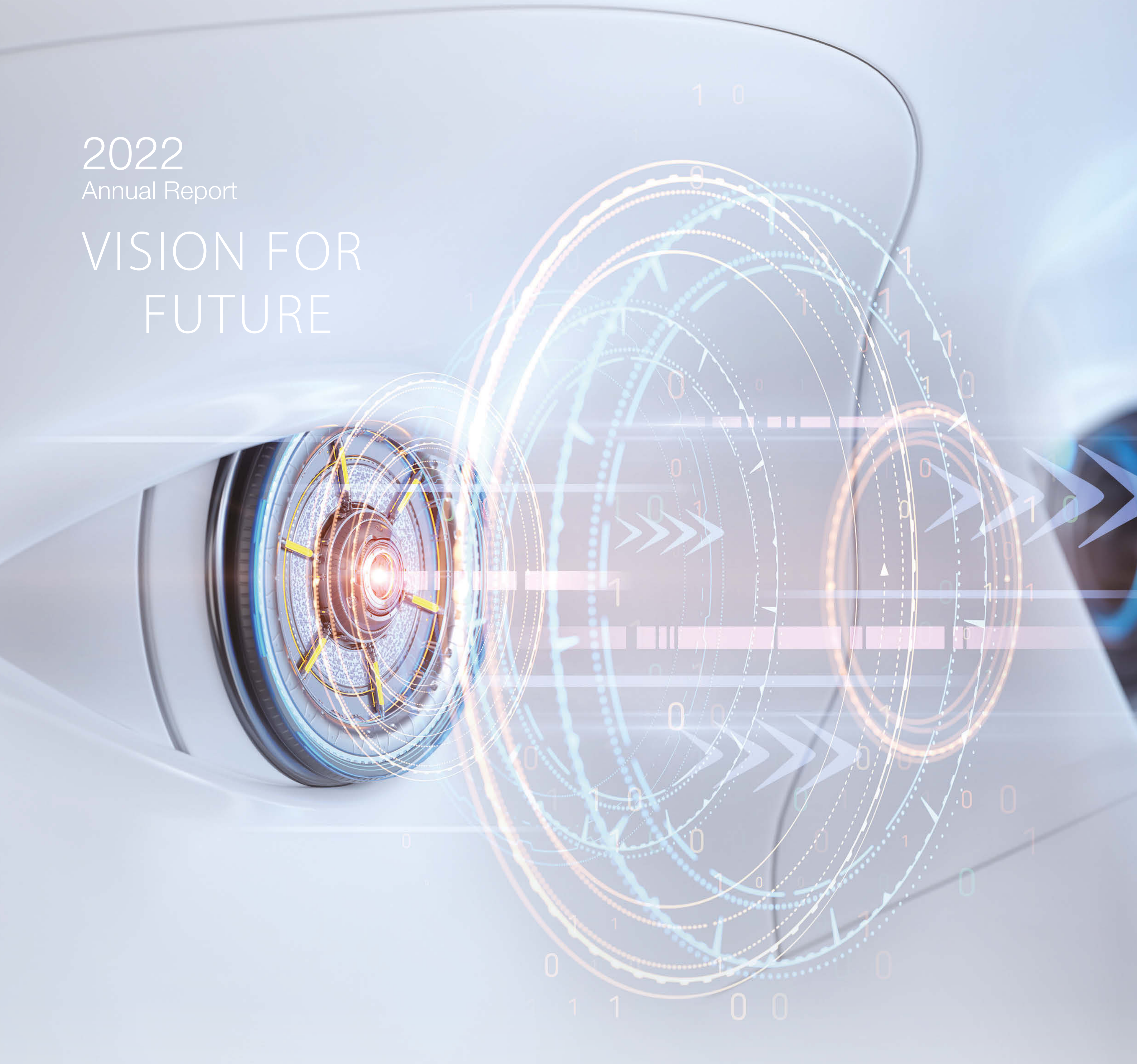
# 2022
Annual Report

# VISION FOR FUTURE



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

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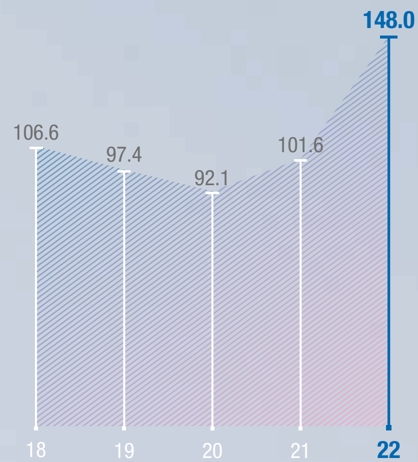
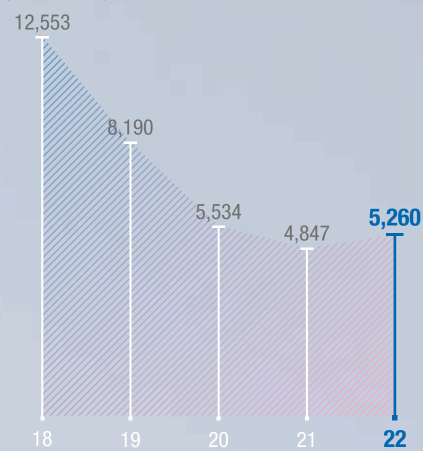
# KEY FIGURES

