstream and downstream industrial chain to further improve the users' experience and customer satisfaction with digitalized and intelligentized services. The JV Group focuses on the research and development of such advanced technologies like technologies used for electric vehicles, technologies used for "power batteries, electric engines and electronic control systems", other relevant upstream and downstream technologies for intelligent electric vehicles.

Subsequent to the formation of Zeekr Holding on 31 March 2021, the following restructuring and acquisitions were announced by Zeekr Holding to facilitate the commencement of full operation by the JV Group before the end of 2021:

#### Injection of Zeekr Automobile (Shanghai) into Zeekr Holding

On 28 April 2021, Value Century Group Limited ("Value Century") and 浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts Company Limited or "Zhejiang Fulin"), wholly owned subsidiaries of the Company, entered into a disposal agreement with 上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited or "Shanghai Maple") and Zeekr Holding, pursuant to which Zeekr Holding agreed to acquire through its indirect wholly foreign-owned subsidiary, and Value Century, Zhejiang Fulin and Shanghai Maple (collectively, "Zeekr Automobile (Shanghai) Vendors") agreed to sell, their respective 91%, 8% and 1% equity interest(s) of 極氪汽車(上海)有限公司 "Zeekr Automobile (Shanghai) Company Limited* or "Zeekr Automobile (Shanghai)", previously known as 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Ltd. or "Maple Guorun")), for a cash consideration of approximately RMB980.4 million in total.

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The total consideration for the disposal of Zeekr Automobile (Shanghai) was determined after arm's length negotiations between Zeekr Holding and Zeekr Automobile (Shanghai) Vendors with reference to the net asset value of Zeekr Automobile (Shanghai) prepared under the HKFRS as at 1 April 2021 of approximately RMB980.4 million.

Following the completion of the disposal, Zeekr Automobile (Shanghai) continues to be a subsidiary of the Company and its financial results continues to be consolidated into the consolidated financial statements of the Group. As the disposal of Zeekr Automobile (Shanghai) does not lead to a loss of the Group's control over Zeekr Automobile (Shanghai), such disposal does not result in the recognition of any gain or loss in the consolidated income statement of the Group.

### Acquisition of Zeekr Automobile from Geely Holding

On 28 April 2021, Zeekr Automobile (Shanghai) entered into an acquisition agreement with 吉利汽車集團有限公司 (Geely Automobile Group Company Limited or "Geely Holding Automobile"), pursuant to which Zeekr Automobile (Shanghai) agreed to acquire, and Geely Holding Automobile agreed to sell, the entire registered capital of 極氪汽車(寧波杭州灣新區)有限公司 (前稱「寧波極氪智能科技有限公司」) (Zeek Auto (Ningbo Hangzhou Bay New Zone) Company Limited or "Zeekr Automobile"), for a cash consideration of approximately RMB485.3 million.


The consideration for the acquisition of Zeekr Automobile was determined after arm's length negotiations between Zeekr Automobile (Shanghai) and Geely Holding Automobile with reference to the net asset value of Zeekr Automobile prepared under the HKFRS as at 1 April 2021 of approximately RMB485.3 million. Upon completion of the acquisition in July 2021, Zeekr Automobile becomes an indirect subsidiary of the Company and its financial results are consolidated into the consolidated financial statements of the Group.

### Zeekr Automobile (Shanghai) and Zeekr Automobile under Zeekr Holding

Upon completion of the acquisition of Zeekr Automobile (Shanghai) by Zeekr Holding, Zeekr Automobile (Shanghai) becomes as an investment holding company under Zeekr Holding to consolidate assets required for the establishment of an intelligent vehicle ecosystem. The acquisition of Zeekr Automobile, which owns the technologies used for a new electric vehicle model under the Zeekr brand (i.e. Zeekr 001 model), will form the initial step for the Zeekr Holding Group (which comprises Zeekr Holding and its subsidiaries) to implement its plan. Upon completions of the acquisitions of Zeekr Automobile (Shanghai) and Zeekr Automobile in August 2021 and July 2021, respectively, the Zeekr Holding Group possesses the technologies for further development of the Zeekr 001 model.

### Acquisitions of CEVT and Haohan Energy and Subscription of Ningbo Viridi

On 2 July 2021, Zeekr Holding and group members of Geely Holding entered into the following three agreements:

- The CEVT Acquisition Agreement

Zeekr Holding, a 51% owned subsidiary of the Company, entered into the CEVT acquisition agreement with 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited or "Zhejiang Geely"), an approximately 71% owned subsidiary of Geely Holding, pursuant to which Zeekr Holding agreed to acquire 100% equity interests in CEVT for a cash consideration of approximately SEK1,057.8 million, which was arrived at after arm's length negotiations between Zhejiang Geely and Zeekr Holding with reference to the appraised value for 100% equity interests of CEVT as at 30 April 2021 as determined by an independent valuer based on the assets approach. Upon completion of the acquisition, CEVT will become a wholly owned subsidiary of Zeekr Holding and its financial results will be consolidated into the consolidated financial statements of the Group. At the end of 2021, the acquisition of CEVT was still pending upon the completion of the relevant outward direct investment (ODI) filing in the PRC.

CEVT is a world-class automotive research and development institute located in Sweden. It has a complete research and development system for the development of new energy vehicles including but not limited to the functions of automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and the provision of mobility technology solutions. After the acquisition of CEVT, Zeekr Holding Group could greatly increase the speed of update and iteration of the vehicles under Zeekr brand vehicles, and provide continuous and stable technical support for product research and development.

- The Haohan Energy Acquisition Agreement

Zeekr Holding entered into the Haohan Energy acquisition agreement with Geely Holding Automobile, a wholly owned subsidiary of Geely Holding, pursuant to which Zeekr Holding agreed to acquire through a subsidiary 30% of the equity interests in 浙江浩瀚能源科技有限公司 (Zhejiang Haohan Energy Technology Company Limited or "Haohan Energy") for a cash consideration of approximately RMB9.0 million, which was arrived at after arm's length negotiations between Geely Holding Automobile and Zeekr Holding with reference to the appraised value for 100% equity interests of Haohan Energy as at 30 April 2021 as determined by an independent valuer using the assets approach. Upon completion of acquisition in December 2021, the financial results of Haohan Energy are accounted for using the equity method in the consolidated financial statements of the Group.

Haohan Energy is mainly engaged in the research and development of automobile charging facilities and technologies, provision of automobile charging services and operation of automobile charging points and network, focusing on the development on charging services under different situations, including at home, on a road trip and mobile rescue. It is believed that it is an industry norm for new energy automobile manufacturers to invest in automobile charging facilities and technology, as customers are increasingly considering the importance of automobile charging services. Such services form an integral part for providing a greater level of convenience and comfort to the customers. Considering the heavy maintenance and depreciation expenses incurred for operating the automobile charging facilities, the acquisition of 30% equity interests in Haohan Energy through the Zeekr Holding Group will provide an opportunity for the Group to benefit from this growing segment in an asset-light way.

- The Ningbo Viridi Subscription Agreement

Zeekr Holding entered into the Ningbo Viridi subscription agreement with 浙江吉創汽車零部件有限公司 (Zhejiang Jichuang Automobile Parts Company Limited or "Zhejiang Jichuang") and 威睿電動汽車技術(寧波)有限公司 (Viridi E-Mobility Technology (Ningbo) Co., Ltd. or "Ningbo Viridi"), each a wholly owned subsidiary of Geely Holding pursuant to

# PERFORMANCE & GOVERNANCE

which Zeekr Holding agreed to subscribe through a subsidiary for additional capital in Ningbo Viridi at a cash consideration of approximately RMB860.7 million.

The consideration for the subscription of Ningbo Viridi at approximately RMB860.7 million was arrived at after arm's length negotiations among Zeekr Holding, Zhejiang Jichuang and Ningbo Viridi based on 51% equity interests in Ningbo Viridi on a post-subscription basis, which was determined with reference to the (i) appraised value of Ningbo Viridi as at 30 April 2021 as determined by an independent valuer using the assets approach; (ii) the 49% equity interests in Ningbo Viridi owned by Zhejiang Jichuang after the Ningbo Viridi Subscription; and (iii) the 51% equity interests in Ningbo Viridi subscribed by Zeekr Holding in the subscription of Ningbo Viridi. Upon completion of the subscription in October 2021, Zeekr Holding and Zhejiang Jichuang hold 51% and 49% of the enlarged share capital of Ningbo Viridi, respectively, and Ningbo Viridi is accounted for as a non-wholly owned subsidiary of the Company and its financial results are consolidated into the consolidated financial statements of the Group.

Ningbo Viridi is engaged in the research, development, production and sale of electric powertrain and battery systems and related components, and the provision of after-sales services. Throughout the development process of electric vehicles, electric powertrain and battery systems are considered the core elements for the electric vehicle, as the level of performance and duration of the batteries directly affect the driving range and safety of the electric vehicles. By acquiring and consolidating Ningbo Viridi, the Zeekr Holding Group will benefit from having a continuous and stable supply of the electric powertrain and battery systems which are the key to the manufacture and sale of vehicles under Zeekr brand.

### Pre-A round external financing of Zeekr Holding

On 27 August 2021, Zeekr Holding entered into a share purchase agreement ("Pre-A share purchase agreement") and five investors, pursuant to which such investors agreed

to subscribe for and purchase from Zeekr Holding, and Zeekr Holding agreed to issue and allot to such investors, in aggregate, 126,470,585 series Pre-A preferred shares, at the total consideration of US$500,000,000 ("Pre-A round external financing"). Each of the investors is an independent third party. Zeekr Holding and its subsidiaries are principally engaged in the business relating to design, research and development, sales, and after-sale services of new energy vehicles (including the intelligent electronic vehicles manufactured and marketed under the Zeekr brand) and other ancillary business incidental or related thereto, or derived therefrom.

Leveraging on the introduction of well recognized investors that are market leaders in their respective industry, it promotes the market image of Zeekr Holding, which in turn promotes the future prospects of Zeekr Holding. This is a first step for Zeekr Holding to establish an ecosystem where all participants' interests are aligned, and opens doors for more strategic cooperation among Zeekr Holding and its partners. In addition, investors' investments represent an opportunity to raise capital for Zeekr Holding while broadening its investor base for the expansion and development of its business in the rapidly developing industry of electric vehicles. The Group would continue to explore suitable investments from other investors to develop the business of Zeekr Holding.

### Acquisition of additional interests in Zeekr Holding

On 18 October 2021, as part of the business strategic planning of the Group, the Company entered into a framework agreement with Geely Group Limited pursuant to which the Company proposed to acquire 220,000,000 ordinary shares of Zeekr Holding from Geely Group Limited for a consideration to be agreed between the parties.

Following the framework agreement, on 29 October 2021, the Company entered into a share purchase agreement with Geely Group Limited, pursuant to which the Company or its nominee (which will be a subsidiary of the Company), agreed to purchase, and Geely Group Limited agreed to sell, the 220,000,000 ordinary shares of Zeekr Holding, for a total consideration of approximately RMB5,602.2 million. The Company will settle the consideration as to approximately RMB1,807.4 million by cash and as to the remaining amount (equivalent to approximately RMB3,794.8 million) by the allotment and issue of the 196,410,000 consideration shares at an issue price of HK$23.34 per consideration share. By the end of December 2021. these consideration shares were fully allotted and issued under the specific mandate sought at the Company's extraordinary general meeting held on 17 December 2021.

The consideration was determined after arm's length negotiations between the parties based on (i) the number of 220,000,000 ordinary shares of Zeekr Holding ("Sale Share(s)"); and (ii) the value of Zeekr Holding of US$9.0 billion (equivalent to approximately RMB57.97 billion), representing US$3.95348 (equivalent to approximately RMB25.46) per Sale Share on a fully diluted and as-converted basis, with reference to the following information:

(i) the post-money valuation of approximately US$9.0 billion of Zeekr Holding, based on the consideration agreed among Zeekr Holding and five independent investors in the Pre-A share purchase agreement and the enlarged issued share capital of Zeekr Holding (on a fully diluted and as-converted basis); and

(ii) the appraised value of Zeekr Holding of approximately US$9.05 billion (equivalent to approximately RMB58.28 billion) as at 31 August 2021 based on the valuation conducted by an independent professional valuer engaged by the Company.

Upon completion of acquisition in December 2021, Zeekr Holding remains as a non-wholly owned subsidiary of the Company and its financial results continue to be consolidated with the consolidated financial statements of the Group.

Set out below the reasons for and benefits of the acquisition of further interests in Zeekr Holding:

#### *The showcase of the Company's determination in pioneering electrified and intelligentized vehicles*

As a determined industrial pioneer in the field of electrified and intelligentized vehicles, the Company has been actively promoting electric vehicles. In March 2021, the Company announced the joint establishment of Zeekr Holding with Geely Holding to engage in the research and development, purchase and sale of the electric mobility related products such as intelligent electric vehicles under the Zeekr brand and the provision of service relating thereto in the PRC.

Zeekr brand is the first premium electric vehicle brand of the Group. Unlike other traditional automobile corporations, Zeekr Holding operates with high autonomy and thoroughly consolidate the initial layout and incubated intelligent and electrified technologies of the Geely Holding. Zeekr Holding strategically lays out the intelligent electric vehicles and its upstream and downstream industrial chain to further improve the users' experience and customer satisfaction with digitalized and intelligentized services. Zeekr Holding proposes to focus on the research and development of such advanced technologies like technologies used for electric vehicles, technologies used for "power batteries, electric engines and electronic control systems" and other relevant upstream and downstream

# PERFORMANCE & GOVERNANCE

technologies for intelligent electric vehicles. The formation of Zeekr Holding in March 2021 with the Company owning 51% equity interests has demonstrated the determination of Company in fostering vehicle electrification.

### *The Company as a holder of brand and products with strong potentials*

The first vehicle model of Zeekr, which is developed under the state-of-the-art open-source electric vehicle architecture owned by Geely Holding, has been introduced to the market in April 2021. With the possession of advantages in car performance and energy supplemental systems, the market demand of the first vehicle model of Zeekr has exceeded expectations, representing the strength of Zeekr's brand and products. Based on its current business plan, Zeekr Holding is progressively introducing new models to the market and aiming at capturing significant market share of the global high-end electric vehicle industry, which is expected to provide growth momentum to the Group in the future.

### *Success in capturing strategic capital market interest to realize future business development*

As an independently operating intelligentized automobile company, Zeekr Holding has been actively exploring external financing sources, for the sustainable development of its future business operations. As stated in the Company's announcement dated 27 August 2021, Zeekr Holding has carried out its Pre-A round external financing, with five independent investors from backgrounds including autopilot chips, battery and new consumers industries. On the one hand, the five independent investors of the Pre-A round external financing are all strategic partners of Zeekr Holding, and their introduction to Zeekr Holding enhance the business ideas on full-scale coverage of Zeekr Holding. On the other hand, the success of the Pre-A round external financing is also a showcase of recognition from the industry in Zeekr Holding's long term development.

### *Benefits to the overall development of the Company*

In the course of seeking external financing for Zeekr Holding, the Company has been maintaining its position as the largest controlling shareholder of Zeekr Holding so as to maximize the interests of the Company's shareholders. The acquisition enables to offset the dilutive effect of the Pre-A round external financing and other potential equity financings of Zeekr Holding in the future, which will be conducive to the overall development of the Company through increasing its shareholding in Zeekr Holding. Also, the issuance of the consideration shares as part of the consideration represents the confidence of the controlling shareholder in the prospect of the Company's development, while reserving cash for business operations.

## PROPOSED RMB SHARE ISSUE

Reference is made to the announcements dated 17 June 2020, 24 June 2020, 1 September 2020, 17 September 2020 & 28 September 2020 and the circular dated 6 July 2020 (the "Circular") of the Company in relation to, among other things, the Proposed RMB Share Issue under the Specific Mandate to be listed on the Sci-Tech Board. Unless otherwise stated, terms defined in the Circular shall have the same meanings when used in this section.

In view of the Company's business decisions and strategic adjustments, after careful studies and discussion with the professional parties involved in the Proposed RMB Share Issue and as considered and approved by the Board in the Board meeting held on 25 June 2021, the Company decided to withdraw the application for the Proposed RMB Share Issue on the Sci-Tech Board.

Thanks to the healthy business operation of the Group, withdrawing the application for the Proposed RMB Share Issue on the Sci-Tech Board would not give rise to any material adverse impact on the financial position or operation of the Group. When the relevant conditions are met, the Company would actively promote the listing work of Renminbi share issuance.

## BUSINESS COMBINATION AND COLLABORATION WITH VOLVO CARS

On 24 February 2021, the Company announced that it and Volvo Car AB (publ) ("Volvo Cars") (hereinafter collectively referred to as the "Parties") have found the best combination solution. While maintaining their existing independent corporate structure, the Parties will carry out the following series of business combination and collaboration (hereinafter collectively referred to as "Business Combination and Collaboration" or "Combination Solution"):

- Powertrain

To combine powertrain operations through equity merger in order to provide powertrain products to the Parties and to develop powertrain products and next-generation dual-motor hybrid system (applicable to hybrid electric vehicles and plug-in hybrid electric vehicles) for the Parties. The post-merger powertrain company will commence operation later this year and will offer products and services to other automobile companies.

- Electrification

To jointly develop the next-generation modular electric vehicle architecture for use by the Parties, the "Lynk&Co" brand (an automobile brand operated by a joint venture of the Parties and their substantial shareholder, 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited) ("Geely Holding")) and the Polestar brand (an automobile brand operated by a joint venture of Volvo Cars and Geely Holding), on the basis of the current sharing of two modular electric vehicle architectures, namely Sustainable Experience Architecture (SEA) and Scalable Product Architecture 2 (SPA 2). Also, to share technologies on electrification (including battery packs and electric drive systems) and intelligent connectivity and carry out joint procurement to reduce costs.

- Autonomous driving

To jointly develop advanced autonomous driving solution under the lead of Zenseact AB, an autonomous driving software development company and a subsidiary of Volvo Cars.

- Operational collaboration

The "Lynk&Co" brand was officially launched in Europe at the end of 2020, and will gradually provide its service to global customers through overseas sales channels and after-sales network of Volvo Cars.

Both Parties believe that the above Business Combination and Collaboration is made based on their close collaboration and good synergies in the past 10 years, and is formulated based on the existing foundation in order to cope with tremendous changes in the global automobile industry. This best Combination Solution continues to explore the synergetic business areas of the Parties. While enjoying the advantages of a business combination, the Parties can continue to maintain their existing merits of effective decision-making, capitalize on familiar market segments and regional advantages, and protect the interests of their respective shareholders. Meanwhile, the above Combination Solution could eliminate the uncertainty that will bring to their respective shareholders and potential investors from equity merger of the Parties. In addition, the above Combination Solution will allow the Parties to achieve better sustainable development in their respective business areas, enabling the Parties to truly realize the maximum value of combination synergy and seek maximum return for the respective shareholders of the Parties.

Save for disclosed above, as at the date of this report, no concrete timetable or detailed plans of the above Business Combination and Collaboration have been concluded.

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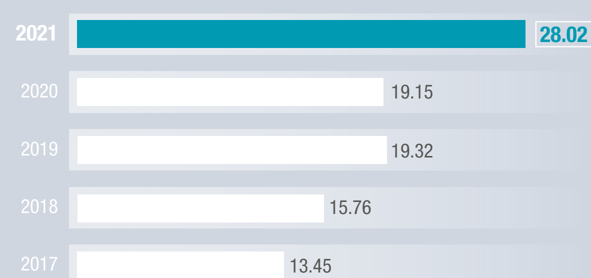
## FINANCIAL RESOURCES

Total capital expenditures on property, plant and equipment, intangible assets (i.e. capitalised product development costs) and land lease prepayments for the Group amounted to RMB6.1 billion in 2021, which was within the budgeted amount of RMB6.5 billion fixed at the beginning of the year. Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB11,093 million to deficit RMB20,483 million at the end of 2021. If excluding the changes in working capital related to the acquisition and disposal of subsidiaries, the working capital increased by RMB5.2 billion in 2021. Starting from 2021, the Group tightened its credit policies given to its dealers and suppliers back to normal levels as the negative impact of COVID-19 subsided, resulting in significant increase in net cash inflows from operating activities. Further, as a result of the good operational cash inflow from the Group's operations and the Pre-A round external financing carried out by Zeekr Holding, the Group's total cash level (bank balances and cash + pledged bank deposits) increased by 46% YoY to RMB28.0 billion at the end of 2021. The Group's total borrowings (included bank borrowings and bonds payable) decreased by 3% to RMB3.8 billion. At the end of 2021, the financial position of the Group remained strong with net cash on hand (total cash level – borrowings – perpetual capital securities) at RMB20.8 billion versus a net cash level of RMB12.6 billion six months ago. At the end of 2021, the Group's total borrowings were solely denominated in US$, which aligned with the currency mix of the Group's revenues from export business. In addition, net notes receivable (notes receivable – notes payable) at the end of 2021 amounted to RMB19.8 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivable with the banks.

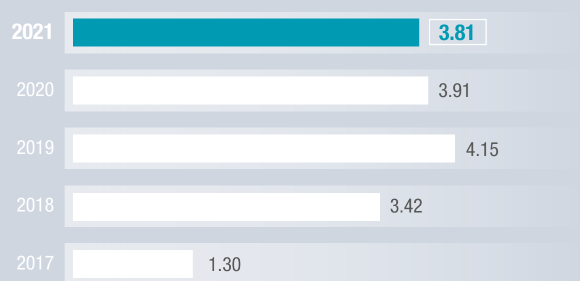
**Cash and Bank Balances (Including Pledged Bank Deposits)**
(RMB Billion) (At 31 December)




The Group has been assigned credit ratings from both Standard & Poor's Ratings Services and Moody's Investors Service. On 6 December 2021, Standard & Poor upgraded corporate credit rating of the Group from "BBB-/Negative" to "BBB-/Stable". Separately, Moody's Investors Service assigned the Group's credit rating as "Baa3" issuer rating with "stable" outlook.

Budgeted capital expenditures (excluding acquisitions through business combinations) of the Group amount to about RMB9.2 billion in 2022, including the funding for the research and development of new vehicle platforms and models and the financing of the expansion and upgrading of production facilities at existing plants. As at the date of this report, the Company has no definite plan or schedule on raising funds in the international capital market.

**Total Borrowings (Including Bonds Payable/Senior Notes)**
(RMB Billion) (At 31 December)




## RESEARCH AND DEVELOPMENT

During the year ended 31 December 2021, the Group recorded a total expense of RMB5,518 million (2020: RMB3,738 million) in relation to its research and development activities and such expense was included in "Administrative expenses" in the consolidated income statement.

Further details were illustrated in the table below:

| | 2021 RMB('000) | 2020 RMB('000) | YoY change (%) |
|---|---|---|---|
| Amortisation of intangible assets (i.e. capitalised product development costs) | **4,225,761** | 3,150,108 | **34** |
| Research and development costs (i.e. not qualified for capitalisation) | **1,292,171** | 588,100 | **120** |
| ***Total research and development costs charged to profit or loss*** | **5,517,932** | 3,738,208 | **48** |

As most of the ongoing research and development projects are for new technologies not yet used in existing products, a large proportion of the relevant expenditures were capitalised, and only amortised to expenses after the products using the technologies were offered to the market.

In 2021, the increase in capitalised product development costs of RMB4.3 billion, included in the intangible assets of the consolidated statement of financial position, is primarily related to vehicle model development. The remaining is for the development of powertrain and new energy vehicle technologies.

## VEHICLE MANUFACTURING

The Group sold a total of 1,328,031 units of vehicles (including the sales volume of "Lynk&Co" vehicles sold by its 50%-owned joint venture, namely the Lynk&Co JV) in 2021, slightly up 1% YoY, primarily driven by the Group's decision to phase out some older models since the beginning of this year, coupled with the global shortage of chip supply in the later part of the year. The majority of the decline happened in the three-month period starting from August 2021, when the impact of the epidemic in some regions and the global shortage of chip supply drastically affected the Group's delivery volume. The Group's sales volume, however, recovered gradually and achieved monthly YoY growth in the last month of the year. In 2021, the Group's sales volume of sedans increased 9% YoY to 510,526 units whilst the SUVs and MPVs decreased 2% and 58% YoY to 805,327 units and 12,178 units, respectively.

The Group's domestic wholesale volume posted a decline of 3% in 2021 to 1,213,023 units, compared to the 2% increase in wholesale volume of the overall China's passenger vehicle market during the year. In terms of 2021 sales volume, the Group ranked number 3 amongst the top ten passenger vehicle manufacturers in China. Export sales volume of the Group increased by 58% to 115,008 units in 2021 and accounted for 8.7% of the Group's total sales volume during the year. The Group's share of China's total export of passenger vehicles, however, decreased from 9.6% in 2020 to 7.1% in 2021 according to the CAAM.

The Group maintained its leading position in indigenous brand vehicle manufacturers in China during the year. In terms of 2021 sales volume, the Group ranked number 7 amongst China's top sedan manufacturers and it ranked number 3 amongst China's top SUV manufacturers in 2021.

The Group's average ex-factory selling price in 2021 increased by 8% as compared to the corresponding period last year as a result of the continued improvement in the product mix during the year. After incorporating the sales of "Lynk&Co" vehicles sold by the Lynk&Co JV on a proforma basis, the Group's combined ASP recorded an increase of 9% YoY.

During the year, Geely brand's recognition was further enhanced due to the launch of China Star product series. In particular, the total sales volume of Xingyue L (with its manufacturer's suggested retail price (MSRP) of over RMB160,000 per unit) exceeded 50,000 units in 2021 even though it was launched in July 2021. Also, the Preface (or Xingrui) sedan recorded a total sales volume of nearly 130,000 units in 2021.Overall, the total sales volume of China Star product series exceeded 200,000 units in 2021, representing around 18% of the total sales volume under Geely brand.

In 2021, the Group continued to strengthen 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, "Geometry" brand (through an independent distribution channel), "Zeekr" brand (through an independent distribution channel under the "Zeekr") and the "Lynk&Co" brand (through an independent distribution channel under the Lynk&Co JV), targeting at different market segments. "Geely" brand is the Group's main stream mass market brand, "Geometry" brand is the Group's pure electric brand, "Zeekr" brand is the Group's latest pure electric premium brand, whereas "Lynk&Co" is a joint-venture brand between the Group and Volvo Car Corporation ("VCC"), which is majority-owned by Geely Holding, targeting at global premium market. By the end of 2021, the Group had more than 996 dealers in China, marketing Geely brand vehicles. The "Geometry" brand had more than 237 dealers in China. Zeekr adopted a different marketing and distribution system in China. It served its customers via 2 Zeekr Centres, 49 Zeekr Spaces and 16 delivery centres in China. The Lynk&Co JV also adopted a different marketing and distribution system in China. It served its customers via 324 Lynk&Co Centres and 6 Lynk&Co Spaces in China.

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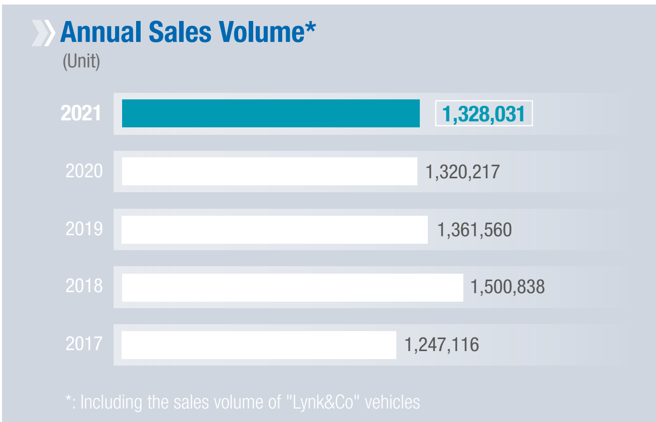


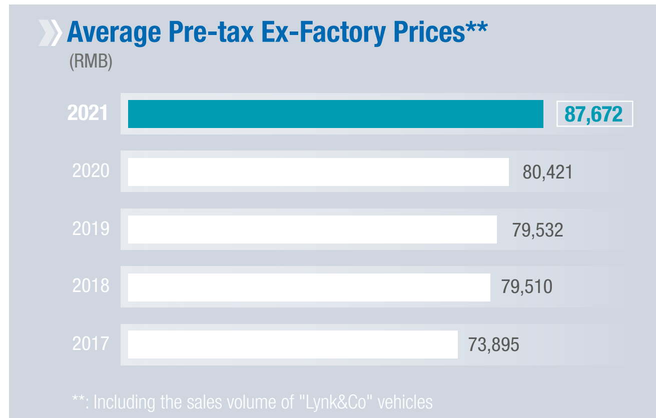


## EXISTING PRODUCTION FACILITIES

| Name | Interests | Usable Annual Production Capacity *(Units Per Double Shift)* | Models |
|---|---|---|---|
| Luqiao plant | 99.0% | 150,000 | Vision X3 |
| Chunxiao plant | 99.0% | 200,000 | Geely Borui, Borui GE MHEV Geely Boyue |
| Xiangtan plant | 99.0% | 240,000 | Vision Series Binyue, Binyue PHEV |
| Baoji plant | 99.0% | 200,000 | Geely Boyue |
| Cixi plants | 99.0% | 180,000 | New Emgrand, Binrui |
| Linhai plant | 99.0% | 300,000 | Emgrand GL, Emgrand GL PHEV Emgrand GS |
| Jinzhong plant | 99.0% | 180,000 | Emgrand GS, Emgrand GSe Geometry A, Geometry C, Geometry EX3 New Emgrand, Emgrand EV |
| Dajiangdong plant | 99.0% | 100,000 | ICON |
| Hangzhou Bay DMA plant | 99.0% | 150,000 | Xingyue, Xingyue PHEV Xingrui |
| Guiyang plant | 99.0% | 150,000 | Jiaji, Jiaji PHEV Haoyue |
| Changxing plant | 99.0% | 100,000 | New Emgrand |
| Total | | 1,950,000 | |

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## NEW ENERGY VEHICLES AND SMART GEELY 2025 STRATEGIES

The Group announced its New Energy Vehicle ("NEV") strategy namely "Blue Geely Initiatives" in November 2015. "Blue Geely Initiatives" is a 5-year campaign demonstrating the Group's dedication in transforming into the industry leader in NEV technologies. The initiatives' target is to ensure that up to 90% of the Group's total sales volume could be in the form of new energy and electrified vehicles ("NEEVs"), which include the electric vehicles ("EVs"), battery electric vehicles ("BEVs"), hybrid electric vehicles ("HEVs"), mild hybrid electric vehicles ("MHEVs") and plug-in hybrid electric vehicles ("PHEVs") by 2020.

Starting from 2021, the implementation of "Blue Geely Initiatives" would be strengthened under two sub-plans, focusing on fuel-efficient vehicles and pure electric vehicles, respectively. The first sub-plan calls for 90% of the Group's total sales volume to be in the form of HEVs, PHEVs and extended-range PHEVs, with the remaining 10% being in the form of compact fuel-efficient internal combustion engine ("ICE") vehicles. While the second sub-plan focuses entirely on pure electric smart vehicles marketed under a brand-new subsidiary, namely "Zeekr", to take part actively in the fast-growing global smart pure electric vehicle market. The revised "Blue Geely Initiatives" should enable the Group to compete more efficiently in the rapidly changing vehicle market globally.

In October 2021, the Group further announced its "Smart Geely 2025" strategy that will continue to keep it at the forefront of the global automotive industry. The release of the "Smart Geely 2025" strategy and the launch of the "Leishen Power" brand represent an acceleration of the Group's goal of becoming a technology-led global automotive group committed to technological innovation and aims to boost the Group's annual sales volume target of 3.65 million units by 2025.
A central element of "Smart Geely 2025" is the launch of the "Leishen Power" brand. "Leishen Power" is positioned as a leading intelligent high-efficiency powertrain solutions provider.

The products of "Leishen Power" include the Leishen Hi-X smart hybrid powertrain platform, high-efficiency hybrid transmissions, high-efficiency dedicated hybrid engines, and a new generation E-Drive motor. Empowered by Leishen Power technologies, the Group aims to offer customers a diverse range of electrified mobility including ultra-reliable HEV, 200 km long range PHEV, and ranged extended models.

At present, the Group has developed an advanced electronic and electrical architecture, namely GEEA2.0, which acts as a central nervous system for vehicles. In the future, GEEA2.0 will evolve to GEEA3.0 opening the door to an era where smart cars are not limited to domain control but also having access to a centralized cloud computing capabilities.

Apart from GEEA2.0, the Group self-developed a smart cockpit central processing unit (CPU), SE1000 (龍鷹一號), which has adopted a 7-nanometer architecture and will enter mass production after passing certification in early 2022. The SE1000 will become the first vehicle SoC in the PRC with a 7-nanometer architecture. In the future, a 5-nanometer integrated vehicle CPU and high computing power autonomous driving chip will be launched to meet the computing needs of high end autonomous drive functions.

Over the next five years, the Group will launch more than 25 new smart vehicle products, opening the doors to a new era of smart mobility under the "Smart Geely 2025" strategy.

In 2021, the Group sold a total of 100,128 units of new energy and electrified vehicles ("NEEV") models (including the sales volume sold by the Lynk&Co JV), up 47% from 2020. The Group's sales volume of NEEVs accounted for 7.5% of its total sales volume in 2021 compared with only 5.2% in 2020. With the launches of more NEEV models in 2022 and the expected promulgation of additional government policies to promote the use of NEEVs in China, it is expected the sales of NEEVs will account for a much higher proportion of our total sales volume in the coming few years.

## NEW PRODUCTS

In 2022, new energy vehicles and SUV models remained the Group's focus in new products offering. In the future, for brand new product launches, new energy version will be offered at the same time as the ICE version. Meanwhile, with the launch of "Leishen Power" in late 2021, being a leading intelligent high-efficiency powertrain solutions provider, the Group will equip the latest "Lei Shen Hi-X hybrid system" (雷神混动系统) for its major vehicle models. According to the Group's preliminary plan, the following new models are expected to be offered to the market in 2022:

Under the "Geely" brand:

- A compact SUV model, developed under the Compact Modular Architecture ("CMA") platform; and
- A compact SUV model, developed under the B-segment Modular Architecture ("BMA") platform.

Under the "Geometry" brand:

- A battery electric vehicle SUV model.

Under the "Zeekr" brand:

- A battery electric vehicle MPV model, developed under the Sustainable Experience Architecture ("SEA") platform.

# PERFORMANCE & GOVERNANCE

Apart from the brand new products and Leishen hybrid vehicles, the Group will also launch several face-lift versions of the existing products with the new 1.5T 4-cylinder engine in 2022.

## GENIUS AFC

Genius Auto Finance Company Limited ("Genius AFC"), the Group's 80%-owned vehicle financing joint-venture with BNP Paribas Personal Finance ("BNPP PF"), is principally engaged in the provision of auto wholesales financing solutions to auto dealers and retail financing solutions to end customers, mainly supporting three key auto brands under Geely Holding Group, including "Geely", "Lynk&Co" and "Volvo Car". Helped by the strong recovery in China's vehicle market after the outbreak of Covid-19 but hit by worldwide chip shortage pressure, Genius AFC's auto finance business eventually exhibited favorable growth for 2021, with 12% YoY increase in the number of new retail financing contracts booking. By the end of 2021, its total outstanding loan assets reached RMB47.7 billion, with 15% YoY increase. With a healthy level of interest rate spread and a relatively low default rate as a result of enhanced sales management and effective risk control, Genius AFC delivered good earnings results with its net profit increasing 45% YoY to RMB1.06 billion for the year ended 31 December 2021.

Despite intensive competitions from commercial banks, Genius AFC still achieved its annual goals by actively managing funding costs and expanding into new business areas. In 2021, Genius AFC actively broadened its diversity on external funds channels including syndicated loans, bilateral bank facilities, and asset-backed security ("ABS"). During 2021, Genius AFC had successfully launched four ABS issuances with cumulative amount of RMB17.4 billion, providing sustainable support to its business growth. In order to fully cooperate with the Group's business strategies, Genius AFC developed new financing solutions for other new brands under the Group like "Zeekr".

On 11 August 2020, BNPP PF served a written notice to the Company on the exercise of the call option pursuant to which, subject to the agreement on the exercise price and other terms, BNPP PF will acquire from the Company such additional equity interest in Genius AFC to increase its equity interest in Genius AFC up to 50%. As at the date of this report, the exercise price of the call option and other terms have not been concluded by the Company and BNPP PF.

## LYNK&CO JV

Lynk&Co JV, the Group's 50%-owned joint venture with VCC and Geely Holding, was incorporated in October 2017 to facilitate the development, manufacture, sales and servicing of high-end passenger vehicles in both the China and international markets under the "Lynk&Co" brand. Positioned as a global brand with the state-of-the-art design and manufacturing capabilities, Lynk&Co JV aims to target at the premium mobility market segment globally through the provision of both passenger vehicles and mobility services. The innovative business model of Lynk&Co JV is supported by new vehicle models developed from Compact Modular Architecture ("CMA"), which is jointly developed by Geely Holding and VCC and licensed to the Lynk&Co JV.

During the year, thanks to the full-period sales volume contribution of "05" & "06" models, Lynk&Co JV recorded a strong 26% YoY growth in total sales volume to 220,516 units.

Apart from the sales volume disclosed above, Lynk&Co JV has started to deliver vehicles to its customers in the European market under its innovative subscription model# since June 2021, and a total of 5,937 units of vehicles were delivered to its subscription customers for the year of 2021.

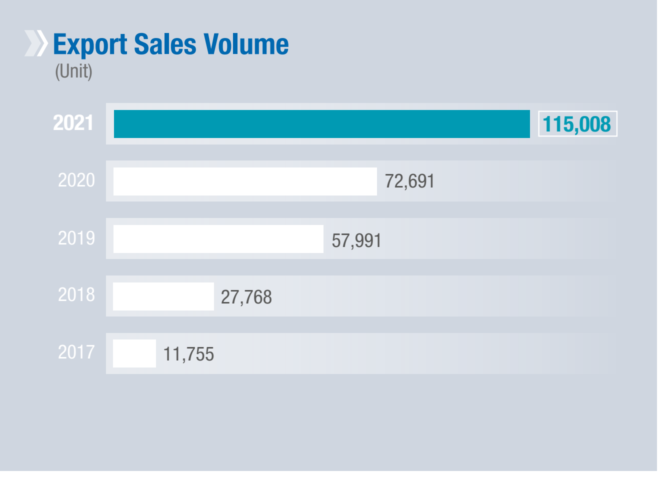
For the year ended 31 December 2021, Lynk&Co JV posted a net profit of RMB700.7 million, up 37% YoY. In view of Chinese consumers' current preference over physical dealer shops to support sales and services, Lynk&Co JV maintains a dealer network in China with 324 stores called "Lynk&Co Centres" and 6 display and customer service centres called "Lynk&Co Spaces" in China at the end of December 2021. Outside China, Lynk&Co JV has 7 Clubs, namely "The Amsterdam Club", "The Antwerp Club", "The Berlin Club", "The Gothenburg Club", "The Hamburg Club" and "The Munich Club" and "The Stockholm Club", offering innovative mobility services to customers in Europe.

*#: Subscription means that consumers use vehicles and ancillary services during the subscription service period through regular payment of vehicle subscription fees, including vehicle insurance, daily maintenance, data services, road assistance, etc..*

## EXPORTS

The Group's export business continued to deliver a strong growth in 2021. This was mainly helped by the robust recovery of demand in its major export markets. The Group exported 115,008 units of vehicles in 2021, up 58% from 2020. Despite this, exports only accounted for 8.7% of the Group's total sales volume during the year. The Group's share of China's total exports of passenger vehicles decreased from 9.6% in 2020 to 7.1% in 2021 according to the CAAM.

Developing countries in the Asia, Eastern Europe and Middle East were the most important export markets of the Group in 2021. 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 2021, the Group exported its products to 29 countries through 29 sales agents and 237 sales and service outlets.



# PERFORMANCE & GOVERNANCE

## OUTLOOK

The intensified competition in China, the rise in raw material prices, other pandemic-related disruptions and global shortage of chip supply have showed no sign of subsiding and should continue to put pressure on the sales performance and profitability of the Group in 2022. Further, Zeekr Holding is still in an earlier stage of development with high operating costs and limited revenues. Longer-term, the shift of demand from conventional vehicles to new energy vehicles ("NEV(s)") and intelligent/connected vehicles and the scheduled relaxation of foreign investment in China's automobile industry over the next few years should represent additional challenges to the Chinese passenger vehicle manufacturers.

On the positive front, the Group maintained its leading position in China's passenger vehicle market. The Group's financial position has strengthened further as a result of the robust operational cash-flow generated over the past few years and new equity fundings raised from a few well-timed equity issues. These should enable the Group to continue its investment for the future and adapt to the dynamic market changes promptly.

In view of the huge challenges ahead, we should stay at our original intention, keep our proven strategy and maintain our competitive edges and the pace for quality sustainable development. The Group will continue to increase the proportion of NEVs in its total sales volume by introducing more competitive NEV products. In addition, we should adhere to the central line of "Smart Geely 2025" strategy, which includes focusing on strategic products like China Star product series, accelerating the layout of NEVs, accelerating the development of intelligent applications and enhancing the ultimate user experience.

Further, the Group will continue to enhance its products portfolio, aiming at improving the overall profitability of such portfolio. The amount of new product offerings should stay at high levels in the coming years, providing sufficient momentum for the Group to sustain growth in the long run.

The Group had almost completed the rebranding and restructuring of its distribution channels in its major export markets. Localisation of production to reduce costs and currency risk has yielded positive results in markets like Malaysia, where customer feedback and demand for the Group's products improved significantly. In a few years' time, exports would not only become a key driver to the Group's growth, but also help to further enhance the Group's economies of scale. In 2022, the Group will go ahead to further expand its export sales to new markets in Southeast Asia, the Middle East and Western Europe.

Major acquisitions in the automobile sector by the Group's parent Geely Holding over the past few years, and its recent strategic collaborations with leading technological partners around the world, have started to create synergies and huge opportunities for the Group in both its existing automobile business and other new business areas. The partnership created by these acquisitions or collaborations should provide the Group substantial opportunities for technologies and costs sharing, economies of scale and new market penetration. Longer-term, these acquisitions or collaborations should provide additional sources for growth for the Group.

The Group's board of directors sets the Group's sales volume target for the year of 2022 at 1,650,000 units (including the sales volume target for "Lynk&Co" vehicles), representing an increase of around 24% from the total sales volume achieved in 2021.

# PERFORMANCE & GOVERNANCE



## 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 2021, the Group's shareholders' funds amounted to approximately RMB68.6 billion (As at 31 December 2020: approximately RMB63.6 billion). The Company issued 5,405,000 ordinary shares upon exercise of share options and 196,410,000 ordinary shares to increase additional interests in its key subsidiary, namely Zeekr Holding during the year.

## EXPOSURE TO FOREIGN EXCHANGE RISK

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

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

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

# PERFORMANCE & GOVERNANCE

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's current ratio (current assets/current liabilities) was about 1.08 (As at 31 December 2020: 1.22) and the gearing ratio of the Group was about 5.6% (As at 31 December 2020: 6.1%) which was calculated on the Group's total borrowings (excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB11,093 million to deficit RMB20,483 million at the end of 2021. If excluding the changes in working capital related to the acquisition and disposal of subsidiaries, the working capital increased by RMB5.2 billion in 2021. Starting from 2021, the Group tightened its credit policies given to its dealers and suppliers back to normal levels as the negative impact of COVID-19 subsided, resulting in significant increase in net cash inflows from operating activities. Further, as a result of the good operational cash inflow from the Group's operations and the Pre-A round external financing carried out by Zeekr Holding, the Group's total cash level (bank balances and cash + pledged bank deposits) increased by 46% year-on-year to RMB28.0 billion at the end of 2021. The Group's total borrowings (included bank borrowings and bonds payable, but excluded perpetual capital securities) decreased by 3% to RMB3.8 billion. Accordingly, it resulted in a slight decrease in current ratio at the end of year 2021 over the previous year.

Total borrowings (excluding trade and other payables and lease liabilities) as at 31 December 2021 amounted to approximately RMB3.8 billion (As at 31 December 2020: approximately RMB3.9 billion) were mainly the Group's borrowings and bonds payable. At the end of 2021, the Group's total borrowings were denominated in United States Dollars (US$). They were well matched by the currency mix of the Group's revenues, which were mainly denominated in US$. For the borrowings, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

## EMPLOYEES' REMUNERATION POLICY

As at 31 December 2021, the total number of employees of the Group was about 44,000 (As at 31 December 2020: 38,000). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme and share awards under the share award schemes adopted by the Group.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES



## EXECUTIVE DIRECTORS

**Mr. Li Shu Fu**, aged 58, 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. Currently, 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 35 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 60, 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 as Vice Chairman of the Board on 1 July 2008 whereas he was appointed as 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 the group including product research and development (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 52, joined the Group in July 2016 as an Executive Director and Vice Chairman of the Board. Mr. Li has been an executive vice president and Chief Financial Officer ("CFO") of Geely Holding since June 2016, and he was appointed as Chief Executive Officer ("CEO") of Geely Holding in November 2020. He also serves as a board member of Geely Holding from April 2011, and a member of the board of directors of Volvo Car Corporation from April 2012. Mr. Li is also a director of certain subsidiaries of the Group. He is responsible for the coordination of the Board, strategic development and financial system of the Group. 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

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

University in the USA with a Master's Degree in Business Administration in 2010 and graduated from the Beijing Institute of Machinery Industry 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 with a Bachelor's Degree in Philosophy in 1991. He is currently the independent non-executive director of YTO Express (International) Holdings Limited (Stock Code of Hong Kong Stock Exchange ("HKEx"): 6123). Mr. Li was 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).

**Mr. Gui Sheng Yue**, aged 58, 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 as the CEO of the Company with effect from 23 February 2006. Mr. Gui was also the chairman of a former wholly-owned subsidiary of the Company. Mr. Gui has over 34 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. He was an independent non-executive director of Goldstone Investment Group Limited (formerly known as Eagle Ride Investment Holdings Limited, Stock Code of HKEx: 901).

**Mr. An Cong Hui**, aged 52, 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 as the president of Geely Holding with effect from 29 December 2011. Mr. An is currently the chairman of Geely Automobile Group Company Limited ("Geely Automobile Group"), the CEO of Zeekr Holding, and 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 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 62, 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 was a non-executive director of Honbridge Holdings Limited (Stock Code of HKEx: 8137), and an independent non-executive director of Beijing Health (Holdings) Limited (formerly known as Beijing Enterprises Medical and Health Industry Group Limited, Stock Code of HKEx: 2389).

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Ms. Wei Mei**, aged 53, 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.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lee Cheuk Yin, Dannis**, aged 51, 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 29 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), CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited, Stock Code of HKEx: 1141), Cathy Media Education Group Inc. (Stock Code of HKEx: 1981) and C&D Property Management Group Co., Ltd (Stock Code of HKEx: 2156). He was an executive director of both United Holding Limited(formerly known as Guojin Resources Holdings Limited, Stock Code of HKEx: 630) and AMVIG Holdings Limited, a non-executive director of Kam Hing International Holdings Limited (Stock Code of HKEx: 2307), and an independent non-executive director of both Meilleure Health International Industry Group Limited (formerly known as U-Home Group Holdings Limited, Stock Code of HKEx: 2327) and Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited).

**Mr. Yeung Sau Hung, Alex**, aged 72, 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 an MBA graduate from the University of Southern California and brings with him more than 39 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.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Mr. An Qing Heng**, aged 77, 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 was the independent director of Yechiu Metal Recycling (China) Limited (A Share Stock Code of Shanghai Stock Exchange: 601388), Liaoning SG Automotive Group Co., Ltd. (A Share Stock Code of Shanghai Stock Exchange: 600303) and Feilong Auto Components Co., Ltd. (formerly known as Henan Province Xixia Automobile Water Pump Co., Ltd., Stock Code of Shenzhen Stock Exchange: 002536).

**Mr. Wang Yang**, aged 47, 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 currently a partner of Primavera Capital Group, and the independent director of Yum China Holdings, Inc. (Stock Code of HKEx: 9987) and the director of Sunlands Technology Group (Stock Code of The New York Stock Exchange: STG). 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.

**Ms. Lam Yin Shan, Jocelyn**, aged 49, joined the Group as an Independent Non-executive Director on 1 November 2021. Ms. Lam has over 25 years of experience as a finance professional and international tax advisor in Canada and Hong Kong. Ms. Lam was the group head of taxation of the Jardine Matheson Group whose shares are listed on the stock exchanges in Singapore, London and Bermuda. Prior to that, she was the head of tax with a prominent family office in Hong Kong after leaving her role as a tax partner of KPMG, an international accounting firm where she spent over 8 years in their Vancouver and Hong Kong offices. She had also worked for over 10 years as an executive director of Goldman Sachs' tax department covering the tax advisory and risk management of the private equity investments, assets management, investment banking, securities and various other business units in the Asia Pacific region. Ms. Lam obtained a Master of Business Administration degree and a Bachelor of Commerce degree from the University of British Columbia in Canada. She is an affiliate member of the Society of Trust and Estate Practitioners (Hong Kong Chapter), and won the Euromoney Group's International Tax Review Editor's Choice of Best In-house Advisor of the Asian Women in Business Award in 2011. She is a member of the certified public accountant institutes in Canada (Province of British Columbia), the United States (Washington State) and Hong Kong.

**Ms. Gao Jie**, aged 47, joined the Group as an Independent Non-executive Director on 1 November 2021. Ms. Gao has extensive global accounting and management experience. Ms. Gao is currently the chief financial officer of Lightspeed China Partners (Funds III and IV, Selected Fund I and RMB Fund I). Prior to that, she held key finance positions (as a finance director of McKinsey Greater China office from 2010 to 2019; as a financial controller of McKinsey China office from 2005 to 2010; and as a project manager of global Enterprise Resources Planning (ERP) system of McKinsey & Company from 2000 to 2005) within McKinsey & Company. Ms. Gao graduated with a Bachelor's degree from the School of Business of Sun Yat-Sen University in 1996, a Master of Business Administration degree in accounting from the Sauders College of Business of Rochester Institute of Technology in 1998, and a Master of Science degree in Information Systems from the Stern School of Business of New York University in 2000. Ms. Gao is a designation holder of Chartered Global Management Accountant (CGMA), a fellow of the Chartered Institute of Management Accountants (FCMA) and a member of American Institute of Certified Public Accountants (USCPA). She is also the chairman of the North Asia Regional Advisory Panel of Association of International Certified Professional Accountants and the advisor of the New York University Shanghai Alumni Group.

## SENIOR MANAGEMENT

**Mr. Gan Jia Yue**, aged 41, joined the Group on 14 February 2003. He has been appointed as CEO of Geely Automobile Group since 23 March 2021. Mr. Gan previously served as vice president of Geely Automobile Group and general manager of Zhejiang Geely Automobile Parts and Components Company Limited. As a core member of the product strategy committee, the investment committee, the procurement committee and the quality committee of Geely Automobile Group, Mr. Gan participated in critical strategic and business decisions. He made extraordinary contribution in enhancing finance management, operation optimisation, organizational transformation and supplier chain construction of Geely Automobile Group. Mr. Gan graduated from Zhengzhou University of Aeronautics with a Bachelor's Degree in Management.

**Mr. Dai Qing**, aged 39, joined Geely in December 2000 and has been appointed as CFO of Geely Automobile Group since December 2020. Mr. Dai is currently in charge of Geely Automobile Group's financial system, operation management, information technology related works. He has extensive experience in financial management and operation management in the automotive industry, having served in Geely Holding's headquarter and several subsidiaries in financial management. Mr. Dai obtained an Executive Master's Degree in Professional Accountancy from the Chinese University of Hong Kong.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Mr. Cheung Chung Yan, David**, aged 46, joined the Group as the Financial Controller and Company Secretary on 17 May 2005. Mr. Cheung was also a director of 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 24 years of experience in auditing, accounting and financial management.

**Mr. Poon Chi Kit**, aged 42, 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 is also the Head of Environmental, Social and Governance of the Company and supports the Sustainability Committee of the Company to promote the Group's sustainable development. Mr. Poon 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 16 years of experience in auditing, accounting and financial management.

**Mr. Chiu Yeung, Adolph**, aged 37, joined the Group on 18 August 2010 as a management trainee in support of the senior management and the Board. He was appointed as 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. Mr. Chiu obtained a Bachelor of Science Degree from University of Science and Technology of China Special Class for the Gifted Young, and later he carried out scientific research and was employed as teaching assistant independently lecturing the general chemistry courses in the Department of Chemistry of University of Florida.

# CORPORATE GOVERNANCE REPORT



Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") 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 open communication channel with the Company's shareholders (the "Shareholders").

Besides 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 five months after the year ended 31 December 2021, on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company.

For the year ended 31 December 2021, 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 the operation of the capital market. The Board, with its diverse composition, can provide the management with viewpoints and advices for effective decision making. For Directors' biographical information, please refer to pages 033 to 037 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 2020 | Directs overall corporate strategic direction, Board leadership and corporate governance of the Group |
| Mr. Yang Jian | Vice Chairman & ED[1] | 9 June 2005 | 27 May 2019 | 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 2020 | Oversees the coordination of the Board, strategic development and financial system of the Group |
| Mr. Gui Sheng Yue | Chief Executive Officer, ED[1], member of NC[5] & member of SC[6] | 9 June 2005 | 24 May 2021 | Oversees administrative management (Hong Kong), risk management (excluding China), compliance and internal controls of the Group |
| Mr. An Cong Hui | ED[1] & chairman of SC[6] | 30 December 2011 | 24 May 2021 | Oversees operational and risk management (China) of the Group |
| Mr. Ang Siu Lun, Lawrence | ED[1] | 23 February 2004 | 27 May 2019 | Oversees international business development, capital market and investor relation activities of the Group |
| Ms. Wei Mei | ED[1] & member of RC[4] | 17 January 2011 | 24 May 2021 | Oversees human resources management of the Group |
| Mr. Lee Cheuk Yin, Dannis | INED[2], chairman of AC[3], member of RC[4] & member of NC[5] | 28 June 2002 | 25 May 2020 | Provides independent advice on financial and auditing activities to the Board |
| Mr. Yeung Sau Hung, Alex | INED[2], chairman of RC[4], member of AC[3] & member of NC[5] | 6 June 2005 | 27 May 2019 | Provides independent advice on corporate finance and investment to the Board |
| Mr. An Qing Heng | INED[2] & member of AC[3] | 17 April 2014 | 24 May 2021 | Provides independent advice on automobile industry and strategic deployment 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. Wang Yang | INED[2], chairman of NC[5], member of AC[3], member of RC[4] & member of SC[6] | 15 September 2010 | 25 May 2020 | Provides independent advice on corporate finance, investments and merger & acquisitions to the Board |
| Ms. Lam Yin Shan, Jocelyn | INED[2], member of AC[3], member of RC[4] & member of NC[5] | 1 November 2021 | – | Provides independent advice on taxation and corporate finance to the Board |
| Ms. Gao Jie | INED[2], member of AC[3], member of RC[4] & member of NC[5] | 1 November 2021 | – | Provides independent advice on financial reporting, corporate finance and investment to the Board |

*Notes:*

1 ED: Executive Director
2 INED: Independent Non-executive Director
3 AC: Audit Committee
4 RC: Remuneration Committee
5 NC: Nomination Committee
6 SC: Sustainability 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 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/her 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/her upon appointment. Such induction training had been arranged for Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie, whom were appointed as independent non-executive Directors on 1 November 2021.

# 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 reflected in their profiles and disclosed in the Company's website and annual report 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 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 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 technical updates from the Securities and Futures Commission and listing compliance updates including, amongst other things, e-training for listed companies' directors hosted by the Stock Exchange, the continuing listing criteria and other rule amendments and review of issuers' ESG practice disclosure during the year. The Company received written confirmations from the Directors about their full understanding of such training materials. Records of the Directors' participation in other CPD or training sessions provided, if any, are 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 the 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 the 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 and sales volume on a monthly basis, and press releases together with share price performance on an ad hoc basis to the Board.

### 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 2021, details of the Directors' holding of the Company's securities are set out on pages 074 to 076 of this annual report. Mr. Dai Qing ("Mr. Dai") was interested in 292,000 shares of the Company and Mr. Chiu Yeung, Adolph ("Mr. Chiu") was interested in 302,462 shares of the Company as at 31 December 2021. Save for Mr. Dai and Mr. Chiu, other senior management of the Company whose profiles being set out on pages 037 to 038 of this annual report, declared that they did not hold any shares of the Company as at 31 December 2021.

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 by means of announcement.

The Company also adopted an internal policy on handling inside information which is consistent with the relevant 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 potential inside information and preservation of its confidentiality whenever applicable. 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 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 Audit Committee and the Board.

## B. THE BOARD

The Company is headed by the Board effectively through its strong leadership in strategic orientations and overall management of the corporate matters from a balanced and pragmatic standpoint.

# CORPORATE GOVERNANCE REPORT

### 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, Shareholders' Communication Policy, Dividend Policy, Director Nomination Policy and Board Diversity 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.

### 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 matters where final authority on decision-making should rest with the Board and its prior approval should be obtained, in particular when entering into any major 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 Company appoints 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 2021, the Board comprised seven executive Directors and six 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, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn (a member of the certified public accountant institutes in Canada (Province of British Columbia), the United States (Washington State) and Hong Kong) and Ms. Gao Jie (a designation holder of Chartered Global Management Accountant (CGMA), a fellow of the Chartered Institute of Management Accountants (FCMA) and a member of American Institute of Certified Public Accountants). Details of the compositions of the Board and its committees are set out on page 271 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 independent 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. Yang Jian, Mr. Ang Siu Lun, Lawrence, Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex and Mr. Wang Yang will retire by rotation and being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting. Mr. Yang Jian, Mr. Lee Cheuk Yin, Dannis and Mr. Yeung Sau Hung, Alex shall retire and not offer themselves for re-election thereat. Each of Mr. Yang Jian, Mr. Lee Cheuk Yin, Dannis and Mr. Yeung Sau Hung, Alex confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the Shareholders. In addition, in accordance with Article 99 of the Articles of Association, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie shall hold office until the forthcoming annual general meeting and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. 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).

### Meetings of the Board

As required by business needs, the Company held a total of 4 regular Board meetings, 21 ad hoc Board meetings, 14 meetings of the executive committee of the Board ("EC"), 4 meetings of the Audit Committee ("AC"), 6 meetings of the Remuneration Committee ("RC"), 2 meetings of the Nomination Committee ("NC"), 4 meetings of Sustainability Committee ("SC"), 1 annual general meeting ("AGM") and 3 extraordinary general meetings ("EGM") for the financial year ended 31 December 2021.

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/her associates has a material interest ("Interested Director"), the Interested Director abstained from voting on the relevant resolutions at such Board meetings and the 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 | Regular Board Meetings | Ad hoc Board Meetings | EC Meetings | AC Meetings | RC Meetings | NC Meetings | SC Meetings | AGM | EGMs |
|---|---|---|---|---|---|---|---|---|---|
| | Attendance Rate for Meetings | | | | | | | | |
| ***Executive Directors*** | | | | | | | | | |
| Mr. Li Shu Fu *(Chairman)* | 4/4 | 21/21 | – | – | – | – | – | 0 | 0/3 |
| Mr. Yang Jian *(Vice Chairman)* | 4/4 | 21/21 | – | – | – | – | – | 1 | 0/3 |
| Mr. Li Dong Hui, Daniel *(Vice Chairman)* | 4/4 | 21/21 | – | 1 | – | – | – | 1 | 2/3 |
| Mr. Gui Sheng Yue *(CEO)* | 4/4 | 21/21 | 14/14 | – | – | 2/2 | 4/4 | 1 | 3/3 |
| Mr. An Cong Hui | 4/4 | 21/21 | – | – | – | – | 4/4 | 1 | 2/3 |
| Mr. Ang Siu Lun, Lawrence | 4/4 | 21/21 | 14/14 | 2 | – | – | 1 | 1 | 3/3 |
| Ms. Wei Mei | 4/4 | 21/21 | – | – | 6/6 | – | – | 1 | 3/3 |
| ***Independent Non-executive Directors*** | | | | | | | | | |
| Mr. Lee Cheuk Yin, Dannis | 4/4 | 21/21 | – | 4/4 | 6/6 | 2/2 | – | 1 | 3/3 |
| Mr. Yeung Sau Hung, Alex | 4/4 | 21/21 | – | 4/4 | 6/6 | 2/2 | – | 0 | 3/3 |
| Mr. An Qing Heng | 4/4 | 21/21 | – | 4/4 | – | – | – | 1 | 3/3 |
| Mr. Wang Yang | 4/4 | 21/21 | – | 4/4 | 6/6 | 2/2 | 4/4 | 0 | 3/3 |
| Ms. Lam Yin Shan, Jocelyn | 2/2 | 3/3 | – | 1/1 | 1/1 | 1/1 | – | – | 2/2 |
| Ms. Gao Jie | 2/2 | 3/3 | – | 1/1 | 1/1 | 1/1 | – | – | 2/2 |

## 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.

# CORPORATE GOVERNANCE REPORT



### Existing Independent Non-executive Directors

Each of the 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/herself for re-election at the annual general meeting of the Company.

Having received annual confirmation from the six independent non-executive Directors for the year ended 31 December 2021 confirming that they had not been involved in any business which might fall under the factors for assessing their independence as 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 Chairman and the CEO are 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 the proper convening of the meetings of the Board and its committees and the 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, agenda items proposed by the Directors will then be included in the relevant meetings for further discussion. A culture of openness and a constructive relation between executive and independent non-executive Directors are promoted.

CP A.2.7 provides that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year ended 31 December 2021, a formal meeting could not be arranged between the Chairman and the independent non-executive Directors without the presence of other Directors. Although such meeting was not held during the year, the Chairman has delegated the Company Secretary to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for considering whether any follow-up meeting is necessary.

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 and Director Nomination 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 057 to 060 of this report.

## C. BOARD COMMITTEES

The Company currently has five Board committees, namely Executive Committee, Remuneration Committee, Nomination Committee, Audit Committee and Sustainability Committee. The written terms of reference of Remuneration Committee, Nomination Committee, Audit Committee and Sustainability 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 Articles of Association to primarily deal with matters pertinent to share incentives. 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 14 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 046 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 the 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 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 five 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 271 of this report.

During the year, the Remuneration Committee held 6 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 046 of this report. The Remuneration Committee considered the following proposals and made recommendation to the Board whenever necessary during the year:–

- Approved the grant of share options to the Directors, senior management and employees of the Company;
- 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;
- Approved an extension of the service agreement for an executive Director;
- Approved the adoption of the share award scheme for Zeekr Intelligent Technology Holding Limited, an indirect subsidiary of the Company;
- Approved the adoption of the share award scheme of the Company and the grant of share awards to the eligible participants;
- Reviewed and adjusted the remuneration of the independent non-executive Directors and reviewed the remuneration package of the newly appointed Directors; 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, share award 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.

For the year ended 31 December 2021, the remuneration payable to members of senior management was within the following bands:

| | **Number of individuals** |
|---|---|
| HK$2,500,001-HK$3,000,000 | **1** |
| HK$3,500,001-HK$4,000,000 | **1** |
| HK$11,500,001-HK$12,000,000 | **1** |
| HK$21,000,001-HK$21,500,000 | **1** |
| HK$32,000,001-HK$32,500,000 | **1** |
| | **5** |

# CORPORATE GOVERNANCE REPORT

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

| | RMB'000 |
|---|---|
| Basic salaries and allowances | **4,063** |
| Retirements benefits and scheme contributions | **75** |
| Share-based payment expenses | **64,753** |
| | **68,891** |

For details of Directors' remuneration, please refer to pages 170 to 171 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 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 five 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 271 of this 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 2 meetings. Apart from the nomination of two new independent non-executive Directors, the committee reviewed the existing structure, size and composition of the Board in accordance with the Board Diversity Policy; reviewed the Director Nomination Policy and the Board Diversity Policy; reviewed the independence of the existing six 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 046 of this report.

# CORPORATE GOVERNANCE REPORT



***Procedures and Process for Nomination of Director by the Nomination Committee***

Upon identifying a director candidate, the Nomination Committee initially determines the need for additional or replacement Board members and evaluates the director candidate under a range of objective criteria based on the information the Nomination Committee receives with the recommendation or otherwise possesses, which may be supplemented by certain inquiries. If the Nomination Committee determines, in consultation with other Board members, including the Chairman, that a more comprehensive evaluation is warranted, the Nomination Committee may then obtain additional information about the director candidate's background and experience, including by means of interviews. The Nomination Committee will then evaluate the director candidate further, again using the evaluation criteria described above. The Nomination Committee receives input on such director candidates from other directors, including the Chairman, and recommends director candidates to the Board for nomination.

The Nomination Committee may engage a third party to assist in the search for director candidates or to assist in gathering information regarding a director candidate's background and experience. If such third party is engaged, the Company will pay for the services to enable the Nomination Committee discharging the duties.

***Board Diversity Policy***

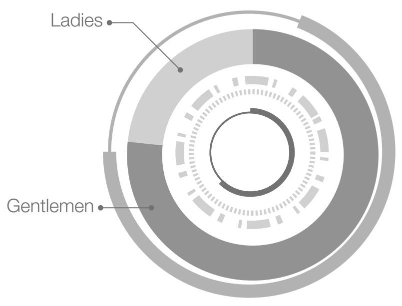
With a view to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element. The Board Diversity Policy of the Company is published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section 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 the nomination and selection of candidates as Board member will be considered against objective criteria based on a range of diversity perspectives.

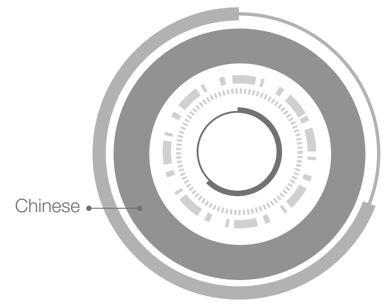
# CORPORATE GOVERNANCE REPORT

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.

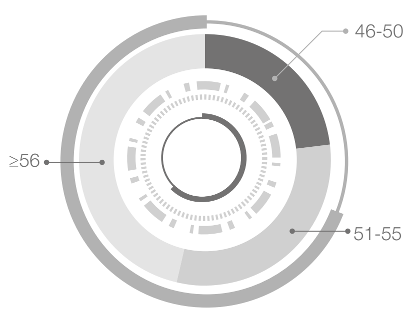
### By Gender



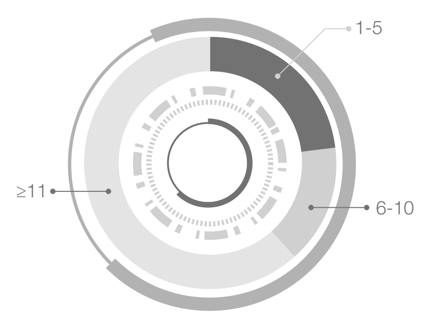

### By Ethnicity




### By Age Range (years old)




### 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, risk management and 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 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.

#### *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 six 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 271 of this report.

During the year, the Audit Committee held 4 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 046 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 2020 including the major accounting issues raised by the external auditor;
- Reviewed the Group's interim results for the six months ended 30 June 2021;
- Assessed the independence and objectivity of the Company's external auditor and approved the annual audit fee for the year ended 31 December 2021;
- Approved the insurance of the Directors' and officers' liabilities of the Group 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.

# CORPORATE GOVERNANCE REPORT

*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, key audit matters, reporting obligations, audit fee, nature and scope of non-audit service provided, 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.

*Risk Management and Internal Control*

For the year ended December 2021, 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, without the presence of management. 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.

### Sustainability Committee

The role and function of the Sustainability Committee is to assist the Board in overseeing the Group's development in Environmental, Social and Governance and provide guidance in the implementation of related measures to promote the Group's sustainability. The terms of reference of the Sustainability 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 Sustainability Committee*

The Sustainability Committee being chaired by an executive Director comprises three members, including two executive Directors and one independent non-executive Director. Details of the compositions of the Board and its committees are set out on page 271 of this report.

During the year, the Sustainability Committee held 4 meetings. The committee reviewed the ESG Report 2020; engaged an external consultant for the upcoming ESG Report 2021; 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 046 of this 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 regulatory and statutory requirements should be presented. In preparing the financial statements for the year ended 31 December 2021, 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 2021 in the independent auditor's report set out on pages 111 to 113 of this annual report.

# CORPORATE GOVERNANCE 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 adopted to achieve these goals include:

- Achieving economies of scale through expansion of sales volume and production capacity;
- 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;
- Attaining carbon neutrality and building an environmental-friendly mobility ecology that is consistent with the trend of clean, green and sustainable development; and
- Preservation of its competitive strength in cost effectiveness, flexibility and intellectual property resources.

### 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 2021 in the independent auditor's report set out on pages 108 to 113 of this annual report.

In 2021, 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 2021, 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:

| | 2021<br>RMB'000 |
|---|---|
| ***Audit Service*** | |
| Annual audit | **6,633** |
| ***Non-audit Services*** | |
| Interim review | **700** |
| Disclosable and connected transactions* | **120** |
| General tax advisory and compliance services | **365** |
| Total | **7,818** |

*: Please refer to the Company's announcements dated 28 April 2021, 13 May 2021 and 2 July 2021.

## 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 2021.

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.

# CORPORATE GOVERNANCE REPORT

**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;

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 272 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 272 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 272 of this annual report under the section headed "Corporate Information".

### 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 2021, the Chairman did not attend the annual general meeting of the Company due to conflict of his schedules and other prior business engagement in the PRC. If the Chairman could not attend the general meeting of the Company, he would assign an executive Director, who does not have a material interest in the businesses contemplating in the meeting and should report to him on any enquiries Shareholders might have, to attend such general meeting on his behalf. Further, the Company would facilitate a conference call for Shareholders and the Directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. Through these measures, views of the Shareholders would be properly communicated to the Board as a whole. In addition, the external auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

The Company held its annual general meeting ("AGM") on 24 May 2021. Due to conflict of his schedules and other prior business engagement in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting but he assigned an executive Director to report to him on any enquiries the Shareholders might have after the meeting. One executive Director, one independent non-executive Director and the Company's external auditor attended and answered questions raised by the Shareholders at the meeting physically. One independent non-executive Director and five executive Directors 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 046 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

### Policy on Payment of Dividends

Subject to the Cayman Companies Law, the Company may from time to time in general meeting declares dividends in any currency to be paid to the members of the Company whose names appear on the register of members of the Company on a pre-determined date at the Board's discretion as the record date for the purpose of determining the entitlement to receive payment of any dividend but no dividend shall be declared in excess of the amount recommended by the Board.

The Board may also, without convening a general meeting, from time to time declare interim dividends as appear to the Board to be justified by the profits of the Company, and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend. The Board may also pay half-yearly or at other intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits available for distribution justify the payment. The Board may in addition from time to time declare and pay special dividends on shares of any class of such amounts and on such dates as they think fit.

No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium. No dividend shall carry interest against the Company. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit, and so that it shall not be necessary to keep any reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In case of the Board elects to pay the dividend in shares, the Company shall abide by the provisions of the articles of association of the Company on scrip dividends.