# FIVE YEARS FINANCIAL SUMMARY

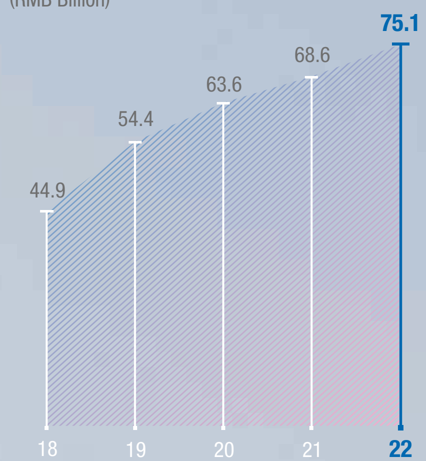
## REVENUE
(RMB Billion)




## 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:

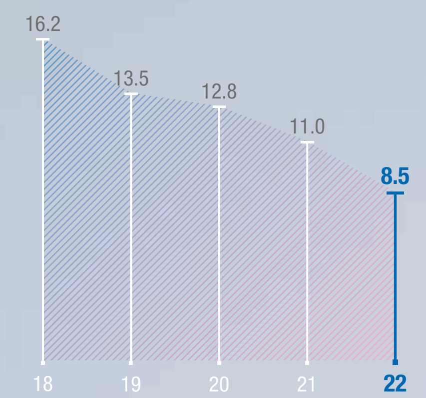
| | 2022 RMB'000 | 2021 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|---|---|
| Revenue | 147,964,647 | 101,611,056 | 92,113,878 | 97,401,248 | 106,595,133 |
| Profit before taxation | 4,681,941 | 4,665,175 | 6,440,978 | 9,636,268 | 14,958,973 |
| Taxation | (32,278) | (312,167) | (866,348) | (1,374,910) | (2,284,575) |
| Profit for the year | 4,649,663 | 4,353,008 | 5,574,630 | 8,261,358 | 12,674,398 |
| Attributable to: | | | | | |
| Equity holders of the Company | 5,260,353 | 4,847,448 | 5,533,790 | 8,189,638 | 12,553,207 |
| Non-controlling interests | (610,690) | (494,440) | 40,840 | 71,720 | 121,191 |
| | 4,649,663 | 4,353,008 | 5,574,630 | 8,261,358 | 12,674,398 |
| Assets and liabilities | | | | | |
| Total assets | 157,826,329 | 134,341,404 | 110,815,729 | 107,927,578 | 91,460,980 |
| Total liabilities | (81,630,514) | (64,120,432) | (46,602,463) | (53,003,112) | (46,086,262) |
| Total equity | 76,195,815 | 70,220,972 | 64,213,266 | 54,924,466 | 45,374,718 |
| Represented by: | | | | | |
| Equity attributable to equity holders of the Company | 75,130,455 | 68,606,146 | 63,631,114 | 54,435,626 | 44,943,977 |
| Non-controlling interests | 1,065,360 | 1,614,826 | 582,152 | 488,840 | 430,741 |
| | 76,195,815 | 70,220,972 | 64,213,266 | 54,924,466 | 45,374,718 |

# FIVE YEARS FINANCIAL SUMMARY

## OTHER KEY FINANCIAL FIGURES

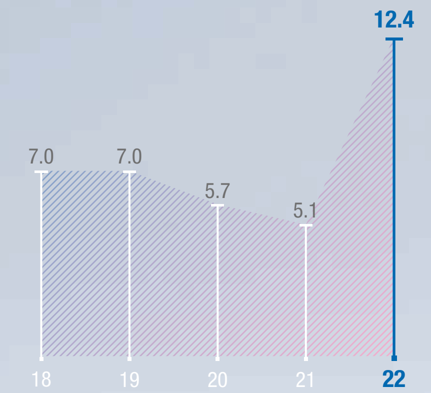
### EBITDA[1]
(RMB Million)


### EBITDA Margin[2]
(%)

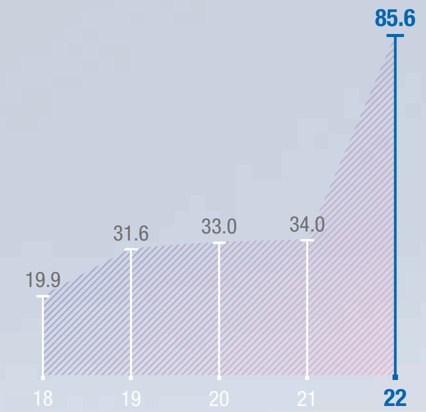



### CAPEX[3]
(RMB Million)


### 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 and bonds payable.
(5) Total capital includes total debt plus total equity.