## 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 079 to 080 of this annual report.

### Details of the last AGM and EGMs in 2021

| Event Date & Time | Venue | Major items discussed | Voting results |
|---|---|---|---|
| **AGM** on 24 May 2021 (Monday) at HKT 4:00 p.m. | Room S421, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong | (i) received and considered the report of the directors, audited financial statements and auditor's report;<br>(ii) declared a final dividend;<br>(iii) re-election of directors;<br>(iv) authorised the Board to fix the remuneration of the directors;<br>(v) re-appointed Grant Thornton Hong Kong Limited as the auditor of the Company; and<br>(vi) granted a general mandate to the directors to repurchase shares and to issue 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 24 August 2021 (Tuesday) at HKT 4:00 p.m. | Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong | (i) approved, ratified and confirmed the CEVT Acquisition Agreement, the Haohan Energy Acquisition Agreement, the Ningbo Viridi Subscription Agreement (details are set out in the Company's circular dated 5 August 2021) and the transactions contemplated thereunder; and<br><br>(ii) approved, ratified and confirmed the R&D Services and Technology Licensing Agreement, the Automobile Components Sales Agreement, the Automobile Components Procurement Agreement, the ZEEKR Finance Cooperation Agreement (details are set out in the Company's circular dated 5 August 2021), the transactions contemplated thereunder and the respective annual cap amounts. | all resolutions were duly passed by the independent Shareholders as ordinary resolutions by way of poll |

| Event Date & Time | Venue | Major items discussed | Voting results |
|---|---|---|---|
| **EGM** on 6 December 2021 (Monday) at HKT 4:00 p.m. | Boardroom 6, M/F, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong | (i) approved, ratified and confirmed the Services Agreement (details are set out in the Company's circular dated 16 November 2021), the transactions contemplated thereunder and the annual caps amounts;<br><br>(ii) approved, ratified and confirmed the Automobile Components Procurement Agreement (details are set out in the Company's circular dated 16 November 2021), the transactions contemplated thereunder and the annual caps amounts;<br><br>(iii) approved, ratified and confirmed the renewal of Volvo Finance Cooperation Agreements, the transactions contemplated thereunder and the Volvo Annual Caps (Wholesale) and the Volvo Annual Caps (Retail) (details are set out in the Company's circular dated 16 November 2021); and<br><br>(iv) approved, ratified and confirmed the Supplemental Master CKDs and Automobile Components Purchase Agreement (details are set out in the Company's circular dated 16 November 2021), the transactions contemplated thereunder and the annual caps amounts. | all resolutions were duly passed by the independent Shareholders as ordinary resolutions by way of poll |
| **EGM** on 17 December 2021 (Friday) at HKT 4:00 p.m. | Boardroom 6, M/F, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong | Approved, ratified and confirmed the Share Purchase Agreement (as defined in the Company's circular dated 30 November 2021) and the transactions contemplated thereunder; granted a specific mandate to the directors of the Company to allot and issue the Consideration Shares. | The resolution was duly passed by the independent Shareholders as an ordinary resolution by way of poll |

# CORPORATE GOVERNANCE REPORT

**Indication of important dates for the Shareholders in 2022/2023**

| **Event** | | **Date** |
|---|---|---|
| Closure of the Company's register of members ("Book Close") for entitlement of voting rights at the forthcoming annual general meeting | : | 20 May 2022 (Friday) to 25 May 2022 (Wednesday) |
| Forthcoming annual general meeting | : | 25 May 2022 (Wednesday) at HKT 4:00 p.m. at Boardroom 6, M/F, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong |
| Ex-final dividend | : | 2 June 2022 (Thursday) |
| Book Close for entitlement of final dividend | : | 7 June 2022 (Tuesday) to 10 June 2022 (Friday) |
| Record date for final dividend entitlement | : | 10 June 2022 (Friday) |
| Final dividend distribution | : | July 2022 |
| 2022 interim results announcement | : | Late August 2022 ***(to be confirmed)*** |
| Financial year end | : | 31 December 2022 (Saturday) |
| 2022 annual results announcement | : | Late March 2023 ***(to be confirmed)*** |

# DIRECTORS' REPORT



## 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 2021.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 44 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 114 and page 115, respectively of the annual report. The directors recommend the payment of a final dividend of HK$0.21 per ordinary share to the shareholders on the register of members on 10 June 2022, amounting to approximately RMB1,699,495,000.

## 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 007 to 009 and the Management Report – Performance & Governance on pages 011 to 032 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 101 of this annual report and notes 21 and 23 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 2021 are set out in the Management Report – Performance & Governance on pages 011 to 032.

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 2022 whilst a series of new models to be innovated from the technologies of various modular architectures 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 advanced powertrain and electrification 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 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 (F or "Geely Holding"), and has so far achieved remarkable progress in this regard. A series of business combination and collaboration between the Company and Volvo Car have also been announced in February 2021. Such business combination and collaboration continues to explore the synergetic business areas of the Company and Volvo Car, including powertrain, electrification, autonomous driving and operational collaboration; and 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.

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 particular, due to the continual impact of COVID-19 pandemic, there has been a global shortage of chip supply and the Group's supply chain has also been under great pressure.

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. At the same time, the Group will continue to take advantage of globalized supply chain, establish strategic partnerships with major suppliers, to build manufacturing plants, and develop medium and long term risk identification system for supply chain so as to ensure sufficient supply of raw materials and components.

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 automobiles 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.

The 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 modular architectures 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.

The Group follows its company mission of "Create an exceptional mobility experience" with an aim to build up the core values of "People-orientated, Innovation and Excellence". 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 2021, the Group complied with the relevant laws and regulations that have a significant impact on the Group.

# DIRECTORS' REPORT

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 March 2021, the Group announced two "Blue Geely" action plans, a strategy on intelligent energy-saving and new energy vehicles as well as intelligent pure electric vehicles, 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 Environmental, Social and Governance Report of the company which will be published on the website of Stock Exchange and the website of the Company within five months after the year ended 31 December 2021.

## CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2022 to 25 May 2022, 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 2022, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 19 May 2022.

The register of members of the Company will be closed from 7 June 2022 to 10 June 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 6 June 2022.

# DIRECTORS' REPORT



## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 003 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 27 to the consolidated financial statements.

## BORROWINGS

Particulars of borrowings of the Group as at 31 December 2021 are set out in notes 26 and 30, respectively, to the consolidated financial statements.

## RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in note 34 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 119 and on page 260 of the annual report, respectively.

As at 31 December 2021, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB12,881,610,000 (2020: RMB7,439,139,000). After the reporting date, the directors proposed a final dividend of HK$0.21 (2020: HK$0.20) per ordinary share amounting to RMB1,699,495,000 (2020: RMB1,637,367,000). 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

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

### Independent non-executive directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn *(appointed on 1 November 2021)*
Ms. Gao Jie *(appointed on 1 November 2021)*

# DIRECTORS' REPORT

In accordance with Article 116 of the Company's Articles of Association, Mr. Yang Jian, Mr. Ang Siu Lun, Lawrence, Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex and Mr. Wang Yang shall retire from office by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

Mr. Yang Jian has informed the Board that he will not offer himself for re-election at the annual general meeting in order to devote more time to pursue his other business commitments, and accordingly, he will retire as an executive director at the conclusion of the annual general meeting. Mr. Yang Jian confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the Shareholders.

Mr. Lee Cheuk Yin, Dannis has informed the Board that he will not offer himself for re-election at the annual general meeting in order to devote more time to pursue his other business commitments, and accordingly, he will retire as an independent non-executive director, the chairman of the audit committee and a member for each of remuneration committee and nomination committee at the conclusion of the annual general meeting. Mr. Lee Cheuk Yin, Dannis confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the Shareholders. Following the retirement of Mr. Lee Cheuk Yin, Dannis at the conclusion of the annual general meeting, Ms. Gao Jie will act as the chairman of the audit committee.

Mr. Yeung Sau Hung, Alex has informed the Board that he will not offer himself for re-election at the annual general meeting in order to devote more time to pursue his other business commitments, and accordingly, he will retire as an independent non-executive director, the chairman of the remuneration committee and a member for each of audit committee and nomination committee at the conclusion of the annual general meeting. Mr. Yeung Sau Hung, Alex confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the Shareholders. Following the retirement of Mr. Yeung Sau Hung, Alex at the conclusion of the annual general meeting, Ms. Lam Yin Shan, Jocelyn will act as the chairman of the remuneration committee.

In accordance with Article 99 of the Company's Articles of Association, Ms. Lam Yin Shan, Jocelyn ("Ms. Lam") and Ms. Gao Jie ("Ms. Gao") shall hold office until the forthcoming annual general meeting, and be eligible for re-election at the forthcoming annual general meeting of the Company.

To ensure a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Group among members of the Board, the nomination of directors for appointment or re-appointment at the annual general meeting were made by the nomination committee of the Board in accordance with the director nomination policy adopted by the Company and the selection criteria as set out in the board diversity policy of the Company (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service).

# DIRECTORS' REPORT



The nomination committee of the Board had nominated the retiring directors to the Board for the Board to make recommendation to the shareholders for re-election at the annual general meeting, having reviewed the composition of the Board and having regard to the retiring directors' professional experience, skills, knowledge and/or length of service, their commitment to their respective roles and functions, and their respective contributions brought and continued to be brought to the Group.

On the re-election of each of Ms. Lam and Ms. Gao as an independent non-executive director, the nomination committee of the Board considered, and the Board shared the same views, that at all times during the period of directorship with the Company, each of Ms. Lam and Ms. Gao has properly discharged her duties and responsibilities as an independent non-executive director and has made positive contribution to the development to the Company through independent, constructive and informed comments and participation at the business and other affairs relating to the Group. In addition, the Company received confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of Ms. Lam and Ms. Gao. In this regard, the Board is satisfied that each of Ms. Lam and Ms. Gao is a person of integrity and stature and believes that their re-election and continued appointment will contribute to the Board's diversity with their relevant experiences and expertise in finance, tax, accounting and management areas and allow the Board as well as the Company to continuously benefit from the sharing of their invaluable experience, contribution and participation.

The re-election of each of Mr. Ang Siu Lun, Lawrence, Mr. Wang Yang, Ms. Lam and Ms. Gao was recommended by the nomination committee of the Board, and the Board has accepted the recommendations following a review of their overall contribution and service to the Company including their attendance of Board meetings and general meetings, the level of participation and performance on the Board.

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' REPORT

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

As at 31 December 2021, 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:

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

| Name of director | Nature of interests | Number or attributable number of share *Long position* | *Short position* | Approximate percentage or attributable percentage of shareholding *(%)* |
|---|---|---|---|---|
| **Shares** | | | | |
| Mr. Li Shu Fu *(Note 1)* | Interest in controlled corporations | 4,215,888,000 | – | 42.08 |
| Mr. Li Shu Fu | Personal | 23,140,000 | – | 0.23 |
| Mr. Yang Jian | Personal | 6,000,000 | – | 0.06 |
| Mr. Li Dong Hui, Daniel | Personal | 4,504,000 | – | 0.04 |
| Mr. Gui Sheng Yue | Personal | 17,377,000 | – | 0.17 |
| Mr. An Cong Hui | Personal | 7,526,000 | – | 0.08 |
| Mr. Ang Siu Lun, Lawrence | Personal | 4,000,000 | – | 0.04 |
| Mr. Lee Cheuk Yin, Dannis | Personal | 900,000 | – | 0.009 |
| Mr. Wang Yang | Personal | 1,000,000 | – | 0.01 |

*Note:*

1. Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold interests of 4,215,888,000 shares, representing approximately 42.08% of the total issued share capital of the Company as at 31 December 2021. Proper Glory is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 21.29% by Geely Group Limited.

## (II) Interests and short positions in the derivatives of the Company

| | | Number or attributable number of shares | | Approximate percentage or attributable percentage of shareholding |
|---|---|---|---|---|
| **Name of director** | **Nature of interests** | *Long position* | *Short position* | *(%)* |
| **Share Options** | | | | |
| Mr. Yang Jian | Personal | 3,000,000 *(Note 2)* | – | 0.03 |
| Mr. Gui Sheng Yue | Personal | 13,500,000 *(Note 2)* | – | 0.13 |
| Mr. Li Dong Hui, Daniel | Personal | 14,000,000 *(Note 2)* | – | 0.14 |
| Mr. An Cong Hui | Personal | 22,000,000 *(Note 2)* | – | 0.22 |
| Mr. Ang Siu Lun, Lawrence | Personal | 3,000,000 *(Note 2)* | – | 0.03 |
| Ms. Wei Mei | Personal | 105,000 *(Note 1)* | – | 0.001 |
| Ms. Wei Mei | Personal | 7,000,000 *(Note 2)* | – | 0.07 |

*Notes:*

(1) 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 at 31 December 2021.

(2) The interest relates to share options granted on 15 January 2021 by the Company to the Directors. The share options are exercisable at a subscription price of HK$32.70 for each Share during the period from 15 January 2023 to 14 January 2028. 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 at 31 December 2021.

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

| Name of director | Name of the associated corporations | Number of shares in the associated corporations | | Approximate percentage of shareholding |
|---|---|---|---|---|
| | | *Long position* | *Short position* | *(%)* |
| Mr. Li Shu Fu | Proper Glory Holding Inc. | 8,929 *(Note 1)* | – | 89.29 |
| Mr. Li Shu Fu | Geely Group Limited | 50,000 | – | 100 |
| Mr. Li Shu Fu | Zhejiang Geely Holding Group Company Limited | RMB847,000,000 *(Note 2)* | – | 91.08 |
| Mr. Li Shu Fu | Zhejiang Geely Automobile Company Limited | RMB2,031,307,337 *(Note 3)* | – | 71.05 |
| Mr. Li Shu Fu | Shanghai Maple Automobile Company Limited | RMB240,000,000 *(Note 4)* | – | 100 |
| Mr. Li Shu Fu | Zhejiang Haoqing Automobile Manufacturing Company Limited | RMB3,530,000,000 *(Note 5)* | – | 100 |
| Mr. Li Shu Fu | Zhejiang Jirun Automobile Company Limited | *US$7,900,000* *(Note 6)* | – | 1 |

| Name of director | Name of the associated corporations | Number of shares in the associated corporations *Long position* | *Short position* | Approximate percentage of shareholding *(%)* |
|---|---|---|---|---|
| Mr. Li Shu Fu | Zhejiang Ruhoo Automobile Company Limited | RMB5,216,770 *(Note 7)* | – | 1 |
| Mr. Li Shu Fu | Hunan Geely Automobile Components Company Limited | US$885,000 *(Note 8)* | – | 1 |
| Mr. Li Shu Fu | ZEEKR Intelligent Technology Holding Limited | RMB522,000,000 *(Note 9)* | – | 22.93 |
| Mr. An Cong Hui | ZEEKR Intelligent Technology Holding Limited | RMB68,000,000 *(Note 10)* | – | 2.99 |
| Mr. Li Dong Hui, Daniel | ZEEKR Intelligent Technology Holding Limited | RMB20,000,000 *(Note 11)* | – | 0.88 |
| Mr. Gui Sheng Yue | ZEEKR Intelligent Technology Holding Limited | RMB10,000,000 *(Note 12)* | – | 0.44 |
| Ms. Wei Mei | ZEEKR Intelligent Technology Holding Limited | RMB5,800,000 *(Note 13)* | – | 0.25 |

# DIRECTORS' REPORT

*Notes:*

(1) Proper Glory Holding Inc. is a limited liability 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 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) Geely Holding is a limited liability 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 limited liability company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li's interested entities and as to 25.99% by independent third parties.

(4) Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") is a limited liability 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 limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(6) Zhejiang Jirun Automobile Company Limited ("Jirun Automobile") is incorporated in the PRC and is 1%-owned by Zhejiang Geely.

(7) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.

(8) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.

(9) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 22.93%-owned by Mr. Li Shu Fu and his associate.

(10) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 2.99%-owned by Mr. An Cong Hui, an executive director, and his associate.

(11) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.88%-owned by Mr. Li Dong Hui, Daniel, an executive director, and his associate.

(12) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.44%-owned by Mr. Gui Sheng Yue, an executive director, and his associate.

(13) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.25%-owned by Ms. Wei Mei, an executive director, and her associate.

Save as disclosed above, as at 31 December 2021 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 2021, 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:

**Substantial shareholders (as defined in the SFO)**

| | | **Number of shares held** | | **Approximate percentage of shareholding** |
|---|---|---|---|---|
| **Name** | **Nature of interests** | *Long position* | *Short position* | *(%)* |
| Proper Glory Holding Inc. *(Note 1)* | Beneficial owner | 2,636,705,000 | – | 26.32 |
| Geely Holding *(Note 1)* | Interest in controlled corporations | 4,019,391,000 | – | 40.12 |
| Geely Group Limited *(Note 1)* | Beneficial owner | 196,497,000 | – | 1.96 |
| Zhejiang Geely *(Note 2)* | Beneficial owner | 796,562,000 | – | 7.95 |

# DIRECTORS' REPORT

*Notes:*

(1) Proper Glory Holding Inc. ("Proper Glory") is a limited liability 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 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") is a limited liability company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li's interested entities and as to 25.99% by independent third parties.

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 each of Geely Holding and Zhejiang Geely. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

Save as disclosed above, as at 31 December 2021, 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.

## 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' share option scheme and the accounting policy are set out in notes 35 and 4(p) 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 as at 1.1.2021 | Granted during the year | Exercised during the year | Forfeited during the year | Outstanding as at 31.12.2021 |
|---|---|---|---|---|---|---|---|
| | | *HK$/share* | | | | | |
| **Directors** | | | | | | | |
| Mr. An Cong Hui | 15.1.2023 – 14.1.2028 | 32.70 | – | 22,000,000 | – | – | 22,000,000 |
| Mr. Ang Siu Lun, Lawrence | 15.1.2023 – 14.1.2028 | 32.70 | – | 3,000,000 | – | – | 3,000,000 |
| Mr. Gui Sheng Yue | 15.1.2023 – 14.1.2028 | 32.70 | – | 13,500,000 | – | – | 13,500,000 |
| Mr. Li Dong Hui, Daniel | 23.3.2012 – 22.3.2022 | 4.07 | 1,400,000 | – | (1,400,000) | – | – |
| Mr. Li Dong Hui, Daniel | 15.1.2023 – 14.1.2028 | 32.70 | – | 14,000,000 | – | – | 14,000,000 |
| Ms. Wei Mei | 23.3.2012 – 22.3.2022 | 4.07 | 1,000,000 | – | (895,000) | – | 105,000 |
| Ms. Wei Mei | 15.1.2023 – 14.1.2028 | 32.70 | – | 7,000,000 | – | – | 7,000,000 |
| Mr. Yang Jian | 15.1.2023 – 14.1.2028 | 32.70 | – | 3,000,000 | – | – | 3,000,000 |
| **Continuous contract employees** | | | | | | | |
| | 23.3.2012 – 22.3.2022 | 4.07 | 3,600,000 | – | (1,300,000) | – | 2,300,000 |
| | 7.9.2019 – 6.9.2023 | 15.96 | 600,000 | – | – | – | 600,000 |
| | 15.1.2023 – 14.1.2028 | 32.70 | – | 566,610,000 | – | (55,010,000) | 511,600,000 |
| **Other eligible participants** | | | | | | | |
| | 31.3.2018 – 30.3.2022 | 12.22 | 3,100,000 | – | (1,800,000) | – | 1,300,000 |
| | 14.1.2021 – 13.1.2025 | 16.04 | 800,000 | – | (10,000) | – | 790,000 |
| | | | 10,500,000 | 629,110,000 | (5,405,000) | (55,010,000) | 579,195,000 |

# DIRECTORS' REPORT

## SHARE AWARDS

*Share award scheme of the Company*

Particulars of the Company' share award scheme and the accounting policy are set out in notes 35 and 4(p) to the consolidated financial statements, respectively.

The Company has adopted a share award scheme on pursuant to an ordinary resolution passed at the board meeting of the Company held on 30 August 2021 for the purposes of attracting and retaining the high calibre employees whose contributions will be beneficial to the growth and development of the Group (the "Share Award Scheme"). Details of the Share Award Scheme were set out in the announcement of the Company dated 30 August 2021.

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the Share Award Scheme.

Following the adoption of the Share Award Scheme, the Company resolved to award an aggregate of 167,022,000 ordinary shares to 10,884 selected participants by way of issue and allotment of new ordinary shares under the general mandate to issue shares granted by the shareholders to the directors at the annual general meeting held on 24 May 2021. The shares being granted with respect to a selected participant will vest in 4 tranches of 25% each year from 30 August 2022 to 29 August 2025, on the condition that the employees remain in service with performance requirements, including but not limited to meeting the company-level performance target and the selected participant's level performance target. Subject to the satisfaction of the vesting conditions, such new Shares will be transferred to the selected participants at nominal value on the vesting date. The selected participants are required to pay the nominal value for the award shares.

The selected participants are employees of the Company and its affiliates, and they are not connected persons of the Company.

As at 31 December 2021, the Company has appointed a professional and independent trustee, BOCI-Prudential Trustee Limited ("Trustee"), to assist with the administration and vesting of award shares granted pursuant to the Share Award Scheme. The Trustee will not exercise the voting rights in respect of any ordinary shares held under the trust. The award shares will be allotted and issued to the Trustee who will hold the award shares in trust in accordance with the trust deed for the selected participants.

Movements in the number of award shares outstanding are as follows:

| | **2021** |
|---|---|
| Balance at 1 January | – |
| Granted | **167,022,000** |
| Lapsed | **(7,522,701)** |
| Balance at 31 December | **159,499,299** |

*Share award scheme of Zeekr Intelligent Technology Holding Limited ("Zeekr Holding")*

On 20 August 2021, Zeekr Holding also adopted a share award scheme (the "Zeekr Share Award Scheme"). The purposes of the Zeekr Share Award Scheme are to encourage the selected participants to continuously make greater contributions to the long-term growth of the Zeekr Holding and its subsidiaries ("Zeekr Group") and thereby enhancing the value of the Company for the benefit of the shareholders, and to attract and retain high calibre employees whose contributions will be beneficial to the growth and development of the Zeekr Group. Details of the Zeekr Share Award Scheme were set out in the announcement of the Company dated 20 August 2021.

# DIRECTORS' REPORT



The Zeekr Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the Zeekr Share Award Scheme.

Immediately upon the adoption of the Zeekr Share Award Scheme, Zeekr Holding granted 56,560,400 ordinary shares (the "Zeekr Award Shares") to 3,393 selected participants under the Zeekr Share Award Scheme by way of reservation and future issuance of new ordinary shares. Subject to the satisfaction of the conditions for vesting as provided under the Zeekr Share Award Scheme, the Zeekr Award Shares granted shall be vested in four batches as follows: (i) the first batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2022; (ii) the second batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2023; (iii) the third batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2024; and (iv) the fourth batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2025. The selected participants are required to pay the nominal value for the Zeekr Award Shares.

To the best knowledge, information and belief of the directors, the selected participants are not connected persons of the Company.

For the year ended 31 December 2021, as the condition for the vesting of the Zeekr Award Shares had not been satisfied, no Zeekr Award Shares had been vested.

Movements in the number of Zeekr Award Shares outstanding are as follows:

| | **2021** |
|---|---|
| Balance at 1 January | – |
| Granted | **56,560,400** |
| Lapsed | **(3,595,600)** |
| Balance at 31 December | **52,964,800** |

## 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.

# DIRECTORS' REPORT

## PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Companies Law of the Cayman Islands, every director is entitled under the Company's articles of association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by law, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group during the year and up to the date of this 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 36 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 36 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

### Formation of joint venture between the Company and Geely Holding

Pursuant to the joint venture framework agreement dated 23 March 2021, the Company and Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司 or "Geely Holding") agreed to form a joint venture company pursuant to which the Company and Geely Holding subscribed for 51% (representing RMB1.02 billion) and 49% (representing RMB980 million), respectively, of the total shares issued by the joint venture company.

# DIRECTORS' REPORT



### Disposal of Zeekr Shanghai

Pursuant to the disposal agreement dated 28 April 2021, Value Century Group Limited, Zhejiang Fulin Guorun Automobile Parts Company Limited (浙江福林國潤汽車零部件有限公司) and Shanghai Maple Automobile Company Limited agreed to sell, their respective 91%, 8% and 1% equity interest(s) in Zeekr Shanghai Automobile (Shanghai) Company Limited (極氪汽車(上海)有限公司 or "Zeekr Shanghai"), and Zeekr Intelligent Technology Holding Limited ("Zeekr"), agreed to acquire the 100% equity interests in Zeekr Shanghai through its indirect wholly foreign-owned subsidiary, for a cash consideration of approximately RMB980.4 million in total.

### Acquisition of Zeekr Technology

Pursuant to the acquisition agreement dated 28 April 2021, Zeekr Shanghai agreed to acquire, and Geely Automobile Group Company Limited (吉利汽車集團有限公司 or "Geely Holding Automobile") agreed to sell, the entire registered capital of Zeekr Automobile (Ningbo Hangzhou Bay New Zone) Co., Ltd. (極氪汽車(寧波杭州灣新區)有限公司 or "Zeekr Technology"), for a cash consideration of approximately RMB485.3 million.

### Acquisition of Changxing Components

Pursuant to the acquisition agreement dated 13 May 2021, Zhejiang Jirun Automobile Company Limited (浙江吉潤汽車有限公司 or "Jirun Automobile") agreed to acquire, Changxing New Energy Automobile Company Limited (吉利長興新能源汽車有限公司 or "Changxing New Energy") agreed to sell, the entire registered capital of Changxing Geely Automobile Components Company Limited (長興吉利汽車部件有限公司 or "Changxing Components"), for a cash consideration of approximately RMB2,534.7 million.

### Acquisition of CEVT

Pursuant to the acquisition agreement dated 2 July 2021, Zeekr agreed to acquire through a subsidiary, Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司 or "Zhejiang Geely") agreed to sell, the 100% of the equity interests in CEVT for a cash consideration of approximately SEK1,057.8 million.

### Acquisition of Haohan Energy

Pursuant to the acquisition agreement dated 2 July 2021, Zeekr agreed to acquire through a subsidiary, Geely Holding Automobile agreed to sell, the 30% of the equity interests in Zhejiang Haohan Energy Technology Company Limited (浙江浩瀚能源科技有限公司 or "Haohan Energy") for a cash consideration of approximately RMB9.0 million.

### Subscription for additional capital in Ningbo Viridi

Pursuant to the subscription agreement dated 2 July 2021, Zeekr agreed to subscribe through a subsidiary for additional capital in Viridi E-Mobility Technology (Ningbo) Co., Ltd. (威睿電動汽車技術(寧波)有限公司 or "Ningbo Viridi") at a cash consideration of approximately RMB860.7 million.

### Subscription for series B preference shares in ECARX

Pursuant to the subscription agreement dated 7 September 2021, the Company agreed to subscribe for (directly or through its designated affiliate), and ECARX Holdings Inc. ("ECARX") agreed to allot and issue 4,321,521 series B preference shares for a cash consideration of approximately US$50 million.

### Acquisition of additional interests in Zeekr Holding

Pursuant to the share purchase agreement dated 29 October 2021, the Company or its nominee (which will be a subsidiary of the Company), agreed to purchase, and Geely Group Limited agreed to sell, the 220,000,000 ordinary shares of Zeekr Holding, for a total consideration of approximately RMB5,602.2 million.

### Assets transfer with Geely Holding

Pursuant to the assets transfer agreement dated 15 October 2021, (i) the Group agreed to purchase and the Geely Holding Group agreed to sell the assets (which comprise predominantly equipment for use in the Group's research and development for the LYNK & CO-branded, ZEEKR-branded and Geely-branded vehicles related products such as vehicles engines and transmissions, as well as a small amount of office equipment and software system) for a maximum cash consideration of approximately RMB632.8 million; and (ii) the Group agreed to sell and the Geely Holding Group agreed to purchase the assets (which comprise vehicle testing related machinery and equipment which are idle for use) for a maximum cash consideration of approximately RMB357.9 million.

## CONTINUING CONNECTED TRANSACTIONS

### 1. Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2021)

- ***Sales of complete knock down kits ("CKDs") from the Group to the Geely Holding Group***

  Pursuant to the services agreement dated 5 October 2018, the Group agreed to supply to the Geely Holding Group the complete knock down kits ("CKDs") in accordance with the product specifications set out in the services agreement with an aggregate largest annual cap of RMB293,775,381,000 for the three years ended 31 December 2021.

  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 RMB77,285 million for sales of CKDs which did not exceed the annual cap of RMB293,775 million for sales of CKDs for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Sales of complete buildup units ("CBUs"), automobile parts and components from the Geely Holding Group to the Group***

  Pursuant to the services agreement dated 5 October 2018, the Geely Holding Group agreed to sell to the Group (i) the CBUs; and (ii) automobile parts and components to the Group in accordance with the product and service specifications set out in the services agreement with the aggregate largest annual caps of (i) RMB303,907,912,000 and (ii) RMB59,076,300,000, respectively for the three years ended 31 December 2021.

  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 (i) RMB86,101 million for purchases of the CBUs and (ii) RMB4,019 million for purchases of automobile parts and components which did not exceed the annual caps of (i) RMB303,908 million for purchases of CBUs; and (ii) RMB59,076 million for purchases of automobile parts and components for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

2. **EV agreement amongst the Company, Geely Holding and Geely Technology Group Company Limited (formerly known as Geely Group Company Limited) ("GTGL" together with its subsidiaries, collectively the "GTGL Group") (the EV agreement has an effective term until 31 December 2021)**

   Pursuant to the EV agreement dated 5 October 2018, the Group agreed to sell the CBUs for electric vehicles to the Geely Holding Group and the GTGL Group in accordance with the product and service specifications set out in the EV agreement with the largest annual cap being RMB22,060,747,000 for the three years ended 31 December 2021.

   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 RMB127 million which, did not exceed the annual cap of RMB17,694 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

# DIRECTORS' REPORT

3. **Business travel services agreement between the Company and Geely Holding (the business travel services agreement has an effective term until 31 December 2021)**

   Pursuant to the business travel services agreement dated 5 October 2018, the Geely Holding Group agreed to provide business travel and related services to the Group with the largest annual cap being RMB661,550,000 for the three years ended 31 December 2021.

   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 RMB147 million which, did not exceed the annual cap of RMB662 million for the year ended 31 December 2021 as set by the Company.

4. **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 2021) (capitalised terms were defined in the circular of the Company dated 26 February 2019)**

   - ***Wholesale facility agreement between Genius AFC and Volvo wholesale dealers (the wholesale facility agreement has an effective term until 31 December 2021)***

     Pursuant to the wholesale facility agreement dated 11 December 2015 and the Company's announcement dated 24 January 2019, Genius AFC will provide vehicles financing to Volvo wholesale dealers to facilitate their purchase of Volvo-branded vehicles with the largest annual cap being RMB15,107 million for the three years ended 31 December 2021.

     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 RMB3,626 million which, did not exceed the annual cap of RMB15,107 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Retail loan cooperation agreement between Genius AFC and Volvo retail customers (the retail loan cooperation agreement has an effective term until 31 December 2021)***

  Pursuant to the retail loan cooperation agreement dated 11 December 2015 and the Company's announcement dated 24 January 2019, dealers of Volvo shall recommend the retail customers to use Genius AFC for obtaining vehicle loans to finance their purchase of Volvo-branded vehicles with the largest annual cap being RMB12,045 million for the three years ended 31 December 2021.

  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 RMB6,108 million which, did not exceed the annual cap of RMB12,045 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

5. **EV CKD supply agreement between the Company and Geely Holding (the EV CKD supply agreement has an effective term until 31 December 2021)**

   Pursuant to the EV CKD supply agreement dated 5 October 2018, 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 RMB3,270,180,000 for the three years ended 31 December 2021.

   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 Nil million which, did not exceed the annual cap of RMB3,270 million for the year ended 31 December 2021 as set by the Company.

6. **Powertrain sales agreement among the Company, 領克投資有限公司 (LYNK & CO Investment Company Limited) ("LYNK & CO") and Geely Holding (the powertrain sales agreement has an effective term until 31 December 2023)**

   Pursuant to the powertrain sales agreement dated 4 November 2020, the Group agreed to sell vehicle engines, transmissions and related after-sales parts manufactured by it to LYNK & CO and its subsidiaries and the Geely Holding Group with the largest annual cap being RMB18,232,500,000 for the three years ending 31 December 2023.

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 RMB5,201 million which, did not exceed the annual cap of RMB9,047 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

7. **LYNK & CO finance cooperation agreement between Genius AFC and 領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited) (the LYNK & CO finance cooperation agreement has an effective term until 31 December 2023) (capitalised terms were defined in the circular of the Company dated 1 December 2020)**

- ***Wholesale facility agreements between Genius AFC and the LYNK & CO Dealers (as defined in the circular of the Company dated 1 December 2020) (the wholesale facility agreements have an effective term until 31 December 2023)***

  Pursuant to the LYNK & CO finance cooperation agreement dated 4 November 2020, Genius AFC will provide vehicle financing to the LYNK & CO Dealers to facilitate their purchase of LYNK & CO-branded vehicles with the largest annual cap being RMB1,125 million for the three years ending 31 December 2023.

  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 million which, did not exceed the annual cap of RMB450 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Retail loan cooperation agreements between Genius AFC and LYNK & CO Dealers (as defined in the circular of the Company dated 1 December 2020) (the retail loan cooperation agreements have an effective term until 31 December 2023)***

  Pursuant to the LYNK & CO finance cooperation agreement dated 4 November 2020, Genius AFC agreed to enter into retail loan cooperation agreements with the LYNK & CO Dealers pursuant to which the LYNK & CO Dealers shall recommend the retail customers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of LYNK & CO-branded vehicles with the largest annual cap being RMB17,150 million for the three years ending 31 December 2023.

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 RMB6,305 million which, did not exceed the annual cap of RMB10,154 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

8. **Fengsheng finance cooperation agreement between Genius AFC and 浙江楓盛汽車銷售有限公司 (Zhejiang Fengsheng Automobile Sales Company Limited) (the Fengsheng finance cooperation agreement has an effective term until 31 December 2023) (capitalised terms were defined in the circular of the Company dated 1 December 2020)**

Pursuant to the Fengsheng finance cooperation agreement dated 4 November 2020, Genius AFC agreed to enter into retail loan cooperation agreements with the Fengsheng Dealers pursuant to which the Fengsheng Dealers shall recommend the retail customers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of Maple-Branded Vehicles with the largest annual cap being RMB241 million for the three years ending 31 December 2023.

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 RMB5 million which, did not exceed the annual cap of RMB72 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

9. **Geely Holding finance cooperation agreement between Genius AFC and Geely Holding (the Geely Holding finance cooperation agreement has an effective term until 31 December 2023) (capitalised terms were defined in the circular of the Company dated 1 December 2020)**

Pursuant to the Geely Holding finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Geely Retail Customers to assist them to purchase (a) Geely Holding-Owned Brands Vehicles from the Geely Holding Dealers; or (b) Geely Branded Vehicles from the Connected Geely Dealers. The largest annual cap under the Geely Holding finance cooperation agreement is RMB607 million for the three years ending 31 December 2023.

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 RMB31 million which, did not exceed the annual cap of RMB280 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

**10. ZEEKR finance cooperation agreement between Genius AFC and ZEEKR Intelligent Technology Holding Limited ("ZEEKR") (the ZEEKR finance cooperation agreement has an effective term until 31 December 2023) (capitalised terms were defined in the circular of the Company dated 5 August 2021)**

Pursuant to the ZEEKR finance cooperation agreement dated 2 July 2021, Genius AFC agreed to provide vehicle financing services to the ZEEKR Retail Customers to assist them to purchase ZEEKR Brand Vehicles. The largest annual cap under the ZEEKR finance cooperation agreement is RMB12,716 million for the three years ending 31 December 2023.

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 RMB93 million which, did not exceed the annual cap of RMB144 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

**11. Automobile components sales agreement amongst the Company, Geely Holding and LYNK & CO (the automobile components sales agreement has an effective term until 31 December 2023)**

Pursuant to the automobile components sales agreement dated 2 July 2021, the Group agreed to sell to the Geely Holding Group and LYNK & CO Group, automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.), with the largest annual cap being RMB24,644,700,000 for the three years ending 31 December 2023.

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 RMB642 million which, did not exceed the annual cap of RMB1,398 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

**12. Automobile components procurement agreement between the Company and ZEEKR (the automobile components procurement agreement has an effective term until 31 December 2023)**

Pursuant to the automobile components procurement agreement dated 2 July 2021, the Group agreed to procure from the ZEEKR Group automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.), with the largest annual cap being RMB1,410,600,000 for the three years ending 31 December 2023.

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 RMB329 million which, did not exceed the annual cap of RMB628 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

**13. Automobile components procurement agreement between the Company and Geely Holding (the Automobile components procurement agreement has an effective term until 31 December 2021)**

Pursuant to the Automobile components procurement agreement dated 5 October 2018, the Group agreed to procure from the Geely Holding Group, automobile components, with the largest annual cap being RMB33,591,637,000 for the three years ended 31 December 2021.

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 RMB869 million which, did not exceed the annual cap of RMB33,592 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

# DIRECTORS' REPORT

14. **Geely Holding & LYNK & CO automobile parts supply agreement amongst the Company, Geely Holding and LYNK & CO (the Geely Holding & LYNK & CO automobile parts supply agreement has an effective term until 31 December 2021)**

Pursuant to the Geely Holding & LYNK & CO automobile parts supply agreement dated 5 October 2018, the Group agreed to supply to the Geely Holding Group the LYNK & CO Group automobile parts and components with the largest annual cap being RMB247,202,000 for the three years ended 31 December 2021.

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 Nil which, did not exceed the annual cap of RMB247 million for the year ended 31 December 2021 as set by the Company.

15. **LYNK & CO warehouse services agreement between the Company and the LYNK & CO (the LYNK & CO warehouse services agreement has an effective term until 31 December 2021)**

Pursuant to the LYNK & CO warehouse services agreement dated 5 October 2018, the Group agreed to provide to the LYNK & CO Group, warehouse services for the aftersales parts and other automobile components, with the largest annual cap being RMB182,889,000 for the three years ended 31 December 2021.

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 RMB9 million which, did not exceed the annual cap of RMB183 million for the year ended 31 December 2021 as set by the Company.

16. **EV finance cooperation agreement between Genius AFC and Geely Holding (the EV finance cooperation agreement has an effective term until 31 December 2021) (capitalised terms were defined in the circular of the Company dated 20 November 2018)**

- ***Wholesale facility agreements between Genius AFC and the EV Dealers (as defined in the circular of the Company dated 20 November 2018) (the EV wholesale facility agreements have an effective term until 31 December 2021)***

  Pursuant to the EV finance cooperation agreement dated 5 October 2018, Genius AFC will provide vehicle financing to the EV Dealers to facilitate their purchase of Geely EVs with the largest annual cap being RMB5,406 million for the three years ended 31 December 2021.

  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 Nil which, did not exceed the annual cap of RMB3,626 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***EV retail loan cooperation agreements between Genius AFC and EV Dealers (as defined in the circular of the Company dated 20 November 2018) (the EV retail loan cooperation agreements have an effective term until 31 December 2021)***

  Pursuant to the EV finance cooperation agreement dated 5 October 2018, Genius AFC agreed to enter into EV retail loan cooperation agreements with the EV Dealers pursuant to which the EV Dealers shall recommend the retail customers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of Geely EVs with the largest annual cap being RMB4,834 million for the three years ended 31 December 2021.

  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 million which, did not exceed the annual cap of RMB3,705 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

# DIRECTORS' REPORT

**17. 2020 R&D services and technology licensing agreement and R&D services and technology licensing agreement both amongst the Company, Geely Holding and the LYNK & CO (the R&D services and technology licensing agreement has an effective term until 31 December 2023)**

Pursuant to the 2020 R&D technology support agreement dated 4 November 2020 and the R&D services and technology licensing agreement dated 2 July 2021, the Group agreed to provide to the Geely Holding Group and LYNK & CO Group, R&D and related technological support services, including research and development of new technologies and new products, technical verification and testing, technical consultation services, technical support services and technology licensing, etc., with the largest annual cap being RMB10,053 million for the three years ending 31 December 2023.

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 RMB4,263 million which, did not exceed the annual cap of RMB8,869 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

**18. 2020 R&D services and technology licensing agreement and R&D services and technology licensing agreement both amongst the Company, Geely Holding and the LYNK & CO (the R&D services and technology licensing agreement has an effective term until 31 December 2023)**

Pursuant to the 2020 R&D technology support agreement dated 4 November 2020 and the R&D services and technology licensing agreement dated 2 July 2021, the Group agreed to procure from the Geely Holding Group, R&D and related technological support services, including research and development of new technologies and new products, technical verification and testing, and technical consultation services, technical support services and technology licensing, etc., with the largest annual cap being RMB4,364 million for the three years ending 31 December 2023.

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 RMB2,144 million which, did not exceed the annual cap of RMB2,709 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

**19. Operation services agreement amongst the Company, Geely Holding and the LYNK & CO (the operation services agreement has an effective term until 31 December 2021)**

Pursuant to the operation services agreement dated 26 November 2019, the Group agreed to provide to the Geely Holding Group and the LYNK & CO Group, operation services that mainly include IT, logistics, finance, human resources and other administrative functions, with the largest annual cap being RMB1,964,474,000 for the three years ended 31 December 2021.

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 RMB987 million which, did not exceed the annual cap of RMB1,964 million for the year ended 31 December 2021 as set by the Company.

**20. Operation services agreement between the Company and Geely Holding (the operation services agreement has an effective term until 31 December 2021)**

Pursuant to the operation services agreement dated 26 November 2019, the Group agreed to procure from the Geely Holding Group, operation services that mainly include manufacturing engineering services, construction management services and other engineering services, with the largest annual cap being RMB269,547,000 for the three years ended 31 December 2021.

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 RMB114 million which, did not exceed the annual cap of RMB270 million for the year ended 31 December 2021 as set by the Company.

# DIRECTORS' REPORT

21. **ZEEKR operation services agreement between the Company and the ZEEKR (the ZEEKR operation services agreement has an effective term until 31 December 2023)**

    Pursuant to the operation services agreement dated 2 July 2021, the Group agreed to provide to the ZEEKR Group operation services that mainly include IT, logistics, procurement, finance, human resources and other administrative functions, with the largest annual cap being RMB248,200,000 for the three years ending 31 December 2023.

    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 RMB6 million which, did not exceed the annual cap of RMB15 million for the year ended 31 December 2021 as set by the Company.

22. **CBUs sales agreement between the Company and Geely Holding (the CBUs sales agreement has an effective term until 31 December 2021)**

    Pursuant to the CBUs sales agreement dated 26 November 2019, the Group agreed to sell to the Geely Holding Group, CBUs and related after-sales parts, components and accessories manufactured with the largest annual cap being RMB2,629 million for the two years ended 31 December 2021.

    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 RMB793 million which, did not exceed the annual cap of RMB2,629 million for the year ended 31 December 2021 as set by the Company.

**23. Master CKDs and automobile components sales agreement between the Company and Geely Holding (the master CKDs and automobile components sales agreement has an effective term until 31 December 2023)**

Pursuant to the master CKDs and automobile components sales agreement dated 4 November 2020, the Group agreed to sell to the Geely Holding Group, CKDs and automobile components in relation to vehicle models including Proton-branded vehicles, Maple-branded vehicles, Farizon-branded vehicles, etc. with the largest annual cap being RMB12,027 million for the three years ending 31 December 2023.

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 RMB2,383 million which, did not exceed the annual cap of RMB5,946 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

**24. Master CKDs and automobile components purchase agreement and the supplemental master CKDs and automobile components purchase agreement both between the Company and Geely Holding (the master CKDs and automobile components purchase agreement and the supplemental master CKDs and automobile components purchase agreement have an effective term until 31 December 2023)**

Pursuant to the master CKDs and automobile components purchase agreement dated 4 November 2020 and the supplemental master CKDs and automobile components purchase agreement dated 15 October 2021, the Group agreed to purchase from the Geely Holding Group, CKDs and automobile components under the Geely brand with the largest annual cap being RMB58,836 million for the three years ending 31 December 2023.

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 RMB4,174 million which, did not exceed the annual cap of RMB13,042 million for the year ended 31 December 2021 as approved by the Stock Exchange and the independent shareholders of the Company.

# DIRECTORS' REPORT

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 their unqualified letter containing their 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.

## 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 2021.

## 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 and two share award schemes (including the one adopted by its subsidiary, namely Zeekr Holding) as incentives to directors and eligible employees, details of the schemes are set out in note 35 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 16.3% and 7.1%, respectively, of the Group's total purchases for the year.

The percentage of revenue attributable to the Group's five largest customers and the largest customer are 7.3% and 2.9% respectively, of the Group's total revenue for the year. Ningbo Geely Automobile R&D Company Limited (寧波吉利汽車研究開發有限公司), Yuyao LYNK & CO Auto Parts Company Limited (余姚領克汽車部件有限公司), Sichuan Lingji Automobile Manufacturing Company Limited (四川領吉汽車製造有限公司), Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司), the related companies controlled by the substantial shareholder of the Company, were the Group's largest, the second largest, the third largest and the fourth largest customers 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 039 to 064 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, risk management and internal controls. The audit committee comprises Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie who are the independent non-executive directors of the Company.

## FACILITY AGREEMENT WITH COVENANT OF THE CONTROLLING SHAREHOLDERS

On 2 July 2019, the Company as the borrower entered into a facility agreement (the "Facility Agreement") with Citigroup Global Markets Asia 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$300,000,000 has been granted to the Company for a term of three years. The purpose of the loan facility is to (i) refinance the existing indebtedness of the Group and (ii) for general corporate purposes 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.

# DIRECTORS' REPORT

## 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 vehicles 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-branded vehicles. The potential production and distribution of Geely-branded vehicles by Geely Holding will 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 the Group of all potential Competing Businesses carried out by him or his associates.

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.

On 10 February 2020, the Company announced that the management of the Company was in preliminary discussions with the management of Volvo Car AB (publ) regarding a possible restructuring through a combination of the businesses of the two companies into a strong global group that could realise synergies in cost structure and new technology development to face the challenges in the future.

# DIRECTORS' REPORT



On 24 February 2021, the Company announced that it will carry out a series of business combination and collaboration in respect of powertrain, electrification, autonomous driving and operational collaboration with Volvo Car AB (publ) (a company which is an indirect subsidiary of Geely Holding and is the parent company of the Volvo Car Group of companies) maintaining their respective existing independent corporate structures. The Board (including the independent non-executive Directors) is of the view that, through such business combination and collaboration, the major potential competition between the parties has been mitigated. Also, the Geely Holding's Letter of Undertaking made by Geely Holding has now been fully reflected and fulfilled. For details, please refer to the Company's announcement dated 24 February 2021.

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 due to different market positioning and target customer base of each brand (see below for details), as such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different product offerings (i.e. high-end versus economy automobiles) and brand names.

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

### Horizontal competition between the Group and Geely Holding together with corporations controlled by it

The Group's passenger vehicle products include three major brands, namely, Geely, Geometry and ZEEKR. Except for the Group and its subsidiaries, Geely Holding controls the principal businesses of research and development, production and sales of passenger vehicles, and the major passenger vehicle brands include Volvo, Lynk&Co, Lotus, Polestar and London Electric Vehicle Company. There is no horizontal competition that casts material and adverse impact on the Group between the Group and other corporations such as those passenger vehicle brands controlled by Geely Holding and other enterprises (other than the controlling shareholders) controlled by the actual controller. Details are as follows: The Group owns three major brands: Geely, Geometry and ZEEKR. Geely-branded vehicles are mainly sold in the PRC, and exported to developing countries such as Asia, Eastern Europe and the Middle East. Geely-branded vehicles are positioned as economical passenger vehicles, Geometry brand is the pure electric vehicle brand of the Group. The ZEEKR brand is a new premium smart pure electric vehicle brand of the Group.

***(1) Volvo***

Volvo is a luxurious global manufacture corporation based in Northern Europe, with a high-end brand image worldwide for high income group. Brand positioning: personalized, sustainable, safe, and people-oriented. Volvo's sales regions cover Europe, China, the United States and other major global automobile markets.

Due to the significant differences between the Group and Volvo in terms of product positioning, selling prices and other aspects, CBUs of the Group and Volvo target at different consumer groups. As for the automobile products, in general, consumers' decision over purchasing different brands of vehicle would largely be affected by the group they belong to. For consumers, switching between different groups would be relatively difficult and longer period of time would be needed since it usually requires certain accumulation of financial foundation and changes in their awareness, concepts, etc. over consumption. Therefore, the Group is different from Volvo in terms of the consumer group; the manufacture business operated by each party does not constitute a competitive relationship, and the possibility of mutually or unilaterally transferring business opportunities is small.

Having a history of nearly a century, Volvo brand has long been reputed as the "safest vehicle", shaping a high-end brand image throughout the world. The high-end image and product reputation of Volvo, being a corporation which, together with the Group, is controlled by Geely Holding, play an active and positive role in enhancing the brand image and market recognition of the Group and are beneficial to the enhancement of market awareness of the Group. Also, the Group and Volvo, both being a manufacture corporation focusing on passenger vehicle as its main product, create certain synergy effects in the research and development of related technology of CBUs and prospective technology. Leveraging the synergies in research and development with Volvo, the Group has the opportunity to learn and acquire Volvo's technology accumulated over the years, which in turn will help promote the enhancement of the Company's technological capability.

# DIRECTORS' REPORT



***(2) Lynk&Co***

Lynk&Co, being a mid- to high-end brand established through joint venture among Jirun Automobile, Geely Holding and VCI, adopts a more premium product positioning than the Group's economy passenger vehicles; Lynk&Co targets younger users in pursuit of a stronger sense of fashion and technology as its customer base, representing certain discrepancy with the Group's brand positioning of popularization and target customer base.

As at 31 December 2021, the Group held 50% equity interests in Lynk&Co. It has appointed 2 of the 4 directors to Lynk&Co and participated in the corporate governance of Lynk&Co. It has joint control over Lynk&Co and has stronger influence over decision-making on Lynk&Co's material events. Therefore, if Lynk&Co's material events may have a material adverse effect on the Group, the Group can avoid such material adverse effect through the shareholder's rights entitled and the directors appointed by it in Lynk&Co.

***(3) Other brands that are controlled by Geely Holding***

*Lotus*

Lotus is a manufacture brand under Lotus Advance Technologies Sdn. Bhd., which is controlled by Geely Holding. As at 31 December 2021, Geely Holding indirectly holds 51% equity interests in Lotus Advance Technologies Sdn. Bhd. and controls Lotus Advance Technologies Sdn. Bhd.

Lotus is a well-known manufacturer of sports car and racing car. Its passenger vehicle products are mainly high-performance sports cars and racing cars, which display significant difference from the economic passenger vehicles of the Group in terms of product positioning. Since the target consumer groups of Lotus and the Group are mainly different, the manufacture business operated by each party does not constitute a competitive relationship, and the possibility of mutually or unilaterally transferring business opportunities is small.

Although the Group is not a party to the Lotus acquisition, to protect the interests of the Group, Geely Holding has provided an irrevocable undertaking to the Company in 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 Lotus 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.

*Polestar*

Polestar is a manufacture brand under Polestar Automotive Holding Limited. Polestar Automotive Holding Limited is owned as to 42.7% by PSD Investment Limited and as to 48.8% by Volvo Cars. PSD Investment Limited is a company controlled by Mr. Li Shu Fu.

# DIRECTORS' REPORT

The positioning of Polestar is high-performance electric vehicle. Polestar adheres the concept of "technology-oriented", enjoys the technical engineering synergy advantages of Volvo Cars, with worldwide sales network. Polestar redefines luxury in the age of sustainability with design, driving experience, and eco-friendly, high-tech minimalism. Significant difference is shown with the products of the Group in terms of the target consumers group.

*London Electric Vehicle Company*
London Electric Vehicle Company ("LEVC") is a manufacture brand Geely Holding. LEVC is positioned as the VAN series of electrified models. As at 31 December 2021, LEVC has launched two models of TX5 and VN5 VANs. TX5 is for the travel market, while VN5 is targeted for the European market. Both customer base and pricing are different from the Group's major brands, namely Geely, Geometry and ZEEKR.

Businesses controlled by the controlling shareholder, such as Lotus, Polestar and LEVC are significantly different from the Group in terms of product positioning, target consumer group, etc. such that no competitive relationship is constituted with the Group, and the possibility of mutually or unilaterally transferring business opportunities is small.

2. **No horizontal competition was found between the Group and other enterprises (other than the controlling shareholders) controlled by the actual controller**

   Save as disclosed above, as at 31 December 2021, neither Mr. Li nor his associates engaged in the research and development, production or sales of passenger vehicle business which is the same or similar to that of the Group, and no horizontal competition was found between them and the Group.

   Saved as disclosed above, as at 31 December 2021, 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.

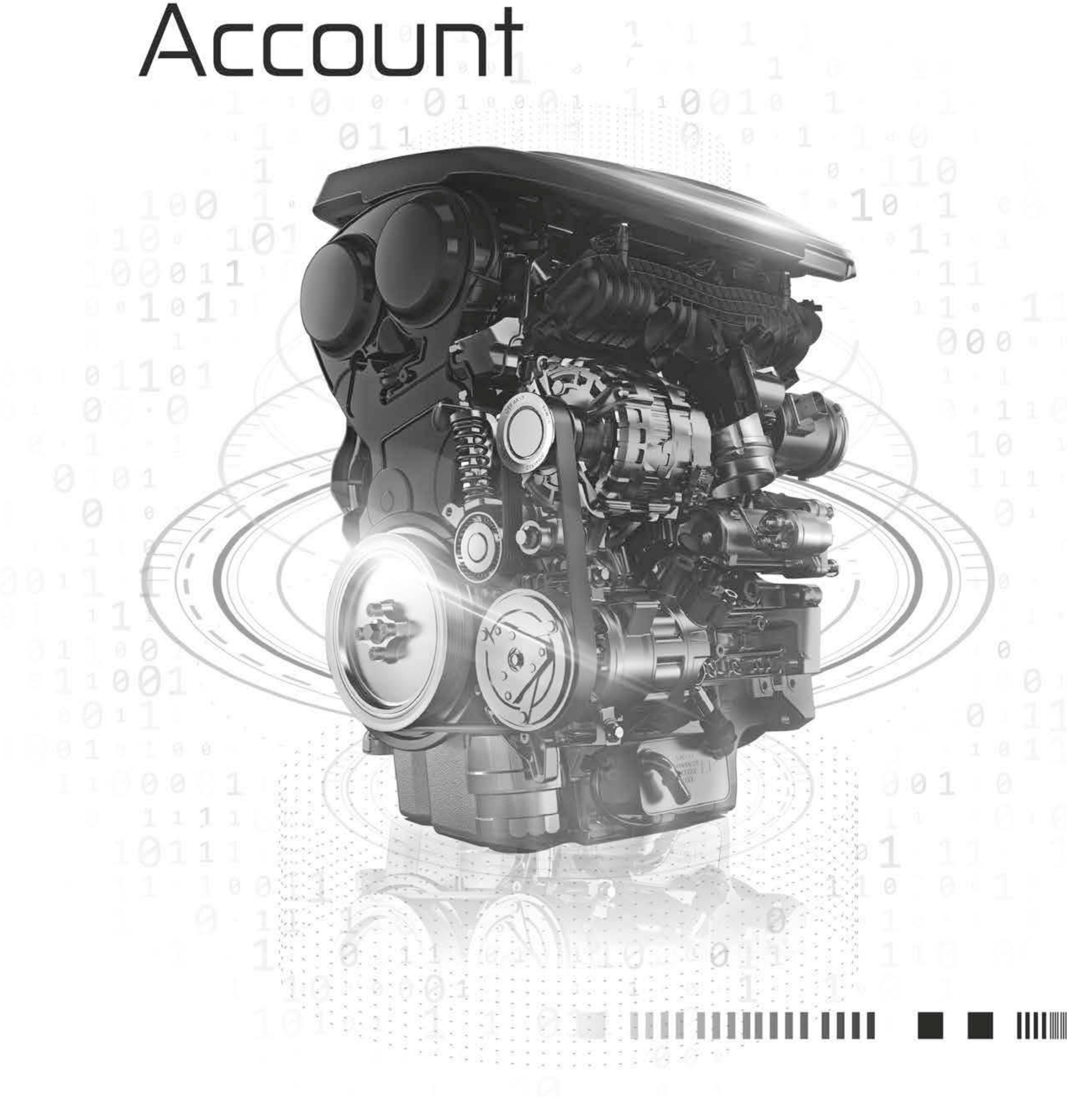
## AUDITOR

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*
23 March 2022

# Account



# INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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**To the members of Geely Automobile Holdings Limited**
*(incorporated in the Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of Geely Automobile Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 270, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 2021, 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 Companies Ordinance.

## Basis for opinion

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of 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 notes 4(e) and 4(k) to the consolidated financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| We identified the impairment of intangible assets as a key audit matter due to the judgement being made about future results of the business in assessing the recoverable amount of intangible assets. As at 31 December 2021, intangible assets of RMB20,901,178,000 represented capitalised product development costs related to one single cash-generating unit ("CGU").<br><br>Management assessed whether there were any indicators that the intangible assets may be impaired. Intangible assets with impairment indicators were tested for impairment. Management calculated the recoverable amount of the CGU 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 rate and discount rate 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 2021. | Our audit procedures to assess the impairment of the Group's intangible assets by the Company's management included the following:<br><br>– Obtained an understanding of the Group's internal controls and processes of impairment assessment;<br><br>– Assessed the valuation methodology adopted by management;<br><br>– Compared 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;<br><br>– Assessed the reasonableness of key assumptions, including growth rate and discount rate, based on our knowledge of the business and industry; and<br><br>– Reconciled input data to supporting evidence, such as approved budgets and considered the reasonableness of these budgets. |

# INDEPENDENT AUDITOR'S REPORT

## Key audit matters (Continued)

### Revenue recognition on sales of automobiles, automobiles parts and components and battery packs and related parts

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

**The key audit matter**

For the year ended 31 December 2021, the revenue of the Group amounted to approximately RMB101,611,056,000 of which approximately RMB97,084,466,000 was contributed from the sales of automobiles, automobile parts and components and battery packs and related parts.

Revenue recognition on sales of automobiles, automobile parts and components and battery packs and related parts 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 on sales of automobiles, automobile parts and components and battery packs and related parts included the following:

- Understood and evaluated the internal controls and processes of revenue recognition on sales of automobiles, automobile parts and components and battery packs and related parts and tested its operating effectiveness;
- Reviewed 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;
- Performed analytical review on revenue and gross margin by automobile products categories to identify significant or unusual fluctuation on revenue;
- Assessed, 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; and
- Obtained external confirmation to verify the outstanding trade receivables balances at the reporting date directly from customers, on a sample basis.

## Other information

The directors are responsible for the other information. The other information comprises all the information included in the 2021 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 Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

23 March 2022

**Ng Ka Kong**
Practising Certificate No.: P06919

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

| | Note | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| **Revenue** | 6 | **101,611,056** | 92,113,878 |
| Cost of sales | | **(84,198,821)** | (77,376,859) |
| **Gross profit** | | **17,412,235** | 14,737,019 |
| Other income | 8 | **1,339,074** | 1,039,382 |
| Distribution and selling expenses | | **(6,322,762)** | (5,053,491) |
| Administrative expenses | | **(7,907,530)** | (5,745,019) |
| Impairment loss on trade and other receivables | 9(c) | **(128,290)** | (8,594) |
| Share-based payments | 35 | **(1,212,699)** | (4,095) |
| Finance income, net | 9(a) | **280,155** | 208,322 |
| Share of results of associates | 18 | **57,984** | 50,604 |
| Share of results of joint ventures | 19 | **1,147,008** | 824,810 |
| Gain on disposal of subsidiaries | 38 | **–** | 392,040 |
| **Profit before taxation** | 9 | **4,665,175** | 6,440,978 |
| Taxation | 10 | **(312,167)** | (866,348) |
| **Profit for the year** | | **4,353,008** | 5,574,630 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **4,847,448** | 5,533,790 |
| Non-controlling interests | | **(494,440)** | 40,840 |
| **Profit for the year** | | **4,353,008** | 5,574,630 |
| **Earnings per share** | | | |
| Basic | 12 | **RMB0.48** | RMB0.56 |
| Diluted | 12 | **RMB0.48** | RMB0.56 |

The notes on pages 123 to 270 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 2021

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Profit for the year** | **4,353,008** | 5,574,630 |
| **Other comprehensive expense:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| – Notes receivable at fair value through other comprehensive income | | |
| Change in fair value | **(4,304)** | (193,361) |
| Income tax effect | **(1,739)** | 42,935 |
| – Share of other comprehensive expense of associate and joint venture, net of related income tax | **(14,032)** | – |
| – Exchange differences on translation of financial statements of foreign operations | **(35,442)** | (87,533) |
| – Realisation of translation reserve upon deregistration of a subsidiary | **–** | 17,611 |
| **Other comprehensive expense for the year, net of tax** | **(55,517)** | (220,348) |
| **Total comprehensive income for the year** | **4,297,491** | 5,354,282 |
| **Attributable to:** | | |
| Equity holders of the Company | **4,782,609** | 5,314,681 |
| Non-controlling interests | **(485,118)** | 39,601 |
| **Total comprehensive income for the year** | **4,297,491** | 5,354,282 |

The notes on pages 123 to 270 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **30,858,504** | 26,574,279 |
| Intangible assets | 15 | **20,901,178** | 18,610,115 |
| Land lease prepayments | 16 | **3,435,744** | 3,042,911 |
| Goodwill | 17 | **58,193** | 42,806 |
| Interests in associates | 18 | **609,808** | 494,498 |
| Interests in joint ventures | 19 | **9,594,805** | 9,194,017 |
| Trade and other receivables | 21 | **800,512** | 952,356 |
| Financial assets at fair value through profit or loss ("FVTPL") | 24 | **351,646** | – |
| Deferred tax assets | 32 | **2,435,192** | 970,011 |
| | | **69,045,582** | 59,880,993 |
| **Current assets** | | | |
| Inventories | 20 | **5,521,573** | 3,690,631 |
| Trade and other receivables | 21 | **31,549,100** | 27,868,232 |
| Income tax recoverable | | **140,350** | 224,608 |
| Derivative financial instruments | 22 | **66,892** | – |
| Pledged bank deposits | | **3,912** | 174,422 |
| Bank balances and cash | | **28,013,995** | 18,976,843 |
| | | **65,295,822** | 50,934,736 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | **57,392,790** | 41,516,307 |
| Lease liabilities | 25 | **198,290** | 30,380 |
| Bank borrowings | 26 | **1,906,740** | – |
| Income tax payable | | **852,737** | 340,190 |
| | | **60,350,557** | 41,886,877 |
| **Net current assets** | | **4,945,265** | 9,047,859 |
| **Total assets less current liabilities** | | **73,990,847** | 68,928,852 |

| | Note | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 27 | **183,015** | 179,672 |
| Perpetual capital securities | 28 | **3,413,102** | 3,413,102 |
| Reserves | 29 | **65,010,029** | 60,038,340 |
| **Equity attributable to equity holders of the Company** | | **68,606,146** | 63,631,114 |
| **Non-controlling interests** | | **1,614,826** | 582,152 |
| **Total equity** | | **70,220,972** | 64,213,266 |
| **Non-current liabilities** | | | |
| Trade and other payables | 23 | **961,697** | 385,557 |
| Lease liabilities | 25 | **502,486** | 11,915 |
| Bank borrowings | 26 | **–** | 1,959,750 |
| Bonds payable | 30 | **1,901,137** | 1,949,735 |
| Deferred tax liabilities | 32 | **404,555** | 408,629 |
| | | **3,769,875** | 4,715,586 |
| | | **73,990,847** | 68,928,852 |

Approved and authorised for issue by the Board of Directors on 23 March 2022.

| **Li Shu Fu** | **Gui Sheng Yue** |
|---|---|
| Director | Director |

The notes on pages 123 to 270 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 27) | Perpetual capital securities RMB'000 (note 28) | Share premium RMB'000 (note 29(a)) | Capital reserve RMB'000 (note 29(b)) | Statutory reserve RMB'000 (note 29(c)) | Fair value reserve (recycling) RMB'000 (note 29(d)) | Translation reserve RMB'000 (note 29(e)) | Share-based compensation reserve RMB'000 (note 29(f)) | Retained profits RMB'000 (note 29(g)) | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| Balance at 1 January 2020 | 167,733 | 3,413,102 | 7,591,592 | 164,790 | 355,638 | – | 17,640 | 100,301 | 42,624,830 | 54,435,626 | 488,840 | 54,924,466 |
| Profit for the year | – | 137,217 | – | – | – | – | – | – | 5,396,573 | 5,533,790 | 40,840 | 5,574,630 |
| Other comprehensive expense: | | | | | | | | | | | | |
| Change in fair value of notes receivable at fair value through other comprehensive income | – | – | – | – | – | (148,955) | – | – | – | (148,955) | (1,471) | (150,426) |
| Exchange differences on translation of financial statements of foreign operations | – | – | – | – | – | – | (87,765) | – | – | (87,765) | 232 | (87,533) |
| Realisation of translation reserve upon deregistration of a subsidiary | – | – | – | – | – | – | 17,611 | – | – | 17,611 | – | 17,611 |
| Total comprehensive income for the year | – | 137,217 | – | – | – | (148,955) | (70,154) | – | 5,396,573 | 5,314,681 | 39,601 | 5,354,282 |
| Transactions with owners: | | | | | | | | | | | | |
| Capital contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | – | 53,711 | 53,711 |
| Transfer of reserves | – | – | – | – | 352,000 | – | – | – | (352,044) | (44) | – | (44) |
| Shares issued under share option scheme (note 27(a)) | 888 | – | 262,648 | – | – | – | – | (65,722) | – | 197,814 | – | 197,814 |
| Shares issued upon placement (note 27(b)) | 11,051 | – | 5,926,085 | – | – | – | – | – | – | 5,937,136 | – | 5,937,136 |
| Equity settled share-based payments (note 35) | – | – | – | – | – | – | – | 4,095 | – | 4,095 | – | 4,095 |
| Transfer upon forfeiture of share options | – | – | – | – | – | – | – | (15,065) | 15,065 | – | – | – |
| Distribution paid on perpetual capital securities (note 11(c)) | – | (137,217) | – | – | – | – | – | – | – | (137,217) | – | (137,217) |
| Final dividend approved and paid in respect of the previous year (note 11(b)) | – | – | – | – | – | – | – | – | (2,120,977) | (2,120,977) | – | (2,120,977) |
| Total transactions with owners | 11,939 | (137,217) | 6,188,733 | – | 352,000 | – | – | (76,692) | (2,457,956) | 3,880,807 | 53,711 | 3,934,518 |
| Balance at 31 December 2020 | 179,672 | 3,413,102 | 13,780,325 | 164,790 | 707,638 | (148,955) | (52,514) | 23,609 | 45,563,447 | 63,631,114 | 582,152 | 64,213,266 |

| | Attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 27) | Perpetual capital securities RMB'000 (note 28) | Share premium RMB'000 (note 29(a)) | Capital reserve RMB'000 (note 29(b)) | Statutory reserve RMB'000 (note 29(c)) | Fair value reserve (recycling) RMB'000 (note 29(d)) | Translation reserve RMB'000 (note 29(e)) | Share-based compensation reserve RMB'000 (note 29(f)) | Retained profits RMB'000 (note 29(g)) | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| **Balance at 1 January 2021** | 179,672 | 3,413,102 | 13,780,325 | 164,790 | 707,638 | (148,955) | (52,514) | 23,609 | 45,563,447 | 63,631,114 | 582,152 | 64,213,266 |
| Profit for the year | - | 127,388 | - | - | - | - | - | - | 4,720,060 | 4,847,448 | (494,440) | 4,353,008 |
| Other comprehensive expense: | | | | | | | | | | | | |
| Change in fair value of notes receivable at fair value through other comprehensive income | - | - | - | - | - | (5,950) | - | - | - | (5,950) | (93) | (6,043) |
| Share of other comprehensive expense of associate and joint venture | - | - | - | - | - | (20,381) | 6,349 | - | - | (14,032) | - | (14,032) |
| Exchange differences on translation of financial statements of foreign operations | - | - | - | - | - | - | (44,857) | - | - | (44,857) | 9,415 | (35,442) |
| Total comprehensive income for the year | - | 127,388 | - | - | - | (26,331) | (38,508) | - | 4,720,060 | 4,782,609 | (485,118) | 4,297,491 |
| Transactions with owners: | | | | | | | | | | | | |
| Transfer of reserves | - | - | - | - | 441 | - | - | - | (579) | (138) | - | (138) |
| Shares issued under share option scheme (note 27(a)) | 91 | - | 38,455 | - | - | - | - | (7,812) | - | 30,734 | - | 30,734 |
| Equity settled share-based payments (note 35) | - | - | - | - | - | - | - | 1,546,822 | - | 1,546,822 | - | 1,546,822 |
| Acquisition of a subsidiary (note 37) | - | - | - | - | - | - | - | - | - | - | 823,959 | 823,959 |
| Capital contribution from non-controlling interests | - | - | - | 1,783,777 | - | - | - | - | - | 1,783,777 | 1,146,144 | 2,929,921 |
| Acquisition of additional interests from non-controlling interests (notes 39(a) and (c)) | 3,252 | - | 3,386,712 | (4,819,909) | - | - | - | - | - | (1,429,945) | (387,243) | (1,817,188) |
| Distribution paid on perpetual capital securities (note 11(c)) | - | (127,388) | - | - | - | - | - | - | - | (127,388) | - | (127,388) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (65,068) | (65,068) |
| Final dividend approved and paid in respect of the previous year (note 11(b)) | - | - | - | - | - | - | - | - | (1,611,439) | (1,611,439) | - | (1,611,439) |
| Total transactions with owners | 3,343 | (127,388) | 3,425,167 | (3,036,132) | 441 | - | - | 1,539,010 | (1,612,018) | 192,423 | 1,517,792 | 1,710,215 |
| **Balance at 31 December 2021** | 183,015 | 3,413,102 | 17,205,492 | (2,871,342) | 708,079 | (175,286) | (91,022) | 1,562,619 | 48,671,489 | 68,606,146 | 1,614,826 | 70,220,972 |

The notes on pages 123 to 270 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **4,665,175** | 6,440,978 |
| Adjustments for: | | | |
| Depreciation and amortisation | | **6,893,322** | 5,491,209 |
| Fair value changes on financial assets at FVTPL | 8 | **(28,621)** | – |
| Equity settled share-based payments | 35 | **1,212,699** | 4,095 |
| Finance costs | 9(a) | **264,829** | 166,979 |
| Gain on disposal of subsidiaries | 38 | **–** | (392,040) |
| Impairment loss on trade and other receivables | 9(c) | **128,290** | 8,594 |
| Interest income | 9(a) | **(544,984)** | (375,301) |
| Loss on deregistration of a subsidiary | 9(c) | **–** | 18,811 |
| Net foreign exchange (gain)/loss | | **(67,808)** | 63,281 |
| Net loss/(gain) on written off/disposal of property, plant and equipment | 9(c) | **84,513** | (7,513) |
| Share of results of associates | 18 | **(57,984)** | (50,604) |
| Share of results of joint ventures | 19 | **(1,147,008)** | (824,810) |
| Unrealised gain on derivative financial instruments at FVTPL | | **(66,892)** | – |
| Write-down for slow-moving inventories | 9(c) | **49,023** | – |
| Operating profit before working capital changes | | **11,384,554** | 10,543,679 |
| Inventories | | **(1,273,145)** | 1,104,127 |
| Trade and other receivables | | **(2,940,174)** | (4,029,743) |
| Trade and other payables | | **9,374,135** | (4,650,266) |
| Cash generated from operations | | **16,545,370** | 2,967,797 |
| Income taxes paid | | **(1,197,027)** | (1,371,205) |
| *Net cash generated from operating activities* | | **15,348,343** | 1,596,592 |

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(2,833,372)** | (2,806,586) |
| Proceeds from disposal of property, plant and equipment | | **228,359** | 101,216 |
| Additions of land lease prepayments | 16 | **(56)** | (44,475) |
| Additions of intangible assets | | **(3,266,765)** | (4,191,189) |
| Initial/additional capital injection in associates | 18 | **(60,423)** | (49,490) |
| Initial capital injection in a joint venture | 19 | **(8,300)** | – |
| Dividend received from an associate | 18 | **–** | 40,361 |
| Dividend received from a joint venture | 19 | **888,689** | – |
| Proceeds from disposal of intangible assets | | **13,192** | 28,594 |
| Purchase of preferred shares investments in an unlisted entity | | **(323,025)** | – |
| Change in pledged bank deposits | | **170,510** | (134,029) |
| Net cash outflows on acquisition of subsidiaries | 37 | **(2,540,659)** | – |
| Net cash inflows on disposal of subsidiaries | 38 | **–** | 819,094 |
| Proceeds from disposal of subsidiaries in previous year | | **–** | 507,135 |
| Interest received | | **572,683** | 299,132 |
| *Net cash used in investing activities* | | **(7,159,167)** | (5,430,237) |
| **Cash flows from financing activities** | | | |
| Dividends paid to equity holders of the Company | 11(b) | **(1,611,439)** | (2,120,977) |
| Dividends paid to non-controlling interests | | **(65,068)** | – |
| Distribution paid on perpetual capital securities | 11(c) | **(127,388)** | (137,217) |
| Acquisition of additional interests from non-controlling interests | 39(a) | **(9,804)** | – |
| Capital contribution from non-controlling interests | | **2,929,921** | 53,711 |
| Proceeds from issuance of shares upon exercise of share options | 27(a) | **30,734** | 197,814 |
| Proceeds from issuance of shares upon placement | 27(b) | **–** | 5,937,136 |
| Payment of lease liabilities | 31 | **(90,251)** | (35,320) |
| Interest paid | 31 | **(140,686)** | (133,995) |
| *Net cash generated from financing activities* | | **916,019** | 3,761,152 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents** | **9,105,195** | (72,493) |
| Cash and cash equivalents at the beginning of the year | **18,976,843** | 19,281,216 |
| Effect of foreign exchange rate changes | **(68,043)** | (231,880) |
| **Cash and cash equivalents at the end of the year, represented by bank balances and cash** | **28,013,995** | 18,976,843 |

The notes on pages 123 to 270 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 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 2021, the directors consider the immediate holding company of the Company is Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the "BVI"). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司 ("Geely Holding"), 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 44 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 114 to 270 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure requirements 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. These policies have been consistently applied to all the years presented unless otherwise stated.

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

## 3. ADOPTION OF NEW AND AMENDED HKFRSs

### 3.1 Amended HKFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

| | |
|---|---|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

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

***Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" ("Phase 2 Amendments")***

The Phase 2 Amendments provide practical relief from certain requirements in HKFRSs. These reliefs relate to modifications of financial assets and financial liabilities (measured at amortised costs) and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark risk-free rate.

The Group initially applied Phase 2 Amendments on 1 January 2021 and applied the amendments retrospectively. However, in accordance with the exceptions permitted in Phase 2 Amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not to provide additional disclosures for 2020.

*Impact on measurement of financial assets and financial liabilities*

For changes in the basis for determining the contractual cash flows of financial assets and financial liabilities which are measured at amortised cost as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes such that it will not derecognise the carrying amounts of financial assets and financial liabilities and recognise an immediate gain or loss for changes solely arose from the interest rate benchmark reform, but will instead revise the effective interest rates of the financial assets and financial liabilities. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- The change is necessary as a direct consequence of the interest rate benchmark reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately before the change).

The amendments do not have material impacts on the consolidated financial results and consolidated financial position as at 1 January 2021 and during the current year.

## 3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

### 3.2 Issued but not yet effective HKFRSs

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and related amendments[2] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021[5] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[2] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[2] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2] |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use[1] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRS Standards 2018-2020[1] |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combination[4] |

1 Effective for annual periods beginning on or after 1 January 2022

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

3 Effective date not yet determined

4 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 April 2021

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

## 3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

### 3.2 Issued but not yet effective HKFRSs (Continued)

***Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"***

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

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

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 4 to consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements

***Amendments to HKAS 8 "Definition of Accounting Estimates"***

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

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

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

## 3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

### 3.2 Issued but not yet effective HKFRSs (Continued)

***Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"***

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

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial assets are stated at fair value.

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

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of consolidation

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

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

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

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

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of consolidation (Continued)

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.

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 retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss (see note 4(k)). 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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.

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

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

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (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.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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 the Company's statement of financial position, interest in a joint venture is stated at cost less impairment losses (see note 4(k)).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Intangible assets (other than goodwill) and research and development activities

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(k)). Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

***Research and development costs***

Costs associated with research activities are recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

The costs capitalised include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

Capitalised product development costs are amortised over 3 to 10 years. All other development costs are recognised as an expense in the period in which it is as incurred.

Both the period and method of amortisation are reviewed annually.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Inventories

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

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

### (g) Foreign currency translation

In preparing the financial statements of each individual entity, foreign currency transactions are translated into the functional currency of the individual 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 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 (i.e. only translated using the exchange rates at the transaction date).

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.

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 from translation of functional currency to presentation currency, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, in case of financial assets or liabilities not at FVTPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

***Financial assets***

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 4(n)).

– fair value through other comprehensive income ("FVOCI") (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECLs"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Dividends are recognised in profit or loss as other income.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial assets (Continued)***

*Credit losses*

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including bank balances and cash, pledged bank deposits and trade and other receivables (excluding notes receivable)) and debt instruments measured at FVOCI (recycling) (including notes receivable).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls on bank balances and cash, pledged bank deposits and trade and other receivables (excluding notes receivable) are discounted using effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial assets (Continued)***

*Credit losses (Continued)*

Measurement of ECLs (Continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs by using a simplified approach. The Group determines the ECLs on these financial assets collectively using a provision matrix with appropriate groupings and/or individually assessed for debtors with significant balances. Both provision matrix and individual assessment are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without taking into account any collateral held by the Group; or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial assets (Continued)***

*Credit losses (Continued)*

Significant increases in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment loss or reversal of impairment loss in profit or loss. The Group recognises an impairment loss or reversal of impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 42.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial assets (Continued)***

*Credit losses (Continued)*

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial liabilities***

The Group's financial liabilities include bank borrowings, bonds payable, lease liabilities and trade and other payables.

All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(t)).

Accounting policies of lease liabilities are set out in note 4(r).

*Trade and other payables*

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

*Interest bearing borrowings*

Interest bearing borrowings, including bank borrowings and bonds payable, are classified as financial liabilities and recognised initially at fair value, less transaction costs incurred. Interest bearing borrowings are subsequently stated at amortised cost, using the effective interest method.

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

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (h) Financial instruments (Continued)

***Derecognition***

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

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

## (i) Property, plant and equipment

Property, plant and equipment, other than construction in progress and cost of right-of-use assets (see note 4(r)), are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(k)). Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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:

| | |
|---|---|
| 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 |

Accounting policy for depreciation of right-of-use assets is set out in note 4(r).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Property, plant and equipment (Continued)

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(k)). Cost includes all construction expenditure and other direct costs. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

### (j) Land lease prepayments

"Land lease prepayments" (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses (see note 4(k)). Depreciation is calculated on a straight-line basis over the term of the right-of-use assets except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (k) Impairment of non-current assets

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

- property, plant and equipment (including right-of-use assets);
- land lease prepayments;
- intangible assets;
- interests in associates and joint ventures;
- goodwill; and
- investments in subsidiaries and interest in a joint venture in the Company's statement of financial position.

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

- Calculation of recoverable amount

  The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). As a result, some assets, are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of non-current assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

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

### (l) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy set out in note 4(h).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under HKFRS 9.

### (n) Revenue recognition

***Sales of automobiles, automobile parts and components, battery packs and related parts and scrap materials***

Revenue is generally recognised at a point in time when the customers obtain possession of and control of the promised goods in the contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue excludes value added tax ("VAT") or related sales taxes and net of discounts.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under "Trade and other payables" as receipts in advance from customers in the consolidated statement of financial position.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Sales-related warranties associated with automobiles cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Revenue recognition (Continued)

***Sales of automobiles, automobile parts and components, battery packs and related parts and scrap materials (Continued)***

For warranties associated with automobiles that can be purchased separately or are served as a service in addition to assurance-type warranties (i.e. service-type warranties), the Group accounts for warranties as a separate performance obligation and allocate transaction price in accordance with relative standalone selling price of the warranties.

Services income related to sales of automobiles is recognised over time in the period in which the relevant services have been provided to customers.

***Research and development and related technological support services***

Revenue from research and development and related technological support services is recognised over time using the output method, which is to recognise revenue on the basis of direct measurements of the value to the customer of the services transferred to date ("value to the customer"), provided that the value to the customer is established by reference to the completion status report confirmed by customers.

***Licensing of intellectual properties***

Revenue is generally recognised at a point in time when the customers obtain the right to use of the intellectual properties in the contract.

***Rental income***

Accounting policy for rental income is set out in note 4(r).

***Interest income***

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) 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 income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised on temporary 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 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, unused tax losses and unused tax credits 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, associates and joint ventures including existing taxable temporary differences, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Taxation (Continued)

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

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

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

– in the case of current tax assets and current tax liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and deferred tax liabilities, if they relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### (p) Equity settled share-based payments

The Group has operated share incentive plans including share option scheme and share award schemes. The fair value of share options and award shares granted to employees is recognised as an employee cost and/or capitalised with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the valuation techniques, taking into account the terms and conditions upon which the share options and award shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and award shares, the total estimated fair value of the share options and award shares is spread over the vesting period, taking into account the probability that the share options and award shares will vest.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Equity settled share-based payments (Continued)

During the vesting period, the number of share options and award shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense and/or capitalised is adjusted to reflect the actual number of share options and award shares that vest (with a corresponding adjustment to the share-based compensation 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-based compensation reserve until either the share options and award shares are exercised/allotted (when it is included in the amount recognised in share premium for the shares issued) or the share options and award shares expire (when it is released directly to retained profits).

If the share options and award shares 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.

The Company grants its equity instruments to employees of its subsidiaries in exchange for their services related to the subsidiaries. Accordingly, the equity settled share-based payments, which are recognised in the financial statements, are treated as part of the "Investments in subsidiaries" in the Company's statement of financial position.

### (q) Employee benefits

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

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

#### *(ii) Retirement benefit costs*

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Leases

#### *(i) Definition of a lease and the Group as a lessee*

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

*Measurement and recognition of leases as a lessee*

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (r) Leases (Continued)

### *(i) Definition of a lease and the Group as a lessee (Continued)*

*Measurement and recognition of leases as a lessee (Continued)*

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statement of financial position, right-of-use assets have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns. The prepaid lease payments for leasehold land are presented as "Land lease prepayments" under non-current assets.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Leases (Continued)

#### *(ii) The Group as a lessor*

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of certain portion of its building and plant and machinery. Rental income is recognised on a straight-line basis over the term of lease.

### (s) 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 are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

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

### (t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (u) 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.

## (v) Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Perpetual capital securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

## (w) 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) 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).

(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.

### (x) 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 top senior executive management, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Key sources of estimation uncertainty

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

#### *Impairment of long-lived assets*

If circumstances indicate that the net book value of a long-lived asset, including property, plant and equipment, intangible assets and land lease prepayments (notes 14, 15 and 16), may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. No impairment was provided for long-lived assets during the year (2020: RMBNil).

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

### Key sources of estimation uncertainty (Continued)

***Estimation of impairment of trade and other receivables***

The Group makes allowances on items subjects to ECL (including trade and other receivables) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 4(h). When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

As at 31 December 2021 and 2020, the carrying amounts of trade and other receivables are set out in note 21. During the year ended 31 December 2021, impairment loss of RMB128,290,000 (2020: RMB8,594,000) was recognised on trade and other receivables.

***Write-down of inventories***

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. Write-down for slow-moving inventories amounted to RMB49,023,000 (2020: RMBNil) was recognised during the year ended 31 December 2021.

***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 condition of property, plant and equipment and intangible assets (i.e. whether it is available for use) as well as the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

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

### Key sources of estimation uncertainty (Continued)

***Impairment of investments***

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. No impairment loss was provided for interests in associates and joint ventures during the year (2020: RMBNil).

***Income taxes***

Subsidiaries of the Group are subject to income taxes according to different tax rates of different regions in the PRC. As certain tax affairs are pending from 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. Details of income tax are set out in note 10.

***Deferred tax***

As at 31 December 2021, deferred tax assets of RMB1,216,395,000 (2020: RMB114,483,000) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,106,943,000 (2020: RMB1,786,814,000) as well as the deductible temporary differences of RMB220,997,000 (2020: RMB600,766,000) 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 2021, deferred tax liabilities of RMB399,407,000 (2020: RMB388,418,000) 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 RMB13,364,461,000 (2020: RMB15,130,460,000) 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 32.

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

### Key sources of estimation uncertainty (Continued)

***Equity settled share-based payments***

Equity-settled share awards are recognised as an expense and/or capitalised based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed and/or capitalised over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would be material for the amount of equity settled share-based payments recorded in the profit or loss and/or the carrying amount of respective assets.

***Estimation of fair value of preferred shares investments in an unlisted entity***

As at 31 December 2021, the fair value of the preferred shares investments in an unlisted entity was RMB351,646,000 (2020: RMBNil). The determination of fair value of the preferred shares investments in an unlisted entity involved management's judgement as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 of the fair value hierarchy (note 42). The information about the preferred shares investments in an unlisted entity is disclosed in note 24.

### Critical accounting judgements

***Interests in joint ventures***

*Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司*

The Group invested in Genius AFC as at 31 December 2021 and 2020. 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.

*LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司*

The Group invested in LYNK & CO Investment as at 31 December 2021 and 2020. 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.

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

### Critical accounting judgements (Continued)

***Interests in joint ventures (Continued)***

*Zhejiang Geely AISIN Automatic Transmission Company Limited# ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司*

The Group invested in Zhejiang AISIN as at 31 December 2021 and 2020. Unanimous resolution of all directors of Zhejiang AISIN for certain key corporate matters is needed. Therefore, the Zhejiang AISIN is a joint venture of the Group and its financial results were accounted for using the equity method.

*Shandong Geely Sunwoda Power Battery Company Limited# ("Geely Sunwoda") 山東吉利欣旺達動力電池有限公司*

The Group invested in Geely Sunwoda as at 31 December 2021. Pursuant to the joint venture agreement, the registered capital of Geely Sunwoda will be contributed as to 41.5% (equivalent to RMB41,500,000), 30% (equivalent to RMB30,000,000) and 28.5% (equivalent to RMB28,500,000) by the Group, Sunwoda Electric Vehicle Battery Company Ltd.# 欣旺達電動汽車電池有限公司 ("Sunwoda") and Geely Automobile Group Company Limited# 吉利汽車集團有限公司 ("Geely Holding Automobile"), respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective shareholding ratio. Certain key corporate matters shall only be decided by more than 80% the voting rights from shareholders of Geely Sunwoda. Geely Sunwoda is under the joint control of all shareholders because decisions about the key corporate matters cannot be made without the parties' agreement. Therefore, the investment in Geely Sunwoda is classified as a joint venture of the Group and accounted for using the equity method.

*Guangdong Xinyueneng Semiconductor Company Limited# ("Xinyueneng") 廣東芯粵能半導體有限公司*

The Group invested in Xinyueneng as at 31 December 2021. Pursuant to the joint venture agreement, the registered capital of Xinyueneng will be contributed as to 40% (equivalent to RMB160,000,000), 40% (equivalent to RMB160,000,000) and 20% (equivalent to RMB80,000,000) by the Group, Guangdong Xinjuneng Semiconductor Company Limited# 廣東芯聚能半導體有限公司 ("Guangdong Xinjuneng") and Guangzhou Xinhe Technology Investment Partnership (Limited Partnership)# 廣州芯合科技投資合夥企業（有限合夥） ("Xinhe Technology"), respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective subscribed shareholding ratio. Certain key corporate matters shall only be decided by two-thirds of the voting rights from shareholders of Xinyueneng. Therefore, Xinyueneng is under the joint control of the Group and other shareholders because decisions about the key corporate matters cannot be made without the parties' agreement. Accordingly, the investment in Xinyueneng is classified as a joint venture of the Group and accounted for using the equity method.

Further details are disclosed in note 19.

***Determination of the discount rate***

In determining the discount rate, the Group is required to exercise considerable judgement taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

# 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

## 6. REVENUE

Revenue represents sales of automobiles, automobile parts and components, battery packs and related parts, provision of research and development and related technological support services and licensing of intellectual properties, net of VAT or related sales taxes and net of discounts.

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| **Disaggregated by major products/services** | | |
| – Sales of automobiles and related services | **87,697,172** | 83,814,362 |
| – Sales of automobile parts and components | **8,798,409** | 6,988,524 |
| – Sales of battery packs and related parts | **588,885** | – |
| – Research and development and related technological support services | **3,251,150** | 745,071 |
| – Licensing of intellectual properties | **1,275,440** | 565,921 |
| | **101,611,056** | 92,113,878 |
| **Disaggregated by timing of revenue recognition** | | |
| – At a point in time | **98,164,005** | 91,250,884 |
| – Over time | **3,447,051** | 862,994 |
| | **101,611,056** | 92,113,878 |

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

## 7. SEGMENT INFORMATION

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

## 7. SEGMENT INFORMATION (Continued)

### Geographical information

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Revenue from external customers** | | |
| PRC | **91,664,753** | 85,597,084 |
| Eastern Europe | **3,182,535** | 2,203,083 |
| Malaysia | **2,378,608** | 2,421,314 |
| Middle East | **2,071,812** | 851,405 |
| Northern Europe | **1,206,347** | 600,305 |
| Philippines | **618,647** | 284,490 |
| Central and South America | **297,526** | 83,088 |
| Africa | **157,665** | 49,913 |
| Other countries | **33,163** | 23,196 |
| | **101,611,056** | 92,113,878 |
| **Specified non-current assets** | | |
| Hong Kong, place of domicile | **4,090** | 744 |
| PRC | **65,175,108** | 57,762,107 |
| Other countries | **279,034** | 195,775 |
| | **65,458,232** | 57,958,626 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. OTHER INCOME

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Net realised and unrealised gain on derivative financial instruments | **50,317** | – |
| Fair value changes on financial assets at FVTPL | **28,621** | – |
| Rental income | **41,357** | 24,569 |
| Gain on disposal of scrap materials | **32,828** | 72,006 |
| Net foreign exchange gain | **124,816** | – |
| Net gain on disposal of property, plant and equipment | **–** | 7,513 |
| Government grants and subsidies (note) | **731,455** | 771,502 |
| Sundry income | **329,680** | 163,792 |
| | **1,339,074** | 1,039,382 |

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

## 9. PROFIT BEFORE TAXATION

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **(a) Finance income and costs** | | |
| **Finance costs** | | |
| Effective interest expenses on bonds payable (note 30) | **3,323** | 3,564 |
| Coupon expense on bonds payable | **69,316** | 74,913 |
| Interest on discounted notes receivable | **120,200** | 30,854 |
| Interest on lease liabilities | **13,396** | 2,852 |
| Interest on bank borrowings wholly repayable within five years | **58,594** | 54,796 |
| | **264,829** | 166,979 |
| **Finance income** | | |
| Bank and other interest income | **(544,984)** | (375,301) |
| **Net finance income** | **(280,155)** | (208,322) |
| **(b) Staff costs (including directors' emoluments (note 13)) (note (a))** | | |
| Salaries, wages and other benefits | **6,086,427** | 5,547,019 |
| Retirement benefit scheme contributions (notes (b) and (c)) | **421,576** | 299,469 |
| Equity settled share-based payments (note 35) | **1,212,699** | 4,095 |
| | **7,720,702** | 5,850,583 |

## 9. PROFIT BEFORE TAXATION (Continued)

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

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| **(c) Other items** | | |
| Depreciation (note (a)): | | |
| – Owned assets | **2,461,253** | 2,189,872 |
| – Right-of-use assets (including land lease prepayments) | **206,308** | 151,229 |
| Total depreciation | **2,667,561** | 2,341,101 |
| Amortisation of intangible assets (related to capitalised product development costs) | **4,225,761** | 3,150,108 |
| Research and development costs | **1,292,171** | 588,100 |
| Auditor's remuneration: | | |
| – Audit services | **6,633** | 5,944 |
| – Non-audit services | **1,185** | 7,005 |
| Cost of inventories recognised as an expense (note (a)), including: | **81,132,359** | 76,685,864 |
| – Write-down for slow-moving inventories | **49,023** | – |
| Impairment loss on trade and other receivables | **128,290** | 8,594 |
| Lease charges on short term leases | **29,531** | 33,993 |
| Loss on deregistration of a subsidiary | **–** | 18,811 |
| Net loss/(gain) on written off/disposal of property, plant and equipment | **84,513** | (7,513) |
| Net foreign exchange (gain)/loss | **(124,816)** | 43,135 |
| Net claims paid on defective materials purchased | **263,376** | 136,937 |

Notes:

(a) Cost of inventories included RMB6,222,784,000 (2020: RMB5,823,152,000) 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) Due to the impact of COVID-19, a number of policies including the relief of social insurance had been promulgated by the government from February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.

(c) At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: RMBNil).

## 10. TAXATION

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Current tax: | | |
| – PRC enterprise income tax | **1,812,234** | 891,023 |
| – Over-provision in prior years | **(18,402)** | (36,351) |
| | **1,793,832** | 854,672 |
| Deferred tax (note 32) | **(1,481,665)** | 11,676 |
| | **312,167** | 866,348 |

The provision for Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for a Hong Kong incorporated company within the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first Hong Kong Dollars ("HK$") 2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2,000,000 are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2020.

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% (2020: 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 2021 and 2020.

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

The share of results of associates and joint ventures in the consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. TAXATION (Continued)

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

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Profit before taxation | **4,665,175** | 6,440,978 |
| Tax at the PRC enterprise income tax rate of 25% (2020: 25%) | **1,166,294** | 1,610,245 |
| Tax effect of expenses not deductible | **262,307** | 56,913 |
| Tax effect of non-taxable income | **(190,245)** | (188,839) |
| Tax effect of unrecognised tax losses | **89,406** | 75,429 |
| Utilisation of previously unrecognised tax losses | **(5,834)** | (67,218) |
| Tax effect of unrecognised deductible temporary differences | **23,640** | – |
| Tax effect of different tax rates of entities operating in other jurisdictions | **(72,656)** | (55,151) |
| Deferred tax charge on distributable profits withholding tax (note 32) | **10,989** | 87,299 |
| Effect of tax concessions and lower tax rates for certain PRC subsidiaries | **(473,108)** | (397,901) |
| Super Deduction for research and development costs | **(480,224)** | (218,078) |
| Over-provision in prior years | **(18,402)** | (36,351) |
| Tax expense for the year | **312,167** | 866,348 |

The Group is also liable to withholding tax on dividends to be distributed from the Group's subsidiaries in the PRC in respect of their profits generated from 1 January 2008 onwards. Deferred tax liabilities of RMB10,989,000 (2020: RMB87,299,000) were recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

## 11. DIVIDENDS

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Final dividend proposed after the reporting date of HK$0.21 (2020: HK$0.20) per ordinary share | **1,699,495** | 1,637,367 |

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2021.

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.20 (2020: HK$0.25) per ordinary share | **1,611,439** | 2,120,977 |

### (c) Distribution on perpetual capital securities

The Company made a distribution on perpetual capital securities of RMB127,388,000 (2020: RMB137,217,000) to the securities holders during the year ended 31 December 2021.

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of RMB4,720,060,000 (2020: RMB5,396,573,000) and weighted average number of ordinary shares of 9,820,647,302 shares (2020: 9,552,290,892 shares), calculated as follows:

***Profit attributable to ordinary equity holders of the Company***

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Profit for the year attributable to equity holders of the Company | **4,847,448** | 5,533,790 |
| Distribution paid on perpetual capital securities | **(127,388)** | (137,217) |
| Profit for the year attributable to ordinary equity holders of the Company | **4,720,060** | 5,396,573 |

***Weighted average number of ordinary shares***

| | **2021** | 2020 |
|---|---|---|
| Issued ordinary shares as at 1 January (note 27) | **9,816,626,540** | 9,166,997,540 |
| Effect of share options exercised | **3,482,652** | 42,670,401 |
| Effect of shares issued upon placement | **–** | 342,622,951 |
| Effect of shares issued on acquisition of additional interests in a subsidiary | **538,110** | – |
| Weighted average number of ordinary shares as at 31 December | **9,820,647,302** | 9,552,290,892 |

## 12. EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of RMB4,720,060,000 (2020: RMB5,396,573,000) and the weighted average number of ordinary shares (diluted) of 9,886,713,130 shares (2020: 9,561,259,972 shares), calculated as follows:

***Weighted average number of ordinary shares (diluted)***

| | **2021** | 2020 |
|---|---|---|
| Weighted average number of ordinary shares (basic) as at 31 December | **9,820,647,302** | 9,552,290,892 |
| Effect of deemed issue of shares under the Company's share option scheme | **8,418,578** | 8,969,080 |
| Effect of dilutive potential ordinary shares arising from award shares | **57,647,250** | – |
| Weighted average number of ordinary shares (diluted) as at 31 December | **9,886,713,130** | 9,561,259,972 |

## 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 Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

**2021**

| Name of directors | 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 (i)) | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | |
| Mr. An Cong Hui | 8 | – | – | – | – | 8 | 38,731 | 38,739 |
| Mr. Ang Siu Lun, Lawrence | – | 3,497 | 902 | – | 30 | 4,429 | 5,281 | 9,710 |
| Mr. Gui Sheng Yue (Chief Executive Officer) | – | 3,771 | 973 | 563 | 30 | 5,337 | 23,767 | 29,104 |
| Mr. Li Dong Hui, Daniel (Vice Chairman) | 8 | – | – | – | – | 8 | 24,647 | 24,655 |
| Mr. Li Shu Fu (Chairman) | – | 390 | – | – | 18 | 408 | – | 408 |
| Ms. Wei Mei | 8 | – | – | – | – | 8 | 12,324 | 12,332 |
| Mr. Yang Jian (Vice Chairman) | 8 | – | – | – | – | 8 | 5,281 | 5,289 |
| **Independent non-executive directors** | | | | | | | | |
| Mr. An Qing Heng | 174 | – | – | – | – | 174 | – | 174 |
| Mr. Lee Cheuk Yin, Dannis | 174 | – | – | – | – | 174 | – | 174 |
| Mr. Wang Yang | 174 | – | – | – | – | 174 | – | 174 |
| Mr. Yeung Sau Hung, Alex | 174 | – | – | – | – | 174 | – | 174 |
| Ms. Lam Yin Shan, Jocelyn (note (ii)) | 49 | – | – | – | – | 49 | – | 49 |
| Ms. Gao Jie (note (ii)) | 49 | – | – | – | – | 49 | – | 49 |
| | 826 | 7,658 | 1,875 | 563 | 78 | 11,000 | 110,031 | 121,031 |

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

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

2020

| Name of directors | 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 (i)) | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | |
| Mr. An Cong Hui | 9 | – | – | – | – | 9 | – | 9 |
| Mr. Ang Siu Lun, Lawrence | – | 3,538 | 843 | – | 32 | 4,413 | – | 4,413 |
| Mr. Gui Sheng Yue (Chief Executive Officer) | – | 3,815 | 909 | 605 | 32 | 5,361 | – | 5,361 |
| Mr. Li Dong Hui, Daniel (Vice Chairman) | 9 | – | – | – | – | 9 | 36 | 45 |
| Mr. Li Shu Fu (Chairman) | – | 347 | – | – | 16 | 363 | – | 363 |
| Ms. Wei Mei | 9 | – | – | – | – | 9 | 26 | 35 |
| Mr. Yang Jian (Vice Chairman) | 9 | – | – | – | – | 9 | – | 9 |
| **Independent non-executive directors** | | | | | | | | |
| Mr. An Qing Heng | 161 | – | – | – | – | 161 | – | 161 |
| Mr. Lee Cheuk Yin, Dannis | 161 | – | – | – | – | 161 | – | 161 |
| Mr. Wang Yang | 161 | – | – | – | – | 161 | – | 161 |
| Mr. Yeung Sau Hung, Alex | 161 | – | – | – | – | 161 | – | 161 |
| | 680 | 7,700 | 1,752 | 605 | 80 | 10,817 | 62 | 10,879 |

Notes:

(i) 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(p) 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 35 to the consolidated financial statements.

(ii) Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie are appointed as independent non-executive directors of the Company on 1 November 2021.

(iii) No director waived any emoluments during the years ended 31 December 2021 and 2020.

(iv) No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss or termination of their office.

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

### (b) Employees' emoluments

Of the five individuals with the highest emoluments, three (2020: 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 remaining two (2020: three) individuals are as follows:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Basic salaries and allowances | **–** | 4,379 |
| Retirement scheme contributions | **–** | 37 |
| Equity settled share-based payments | **53,846** | – |
| | **53,846** | 4,416 |

The emoluments of the two (2020: three) individuals with the highest emoluments are within the following bands:

| | **2021**<br>**Number of**<br>**individuals** | 2020<br>Number of<br>individuals |
|---|---|---|
| HK$1,000,001 – HK$1,500,000 | **–** | 2 |
| HK$2,500,001 – HK$3,000,000 | **–** | 1 |
| HK$21,000,001 – HK$21,500,000 | **1** | – |
| HK$32,000,001 – HK$32,500,000 | **1** | – |
| | **2** | 3 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress ("CIP") RMB'000 | 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 2020 | 2,169,576 | 9,900,393 | 18,788,347 | 18,293 | 2,159,361 | 33,035,970 |
| Additions | 2,464,983 | 95,137 | 67,386 | 3,109 | 272,432 | 2,903,047 |
| Transfer from CIP | (2,223,810) | 801,033 | 1,298,664 | – | 124,113 | – |
| Disposals/Written off | – | (4,338) | (165,707) | – | (40,941) | (210,986) |
| Disposed of through disposal of subsidiaries (note 38) | (15,521) | (904,658) | (866,002) | – | (90,377) | (1,876,558) |
| At 31 December 2020 and 1 January 2021 | 2,395,228 | 9,887,567 | 19,122,688 | 21,402 | 2,424,588 | 33,851,473 |
| Additions | 2,195,056 | 767,604 | 230,035 | – | 192,000 | 3,384,695 |
| Transfer from CIP | (2,937,103) | 1,195,951 | 1,579,464 | – | 161,688 | – |
| Transfer to CIP | 1,756,533 | – | (1,756,533) | – | – | – |
| Disposals/Written off | – | (753) | (674,582) | – | (143,111) | (818,446) |
| Acquisition through business combination (note 37) | 750,932 | 1,549,917 | 1,462,477 | – | 36,449 | 3,799,775 |
| **At 31 December 2021** | **4,160,646** | **13,400,286** | **19,963,549** | **21,402** | **2,671,614** | **40,217,497** |
| **DEPRECIATION** | | | | | | |
| At 1 January 2020 | – | 1,077,589 | 4,063,486 | 10,962 | 813,615 | 5,965,652 |
| Charge for the year | – | 384,250 | 1,559,422 | 3,908 | 311,244 | 2,258,824 |
| Written back on disposals/Written off | – | – | (89,076) | – | (28,207) | (117,283) |
| Disposed of through disposal of subsidiaries (note 38) | – | (276,287) | (501,134) | – | (52,578) | (829,999) |
| At 31 December 2020 and 1 January 2021 | – | 1,185,552 | 5,032,698 | 14,870 | 1,044,074 | 7,277,194 |
| Charge for the year | – | 486,554 | 1,719,143 | 4,113 | 377,563 | 2,587,373 |
| Written back on disposals/Written off | – | (234) | (441,073) | – | (64,267) | (505,574) |
| **At 31 December 2021** | **–** | **1,671,872** | **6,310,768** | **18,983** | **1,357,370** | **9,358,993** |
| **NET BOOK VALUE** | | | | | | |
| **At 31 December 2021** | **4,160,646** | **11,728,414** | **13,652,781** | **2,419** | **1,314,244** | **30,858,504** |
| At 31 December 2020 | 2,395,228 | 8,702,015 | 14,089,990 | 6,532 | 1,380,514 | 26,574,279 |

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2021 and 2020, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

| | Carrying amount | | Depreciation | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Buildings | **692,352** | 43,727 | **101,135** | 45,979 |
| Plant and machinery | **–** | 24,977 | **24,985** | 22,973 |
| | **692,352** | 68,704 | **126,120** | 68,952 |

During the year ended 31 December 2021, the total additions to right-of-use assets included in property, plant and equipment amounting to RMB726,835,000 (2020: RMB70,726,000). The details in relation to these leases are set out in note 25.

The title certificates of certain buildings with an aggregate carrying value of RMB3,731,806,000 (2020: RMB966,055,000) are yet to be obtained as at 31 December 2021. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial positions as at 31 December 2021 and 2020.

## 15. INTANGIBLE ASSETS

| | Capitalised product development costs RMB'000 |
|---|---|
| **COST** | |
| At 1 January 2020 | 23,512,368 |
| Additions | 4,191,189 |
| Disposals/Written off | (35,978) |
| Disposed of through disposal of a subsidiary | (485,715) |
| At 31 December 2020 and 1 January 2021 | 27,181,864 |
| Acquisition through business combination (note 37) | 2,272,806 |
| Additions | 4,257,210 |
| Disposals/Written off | (87,164) |
| **At 31 December 2021** | **33,624,716** |
| **AMORTISATION** | |
| At 1 January 2020 | 5,914,740 |
| Charge for the year | 3,150,108 |
| Disposals/Written off | (7,384) |
| Disposed of through disposal of a subsidiary | (485,715) |
| At 31 December 2020 and 1 January 2021 | 8,571,749 |
| Charge for the year | 4,225,761 |
| Disposals/Written off | (73,972) |
| **At 31 December 2021** | **12,723,538** |
| **NET BOOK VALUE** | |
| **At 31 December 2021** | **20,901,178** |
| At 31 December 2020 | 18,610,115 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. LAND LEASE PREPAYMENTS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| The Group's land lease prepayments comprise: | | |
| Outside Hong Kong, held on: | | |
| – Leases of between 10 to 50 years | **3,435,744** | 3,042,911 |
| Opening net carrying amount | **3,042,911** | 3,230,845 |
| Additions | **56** | 44,475 |
| Acquisition through business combinations (note 37) | **472,965** | – |
| Disposed of through disposal of subsidiaries (note 38) | **–** | (150,132) |
| Annual depreciation charges of land lease prepayments | **(80,188)** | (82,277) |
| Closing net carrying amount | **3,435,744** | 3,042,911 |

The land lease prepayments fall into the scope of HKFRS 16 "Leases" ("HKFRS 16") as they meet the definition of right-of-use assets.

The land use right certificates of certain lands with an aggregate carrying value of RMB460,264,000 (2020: RMB403,225,000) are yet to be obtained as at 31 December 2021. 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 positions as at 31 December 2021 and 2020.

## 17. GOODWILL

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Carrying amount** | | |
| At 1 January | **42,806** | 42,806 |
| Arising on business combinations (note 37) | **15,387** | – |
| At 31 December | **58,193** | 42,806 |

The carrying amount of goodwill is allocated to the cash-generating units of manufacturing of (a) complete knock down kits, (b) powertrain and (c) battery packs. 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 2021, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2020: RMBNil).

## 18. INTERESTS IN ASSOCIATES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Cost of unlisted investments | **520,358** | 459,935 |
| Share of post-acquisition results and other comprehensive income | **140,082** | 82,098 |
| Impairment loss recognised | **(3,349)** | (3,349) |
| Exchange realignment | **(47,283)** | (44,186) |
| | **609,808** | 494,498 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2021 and 2020, are as follows:

| Name of associates | Place of establishments and operations | Form of business structure | Particulars of issued and paid up/ registered capital | Attributable equity interest held by the Group | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | **2021** | 2020 | |
| Mando (Ningbo) Automotive Parts Co., Limited# ("Mando (Ningbo)") 萬都(寧波)汽車零部件有限公司 | PRC | Incorporated | United States dollars ("US$") 85,000,000 | **35%** | 35% | Manufacturing of automobile parts and components |
| Closed Joint Stock Company BELGEE ("BELGEE") | Republic of Belarus ("Belarus") | Incorporated | Belarusian Ruble ("BYN") 234,535,000 (2020: BYN182,079,000) | **36.7%** | 36.3% | Production, marketing and sales of vehicles |
| PT Geely Mobil Indonesia | Republic of Indonesia | Incorporated | US$3,260,200 | **30%** | 30% | Production, marketing and sales of vehicles |
| Times Geely Power Battery Company Limited# ("Times Geely") 時代吉利動力電池有限公司 | PRC | Incorporated | RMB101,000,000 | **49%** | 49% | Research and development, manufacture and sale of battery cells, battery modules and battery packs |
| Zhejiang Haohan Energy Technology Company Limited# ("Haohan Energy") 浙江浩瀚能源科技有限公司 | PRC | Incorporated | RMB359,000,000 | **30%** | – | Research and development of automobile charging systems and technologies, provision of automobile charging services and operation of automobile charging points and network |

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

All associates are indirectly held by the Company.

On 2 July 2021, the Group entered into an acquisition agreement with Geely Holding Automobile, a fellow subsidiary owned by the Company's ultimate holding company, pursuant to which the Group agreed to acquire 30% of the equity interests in Haohan Energy for a cash consideration of RMB8,975,000. The acquisition of Haohan Energy was completed in December 2021.

## 18. INTERESTS IN ASSOCIATES (Continued)

Further, the Group was notified on 10 December 2021 that the amended articles of association of Haohan Energy, which was resolved to be amended by its shareholders, has become effective. Pursuant to the amended articles of association of Haohan Energy, the registered capital of Haohan Energy shall increase from RMB30,000,000 to RMB500,000,000. The amount of contribution to the registered capital of Haohan Energy made by the Group and Geely Holding Automobile shall increase by RMB141,000,000 and RMB329,000,000, respectively, in proportion to their respective shareholding. As at 31 December 2021, the Group has yet made any contribution in respect of the capital increase in Haohan Energy.

During the year ended 31 December 2021, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN20,087,000 (equivalent to approximately RMB51,448,000) and BYN32,369,000 (equivalent to approximately RMB82,553,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN182,079,000 (equivalent to approximately RMB672,963,000) to BYN234,535,000 (equivalent to approximately RMB806,964,000). As a result of such increase in registered capital, the Group's equity interests in BELGEE were increased from 36.3% to 36.7% and the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

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

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:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Non-current assets | **257,528** | 308,143 |
| Current assets | **1,685,421** | 2,161,009 |
| Current liabilities | **(1,174,651)** | (1,736,332) |
| Non-current liabilities | **(6,766)** | (6,088) |
| Net assets | **761,532** | 726,732 |
| Revenue | **1,659,390** | 2,091,339 |
| Profit for the year | **34,800** | 47,555 |
| Other comprehensive income for the year | **–** | – |
| Total comprehensive income for the year | **34,800** | 47,555 |
| Dividend received from the associate | **–** | 40,361 |

## 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:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Net assets of Mando (Ningbo) | **761,532** | 726,732 |
| 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) | **266,536** | 254,356 |

Aggregate financial information of associates that are not individually material:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Aggregate amounts of the Group's share of profit for the year | **45,804** | 33,960 |
| Aggregate amounts of the Group's share of other comprehensive expense for the year | **(3,097)** | (27,622) |
| Aggregate carrying amount of the Group's interests in these associates | **343,272** | 240,142 |

## 19. INTERESTS IN JOINT VENTURES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Cost of unlisted investments | **7,432,506** | 7,279,102 |
| Unrealised gain on disposal of a subsidiary to a joint venture | **(14,943)** | (14,943) |
| Share of post-acquisition results and other comprehensive income | **2,177,242** | 1,929,858 |
| | **9,594,805** | 9,194,017 |

## 19. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's joint ventures which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2021 and 2020, are as follows:

| Name of joint ventures | Place of establishments and operations | Form of business structure | Particulars of registered capital | Proportion of ownership interest held by the Group | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | **2021** | 2020 | |
| Genius AFC#* 吉致汽車金融有限公司 | PRC | Incorporated | RMB4,000,000,000 | **80%** | 80% | Vehicles financing business |
| LYNK & CO Investment# 領克投資有限公司 | PRC | Incorporated | RMB7,500,000,000 | **50%** | 50% | Manufacturing and sales of vehicles under the "Lynk & Co" brand |
| Zhejiang AISIN# 浙江吉利愛信自動變速器有限公司 | PRC | Incorporated | US$117,000,000 | **40%** | 40% | Manufacturing and sale of front-wheel drive 8-speed automatic transmissions and related parts and components |
| Geely Sunwoda# 山東吉利欣旺達動力電池有限公司 | PRC | Incorporated | RMB100,000,000 | **41.5%** | – | Development, production, sales and after-sales service of hybrid battery cells, battery modules and battery packs |
| Xinyueneng# 廣東芯粵能半導體有限公司 | PRC | Incorporated | RMB400,000,000 | **40%** | – | Provision of integrated circuit design, sales and manufacturing of semiconductor |

\# 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.

## 19. INTERESTS IN JOINT VENTURES (Continued)

### Zhejiang AISIN

On 24 April 2018, the Group entered into a joint venture agreement with AISIN AW Co., Ltd. ("AISIN AW"), an independent third party and a subsidiary of AISIN SEIKI Company Limited, pursuant to which the parties agreed to establish a joint venture company, Zhejiang AISIN. Pursuant to the joint venture agreement, the Group and AISIN AW will contribute to the capital of Zhejiang AISIN by cash as to 40% (equivalent to US$46,800,000) and 60% (equivalent to US$70,200,000), respectively. The board of directors of Zhejiang AISIN was setup according to the shareholding ratio by the shareholders. Pursuant to the joint venture agreement, unanimous resolution of all directors for certain key corporate matters is required. Therefore, Zhejiang AISIN is a joint venture company of the Group and its financial results were accounted for in the consolidated financial statements of the Group using the equity method.

### LYNK & CO Investment

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

## 19. INTERESTS IN JOINT VENTURES (Continued)

### Genius AFC

Genius AFC was established in August 2015, and was held as to 80% by the Company and as to 20% by BNP Paribas Personal Finance ("BNPP PF") which engages in the vehicles financing business in the PRC. Pursuant to the joint venture agreement, the board of directors was setup according to the respective shareholding ratio, unanimous consent from the Company and BNPP PF is required as either certain key corporate matters of Genius AFC require a positive vote from BNPP PF or unanimous resolution of all directors of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNPP PF. Both of the Group and BNPP PF have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method.

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

As at 31 December 2021, the exercise price of the Call Option and the exact percentage of equity interest in Genius AFC to be acquired by BNPP PF have not been determined and are subject to agreement by the parties. Please refer to the Company's announcement dated 12 August 2020 for further details.

As at 31 December 2021, the aggregate bank balances deposited by the Group with Genius AFC amounted to approximately RMB6,600,000,000 (2020: RMB5,303,717,000).

### Geely Sunwoda

On 27 July 2021, the Group entered into a joint venture agreement with Sunwoda, pursuant to which the parties agreed to establish a joint venture company, Geely Sunwoda, to engage in the development, production and sales of hybrid battery cells, battery modules and battery packs. Pursuant to the joint venture agreement, the registered capital of Geely Sunwoda will be contributed as to 41.5% (equivalent to RMB41,500,000), 30% (equivalent to RMB30,000,000) and 28.5% (equivalent to RMB28,500,000) by the Group, Sunwoda and Geely Holding Automobile, respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective shareholding ratio. Certain key corporate matters shall only be decided by more than 80% the voting rights from shareholders of Geely Sunwoda. Therefore, Geely Sunwoda is under the joint control of the three shareholders. The three shareholders have the rights to the net assets of Geely Sunwoda. Accordingly, the investment in Geely Sunwoda was recognised as a joint venture of the Group and accounted for using the equity method.

During the year ended 31 December 2021, the Group and the remaining joint venture partners contributed RMB8,300,000 and RMB11,700,000, respectively, to Geely Sunwoda.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. INTERESTS IN JOINT VENTURES (Continued)

### Xinyueneng

During the year ended 31 December 2021, the Group acquired Xinyueneng through a business combination (note 37). The cost of the investment in Xinyueneng acquired in the business combination is fair value at the date of acquisition.

Xinyueneng is engaged in the provision of integrated circuit design, manufacturing, sales and the manufacturing of semiconductor. Pursuant to the joint venture agreement, the registered capital of Xinyueneng will be contributed as to 40% (equivalent to RMB160,000,000), 40% (equivalent to RMB160,000,000) and 20% (equivalent to RMB80,000,000) by the Group, Guangdong Xinjuneng and Xinhe Technology, respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective subscribed shareholding ratio. Certain key corporate matters shall only be decided by two-thirds of the voting rights from shareholders of Xinyueneng. Therefore, Xinyueneng is under the joint control of the Group and Guangdong Xinjuneng because decisions about the key corporate matters cannot be made without the parties' agreement. Accordingly, the investment in Xinyueneng was recognised as a joint venture of the Group and accounted for using the equity method.

As at 31 December 2021, the Group and one of the joint venture partners contributed RMB120,000,000 and RMB120,000,000, respectively. However, the remaining joint venture partner has yet made any contribution as at 31 December 2021.

## 19. INTERESTS IN JOINT VENTURES (Continued)

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

| | Zhejiang AISIN | | LYNK & CO Group | | Genius AFC | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | 1,405,627 | 1,292,789 | 14,156,681 | 11,472,910 | 1,811,372 | 1,377,922 |
| Current assets | 353,812 | 346,304 | 12,560,038 | 12,615,050 | 52,663,546 | 44,753,614 |
| Current liabilities | (159,280) | (74,922) | (14,845,926) | (11,399,157) | (30,705,939) | (26,308,969) |
| Non-current liabilities | (1,003,564) | (850,000) | (3,886,217) | (3,605,660) | (17,231,651) | (14,345,417) |
| Net assets | 596,595 | 714,171 | 7,984,576 | 9,083,143 | 6,537,328 | 5,477,150 |
| The above amounts of assets and liabilities include the following: | | | | | | |
| Cash and cash equivalents | 290,394 | 281,310 | 1,694,958 | 660,772 | 5,797,475 | 3,866,230 |
| Current financial liabilities (excluding trade and other payables and provisions) | – | – | (153,536) | (1,059,166) | (26,364,071) | (22,288,975) |
| Non-current financial liabilities (excluding trade and other payables and provisions) | (816,816) | (650,000) | (995,435) | (952,551) | (17,231,651) | (14,345,417) |
| Revenue | 143 | 131 | 30,109,004 | 23,781,859 | 4,136,122 | 3,268,936 |
| (Loss)/Profit for the year | (117,576) | (41,367) | 700,680 | 511,756 | 1,060,178 | 731,849 |
| Other comprehensive expense for the year | – | – | (21,869) | (11,738) | – | – |
| Total comprehensive (expense)/income for the year | (117,576) | (41,367) | 678,811 | 500,018 | 1,060,178 | 731,849 |
| Dividend received from a joint venture | – | – | 888,689 | – | – | – |
| The above (loss)/profit for the year including the following: | | | | | | |
| Depreciation and amortisation | (19,182) | (1,108) | (2,335,497) | (1,744,342) | (33,486) | (32,521) |
| Interest income | 3,183 | 7,566 | 44,847 | 28,225 | 4,057,053 | 3,210,495 |
| Interest expense | (21,940) | (12,833) | (120,210) | (59,586) | (1,701,111) | (1,313,160) |
| Income tax expense | – | – | (219,199) | (126,969) | (393,976) | (265,194) |

## 19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in joint ventures recognised in the consolidated statement of financial position:

| | Zhejiang AISIN | | LYNK & CO Group | | Genius AFC | |
|---|---|---|---|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 |
| Net assets of the joint ventures | **596,595** | 714,171 | **7,984,576** | 9,083,143 | **6,537,328** | 5,477,150 |
| The Group's effective interests in the joint ventures | **40%** | 40% | **50%** | 50% | **80%** | 80% |
| The Group's share of the net assets of the joint ventures | **238,638** | 285,668 | **3,992,288** | 4,541,572 | **5,229,862** | 4,381,720 |
| Unrealised gain on disposal of a subsidiary to a joint venture | **-** | – | **(14,943)** | (14,943) | **-** | – |
| Carrying amount of the Group's interests in joint ventures | **238,638** | 285,668 | **3,977,345** | 4,526,629 | **5,229,862** | 4,381,720 |

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

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Aggregate amounts of the Group's share of loss for the year | **(4,444)** | – |
| Aggregate amounts of the Group's share of other comprehensive expense for the year | **–** | – |
| Aggregate carrying amount of the Group's interests in these joint ventures | **148,960** | – |

## 20. INVENTORIES

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Raw materials | **2,120,500** | 1,551,512 |
| Work in progress | **509,762** | 388,113 |
| Finished goods | **2,940,334** | 1,751,006 |
| | **5,570,596** | 3,690,631 |
| Less: provision for inventories | **(49,023)** | – |
| | **5,521,573** | 3,690,631 |

Write-down for slow-moving inventories amounted to RMB49,023,000 (2020: RMBNil) was recognised as an expense during the year ended 31 December 2021 and included in 'cost of sales' in the consolidated income statement.

## 21. TRADE AND OTHER RECEIVABLES

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Trade and notes receivables** | | | |
| Trade receivables, net of loss allowance | | | |
| – Third parties | | **872,445** | 429,220 |
| – Joint ventures | | **731,034** | 339,094 |
| – Associates | | **1,682,610** | 976,738 |
| – Related companies controlled by the substantial shareholder of the Company | | **3,882,261** | 2,185,944 |
| | (a) | **7,168,350** | 3,930,996 |
| Notes receivable | (b) | **19,863,681** | 20,625,550 |
| | | **27,032,031** | 24,556,546 |
| **Deposit, prepayment and other receivables** | | | |
| Prepayment to suppliers | | | |
| – Third parties | | **622,404** | 194,981 |
| – Related companies controlled by the substantial shareholder of the Company | | **241,368** | 401,883 |
| | | **863,772** | 596,864 |
| Deposits paid for acquisition of property, plant and equipment | | **116,662** | 164,359 |
| Other contract costs | (c) | **433,012** | 359,283 |
| Utility deposits and other receivables | | **1,006,913** | 675,949 |
| VAT and other taxes receivables | | **2,706,652** | 2,207,356 |
| | | **5,127,011** | 4,003,811 |
| Amounts due from related companies controlled by the substantial shareholder of the Company | (d) | **190,570** | 260,231 |
| | | **5,317,581** | 4,264,042 |
| | | **32,349,612** | 28,820,588 |
| *Representing:* | | | |
| – Current | | **31,549,100** | 27,868,232 |
| – Non-current | | **800,512** | 952,356 |
| | | **32,349,612** | 28,820,588 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 from sales of automobiles, automobile parts and components, battery packs and related parts, provision of research and development and related technological support services. In respect of the trade receivable from related companies arising from the licensing of intellectual properties, it will be settled within five years in accordance with the contract terms. Ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the reporting date was as follows:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| 0 – 60 days | **3,734,754** | 2,024,533 |
| 61 – 90 days | **338,779** | 10,291 |
| 91 – 365 days | **202,687** | 363,989 |
| Over 365 days | **445,107** | 330,687 |
| | **4,721,327** | 2,729,500 |

For overseas customers, the Group allows credit periods ranged from 30 days to 210 days (2020: 30 days to 720 days). Ageing analysis of the trade receivables of the overseas customers, based on invoice date and net of loss allowance, at the reporting date was as follows:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| 0 – 60 days | **1,582,818** | 478,452 |
| 61 – 90 days | **281,174** | 212,027 |
| 91 – 365 days | **583,031** | 416,796 |
| Over 365 days | **–** | 94,221 |
| | **2,447,023** | 1,201,496 |

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Notes receivable

All notes receivable are denominated in RMB. As at 31 December 2021 and 2020, all notes receivable were guaranteed by established banks in the PRC and have maturities of less than one year from the reporting date.

The Group manages its notes receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, notes receivable are classified as financial assets at FVOCI (recycling) in accordance with HKFRS 9 "Financial Instruments" and are stated at fair value. The fair value is based on the net present value at 31 December 2021 and 2020 from expected timing of endorsements and discounting at the interest rates for the respective notes receivable. The fair value is within Level 2 of the fair value hierarchy.

As at 31 December 2021, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") with a carrying amount of RMB931,366,000 (2020: RMB646,804,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. As at 31 December 2021, the aggregate carrying amount of the trade payables settled by the Endorsed Notes during the year to which the suppliers have recourse was RMB931,366,000 (2020: RMB646,804,000).

As at 31 December 2021, the Group discounted and endorsed certain notes receivable accepted by banks in the PRC (the "Derecognised Notes") to certain banks in order to obtain additional financing or to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB44,965,874,000 (2020: RMB24,756,861,000). The Derecognised Notes had a maturity of less than one year (2020: less than one year) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated liabilities. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts.

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (c) Other contract costs

Other contract costs capitalised as at 31 December 2021 and 2020 related to the costs incurred in providing internet connectivity services that is used to satisfy the performance obligations for providing such services to customers in the respective sales of automobile contracts at the reporting date. Contract costs are amortised in line with the recognition of the respective revenue in accordance with the terms of the contracts. There was no impairment in relation to the contract costs capitalised during the year (2020: RMBNil).

### (d) Amounts due from related companies

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

Further details on the Group's credit policy and credit risk arising from trade receivables, other financial assets measured at amortised cost and debt instruments at FVOCI (recycling) are set out in note 42.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group held foreign exchange forward contracts classified as held for trading and not qualified under hedge accounting. Foreign exchange forward contracts entered into by the Group with banks were measured at financial assets at FVTPL. The fair value of these contracts has been measured as described in note 42.

As at 31 December 2021, the Group had entered into the following foreign exchange forward contracts, which remain outstanding:

| Contracts | Notional amount | Settlement date | Term | Forward rate on foreign exchange |
|---|---|---|---|---|
| A | Russian Rouble ("RUB") 15,570,000,000 | 27 January 2022 to 30 November 2022 | 90 to 336 days | RUB11.19 to RUB12.27 per RMB1.00 |
| B | US$60,000,000 | 28 January 2022 to 22 August 2022 | 184 to 337 days | RMB6.48 to RMB6.66 per US$1.00 |
| C | US$22,500,000 | 22 February 2022 to 26 October 2022 | 78 to 335 days | RMB6.42 to RMB6.63 per US$1.00 |
| D | US$158,600,000 | 26 January 2022 to 26 October 2022 | 50 to 340 days | RMB6.40 to RMB6.72 per US$1.00 |

## 23. TRADE AND OTHER PAYABLES

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Trade and notes payables** | | | |
| Trade payables | | | |
| – Third parties | | **27,711,329** | 27,315,141 |
| – Associates | | **999,220** | 1,334,777 |
| – Joint ventures | | **5,274** | 2,711 |
| – Related companies controlled by the substantial shareholder of the Company | | **3,290,590** | 1,265,467 |
| | (a) | **32,006,413** | 29,918,096 |
| Notes payable | (b) | **106,947** | 311,273 |
| | | **32,113,360** | 30,229,369 |
| **Other payables** | | | |
| Receipts in advance from customers | (c) | | |
| – Third parties | | **7,458,586** | 2,589,346 |
| – Associates | | **8,307** | 5,004 |
| – Joint ventures | | **194,088** | 965 |
| – Related companies controlled by the substantial shareholder of the Company | | **387,506** | 195,696 |
| | | **8,048,487** | 2,791,011 |
| Deferred government grants which conditions have not been satisfied | | **3,574,474** | 900,000 |
| Payables for acquisition of property, plant and equipment | | **2,304,916** | 2,528,125 |
| Payables for capitalised product development costs from related companies | (d) | **2,345,333** | – |
| Payables for acquisition of additional interests in a subsidiary (note 39(c)) | | **1,807,384** | – |
| Accrued staff salaries and benefits | | **1,776,055** | 1,282,871 |
| VAT and other taxes payables | | **1,276,494** | 711,812 |
| Other accrued charges and payables | (e) | **4,604,101** | 3,130,626 |
| | | **25,737,244** | 11,344,445 |
| Amounts due to related companies controlled by the substantial shareholder of the Company | (f) | **503,883** | 328,050 |
| | | **26,241,127** | 11,672,495 |
| | | **58,354,487** | 41,901,864 |
| *Representing:* | | | |
| – Current | | **57,392,790** | 41,516,307 |
| – Non-current | | **961,697** | 385,557 |
| | | **58,354,487** | 41,901,864 |

## 23. TRADE AND OTHER PAYABLES (Continued)

### (a) Trade payables

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

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 0 – 60 days | **29,125,014** | 26,609,028 |
| 61 – 90 days | **1,699,916** | 2,580,039 |
| 91 – 365 days | **950,736** | 498,567 |
| Over 365 days | **230,747** | 230,462 |
| | **32,006,413** | 29,918,096 |

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

### (b) Notes payable

All notes payable are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2021 and 2020, all notes payable had maturities of less than six months from the reporting date.

As at 31 December 2021 and 2020, the Group has no pledged bank deposits to secure the notes payable.

### (c) Receipts in advance from customers

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

## 23. TRADE AND OTHER PAYABLES (Continued)

### (c) Receipts in advance from customers (Continued)

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Relating to the sales of automobiles, automobile parts and components and battery packs and related parts | **6,689,535** | 2,333,435 |
| Relating to the licensing of intellectual properties | **215,017** | – |
| Relating to the obligation for services agreed to be part of the sales of automobiles | **1,143,935** | 457,576 |
| | **8,048,487** | 2,791,011 |

The increase in receipts in advance from customers (2020: decrease) was mainly due to the increase (2020: decrease) in advances received from customers in relation to sales of automobiles, automobile parts and components and battery packs and related parts for the year ended 31 December 2021.

Receipts in advance from customers outstanding at the beginning of the year amounting to RMB2,791,011,000 (2020: RMB4,940,701,000) have been recognised as revenue during the year.

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Within one year | **182,238** | 72,019 |
| More than one year | **961,697** | 385,557 |
| | **1,143,935** | 457,576 |

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

## 23. TRADE AND OTHER PAYABLES (Continued)

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

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

### (e) Other accrued charges and payables

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

### (f) Amounts due to related companies

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

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Preferred shares investments in an unlisted entity | **351,646** | – |

The investments are convertible redeemable preferred shares. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at FVTPL. The major assumptions used in the valuation for investment in the unlisted entity are set out in note 42.

## 25. LEASE LIABILITIES

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

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Total minimum lease payments: | | |
| Due within one year | **221,732** | 30,952 |
| Due in the second to fifth years | **538,490** | 12,054 |
| | **760,222** | 43,006 |
| Future finance charges on lease liabilities | **(59,446)** | (711) |
| Present value of lease liabilities | **700,776** | 42,295 |

## 25. LEASE LIABILITIES (Continued)

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Present value of minimum lease payments: | | |
| Due within one year | **198,290** | 30,380 |
| Due in the second to fifth years | **502,486** | 11,915 |
| | **700,776** | 42,295 |
| Less: Portion due within one year included under current liabilities | **(198,290)** | (30,380) |
| Portion due after one year included under non-current liabilities | **502,486** | 11,915 |

During the year ended 31 December 2021, the total cash outflows for the leases are RMB133,178,000 (2020: RMB72,165,000).

### Details of the lease activities

As at 31 December 2021, the Group has entered into leases for office, retail and service centres and factory premises and plant and machinery (2020: office and factory premises and plant and machinery).

| **Types of right-of-use assets** | **Financial statements items of right-of-use assets included in** | **Number of leases** | **Range of remaining lease term** | **Particulars** |
|---|---|---|---|---|
| Office and factory premises | Buildings in "property, plant and equipment" | 23 (2020: 10) | 1 to 5 years (2020: 1 to 2 years) | • *Not contain any renewal and termination options*<br>• *Fixed payments during the contract period* |
| Retail and service centres | Buildings in "property, plant and equipment" | 72 (2020: Nil) | 1 to 6 years (2020: Nil) | • *Not contain any renewal and termination options*<br>• *Fixed payments during the contract period* |
| Plant and machinery | Plant and machinery in "property, plant and equipment" | Nil (2020: 1) | Nil (2020: 1 year) | • *All lease payments were prepaid upon entering the contract (note 38)*<br>• *Not contain any renewal and termination options* |

## 26. BANK BORROWINGS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Bank loans, unsecured | **1,906,740** | 1,959,750 |
| Representing: | | |
| – Current | **1,906,740** | – |
| – Non-current | **–** | 1,959,750 |
| | **1,906,740** | 1,959,750 |

As at 31 December 2021 and 2020, the Group's bank borrowings were carried at amortised cost, repayable in July 2022 and interest-bearing at the London Interbank Offered Rates plus 0.95% per annum. Pursuant to the facility agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

As at 31 December 2021 and 2020, 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 42.

## 27. SHARE CAPITAL

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Number of shares** | **Nominal value** | Number of shares | Nominal value |
| | | **RMB'000** | | 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 | **9,816,626,540** | **179,672** | 9,166,997,540 | 167,733 |
| Shares issued under share option scheme (note (a)) | **5,405,000** | **91** | 49,629,000 | 888 |
| Shares issued upon placement (note (b)) | **–** | **–** | 600,000,000 | 11,051 |
| Shares issued on acquisition of additional interests in a subsidiary (note 39(c)) | **196,410,000** | **3,252** | – | – |
| At 31 December | **10,018,441,540** | **183,015** | 9,816,626,540 | 179,672 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27. SHARE CAPITAL (Continued)

Notes:

(a) During the year ended 31 December 2021, share options were exercised to subscribe for 5,405,000 ordinary shares (2020: 49,629,000 ordinary shares) of the Company at a consideration of approximately RMB30,734,000 (2020: RMB197,814,000) of which approximately RMB91,000 (2020: RMB888,000) was credited to share capital and approximately RMB30,643,000 (2020: RMB196,926,000) was credited to the share premium account. As a result of the exercise of share options, share-based compensation reserve of RMB7,812,000 (2020: RMB65,722,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(p).

(b) On 29 May 2020, the Company entered into a placing agreement (the "Placing Agreement") with placing agents, to procure not less than six placees who are independent third parties to the Company to subscribe for 600,000,000 placing shares at the placing price of HK$10.8 per placing share (the "Placing"). All conditions of the Placing Agreement were fulfilled. The Placing was completed and fully subscribed on 5 June 2020. The gross proceeds from the Placing amounted to approximately HK$6,480,000,000 (equivalent to approximately RMB5,967,432,000) and the related directly attributable expenses were approximately HK$32,899,000 (equivalent to approximately RMB30,296,000).

## 28. PERPETUAL CAPITAL SECURITIES

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

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

## 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) Capital reserve

Capital reserve represents (i) 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; (ii) the differences between the considerations paid and the proportionate share of the carrying amount of the net assets attributable to the relevant interest upon the acquisition of additional interests in subsidiaries; and (iii) the differences between the considerations received and the proportionate share of the carrying amount of the net assets attributable to the relevant interests upon the deemed disposal of partial interest in subsidiaries.

### (c) 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.

### (d) Fair value reserve (recycling)

Fair value reserve (recycling) comprises the cumulative net change in the fair value of financial assets at FVOCI (recycling) (less related deferred tax charge) held at the end of the reporting period.

### (e) 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).

### (f) Share-based compensation reserve

Share-based compensation reserve represents the fair value of share options and/or award shares granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(p).

### (g) Retained profits

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

## 30. BONDS PAYABLE

On 25 January 2018, the Company issued the bonds with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,944,690,000) (the "Bonds"). The Bonds carried interest at 3.625% per annum, payable semi-annually in arrears on 25 January and 25 July of each year, and the maturity date is 25 January 2023.

The Bonds are listed on Singapore Exchange Securities Trading Limited. They constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to the terms and conditions of the Bonds, at all times rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The carrying amount of the Bonds at initial recognition net of transaction costs amounted to US$297,296,000 (equivalent to approximately RMB1,927,161,000) and the effective interest rate was 3.825% per annum. The Bonds were measured at amortised cost at the reporting date.

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

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| **Carrying amount** | | |
| At 1 January | **1,949,735** | 2,060,085 |
| Exchange differences | **(51,921)** | (113,914) |
| Interest expenses | **3,323** | 3,564 |
| At 31 December | **1,901,137** | 1,949,735 |

# 31. 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 | Lease liabilities RMB'000 (note 25) | Bank borrowings RMB'000 (note 26) | Bonds payable RMB'000 (note 30) | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2020 | – | 63,589 | 2,089,110 | 2,060,085 | 4,212,784 |
| **Changes from financing cash flows:** | | | | | |
| Capital element of lease rentals paid | – | (35,320) | – | – | (35,320) |
| Other borrowing costs paid | – | (2,852) | (54,796) | (76,347) | (133,995) |
| Dividends paid | (2,120,977) | – | – | – | (2,120,977) |
| Total changes from financing cash flows | (2,120,977) | (38,172) | (54,796) | (76,347) | (2,290,292) |
| **Exchange adjustments** | – | – | (129,360) | (113,914) | (243,274) |
| **Other changes (note):** | | | | | |
| Entering into new leases | – | 14,026 | – | – | 14,026 |
| Interest expenses | – | 2,852 | 54,796 | 78,477 | 136,125 |
| Dividends declared (note 11(b)) | 2,120,977 | – | – | – | 2,120,977 |
| Others | – | – | – | 1,434 | 1,434 |
| Total other changes | 2,120,977 | 16,878 | 54,796 | 79,911 | 2,272,562 |
| At 31 December 2020 | – | 42,295 | 1,959,750 | 1,949,735 | 3,951,780 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31. CASH FLOW INFORMATION (Continued)

### Reconciliation of liabilities arising from financing activities (Continued)

| | Dividends payable RMB'000 | Lease liabilities RMB'000 (note 25) | Bank borrowings RMB'000 (note 26) | Bonds payable RMB'000 (note 30) | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2021 | – | 42,295 | 1,959,750 | 1,949,735 | 3,951,780 |
| **Changes from financing cash flows:** | | | | | |
| Capital element of lease rentals paid | – | (90,251) | – | – | (90,251) |
| Other borrowing costs paid | – | (13,396) | (58,594) | (68,696) | (140,686) |
| Dividends paid | (1,611,439) | – | – | – | (1,611,439) |
| Total changes from financing cash flows | (1,611,439) | (103,647) | (58,594) | (68,696) | (1,842,376) |
| **Exchange adjustments** | – | – | (53,010) | (51,921) | (104,931) |
| **Other changes (note):** | | | | | |
| Entering into new leases | – | 726,835 | – | – | 726,835 |
| Interest expenses | – | 13,396 | 58,594 | 72,639 | 144,629 |
| Dividends declared (note 11(b)) | 1,611,439 | – | – | – | 1,611,439 |
| Acquisition through business combination (note 37) | – | 21,897 | – | – | 21,897 |
| Others | – | – | – | (620) | (620) |
| Total other changes | 1,611,439 | 762,128 | 58,594 | 72,019 | 2,504,180 |
| **At 31 December 2021** | **–** | **700,776** | **1,906,740** | **1,901,137** | **4,508,653** |

Note: Other changes include interest accruals.

## 32. DEFERRED TAX ASSETS AND LIABILITIES

The movements during the year in the deferred tax liabilities/(assets) is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| At 1 January | **(561,382)** | (564,487) |
| Acquisition through business combinations (note 37) | **10,671** | – |
| Disposed of through disposal of subsidiaries (note 38) | **–** | 34,364 |
| Recognised in other comprehensive income | **1,739** | (42,935) |
| Recognised in profit or loss (note 10) | **(1,481,665)** | 11,676 |
| At 31 December | **(2,030,637)** | (561,382) |

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the years is as follow:

### Deferred tax assets

| | Unused tax losses<br>RMB'000 | Amortisation of intangible assets<br>RMB'000 | Change in fair value of notes receivable<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2020 | 190,095 | 431,564 | – | 243,947 | 865,606 |
| Recognised in profit or loss | (75,612) | 295,760 | – | (124,314) | 95,834 |
| Recognised in other comprehensive income | – | – | 42,935 | – | 42,935 |
| Disposed of through disposal of subsidiaries (note 38) | – | (34,364) | – | – | (34,364) |
| At 31 December 2020 and 1 January 2021 | 114,483 | 692,960 | 42,935 | 119,633 | 970,011 |
| Recognised in profit or loss | 1,048,299 | 470,987 | – | 72,389 | 1,591,675 |
| Recognised in other comprehensive income | – | – | (1,739) | – | (1,739) |
| Acquisition through business combination (note 37) | 53,613 | – | – | – | 53,613 |
| **At 31 December 2021** | **1,216,395** | **1,163,947** | **41,196** | **192,022** | **2,613,560** |

## 32. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the years is as follow (Continued):

**Deferred tax liabilities**

| | Withholding tax on undistributed profits from the PRC subsidiaries RMB'000 | Fair value adjustments arising from business combination RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2020 | 301,119 | – | – | 301,119 |
| Recognised in profit or loss | 87,299 | – | 20,211 | 107,510 |
| At 31 December 2020 and 1 January 2021 | 388,418 | – | 20,211 | 408,629 |
| Recognised in profit or loss | 10,989 | – | 99,021 | 110,010 |
| Acquisition through business combination (note 37) | – | 64,284 | – | 64,284 |
| At 31 December 2021 | 399,407 | 64,284 | 119,232 | 582,923 |

The amounts recognised in the consolidated statement of financial position are as follows:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Deferred tax assets recognised in the consolidated statement of financial position | **(2,435,192)** | (970,011) |
| Deferred tax liabilities recognised in the consolidated statement of financial position | **404,555** | 408,629 |
| Net deferred tax assets | **(2,030,637)** | (561,382) |

## 32. 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 have been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB13,364,461,000 (2020: RMB15,130,460,000).

As at the reporting date, the Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences of approximately RMB2,106,943,000 (2020: RMB1,786,814,000) and RMB220,997,000 (2020: RMB600,766,000), respectively. Of the total unrecognised tax losses, approximately RMB2,032,414,000 (2020: RMB248,784,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of those tax losses and deductible temporary differences due to the unpredictability of future profit streams.

## 33. COMMITMENTS

### Capital commitments

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

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Contracted but not provided for, net of deposits/investments paid | | |
| – purchase of property, plant and equipment | **1,356,552** | 1,065,835 |
| – acquisition of a subsidiary (note 45) | **745,600** | – |
| – investment in associates (note (a) and note 18) | **581,510** | 440,510 |
| – investment in joint ventures (notes (b) and (c) and note 19) | **987,255** | 613,341 |
| | **3,670,917** | 2,119,686 |

## 33. COMMITMENTS (Continued)

### Capital commitments (Continued)

Notes:

(a) On 20 December 2018, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 ("Jirun Automobile"), an indirect non wholly-owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 1") with Contemporary Amperex Technology Company Limited# 寧德時代新能源科技股份有限公司 ("CATL Battery"), an independent third party, pursuant to which the parties agreed to establish an associate company, Times Geely Power Battery Company Limited# 時代吉利動力電池有限公司 ("Times Geely"). Pursuant to the terms of the Investment Agreement 1, Times Geely will be owned as to 49% by Jirun Automobile and as to 51% by CATL Battery, respectively. The registered capital of Times Geely will be RMB1,000,000,000, and will be contributed as to 49% (equivalent to RMB490,000,000) in cash by Jirun Automobile and as to 51% (equivalent to RMB510,000,000) in cash by CATL Battery, respectively. As at 31 December 2021 and 2020, the Group and CATL Battery contributed RMB49,490,000 and RMB51,510,000, respectively, to Times Geely.

(b) On 12 June 2019, Zeekr Automobile (Shanghai) Company Limited (formerly known as Shanghai Maple Guorun Automobile Company Limited)# 極氪汽車(上海)有限公司 (formerly known as 上海華普國潤汽車有限公司) ("Zeekr Automobile (Shanghai)"), an indirect non wholly-owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 2") with LG Chem Ltd. ("LG Chem"), an independent third party, pursuant to which the parties agreed to establish a joint venture company (the "JV 1") to principally engage in the production and sales of batteries for electric vehicles. Pursuant to the terms of the Investment Agreement 2, the JV 1 will be owned as to 50% by Zeekr Automobile (Shanghai) and as to 50% by LG Chem. The registered capital of the JV 1 will be US$188,000,000 (equivalent to approximately RMB1,228,110,000), and will be contributed as to 50% (US$94,000,000 or equivalent to approximately RMB614,055,000) and 50% (US$94,000,000 or equivalent to approximately RMB614,055,000) by Zeekr Automobile (Shanghai) and LG Chem, respectively. As at 31 December 2021, the formation of the JV 1 was not yet completed. Please refer to the Company's announcement dated 12 June 2019 for further details.

(c) On 13 December 2021, the Company entered into the investment cooperation agreement with Lifan Technology (Group) Company Limited# 力帆科技(集團)股份有限公司 ("Lifan Technology"), pursuant to which the Company and Lifan Technology agreed to form a joint venture company to engage in the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles). Pursuant to the terms of the investment cooperation agreement, the registered capital of the joint venture company will be RMB600 million, and will be contributed as to 50% (equivalent to RMB300 million) by the Company and as to 50% (equivalent to RMB300 million) by Lifan Technology, respectively. The formation of the joint venture company was completed in January 2022. Please refer to the Company's announcements dated 13 December 2021 and 24 January 2022 for further details.

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

## 33. COMMITMENTS (Continued)

### As lessee

As at the reporting date, the lease commitments for short-term leases are as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Office and factory premises | | |
| – Within one year | **20,385** | 322 |

As at 31 December 2021 and 2020, the Group leases a number of office and factory premises which are qualified to be accounted for under short-term lease exemption under HKFRS 16. Details of the leases are set out in note 25.

### As lessor

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Buildings | | |
| – Within one year | **3,417** | 5,557 |
| – After one year but within two years | **1,155** | 284 |
| – After two years but within three years | **385** | – |
| | **4,957** | 5,841 |

Leases are negotiated and rental are fixed for an initial period of one to five years (2020: one to five years).

## 34. 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 RMB421,576,000 (2020: RMB299,469,000).

Besides, the Group had no forfeited contributions under its retirement benefit schemes which may be used to reduce the existing level of contributions during the years ended 31 December 2021 and 2020.

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

### Share option scheme of the Company

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.

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share option scheme of the Company (Continued)

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.

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 and prior to 1 January 2021, 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. For those share options granted after 1 January 2021, none of the share options will be vested in the first two years, one-fifth of share options granted will vest in every year after the two years 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.

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share option scheme of the Company (Continued)

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

**2021**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr. Li Dong Hui, Daniel | 23 March 2012 to 22 March 2022 | 4.07 | 1,400,000 | – | (1,400,000) | – | – |
| | 15 January 2023 to 14 January 2028 | 32.70 | – | 14,000,000 | – | – | 14,000,000 |
| Ms. Wei Mei | 23 March 2012 to 22 March 2022 | 4.07 | 1,000,000 | – | (895,000) | – | 105,000 |
| | 15 January 2023 to 14 January 2028 | 32.70 | – | 7,000,000 | – | – | 7,000,000 |
| Mr. An Cong Hui | 15 January 2023 to 14 January 2028 | 32.70 | – | 22,000,000 | – | – | 22,000,000 |
| Mr. Ang Siu Lun, Lawrence | 15 January 2023 to 14 January 2028 | 32.70 | – | 3,000,000 | – | – | 3,000,000 |
| Mr. Gui Sheng Yue | 15 January 2023 to 14 January 2028 | 32.70 | – | 13,500,000 | – | – | 13,500,000 |
| Mr. Yang Jian | 15 January 2023 to 14 January 2028 | 32.70 | – | 3,000,000 | – | – | 3,000,000 |
| | | | 2,400,000 | 62,500,000 | (2,295,000) | – | 62,605,000 |

# 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

## Share option scheme of the Company (Continued)

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

**2021 (Continued)**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|
| **Employees** | 23 March 2012 to 22 March 2022 | 4.07 | 3,600,000 | – | (1,300,000) | – | 2,300,000 |
| | 7 September 2019 to 6 September 2023 | 15.96 | 600,000 | – | – | – | 600,000 |
| | 15 January 2023 to 14 January 2028 | 32.70 | – | 566,610,000 | – | (55,010,000) | 511,600,000 |
| | | | 4,200,000 | 566,610,000 | (1,300,000) | (55,010,000) | 514,500,000 |
| **Other eligible participants** | 31 March 2018 to 30 March 2022 | 12.22 | 3,100,000 | – | (1,800,000) | – | 1,300,000 |
| | 14 January 2021 to 13 January 2025 | 16.04 | 800,000 | – | (10,000) | – | 790,000 |
| | | | 3,900,000 | – | (1,810,000) | – | 2,090,000 |
| | | | 10,500,000 | 629,110,000 | (5,405,000) | (55,010,000) | 579,195,000 |

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share option scheme of the Company (Continued)

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

**2021 (Continued)**

| | Outstanding at 1 January HK$ | Granted during the year HK$ | Exercised during the year HK$ | Forfeited during the year HK$ | Outstanding at 31 December HK$ |
|---|---|---|---|---|---|
| Weighted average exercise price per share | **8.07** | **32.70** | **6.81** | **32.70** | **32.48** |
| Weighted average remaining contractual life of options outstanding as at 31 December 2021 | | | | | **5.99 years** |
| Number of options exercisable as at 31 December 2021 | | | | | **3,439,500** |
| Weighted average exercise price per share of options exercisable as at 31 December 2021 | | | | | **HK$7.42** |

# 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

## Share option scheme of the Company (Continued)

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

**2020**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Forfeited during the year | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr. Li Dong Hui, Daniel | 23 March 2012 to 22 March 2022 | 4.07 | 1,400,000 | – | – | – | 1,400,000 |
| Ms. Wei Mei | 23 March 2012 to 22 March 2022 | 4.07 | 1,000,000 | – | – | – | 1,000,000 |
| | | | 2,400,000 | – | – | – | 2,400,000 |
| **Employees** | 18 January 2010 to 17January 2020 | 4.07 | 34,132,000 | – | (33,132,000) | (1,000,000) | – |
| | 21 April 2010 to 20 April 2020 | 4.07 | 4,060,000 | – | (4,000,000) | (60,000) | – |
| | 23 March 2012 to 22 March 2022 | 4.07 | 5,200,000 | – | (1,600,000) | – | 3,600,000 |
| | 2 June 2016 to 1 June 2020 | 4.08 | 300,000 | – | (300,000) | – | – |
| | 7 September 2019 to 6 September 2023 | 15.96 | 600,000 | – | – | – | 600,000 |
| | | | 44,292,000 | – | (39,032,000) | (1,060,000) | 4,200,000 |
| **Other eligible participants** | 2 June 2016 to 1 June 2020 | 4.08 | 8,197,000 | – | (8,197,000) | – | – |
| | 31 March 2018 to 30 March 2022 | 12.22 | 5,500,000 | – | (2,400,000) | – | 3,100,000 |
| | 14 January 2021 to 13 January 2025 | 16.04 | – | 800,000 | – | – | 800.000 |
| | | | 13,697,000 | 800,000 | (10,597,000) | – | 3,900,000 |
| | | | 60,389,000 | 800,000 | (49,629,000) | (1,060,000) | 10,500,000 |

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share option scheme of the Company (Continued)

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

**2020 (Continued)**

| | Outstanding at 1 January HK$ | Granted during the year HK$ | Exercised during the year HK$ | Forfeited during the year HK$ | Outstanding at 31 December HK$ |
|---|---|---|---|---|---|
| Weighted average exercise price per share | 4.93 | 16.04 | 4.47 | 4.07 | 8.07 |
| Weighted average remaining contractual life of options outstanding as at 31 December 2020 | | | | | 1.53 years |
| Number of options exercisable as at 31 December 2020 | | | | | 8,025,000 |
| Weighted average exercise price per share of options exercisable as at 31 December 2020 | | | | | HK$6.88 |

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share option scheme of the Company (Continued)

During the year ended 31 December 2021, 629,110,000 options were granted on 15 January 2021 with total estimated fair values of approximately RMB5,091,294,000. The closing price of the Company's shares on the date on which the options were granted was HK$31.20. The exercise price of the share options granted was HK$32.70 per share.

During the year ended 31 December 2020, 800,000 options were granted on 14 January 2020 with total estimated fair values of approximately RMB3,731,000. The closing price of the Company's shares on the date on which the options were granted was HK$16.04. The exercise price of the share options granted was HK$16.04 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 | **15 January 2021** | 14 January 2020 |
|---|---|---|
| Share price | **HK$31.20** | HK$16.04 |
| Exercise price | **HK$32.70** | HK$16.04 |
| Expected volatility | **38.95%** | 48.08% |
| Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model) | **7 years** | 5 years |
| Risk-free interest rate | **0.55%** | 1.48% |
| Expected dividend yield | **2%** | 1.40% |

Expected volatility was determined by using historical volatility of the comparable companies' share price. 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.

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.

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share award scheme of the Company (Continued)

The Company has adopted a share award scheme on pursuant to an ordinary resolution passed at the board meeting of the Company held on 30 August 2021 for the purposes of attracting and retaining the high calibre employees whose contributions will be beneficial to the growth and development of the Group (the "Share Award Scheme").

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the Share Award Scheme.

Following the adoption of the Share Award Scheme, the Company resolved to award an aggregate of 167,022,000 ordinary shares to 10,884 selected participants by way of issue and allotment of new ordinary shares under the general mandate. The shares being granted with respect to a selected participant will vest in 4 tranches of 25% each year from 30 August 2022 to 29 August 2025, on the condition that the employees remain in service with performance requirements, including but not limited to meeting the company-level performance target and the selected participant's level performance target. Subject to the satisfaction of the vesting conditions, such new award shares will be transferred to the selected participants at nominal value on the vesting date. The selected participants are required to pay the nominal value for the award shares.

As at 31 December 2021, the Company has appointed a professional and independent trustee, BOCI Prudential Trustee Limited ("Trustee"), to assist with the administration and vesting of award shares granted pursuant to the Share Award Scheme. The Trustee will not exercise the voting rights in respect of any ordinary shares held under the trust. The award shares will be allotted and issued to the Trustee who will hold the award shares in trust in accordance with the trust deed for the selected participants.

Movements in the number of award shares outstanding are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at 1 January | **–** | – |
| Granted | **167,022,000** | – |
| Lapsed | **(7,522,701)** | – |
| Balance at 31 December | **159,499,299** | – |

The fair value of each award share was calculated based on the market price of the Company's shares at the respective grant date.

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share award scheme of Zeekr Intelligent Technology Holding Limited ("Zeekr Holding")

On 20 August 2021, Zeekr Holding also adopted a share award scheme (the "Zeekr Share Award Scheme"). The purposes of the Zeekr Share Award Scheme are to encourage the selected participants to continuously make greater contributions to the long-term growth of the Zeekr Holding and its subsidiaries ("Zeekr Group") and thereby enhancing the value of the Company for the benefit of the shareholders, and to attract and retain high calibre employees whose contributions will be beneficial to the growth and development of the Zeekr Group. Details of the Zeekr Share Award Scheme were set out in the announcement of the Company dated 20 August 2021.

The Zeekr Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary share award scheme of the Company. No shareholders' approval is required to adopt the Zeekr Share Award Scheme.

Immediately upon the adoption of the Zeekr Share Award Scheme, Zeekr Holding granted 56,560,400 ordinary shares (the "Zeekr Award Shares") to 3,393 selected participants under the Zeekr Share Award Scheme by way of reservation and future issuance of new ordinary shares. The vesting schedule of the Zeekr Award Shares granted would be subject to both the initial public offering condition and service-and-performance-based condition. Subject to the satisfaction of the conditions for vesting as provided under the Zeekr Share Award Scheme, the Zeekr Award Shares granted shall be vested in four batches as follows: (i) the first batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2022; (ii) the second batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2023; (iii) the third batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2024; and (iv) the fourth batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2025. The selected participants are required to pay the nominal value for the Zeekr Award Shares.

Back-solve method was used to determine the underlying equity fair value of the Zeekr Holding and the option-pricing method was used to determine the fair value of the underlying shares. The fair value of Zeekr Award Shares granted at grant date was approximately RMB647,972,000. Key assumptions adopted in determining the fair value are as follows:

| Grant date | **20 August 2021** |
|---|---|
| Expected volatility | 53.14% |
| Risk-free interest rate | 0.79% |
| Expected dividend yield | 0.00% |

Expected volatility was determined by using average historical volatilities of comparable companies in the same industry. Expected dividend yield is based on the management's estimate at valuation date.

## 35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

**Share award scheme of Zeekr Intelligent Technology Holding Limited ("Zeekr Holding") (Continued)**

Movements in the number of Zeekr Award Shares outstanding are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at 1 January | **–** | – |
| Granted | **56,560,400** | – |
| Lapsed | **(3,595,600)** | – |
| Balance at 31 December | **52,964,800** | – |

**Equity settled share-based payments have been recorded in the consolidated financial statements as follows:**

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Expensed RMB'000** | **Capitalised as product development cost of intangible assets RMB'000** | **Total RMB'000** | Expensed RMB'000 | Capitalised as product development cost of intangible assets RMB'000 | Total RMB'000 |
| Share option scheme of the Company | **814,007** | **196,629** | **1,010,636** | 4,095 | – | 4,095 |
| Share award scheme of the Company | **398,692** | **137,494** | **536,186** | – | – | – |
| Share award scheme of Zeekr Holding (note) | **–** | **–** | **–** | – | – | – |
| | **1,212,699** | **334,123** | **1,546,822** | 4,095 | – | 4,095 |

Note: The Group had not recognised any equity settled share-based payments for share award scheme of Zeekr Holding as the management considers that it is not probable that the condition related to the initial public offering of Zeekr Holding will be satisfied until the event occurs.

# 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties:

## (a) Transactions

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 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 (note d) | **36,344,784** | 32,324,576 |
| | Sales of complete buildup units, complete knock down kits and related after-sales parts (note d) | **689,283** | – |
| | Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note d) | **–** | 1,134,549 |
| | Purchase of complete buildup units (note d) | **37,877,190** | 33,878,372 |
| | Claims income on defective materials purchased | **246,352** | 203,181 |
| | Claims paid on defective materials sold | **276,537** | 157,485 |
| | Sales of automobile parts and components (note d) | **86,309** | 13,525 |
| | Research, development and technology licensing service income (note d) | **38,321** | – |
| Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司 | Sales of powertrain and related components (note d) | **–** | 5,890 |
| Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司 | Sales of complete knock down kits (note d) | **38,115,188** | 36,487,866 |
| | Purchase of complete buildup units (note d) | **39,421,642** | 37,847,042 |
| | Claims income on defective materials purchased | **223,242** | 259,276 |
| | Claims paid on defective materials sold | **240,124** | 247,856 |
| | Sales of complete buildup units, complete knock down kits and related after-sales parts (note d) | **1,102,207** | – |
| | Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note d) | **–** | 879,963 |
| | Sales of automobile parts and components (note d) | **46,987** | 6,105 |
| | Acquisition of property, plant and equipment (note h) | **56,598** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Geely Automobile Group Company Limited# 吉利汽車集團有限公司 | Disposal of subsidiaries (note d) (note 38) | – | 729,387 |
| | Operational service fee (note d) | 36,226 | 62,601 |
| | Operational service income (note d) | 15,367 | 19,368 |
| | Acquisition of property, plant and equipment (note h) | 52,773 | – |
| | Acquisition of a subsidiary (note d) (note 37) | 485,329 | – |
| Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司 | Purchase of automobile parts and components (note d) | 727,348 | 268,117 |
| Ningbo Geely Automobile R&D Company Limited# 寧波吉利汽車研究開發有限公司 | Sales of powertrain and related components (note d) | 34,746 | 30,072 |
| | Purchase of automobile parts and components (note d) | 23,661 | 11,440 |
| | License fee income received (note i) | 255,000 | – |
| | License fee income receivable | – | 470,000 |
| | Research, development and technology licensing service income (note d) | 2,623,163 | 394,982 |
| | Research, development and technology licensing service fee (note d) | 1,730,420 | 242,380 |
| | Research, development and technology support service income (note d) | – | 427,795 |
| | Research, development and technology support service fee (note d) | – | 76,172 |
| | Operational service income (note d) | 42,718 | 58,539 |
| | Sales of automobile parts and components (note d) | 13,473 | 4,977 |
| | Purchase of complete buildup units (note d) | – | 2,336 |
| | Acquisition of property, plant and equipment (note e and h) | 65,908 | 334,087 |
| | Disposal of property, plant and equipment (note d) | 51,063 | – |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Linyi Lingji Chunhua Automobile Sales Service Company Limited# 臨沂領吉春華汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **213,210** | 149,966 |
| 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 d) | **27,225** | – |
| Xiamen Geely Automobile Sales Company Limited# 廈門吉利汽車銷售有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **–** | 4,677 |
| Yiwu Geely Engine Company Limited# 義烏吉利發動機有限公司 | Acquisition of property, plant and equipment (note h) | **266,880** | – |
| Hangzhou Youhang Technology Company Limited# 杭州優行科技有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **12,124** | 300,708 |
| Hubei Ecarx Company Limited# 湖北億咖通科技有限公司 | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **5,674** | 846,059 |
| Zhejiang Huanfu Technology Co., Ltd. (formerly known as Zhejiang Ecarx Company Limited)# 浙江寰福科技有限公司(前稱浙江億咖通科技有限公司) | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **–** | 37,311 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Shenzhen Geely Automobile Sales Company Limited# 深圳吉利汽車銷售有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **–** | 49,614 |
| Shanxi New Energy Automobile Industrial Company Limited# 山西新能源汽車工業有限公司 | Sales of complete knock down kits (note d) | **1,919,315** | 1,810,793 |
| | Purchase of complete buildup units (note d) | **1,934,588** | 1,570,447 |
| Hangzhou Geely Yiyun Technology Company Limited# 杭州吉利易雲科技有限公司 | IT services expenses | **–** | 8,379 |
| | Operational service income (note d) | **14,877** | – |
| Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司 | Business travel services expenses (note d) | **22,921** | 53,310 |
| Fengsheng Automobile (Jiangsu) Company Limited# 楓盛汽車(江蘇)有限公司 | Sales of automobile parts and components (note d) | **–** | 29,756 |
| Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司 | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **69,029** | 104,473 |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Viridi E-Mobility Technology (Ningbo) Co., Ltd# ("Ningbo Viridi") 威睿電動汽車技術(寧波)有限公司 (note g) | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **711,331** | 169,281 |
| | Operational service income (note d) | **3,582** | 1,120 |
| Yaou Automobile Manufacturing (Taizhou) Company Limited# 亞歐汽車製造(台州)有限公司 | Sales of powertrain and related components (note d) | **–** | 187,578 |
| | Sales of automobile parts and components (Automobile Parts Supply Agreement) (note d) | **–** | 15,088 |
| Shanghai Meihuan Trade Company Limited# 上海美寰貿易有限公司 | Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note d) | **–** | 406,802 |
| | Sales of complete buildup units, complete knock down kits and related after-sales parts (note d) | **591,896** | – |
| | Sales of powertrain and related components (note d) | **5,859** | 3,563 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **10,981** | – |
| | Operational service income (note d) | **124,312** | 71,420 |
| Guangzhou Geely New Energy Automobile Sales Company Limited# 廣州吉利新能源汽車銷售有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **–** | 44,736 |
| Fuzhou Geely Emgrand New Energy Automobile Sales Company Limited# 福州吉利帝豪新能源汽車銷售有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **–** | 11,323 |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhejiang Xuan Fu Automatic Transmission Company Limited# 浙江軒孚自動變速器有限公司 | Sales of complete knock down kits (note d) | **–** | 1,779 |
| Xian Geely New Energy Automobile Sales Company Limited# 西安吉利新能源汽車銷售有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **–** | 52,387 |
| London EV Company Limited | Sales of powertrain and related components (note d) | **17,805** | 15,446 |
| Zhangjiakou Jiguangwan Engine Manufacturing Company Limited (formerly known as Zhangjiakou Volvo Automobile Engines Manufacturing Company Limited)# 張家口極光灣發動機製造有限公司(前稱張家口沃爾沃汽車發動機製造有限公司) | Purchase of automobile parts and components (note d) | **–** | 3,334 |
| Taizhou Haoqing Automobile Sales Company Limited# 台州豪情汽車銷售有限公司 | Sales of complete knock down kits (note d) | **–** | 9,768 |
| Zhejiang Zhihui Puhua Financial Leasing Company Limited# 浙江智慧普華融資租賃有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **40,214** | – |
| China-Euro Vehicle Technology AB | Research, development and technology licensing service fee (note d) | **413,612** | – |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| SCI Seating (Ningbo) Co., Ltd.# 舒茨曼座椅(寧波)有限公司 | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **16,698** | 80,911 |
| Zhejiang Jichuang Auto Parts Company Limited# 浙江吉創汽車零部件有限公司 | Purchase of automobile parts and components (note d) | **2,521,849** | – |
| | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **–** | 586,274 |
| | Disposal of a subsidiary (note d) (note 38) | **–** | 30,495 |
| | Claims income on defective materials purchased | **29,526** | – |
| Zhejiang Jizhi New Energy Automobile Technology Company Limited# 浙江吉智新能源汽車科技有限公司 | Sales of automobile parts and components (note d) | **1,277** | 1,744 |
| | Research, development and technology licensing service income (note d) | **31,211** | – |
| Hangzhou Xuanyu Human Resources Company Limited# 杭州軒宇人力資源有限公司 | Operational service fee (note d) | **77,948** | 16,577 |
| Geely Changxing Automatic Transmission Company Limited# 吉利長興自動變速器有限公司 | Sales of powertrain and related components (note d) | **4,234** | 2,258 |
| | Research, development and technology support service income (note d) | **–** | 21,117 |
| | Research, development and technology licensing service income (note d) | **165,923** | – |
| | Operational service income (note d) | **13,740** | – |
| Volvo Personvagnar AB | Sales of powertrain and related components (note d) | **768,708** | 600,305 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Geely Sichuan Commercial Vehicle Company Limited# 吉利四川商用車有限公司 | Sales of powertrain and related components (note d) | **13,305** | 4,476 |
| Sichuan Lingji Automobile Manufacturing Company Limited# 四川領吉汽車製造有限公司 | Sales of powertrain and related components (note d) | **1,184,649** | 542,758 |
| | Purchase of complete knocks down kits and automobile components (note d) | **2,311,047** | – |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **52,750** | – |
| | Sales of automobile parts and components (note d) | **30,161** | – |
| | Operational service income (note d) | **22,798** | – |
| Zhejiang Yinglun Automobile Company Limited# 浙江英倫汽車有限公司 | Sales of powertrain and related components (note d) | **3,617** | 3,995 |
| Guiyang Geely Engines Company Limited# 貴陽吉利發動機有限公司 | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **–** | 132,708 |
| | Acquisition of property, plant and equipment (note e) | **–** | 132,709 |
| Feixian Lingji Chunhua Automobile Sales Service Company Limited# 費縣領吉春華汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts components and accessories (note d) | **53,813** | 48,473 |
| Yishui Lingji Yuantong Automobile Sales Service Company Limited# 沂水領吉遠通汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **36,622** | 35,907 |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Dongying Lingji Kaihua Automobile Sales Service Company Limited# 東營領吉凱華汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **68,626** | 37,604 |
| Hefei Geely New Energy Automobile Sales Company Limited# 合肥吉利新能源汽車銷售有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **–** | 7,762 |
| Taizhou Geely Luoyou Engines Company Limited# 台州吉利羅佑發動機有限公司 | Acquisition of property, plant and equipment (note e) | **–** | 153,152 |
| Changsha Geely New Energy Automobile Sales Company Limited# 長沙吉利新能源汽車銷售有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **12,965** | 268,671 |
| Linyi Lingji Maohua Automobile Sales Service Company Limited# 臨沂領吉茂華汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **236,047** | 164,993 |
| Zhejiang Joint Control Technology Company Limited# 浙江聯控技術有限公司 | Research, development and technology licensing service income (note d) | **679,059** | – |
| | Operational service income (note d) | **–** | 19,143 |
| Lingji Automobile Trading Company Limited# 領吉汽車商貿有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **19,381** | 40,403 |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Volvo Automobile Sales (Shanghai) Company Limited# 沃爾沃汽車銷售(上海)有限公司 | Sales of powertrain and related components (note d) | **-** | 5,852 |
| Zhejiang Mingdao Industrial Co., Ltd. (formerly known as Zhejiang Juke Industrial Company Limited)# 浙江銘島實業有限公司(前稱浙江巨科實業有限公司) | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **3,606** | 2,016 |
| Hangzhou Fenghua Cultural and Creative Company Limited# 杭州楓華文化創意有限公司 | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **4,344** | 1,817 |
| | Sales of automobile parts and components (note d) | **-** | 1,360 |
| Ningbo Jihao Automobile Service Company Limited# 寧波吉豪汽車服務有限公司 | Sales of automobile parts and components (note d) | **-** | 9,694 |
| Ningbo Xianglong Automobile Sales Service Company Limited# 寧波祥龍汽車銷售服務有限公司 | Sales of automobile parts and components (note d) | **-** | 3,410 |
| Ningbo Haorui Automobile Sales Service Company Limited# 寧波豪瑞汽車銷售服務有限公司 | Sales of automobile parts and components (note d) | **-** | 4,705 |
| Ningbo Juntai Automobile Sales Service Company Limited# 寧波駿泰汽車銷售服務有限公司 | Sales of automobile parts and components (note d) | **-** | 1,473 |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Ningbo Yongcheng Youxing New Energy Vehicle Sales Service Company Limited# 寧波甬成優行新能源汽車銷售服務有限公司 | Sales of automobile parts and components (note d) | **–** | 4,022 |
| Shandong Geely New Energy Commercial Vehicle Company Limited# 山東吉利新能源商用車有限公司 | Sales of automobile parts and components (note d) | **20,173** | 7,226 |
| | Sales of powertrain and related components (note d) | **13,023** | 11,108 |
| Hangzhou Geely Automobile Research and Development Company Limited# 杭州吉利汽車研究開發有限公司 | Research, development and technology licensing service fee (note d) | **–** | 2,093 |
| Chengdu Gaoyuan Automobile Industries Company Limited# ("Chengdu Automobile") 成都高原汽車工業有限公司 (note f) | Sales of complete knock down kits (note d) | **687,617** | 3,088,354 |
| | Purchase of complete buildup units (note d) | **743,610** | 2,968,950 |
| | Acquisition of property, plant and equipment (note h) | **30,447** | – |
| Putian Geely New Energy Automobile Sales Company Limited# 莆田市吉利新能源汽車銷售有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **–** | 1,178 |
| Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司 | Sales of automobile parts and components (note d) | **–** | 1,828 |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhejiang Jirun Meishan Automobile Parts Company Limited# 浙江吉潤梅山汽車部件有限公司 | Research, development and technology licensing services income (note d) | – | 16,365 |
| | Purchase of complete buildup units (note d) | 42,088 | – |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | 91,541 | – |
| | Sales of powertrain and related components (note d) | 48,796 | – |
| | Operational service income (note d) | 11,967 | – |
| Jinan Geely Auto Parts Company Limited# 濟南吉利汽車零部件有限公司 | Acquisition of property, plant and equipment (note e) | – | 9,691 |
| Ningbo Hangzhou Bay Geely Automobile Components Company Limited# 寧波杭州灣吉利汽車部件有限公司 | Purchase of complete buildup units (note d) | 103,432 | – |
| | Purchase of complete knocks down kits and automobile components (note d) | 1,815,884 | – |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | 18,548 | – |
| | Acquisition of property, plant and equipment (note h) | 34,319 | – |
| | Operational service income (note d) | 12,215 | – |
| Guangzhou Lingjixing Automobile Sales Service Company Limited# 廣州領吉行汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | 11,518 | – |
| Hangzhou Zhihui Puhua Leasing Company Limited# 杭州智慧普華租賃有限公司 | Sales of complete buildup units (electric vehicles) (note d) | 20,497 | – |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhongjia Automobile Manufacturing (Chengdu) Company Limited#<br>中嘉汽車製造(成都)有限公司 | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **28,000** | – |
| Wuhan Lingjixing Automobile Sales Service Company Limited#<br>武漢領吉行汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **22,129** | – |
| Suzhou Lingjixin Automobile Sales Service Company Limited#<br>蘇州領吉鑫汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **17,657** | – |
| Hangzhou Fuzhao Langfeng Technology Company Limited#<br>杭州福兆朗風科技有限公司 | Purchase of automobile parts and components (note d) | **19,610** | – |
| | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **–** | 9,060 |
| Geely Changxing New Energy Automobile Company Limited#<br>吉利長興新能源汽車有限公司 | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **37,321** | – |
| | Acquisition of a subsidiary (note d) (note 37) | **2,534,689** | – |
| | Operational service income (note d) | **–** | 5,320 |
| Shanghai Jijin Mechanical and Electrical Equipment Company Limited#<br>上海吉津機電設備有限公司 | Acquisition of property, plant and equipment (note h) | **38,300** | – |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Xian Geely Automobile Company Limited# 西安吉利汽車有限公司 | Purchase of complete buildup units (note d) | **5,959,872** | – |
| | Sales of powertrain and related components (note d) | **617,624** | 2,152 |
| | Acquisition of property, plant and equipment (note h) | **51,790** | – |
| | Operational service income (note d) | **38,686** | 4,219 |
| | Purchase of complete knocks down kits and automobile components (note d) | **29,767** | – |
| | Purchase of automobile parts and components (note d) | **–** | 12,555 |
| | Sales of automobile parts and components (note d) | **–** | 3,139 |
| Zhejiang Limin Industrial Group Company Limited# 浙江利民實業集團有限公司 | Purchase of automobile parts and components (note d) | **650,452** | – |
| Polestar Performance AB | Research, development and technology licensing services income (note d) | **33,345** | – |
| Microcity Electric Vehicle Service (Shanghai) Company Limited# 左中右電動汽車服務(上海)有限公司 | Sales of complete buildup units (electric vehicles) (note d) | **14,455** | – |
| Jizhi (Hangzhou) Cultural Creativity Company Limited# 吉智(杭州)文化創意有限公司 | Business travel services expenses (note d) | **123,953** | – |
| Volvo Car Corporation | Research, development and technology licensing services income (note d) | **43,147** | – |
| Ningbo Jining Auto Parts Company Limited# 寧波吉寧汽車零部件有限公司 | Purchase of automobile parts and components (note d) | **16,985** | – |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhejiang Fengsheng Auto Parts Company Limited# 浙江楓盛汽車零部件有限公司 | Purchase of automobile parts and components (note d) | **10,685** | – |
| Xian Liancheng Intelligent Technology Company Limited# 西安聯乘智能科技有限公司 | Purchase of automobile parts and components (note d) | **33,282** | – |
| Beijing Lingjisheng Automobile Sales Service Company Limited# 北京領吉盛汽車銷售服務有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **55,093** | – |
| Polestar Automobile Sales Co., Ltd.# 極星汽車銷售有限公司 | Sales of powertrain and related components (note d) | **12,222** | – |
| Valmet Automotive EV Power Ltd. | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **378,137** | – |
| **Associates** | | | |
| Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司 | Purchase of automobile parts and components | **1,359,244** | 1,819,086 |
| | Claims income on defective materials purchased | **21,573** | – |
| BELGEE | Sales of automobile parts and components | **911,210** | 719,576 |
| Zhejiang Haohan Energy Technology Co., Ltd.# 浙江浩瀚能源科技有限公司 | Purchase of complete knocks down kits and automobile components (note d) | **17,100** | – |

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Joint ventures** | | | |
| LYNK & CO Automobile Sales Company Limited# 領克汽車銷售有限公司 | Sales of powertrain and related components (note d) | **5,614** | 2,142 |
| | Storage fees for provision of warehouse services (note d) | **8,644** | 10,666 |
| | Purchase of complete buildup units (note d) | **18,778** | 12,372 |
| | Operational service income (note d) | **176,978** | 157,535 |
| | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **58,990** | – |
| Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd.# 凱悅汽車大部件製造(張家口)有限公司 | Sales of powertrain and related components (note d) | **1,436,936** | 1,426,344 |
| | Operational service income (note d) | **146,195** | 118,358 |
| | Purchase of automobile parts and components (note d) | **15,124** | – |
| | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **–** | 1,771 |
| | Research, development and technology licensing services income (note d) | **162,156** | – |
| | Sales of automobile parts and components (note d) | **19,621** | – |
| Yuyao LYNK & CO Auto Parts Company Limited# 余姚領克汽車部件有限公司 | Sales of powertrain and related components (note d) | **1,033,935** | 585,725 |
| | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **20,721** | 1,301 |
| | Research, development and technology licensing services income (note d) | **261,951** | 26,204 |
| | Operational service income (note d) | **129,484** | 11,969 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **61,999** | – |
| LYNK & CO (Yuyao) Company Limited (formerly known as LYNK & CO (Taizhou) Company Limited)# 領克汽車科技(余姚)有限公司 (前稱領克汽車(台州)有限公司) | Operational service income (note d) | **–** | 2,319 |

# 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

## (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Joint ventures** | | | |
| Chengdu LYNK & CO Automobile Company Limited# 成都領克汽車有限公司 | Operational service income (note d) | **9,506** | 2,487 |
| | Research, development and technology licensing services income (note d) | **51,784** | – |
| LYNK & CO (Zhangjiakou) Co., Ltd.# 領克汽車(張家口)有限公司 | Operational service income (note d) | **121,568** | 71,983 |
| LYNK & CO International Sales (Yuyao) Co., Ltd.# 領克汽車國際銷售(余姚)有限公司 | Operational service income (note d) | **93,771** | – |
| Geely Yaou (Ningbo Meishan Bonded Port Area) Technology Co., Ltd.# 吉利亞歐(寧波梅山保税港區)科技有限公司 | Research, development and technology licensing services income (note d) | **172,497** | – |
| Genius Auto Finance Co., Ltd.# 吉致汽車金融有限公司 | Interest income | **281,581** | 181,746 |
| | Service charge | **29,423** | – |
| **Ultimate holding company** | | | |
| Zhejiang Geely Holding Group Company Limited# ("Geely Holding") 浙江吉利控股集團有限公司 | Sales of automobile parts and components (note d) | **–** | 1,127 |
| | Operational service income (note d) | **9,262** | 3,396 |
| | Disposal of a subsidiary (note d) (note 38) | **–** | 76,272 |

# 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.

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (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 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) 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.

(d) 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.

(e) Pursuant to the acquisition agreement dated 5 October 2018, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding Group agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB679,871,000.

(f) Chengdu Automobile had been disposed by the Group in July 2020 (note 38). The amounts disclosed represented the transactions entered into after disposal.

(g) Ningbo Viridi had been acquired by the Group in October 2021 (note 37). The amounts disclosed represented the transactions entered into before acquisition.

(h) Pursuant to the acquisition agreement dated 4 November 2020, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding Group agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB743,918,000.

(i) Pursuant to the licensing agreement dated 26 November 2019, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to license the intellectual properties to Geely Holding Group for the design, development, manufacture, sale, marketing and distribution of the licensed engine (i.e. GEP3 engine) and related parts and components within the licensed regions during the licensed period. Pursuant to the licensing agreement, Geely Holding Group is permitted to sub-license the intellectual properties only to the Proton Group for the aforesaid purposes during the period.

## 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

### (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:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Short-term benefits | **17,916** | 18,212 |
| Retirement scheme contribution | **236** | 239 |
| Equity settled share-based payments | **176,848** | 4,095 |
| | **195,000** | 22,546 |

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 "staff costs" (see note 9(b)).

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

## 37. BUSINESS COMBINATION

**Zeekr Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# 極氪汽車(寧波杭州灣新區)有限公司 ("Zeekr Automobile")**

On 28 April 2021, Zeekr Automobile (Shanghai) and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zeekr Automobile (Shanghai) has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the 100% equity interests of Zeekr Automobile for a cash consideration of approximately RMB485,329,000. Zeekr Automobile is engaged in research and development, purchase and sale of the electric mobility related products under the ZEEKR brand in the PRC. The acquisition of Zeekr Automobile was completed on 6 July 2021. Please refer to the Company's announcement dated 28 April 2021 for further details.

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

| | Pre-acquisition carrying amounts RMB'000 | Fair value adjustments RMB'000 | Recognised values on acquisition RMB'000 |
|---|---|---|---|
| **The net assets acquired:** | | | |
| Property, plant and equipment (note 14) | 32,813 | – | 32,813 |
| Intangible assets (note 15) | 1,674,498 | 160,122 | 1,834,620 |
| Trade and other receivables | 106,257 | – | 106,257 |
| Deferred tax assets (note 32) | 47,154 | – | 47,154 |
| Bank balances and cash | 476,973 | – | 476,973 |
| Trade and other payables | (1,957,259) | – | (1,957,259) |
| Lease liabilities | (21,897) | – | (21,897) |
| Deferred tax liabilities (note 32) | – | (40,031) | (40,031) |
| | 358,539 | 120,091 | 478,630 |
| **Goodwill arising on acquisition (note 17):** | | | |
| Cash consideration transferred | | | 485,329 |
| Fair value of identifiable net assets acquired | | | (478,630) |
| | | | 6,699 |
| **Net cash outflow arising on acquisition of a subsidiary:** | | | |
| Cash consideration paid | | | (485,329) |
| Bank balances and cash acquired | | | 476,973 |
| | | | (8,356) |

## 37. BUSINESS COMBINATION (Continued)

### Zeekr Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# 極氪汽車(寧波杭州灣新區)有限公司 ("Zeekr Automobile") (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.

Zeekr Automobile has contributed revenue of RMB1,822,266,000 and loss of RMB369,805,000, respectively from the acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2021 would be RMB101,611,056,000 and RMB4,211,547,000, 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 2021 and could not serve as a basis for the forecast of future operation results.

### Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 ("Changxing Components")

On 13 May 2021, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the 100% equity interests of Changxing Components for a cash consideration of approximately RMB2,534,689,000. Changxing Components is engaged in research, development, production and sale of complete knock down kits, related automobile components and provision of after-sales services in the PRC. The acquisition of Changxing Components was completed on 8 July 2021. Please refer to the Company's announcement dated 13 May 2021 for further details.

## 37. BUSINESS COMBINATION (Continued)

**Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 ("Changxing Components") (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) | 3,022,580 | 10,482 | 3,033,062 |
| Intangible assets (note 15) | 64,964 | – | 64,964 |
| Land lease prepayments (note 16) | 397,952 | 8,048 | 406,000 |
| Deferred tax assets (note 32) | 6,459 | – | 6,459 |
| Trade and other receivables | 207,803 | – | 207,803 |
| Inventories | 67,870 | – | 67,870 |
| Bank balances and cash | 1,245 | – | 1,245 |
| Trade and other payables | (1,253,664) | – | (1,253,664) |
| Deferred tax liabilities (note 32) | – | (4,633) | (4,633) |
| | 2,515,209 | 13,897 | 2,529,106 |
| **Goodwill arising on acquisition (note 17):** | | | |
| Cash consideration transferred | | | 2,534,689 |
| Fair value of identifiable net assets acquired | | | (2,529,106) |
| | | | 5,583 |
| **Net cash outflow arising on acquisition of a subsidiary:** | | | |
| Cash consideration paid | | | (2,534,689) |
| Bank balances and cash acquired | | | 1,245 |
| | | | (2,533,444) |

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

## 37. BUSINESS COMBINATION (Continued)

### Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 ("Changxing Components") (Continued)

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

Changxing Components has contributed revenue of RMBNil and loss of RMB136,969,000, respectively from the acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2021 would be RMB101,611,056,000 and RMB4,332,921,000, 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 2021 and could not serve as a basis for the forecast of future operation results.

### Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司 ("Ningbo Viridi")

On 2 July 2021, Zeekr Automobile (Shanghai) entered into a subscription agreement with Ningbo Viridi and a fellow subsidiary owned by the Company's ultimate holding company pursuant to which Zeekr Automobile (Shanghai) has conditionally agreed to subscribe for additional capital of Ningbo Viridi at a cash consideration of approximately RMB860,697,000.

Upon completion of the subscription of Ningbo Viridi, Zeekr Automobile (Shanghai) will hold 51% of the enlarged share capital of Ningbo Viridi. Ningbo Viridi is engaged in research, development, production and sale of automobile components including electric powertrain and battery systems and related products and provision of after-sales services in the PRC. The subscription of Ningbo Viridi was completed on 28 October 2021. Please refer to the Company's circular dated 5 August 2021 for further details.

## 37. BUSINESS COMBINATION (Continued)

**Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司 ("Ningbo Viridi") (Continued)**

The assets acquired and liabilities recognised immediately after the subscription are as follows:

| | Pre-subscription carrying amounts RMB'000 | Effect on subscription RMB'000 | Fair value adjustments RMB'000 | Recognised values immediately after the subscription RMB'000 |
|---|---|---|---|---|
| **The net assets acquired:** | | | | |
| Property, plant and equipment (note 14) | 739,704 | – | (5,804) | 733,900 |
| Intangible assets (note 15) | 275,865 | – | 97,357 | 373,222 |
| Land lease prepayments (note 16) | 54,304 | – | 12,661 | 66,965 |
| Interest in a joint venture (note 19) | 118,524 | – | 26,580 | 145,104 |
| Trade and other receivables | 635,992 | 860,697 | – | 1,496,689 |
| Inventories | 538,950 | – | – | 538,950 |
| Bank balances and cash | 1,141 | – | – | 1,141 |
| Trade and other payables | (1,654,800) | – | – | (1,654,800) |
| Deferred tax liabilities (note 32) | – | – | (19,620) | (19,620) |
| | 709,680 | 860,697 | 111,174 | 1,681,551 |
| **Goodwill arising on acquisition (note 17):** | | | | |
| Consideration payable to Ningbo Viridi | | | | 860,697 |
| Non-controlling interests at proportionate share of net assets immediately after the subscription | | | | 823,959 |
| Fair value of identifiable net assets acquired | | | | (1,681,551) |
| | | | | 3,105 |
| **Cash inflow arising on acquisition of a subsidiary:** | | | | |
| Bank balances and cash acquired | | | | 1,141 |

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

## 37. BUSINESS COMBINATION (Continued)

### Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司 ("Ningbo Viridi") (Continued)

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

Ningbo Viridi has contributed revenue of RMB861,952,000 and loss of RMB168,195,000, respectively from the completion date of the subscription to 31 December 2021.

If the subscription had occurred on 1 January 2021, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2021 would be RMB102,182,494,000 and RMB4,333,711,000, 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 2021 and could not serve as a basis for the forecast of future operation results.

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

## 38. DISPOSAL OF SUBSIDIARIES

### Disposal of subsidiaries with loss of control

***Disposals of Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司 ("Chengdu Automobile"), Ningbo Beilun Geely Automotive Manufacturing Company Limited# 寧波北侖吉利汽車製造有限公司 ("Ningbo Beilun") and Ningbo Jining Automobile Components Company Limited# 寧波吉寧汽車零部件有限公司 ("Ningbo Jining")***

On 8 July 2020, the Group and the companies owned by the Company's ultimate holding company ("Ultimate Holding Companies") entered into certain disposal agreements pursuant to which the Group conditionally agreed to sell, and the Ultimate Holding Companies conditionally agreed to acquire the entire equity interests of Chengdu Automobile, Ningbo Beilun and Ningbo Jining for total net cash considerations of approximately RMB76,272,000, RMB729,387,000 and RMB30,495,000, respectively. The disposals of Chengdu Automobile, Ningbo Beilun and Ningbo Jining were completed in July 2020, September 2020 and August 2020, respectively. Please refer to the Company's announcement dated 9 July 2020 for further details. The net assets disposed of at the disposal date are set out as follows:

| | Chengdu Automobile RMB'000 | Ningbo Jining RMB'000 | Ningbo Beilun RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Net assets disposed of:** | | | | |
| Property, plant and equipment (note 14) | 492,587 | 275,580 | 278,392 | 1,046,559 |
| Land lease prepayments (note 16) | 70,241 | 18,421 | 61,470 | 150,132 |
| Deferred tax assets (note 32) | 34,364 | – | – | 34,364 |
| Inventories | – | 26,018 | – | 26,018 |
| Trade and other receivables | 91,599 | 65,009 | 44,256 | 200,864 |
| Bank balances and cash | 12,314 | 4,718 | 28 | 17,060 |
| Trade and other payables | (608,897) | (365,086) | (200) | (974,183) |
| | 92,208 | 24,660 | 383,946 | 500,814 |
| **Gain on disposal of subsidiaries:** | | | | |
| Cash consideration received | 76,272 | 30,495 | 729,387 | 836,154 |
| Right-of-use assets acquired* | 56,700 | – | – | 56,700 |
| Net assets disposed of | (92,208) | (24,660) | (383,946) | (500,814) |
| | 40,764 | 5,835 | 345,441 | 392,040 |
| **Net cash inflow arising on disposal:** | | | | |
| Cash consideration received | | | | 836,154 |
| Bank balances and cash disposed of | | | | (17,060) |
| | | | | 819,094 |

* The consideration of approximately RMB56,700,000 paid by the Group for the grant of right to continue to use the manufacturing facilities of Chengdu Automobile upon completion of the disposal of Chengdu Automobile (the "Chengdu Automobile Disposal") will partially offset the consideration for the Chengdu Automobile Disposal, which results in a net consideration of approximately RMB76,272,000 received by the Group.

## 39. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

### (a) Non-controlling interests arising on change in ownership interests in a subsidiary upon group reorganisation

On 23 March 2021, the Company entered into the framework agreement with Geely Holding, pursuant to which the Company and Geely Holding agreed to form a joint venture company, Zeekr Holding, to engage in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the Zeekr brand and the provision of service relating thereto in the PRC.

Pursuant to the framework agreement, Zeekr Holding issued 2 billion shares. The Company and Geely Holding made capital contributions of RMB2 billion in total, and subscribed for 51% (representing RMB1.02 billion) and 49% (representing RMB980 million) of the total shares issued by Zeekr Holding, respectively. After its formation in late March 2021, Zeekr Holding becomes a subsidiary of the Company, and its financial results are consolidated into the consolidated financial statements of the Group.

On 28 April 2021, Value Century Group Limited ("Value Century") and Zhejiang Fulin Guorun Automobile Parts Company Limited# 浙江福林國潤汽車零部件有限公司 ("Zhejiang Fulin"), both wholly owned subsidiaries of the Company, a fellow subsidiary owned by the Company's ultimate holding company and Zeekr Holding, a non wholly owned subsidiary of the Company, entered into a disposal agreement pursuant to which Zeekr Holding conditionally agreed to acquire through its indirect wholly foreign-owned subsidiary, and Value Century, Zhejiang Fulin and the fellow subsidiary conditionally agreed to sell, their respective 91%, 8% and 1% equity interest(s) of Zeekr Automobile (Shanghai), for a cash consideration of approximately RMB980.4 million in total. The reorganisation of Zeekr Automobile (Shanghai) was completed in August 2021. Please refer to the Company's announcement dated 28 April 2021 for further details.

Immediately prior to the reorganisation, the carrying amount of the existing 1% non-controlling interests in Zeekr Automobile (Shanghai) was RMB6,797,000. The Group recognised a decrease in non-controlling interests of RMB6,797,000 and a decrease in equity attributable to equity holders of the Company of RMB3,007,000. Following the completion of the reorganisation, Zeekr Automobile (Shanghai) continues to be a subsidiary of the Company and its financial results continue to be consolidated into the consolidated financial statements of the Group.

| | **RMB'000** |
|---|---|
| Consideration paid to non-controlling interests | **(9,804)** |
| Carrying amount of non-controlling interests acquired | **6,797** |
| Decrease in capital reserve | **(3,007)** |

## 39. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

### (b) Non-controlling interests arising on change in ownership interests in subsidiaries upon issuance of new shares

On 27 August 2021, Zeekr Holding entered into a share purchase agreement with five investors, pursuant to which such investors agreed to subscribe for 126,470,585 series pre-A preferred shares ("Series Pre-A Preferred Shares") at a total consideration of US$500,000,000. Three of the investors completed the subscription for 75,882,351 Series Pre-A Preferred Shares at a total consideration of US$300,000,000 (equivalent to approximately RMB1,938,150,000) in September 2021. The remaining two investors have not yet completed the subscription as at 31 December 2021.

The major terms of the Series Pre-A Preferred Shares are set out below:

(i) The Series Pre-A Preferred Shares carry voting rights and can vote together with ordinary shares as a single class on a fully diluted, as converted and as exercised basis.

(ii) The holders of Series Pre-A Preferred Shares are entitled to dividend on each share held on a pari passu basis with the ordinary shares and the dividend declared or paid is non-cumulative.

(iii) The Series Pre-A Preferred Shares are non-redeemable.

(iv) The Series Pre-A Preferred Shares are convertible into ordinary shares of Zeekr Holding on a one to one basis at the options of the holder.

Immediately after the issuance of 75,882,351 Series Pre-A Preferred Shares, the carrying amount of Zeekr Holding was RMB4,217,849,000 and subsequent to the issuance of Series Pre-A Preferred Shares, the equity interests of the Group and Geely Holding in Zeekr Holding was reduced from approximately 51% to 49.13% and from approximately 49% to 47.21%, respectively, and the corresponding carrying amount of approximately 3.66% non-controlling interests in Zeekr Holding was RMB154,373,000. The Group recognised an increase in non-controlling interests of RMB154,373,000 and an increase in equity attributable to equity holders of the Company of RMB1,783,777,000. Notwithstanding that the Group's equity interests in Zeekr Holding is below 50%, for the reasons that the Group remains as the single largest shareholder in Zeekr Holding with the equity interests of approximately 49%, and the Group can still control the board of directors of Zeekr Holding and the Group continues to be able to control Zeekr Holding.

| | **RMB'000** |
|---|---|
| Consideration received from non-controlling interests | **1,938,150** |
| Carrying amount of non-controlling interests deemed to be disposed of | **(154,373)** |
| Increase in capital reserve | **1,783,777** |

## 39. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

### (c) Acquisition of additional equity interests from non-controlling interests

On 29 October 2021, the Company entered into a share purchase agreement with Geely Group Limited, a company wholly owned by Mr. Li Shu Fu, to acquire approximately 10.6% of the issued ordinary share capital of Zeekr Holding. The consideration paid is satisfied by the allotment and issue of 196,410,000 ordinary shares of the Company and by cash of approximately RMB1,807.4 million. The fair value of the Company's ordinary shares issued are based on the quoted market price at the date of completion of the acquisition. The acquisition was completed in December 2021. Please refer to the Company's announcement dated 29 October 2021 for further details.

Immediately prior to the acquisition, the carrying amount of the existing 10.6% non-controlling interests in Zeekr Holding was RMB380,446,000. The Group recognised a decrease in non-controlling interests of RMB380,446,000 and a decrease in equity attributable to equity holders of the Company of RMB4,816,902,000.

| | RMB'000 |
|---|---|
| Consideration paid to non-controlling interests: | |
| – Fair value of the Company's ordinary shares issued | **(3,389,964)** |
| – Consideration payable* (note 23) | **(1,807,384)** |
| | **(5,197,348)** |
| Carrying amount of non-controlling interests acquired | **380,446** |
| Decrease in capital reserve | **(4,816,902)** |

* Pursuant to the share purchase agreement, the consideration payable of RMB1,807,384,000 will be paid to Geely Group Limited by the end of March 2022.

## 40. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

During the year ended 31 December 2021, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB726,835,000 (2020: RMB14,026,000) was recognised at the lease commencement date.

During the year ended 31 December 2021, the Group capitalised equity settled share-based payments as product development costs of intangible assets, amounting to RMB334,123,000 (2020: RMBNil).

## 41. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes bonds payable and bank borrowings) and equity attributable to equity holders of the Company, comprising issued share capital, perpetual capital securities 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:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Debt | **3,807,877** | 3,909,485 |
| Equity attributable to equity holders of the Company | **68,606,146** | 63,631,114 |
| Debt to equity ratio | **6%** | 6% |

## 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit risk and liquidity risk arise 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.

## 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### 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:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| *Financial assets at FVOCI (recycling)* | | |
| – Trade and other receivables | **19,863,681** | 20,625,550 |
| *Financial assets at FVTPL* | | |
| – Preferred shares investments in an unlisted entity | **351,646** | – |
| – Derivative financial instruments | **66,892** | – |
| *Financial assets carried at amortised cost* | | |
| – Trade and other receivables | **8,365,833** | 4,867,176 |
| – Pledged bank deposits | **3,912** | 174,422 |
| – Bank balances and cash | **28,013,995** | 18,956,843 |
| | **56,665,959** | 44,623,991 |
| **Financial liabilities** | | |
| *Financial liabilities measured at amortised cost* | | |
| – Trade and other payables | **45,455,032** | 37,499,041 |
| – Bank borrowings | **1,906,740** | 1,959,750 |
| – Bonds payable | **1,901,137** | 1,949,735 |
| – Lease liabilities | **700,776** | 42,295 |
| | **49,963,685** | 41,450,821 |

## 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any loss allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

***Trade receivables***

The Group's policy is to deal only with creditworthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers. As at 31 December 2021, 50% (2020: 64%) of the total trade receivables was due from the Group's five largest customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is assessed individually or based on provision matrix, as appropriate. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2021, the Group has adopted average expected loss rate of 5% (2020: 5%) on the gross carrying amounts of the trade receivables amounted to RMB7,391,128,000 (2020: RMB4,025,484,000). The loss allowance as at 31 December 2021 is RMB222,778,000 (2020: RMB94,488,000).

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19.

# 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## Credit risk (Continued)

***Trade receivables (Continued)***

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Balance at 1 January | **94,488** | 85,894 |
| Impairment losses recognised during the year | **128,290** | 8,594 |
| Balance at 31 December | **222,778** | 94,488 |

***Debts instruments at FVOCI (recycling) and other financial assets at amortised cost***

Other financial assets at amortised cost include utility deposits and other receivables, amounts due from related companies, pledged time deposits and bank balances and cash. In order to minimise the credit risk of utility deposits and other receivables and amounts due from related companies, the management makes periodic collective and individual assessment on their recoverability based on historical settlement records and past experience as well as current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of utility deposits and other receivables and amounts due from related companies are considered to be low.

Besides, management is of the opinion that there is no significant increase in credit risk on these utility deposits and other receivables and amounts due from related companies since initial recognition as the risk of default is low after considering the factors as set out in note 4(h) and, thus ECL recognised is based on 12-month ECLs.

The credit risks on pledged time deposits and bank balances and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The credit risk on notes receivable is considered to be insignificant because there was no material default by the counterparties in the past.

## 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2021. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

| | 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 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| **Financial liabilities measured at amortised cost:** | | | | | | |
| Trade and other payables | N/A | 45,455,032 | – | – | 45,455,032 | 45,455,032 |
| Bank borrowings | 1.05 | 1,916,760 | – | – | 1,916,760 | 1,906,740 |
| Bonds payable | 3.83 | 69,119 | 1,912,500 | – | 1,981,619 | 1,901,137 |
| Lease liabilities | 4.76 | 221,732 | 207,128 | 331,362 | 760,222 | 700,776 |
| | | 47,662,643 | 2,119,628 | 331,362 | 50,113,633 | 49,963,685 |

## 42. 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 |
|---|---|---|---|---|---|---|
| 2020 | | | | | | |
| Financial liabilities measured at amortised cost: | | | | | | |
| Trade and other payables | N/A | 37,499,041 | – | – | 37,499,041 | 37,499,041 |
| Bank borrowings | 1.09 | 21,361 | 1,970,431 | – | 1,991,792 | 1,959,750 |
| Bonds payable | 3.83 | 71,041 | 71,041 | 1,959,750 | 2,101,832 | 1,949,735 |
| Lease liabilities | 4.65 | 30,952 | 6,667 | 5,387 | 43,006 | 42,295 |
| | | 37,622,395 | 2,048,139 | 1,965,137 | 41,635,671 | 41,450,821 |

### Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Lease liabilities (note 25) and bonds payable (note 30) bearing fixed rates and bank borrowings (note 26) bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The expense to interest rates for the Group's short-term bank deposits is considered immaterial.

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 2021, 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 retained profits by approximately RMB19,067,000 (2020: RMB19,598,000).

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve-month period.

The calculations are based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The analysis is performed on the same basis as 2020.

## 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 HK$, US$, RUB and BYN.

The Group has entered into certain foreign exchange forward contract as set out in note 22 to mitigate part of its foreign exchange exposure. These foreign exchange forward contract do not qualify for hedge accounting and are accounted for at fair value through profit or loss.

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.

| | **2021** | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | **HK$** | **US$** | **RUB** | **BYN** | HK$ | US$ | RUB | BYN |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bank balances and cash | **366,376** | **2,671,234** | **391,425** | **7,364** | 286,501 | 893,482 | 894,971 | 487 |
| Trade and other receivables | **606** | **359,676** | **26,852** | **284,140** | 656 | 119,047 | 14,329 | 108,003 |
| Bonds payable | **–** | **(1,901,137)** | **–** | **–** | – | (1,949,735) | – | – |
| Bank borrowings | **–** | **(1,906,740)** | **–** | **–** | – | (1,959,750) | – | – |
| Trade and other payables | **–** | **(79,307)** | **(15,664)** | **(585,298)** | – | (111,360) | (98,176) | (598,561) |
| Net exposure arising from recognised assets and liabilities | **366,982** | **(856,274)** | **402,613** | **(293,794)** | 287,157 | (3,008,316) | 811,124 | (490,071) |

As the Group is mainly exposed to the effects of fluctuation in HK$/US$/RUB/BYN, the following table indicates the approximate change in the Group's profit after taxation and retained 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 2020. 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 retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

## 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Currency risk (Continued)

| | Impact of HK$ | | Impact of US$ | | Impact of RUB | | Impact of BYN | |
|---|---|---|---|---|---|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 |
| Profit after taxation/Retained profits | **18,349** | 14,358 | **(79,179)** | (157,820) | **16,030** | 33,911 | **(8,838)** | (18,519) |

### Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

| | Fair value as at 31 December | | Fair value hierarchy |
|---|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 | |
| **Financial assets at FVTPL** | | | |
| Preferred shares investments in an unlisted entity | **351,646** | – | Level 3 |
| Foreign exchange forward contracts not designated as hedging instruments | **66,892** | – | Level 2 |
| **Financial assets at FVOCI (recycling)** | | | |
| Notes receivable measured at FVOCI (recycling) | **19,863,681** | 20,625,550 | Level 2 |

## 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Fair value measurements of financial instruments (Continued)

There were no transfer between the different levels of the fair value hierarchy during the year ended 31 December 2021 (2020: Nil).

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 and 3 are unchanged compared to the previous reporting periods and are described below.

***Notes receivable measured at FVOCI (recycling)***

The fair value of notes receivable in Level 2 of the fair value hierarchy is determined by discounting its future cash flows. The discount rates used are reference to rates currently available for instruments issued by commercial banks/government with similar terms, credit risk and remaining maturities.

***Foreign exchange forward contracts not designated as hedging instruments***

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the end of the reporting period. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate. The effects of non-observable inputs are not significant for the derivative financial instruments.

***Preferred shares investments in an unlisted entity***

The information about the fair value of preferred shares investments in an unlisted entity categorised under Level 3 of the fair value hierarchy is described below:

| | Valuation techniques | Significant unobservable inputs | Range (weighted average) | Relation of significant unobservable Inputs to fair value |
|---|---|---|---|---|
| **2021** | | | | |
| Preferred shares investments in an unlisted entity | Market comparable companies | Discount of lack of marketability | 26% to 45% | The discount rate is negatively correlated to the fair value measurement |

The fair value of preferred shares investments in an unlisted entity is determined using the price/sales of comparable listed companies adjusted for lack of marketability discount. As at 31 December 2021, it is estimated that with all other variables held constant, an increase/decrease in the discount for lack of marketability by 10% would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB59,000,000 (2020: RMBNil).

## 42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Fair value measurements of financial instruments (Continued)

The movements during the year in the balance of Level 3 fair value measurements are as follows:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Balance at 1 January | **–** | – |
| Payment for purchases | **323,025** | – |
| Changes in fair value recognised in profit or loss during the year | **28,621** | – |
| Balance at 31 December | **351,646** | – |

There have been no transfers into or out of Level 3 during the year ended 31 December 2021.

***Fair value of financial assets and liabilities carried at amortised cost***

The directors of the Company consider that the carrying amounts of financial instruments of the Group are not materially different from their fair values as at 31 December 2021 and 2020.

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **4,081** | 2,445 |
| Investments in subsidiaries | **7,788,612** | 5,021,000 |
| Interest in a joint venture | **5,229,862** | 4,381,720 |
| Financial assets at FVTPL | **351,646** | – |
| | **13,374,201** | 9,405,165 |
| **Current assets** | | |
| Prepayments and other receivables | **1,654** | 10,502 |
| Amounts due from subsidiaries | **9,999,162** | 5,067,904 |
| Bank balances and cash | **350,488** | 606,474 |
| | **10,351,304** | 5,684,880 |
| **Current liabilities** | | |
| Other payables | **1,873,615** | 123,294 |
| Bank borrowings | **1,906,740** | – |
| Lease liabilities | **2,182** | 1,744 |
| | **3,782,537** | 125,038 |
| **Net current assets** | **6,568,767** | 5,559,842 |
| **Total assets less current liabilities** | **19,942,968** | 14,965,007 |

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Capital and reserves** | | |
| Share capital | **183,015** | 179,672 |
| Perpetual capital securities | **3,413,102** | 3,413,102 |
| Reserves (note) | **14,444,229** | 7,462,748 |
| **Total equity** | **18,040,346** | 11,055,522 |
| **Non-current liabilities** | | |
| Lease liabilities | **1,485** | – |
| Bonds payable | **1,901,137** | 1,949,735 |
| Bank borrowings | **–** | 1,959,750 |
| | **1,902,622** | 3,909,485 |
| | **19,942,968** | 14,965,007 |

Approved and authorised for issue by the Board of Directors on 23 March 2022.

| | |
|---|---|
| **Li Shu Fu** | **Gui Sheng Yue** |
| *Director* | *Director* |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

| | Share premium# RMB'000 | Share-based compensation reserve RMB'000 | Accumulated losses# RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Balance at 1 January 2020 | 7,591,592 | 100,301 | (4,598,761) | 3,093,132 |
| Profit for the year | – | – | 363,487 | 363,487 |
| Transactions with owners: | | | | |
| Equity settled share-based payments (note 35) | – | 4,095 | – | 4,095 |
| Shares issued upon placement (note 27(b)) | 5,926,085 | – | – | 5,926,085 |
| Shares issued under share option scheme (note 27(a)) | 262,648 | (65,722) | – | 196,926 |
| Transfer upon forfeiture of share options | – | (15,065) | 15,065 | – |
| Dividends paid to equity holders of the Company (note 11) | – | – | (2,120,977) | (2,120,977) |
| Total transactions with owners | 6,188,733 | (76,692) | (2,105,912) | 4,006,129 |
| Balance at 31 December 2020 | 13,780,325 | 23,609 | (6,341,186) | 7,462,748 |
| **Balance at 1 January 2021** | **13,780,325** | **23,609** | **(6,341,186)** | **7,462,748** |
| Profit for the year | **–** | **–** | **3,628,743** | **3,628,743** |
| Transactions with owners: | | | | |
| Equity settled share-based payments (note 35) | **–** | **1,546,822** | **–** | **1,546,822** |
| Shares issued under share option scheme (note 27(a)) | **38,455** | **(7,812)** | **–** | **30,643** |
| Shares issued on acquisition of additional interests in a subsidiary (note 27(b)) | **3,386,712** | **–** | **–** | **3,386,712** |
| Dividends paid to equity holders of the Company (note 11) | **–** | **–** | **(1,611,439)** | **(1,611,439)** |
| **Total transactions with owners** | **3,425,167** | **1,539,010** | **2,017,304** | **6,981,481** |
| **Balance at 31 December 2021** | **17,205,492** | **1,562,619** | **(4,323,882)** | **14,444,229** |

# As at 31 December 2021, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB12,881,610,000 (2020: RMB7,439,139,000).

# 44. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows:

| Name of companies | Place of incorporation/ registration and operations | Issued and fully paid up/registered capital | Percentage of equity interests held in 2021 | | Percentage of equity interests held in 2020 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Centurion Industries Limited | BVI | US$2 | **100%** | **-** | 100% | – | Investment holding |
| Value Century Group Limited | BVI | US$1 | **100%** | **-** | 100% | – | Investment holding |
| Zeekr Intelligent Technology Holding Limited | Cayman Islands | US$400,000 | **-** | **59.73%** | – | – | 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$93,851,017 (2020: US$57,637,742) | **-** | **100%** | – | 100% | Research, production, marketing and sales of automobile parts and related components in the PRC |
| Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司 | PRC | RMB15,000,000 | **-** | **99%** | – | 99% | Sales of automobile parts and components in the PRC |
| Zhejiang Jirun Automobile Company Limited^# 浙江吉潤汽車有限公司 | PRC | US$790,000,000 (2020: US$690,000,000) | **-** | **99%** | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Zeekr Automobile (Shanghai) Company Limited (formerly known as Shanghai Maple Guorun Automobile Company Limited)^# 極氪汽車(上海)有限公司(前稱上海華普國潤汽車有限公司) | PRC | US$121,363,600 | **-** | **59.73%** | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Issued and fully paid up/registered capital | Percentage of equity interests held in 2021 | | Percentage of equity interests held in 2020 | | 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 |
| Zhejiang Ruhoo Automobile Company Limited^# 浙江陸虎汽車有限公司 | PRC | RMB521,676,992 | **-** | **99%** | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Shanghai Jicining Mechanical and Electrical Equipment Company Limited# 上海吉茨寧機電設備有限公司 | PRC | RMB20,000,000 | **-** | **99%** | – | 99% | Procurement of mechanical and electrical equipment in the PRC |
| Hunan Geely Automobile Components Company Limited^# 湖南吉利汽車部件有限公司 | PRC | US$88,500,000 | **-** | **99%** | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| 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 |

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Issued and fully paid up/registered capital | Percentage of equity interests held in 2021 | | Percentage of equity interests held in 2020 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司 | PRC | RMB1,500,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司 | PRC | RMB300,000,000 | - | 99% | – | 99% | Research, development, production and sales of vehicle engines and related after-sales parts in the PRC |
| Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司 | PRC | RMB1,000,000,000 | - | 99% | – | 99% | Research, development, production and sales of vehicle transmissions and related after-sales parts in the PRC |
| Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司 | PRC | RMB500,000,000 | - | 99% | – | 99% | Research, development, production and sales of vehicle engines and related after-sales parts in the PRC |
| Limited Liability Company "Borisov Engine Plant <<Geely>>" | Belarus | BYN1,000,000 | - | 50.49% | – | 50.49% | Production, marketing and sales of vehicles |
| Limited Liability Company "Geely Motors" | Russia | RUB10,000 | - | 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 |

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Issued and fully paid up/registered capital | Percentage of equity interests held in 2021 | | Percentage of equity interests held in 2020 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Chengdu Geely Automobile Manufacturing Company Limited# 成都吉利汽車製造有限公司 | PRC | RMB200,000,000 | - | 99% | – | 99% | Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC |
| Jiguangwan Technology Co., Ltd. (formerly known as Zhejiang Geely Powertrain Company Limited)# 極光灣科技有限公司 (前稱浙江吉利動力總成有限公司) | PRC | RMB500,000,000 | - | 99% | – | 99% | Production of automobile engines in the PRC |
| Ningbo Geely Luoyou Engine Components Company Limited# 寧波吉利羅佑發動機零部件有限公司 | PRC | RMB282,800,000 | - | 99% | – | 99% | Production of automobile components in the PRC |
| Taizhou Geely International Corporation# 台州吉利汽車銷售有限公司 | PRC | RMB10,000,000 | - | 99% | – | 99% | Marketing and sales of vehicles in the PRC |
| Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 | PRC | RMB1,500,000,000 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Issued and fully paid up/registered capital | Percentage of equity interests held in 2021 | | Percentage of equity interests held in 2020 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Geometry Automobile (Shanxi) Company Limited (formerly known as Shanxi Geely New Energy Automobile Sales Company Limited)# 幾何汽車(山西)有限公司(前稱山西吉利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 | RMB1,500,000,000 | - | 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 | RMB1,500,000,000 | - | 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 |

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Issued and fully paid up/registered capital | Percentage of equity interests held in 2021 | | Percentage of equity interests held in 2020 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司 | PRC | RMB1,500,000,000 | - | 99% | – | 99% | Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC |
| Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司 | PRC | RMB1,500,000,000 | - | 99% | – | 99% | Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC |
| Guizhou Geely Automobile Manufacturing Company Limited# 貴州吉利汽車製造有限公司 | PRC | RMB1,500,000,000 | - | 99% | – | 99% | Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC |
| Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司 | PRC | RMB480,000,000 | - | 99% | – | 99% | Preparation and construction of engine manufactory project in the PRC |
| Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司 | PRC | RMB770,000,000 | - | 99% | – | 99% | Preparation and construction of engine manufactory project in the PRC |
| Guiyang Geely Automobile Sales Company Limited# 貴陽吉利汽車銷售有限公司 | PRC | RMB5,000,000 | - | 99% | – | 99% | Marketing and sales of vehicles in the PRC |

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Issued and fully paid up/registered capital | Percentage of equity interests held in 2021 | | Percentage of equity interests held in 2020 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Shanghai Geely Diran Automobile Design Company Limited# 上海吉利翟然汽車設計有限公司 | PRC | RMB30,000,000 | **-** | **99%** | – | 99% | Provision of vehicles design services in the PRC |
| Hangzhou Geely Vision Purchasing Company Limited# 杭州吉利遠景採購有限公司 | PRC | RMB10,000,000 | **-** | **99%** | – | 99% | Procurement of automobile parts and components in the PRC |
| Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司 | PRC | RMB320,000,000 | **-** | **99%** | – | 99% | Technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC |
| Ningbo Hangzhou Bay New Zone Geely Automobile Sales Company Limited# 寧波杭州灣新區吉利汽車銷售有限公司 | PRC | RMB50,000,000 | **-** | **99%** | – | 99% | Marketing and sales of vehicles in the PRC |
| Changsha Geely Automobile Components Company Limited# 長沙吉利汽車部件有限公司 | PRC | RMB20,000,000 | **-** | **99%** | – | 99% | Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC |
| Zhejiang Jisu Logistics Company Limited# 浙江吉速物流有限公司 | PRC | RMB50,000,000 | **-** | **99%** | – | 99% | General logistic, packing, and storage services in the PRC |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Issued and fully paid up/registered capital | Percentage of equity interests held in 2021 | | Percentage of equity interests held in 2020 | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | Directly | Indirectly | |
| Zeekr Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# 極氪汽車(寧波杭州灣新區)有限公司 | PRC | RMB500,000,000 | - | 59.73% | – | – | Research and development, purchase and sale of the electric mobility related products under the ZEEKR Brand in the PRC |
| Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 | PRC | RMB600,000,000 | - | 99% | – | – | Research, development, production and sale of complete knock down kits, related automobile components and provision of after-sales services in the PRC |
| Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司 | PRC | RMB122,448,980 | - | 30.46% | – | – | Research, development, production and sale of automobile components including electric powertrain and battery systems and related products and provision of after-sales services in the PRC |

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

@ The name of the subsidiary was changed from Geely International Limited to Geely Auto International Limited in January 2022 and its Chinese name, which is part of its legal name, was changed from 吉利國際貿易有限公司 to 吉利汽車國際有限公司. Besides, the shareholder of the subsidiary was changed from the Company to Centurion Industries Limited at the same date.

# 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.

None of the subsidiaries had issued any debt securities during the year or at the end of the year except for the issuance of Series Pre-A Preferred Shares by Zeekr Holding (note 39(b)).

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

The following tables list out the information related to subgroup of Jirun Automobile and Zeekr Holding, the subsidiaries of the Group which have material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

| | Jirun Automobile | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Non-controlling interests percentage | **1%** | 1% |
| Non-current assets | **54,051,493** | 49,730,317 |
| Current assets | **144,902,780** | 135,822,851 |
| Current liabilities | **(144,495,481)** | (137,946,751) |
| Non-current liabilities | **(1,421,525)** | (579,905) |
| Net assets | **53,037,267** | 47,026,512 |
| Carrying amount of non-controlling interests | **529,894** | 473,193 |
| Revenue | **178,792,371** | 115,893,753 |
| Profit for the year | **4,511,220** | 3,690,941 |
| Other comprehensive expense for the year | **(18,233)** | (228,919) |
| Total comprehensive income for the year | **4,492,987** | 3,462,022 |
| Profit allocated to non-controlling interests | **45,112** | 36,909 |
| Other comprehensive expense allocated to non-controlling interests | **(182)** | (2,289) |
| Cash flows generated from operating activities | **10,438,459** | 1,066,651 |
| Cash flows used in investing activities | **(6,212,424)** | (9,346,977) |
| Cash flows (used in)/generated from financing activities | **(239,224)** | 7,104,116 |
| Net cash inflows/(outflows) | **3,986,811** | (1,176,210) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44. INVESTMENTS IN SUBSIDIARIES (Continued)

| | Zeekr Holding<br>2021<br>RMB'000 |
|---|---|
| Non-controlling interests percentage | 40.27% |
| Non-current assets | 5,323,972 |
| Current assets | 6,839,320 |
| Current liabilities | (7,853,511) |
| Non-current liabilities | (486,229) |
| Net assets | 3,823,552 |
| Carrying amount of non-controlling interests | 1,021,717 |
| Revenue | 2,868,157 |
| Loss for the year | (1,010,101) |
| Other comprehensive expense for the year | (31,043) |
| Total comprehensive expense for the year | (1,041,144) |
| Loss allocated to non-controlling interests | (540,960) |
| Other comprehensive expense allocated to non-controlling interests | (15,210) |
| Cash flows generated from operating activities | 586,215 |
| Cash flows used in investing activities | (1,175,071) |
| Cash flows generated from financing activities | 3,924,778 |
| Net cash inflows | 3,335,922 |

## 45. EVENT AFTER THE REPORTING DATE

### Acquisition of China-Euro Vehicle Technology AB ("CEVT")

On 2 July 2021, Zeekr Holding and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zeekr Holding conditionally agreed to acquire 100% of the equity interests in CEVT for a cash consideration of approximately 1,057.8 million Swedish Krona (equivalent to approximately RMB745.6 million). CEVT is principally engaged in automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and provision of mobility technology solutions. The acquisition of CEVT was completed in February 2022. Please refer to the Company's announcement dated 2 July 2021 for further details.

However, as at the date of authorisation of these consolidated financial statements, the initial accounting for the business combination has not yet been completed.

# 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

## Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn *(Appointed on 1 November 2021)*
Ms. Gao Jie *(Appointed on 1 November 2021)*

## Audit Committee:

Mr. Lee Cheuk Yin, Dannis *(Committee's Chairman)*
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn
*(Appointed as committee's member on 1 November 2021)*
Ms. Gao Jie
*(Appointed as committee's member on 1 November 2021)*

## Remuneration Committee:

Mr. Yeung Sau Hung, Alex *(Committee's Chairman)*
Ms. Wei Mei
Mr. Lee Cheuk Yin, Dannis
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn
*(Appointed as committee's member on 1 November 2021)*
Ms. Gao Jie
*(Appointed as committee's member on 1 November 2021)*

## Nomination Committee:

Mr. Wang Yang *(Committee's Chairman)*
Mr. Gui Sheng Yue
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Ms. Lam Yin Shan, Jocelyn
*(Appointed as committee's member on 1 November 2021)*
Ms. Gao Jie
*(Appointed as committee's member on 1 November 2021)*

## Sustainability Committee:

Mr. An Cong Hui *(Committee's Chairman)*
Mr. Gui Sheng Yue
Mr. Wang Yang

## Company Secretary:

Mr. Cheung Chung Yan, David

## Auditor:

Grant Thornton Hong Kong Limited

# CORPORATE INFORMATION

## Legal Advisor on Hong Kong Law:

Sidley Austin

## Legal Advisor on Cayman Islands Law:

Maples and Calder

## Principal Bankers in Hong Kong (in alphabetical order):

Bank of America, N.A.
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Citigroup Global Markets Asia Limited
DBS Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
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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