# FIVE YEARS FINANCIAL SUMMARY

| | Formula | 2022 | 2021 | Change in Percentage Increase/ (Decrease) |
|---|---|---|---|---|
| **For the year** | | | | |
| Revenue (RMB'000) | | 147,964,647 | 101,611,056 | 46 |
| Profit attributable to equity holders of the Company (RMB'000) | (1) | 5,260,353 | 4,847,448 | 9 |
| **Per share** | | | | |
| Basic earning per share (RMB Cents) | | 51.06 | 48.06 | 6 |
| Diluted earning per share (RMB Cents) | | 50.49 | 47.74 | 6 |
| Dividend per share (HK$) | | 0.21 | 0.21 | 0 |
| Net asset value (NAV) per share (RMB) | (2)/(5) | 7.47 | 6.85 | 9 |
| **At year end** | | | | |
| Equity attributable to equity holders of the Company (RMB'000) | (2) | 75,130,455 | 68,606,146 | 10 |
| Total assets (RMB'000) | (3) | 157,826,329 | 134,341,404 | 17 |
| Borrowings (including loan from a related company and bonds payable) (RMB'000) | (4) | 10,820,356 | 3,807,877 | 184 |
| Number of shares in issue | (5) | 10,056,973,786 | 10,018,441,540 | 0 |
| Share price during the year | | | | |
| – High (HK$) | | 22.05 | 36.45 | (40) |
| – Low (HK$) | | 8.30 | 17.34 | (52) |
| **Financial ratios** | | | | |
| Gearing ratio = (Borrowings/Equity attributable to equity holders of the Company) | (4)/(2) | 14.4% | 5.6% | |
| Return on total assets | (1)/(3) | 3.3% | 3.6% | |
| Return on equity attributable to equity holders of the Company | (1)/(2) | 7.0% | 7.1% | |

# EDITORIAL

# CHAIRMAN'S STATEMENT

IN 2022, THE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF GEELY AUTOMOBILE HOLDINGS LIMITED (THE "**COMPANY**", OR "**GEELY AUTOMOBILE**", TOGETHER WITH ITS SUBSIDIARIES, COLLECTIVELY THE "**GROUP**") INCREASED BY 9% YEAR-ON-YEAR TO RMB5.26 BILLION.

LI SHU FU
Chairman

## BUSINESS OVERVIEW

In 2022, China's automobile market experienced more challenges in the supply chain than in 2021, and additionally the changing market environment brought about by rapid transformation towards new energy. Thanks to the concerted effort across the Group, the Group maintained its leading position in China's passenger vehicle market during the year. Overall, in terms of wholesale volume (including the total sales volume# of "Lynk&Co" and "Livan" vehicles sold by the Group's two 50%-owned joint ventures, namely 領克投資有限公司 (Lynk&Co Investment Co., Ltd. or "Lynk&Co JV") and 重慶睿藍汽車科技有限公司 (Chongqing Livan Automotive Technology Company Limited or "Livan JV"), the Group sold a total of 1,432,988 units of vehicles in 2022, up 8% from 2021, among which, domestic wholesale volume posted a slight increase of 2% year-on-year ("YoY") to 1,234,746 units while export wholesale volume continued to perform well and grew by 72% YoY to 198,242 units.

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

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

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

## FINANCIAL REVIEW

In 2022, the Group sharpened the operational focus on new energy transformation and recorded rapid growth in sales volume of the "Geometry" and "ZEEKR" brands. However, the impacts brought by the surging cost of batteries, chips

# CHAIRMAN'S STATEMENT

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

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

## SUSTAINABILITY REVIEW

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

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

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

## DIVIDENDS

Our board of directors recommended the payment of a final dividend of HK$0.21 (2021: HK$0.21) per share for 2022.

## PROSPECTS

Today, the world is undergoing rapid changes on a scale unseen in a century. Global issues such as climate change and addressing the shortage in resources have brought unprecedented challenges, with unilateralism and protectionism on the rise and economic globalisation facing headwinds. In the face of these challenges, the Group will forge ahead to the future with unity and consensus.

The prosperity of a country relies on spiritual support, and the progress of a nation depends on the growth of civilisation. For the development of an enterprise, shared values bring us together and make us companions on the journey. The staff members of Geely Automobile will lead the future development of the Group with the core values of "staying authentic and pragmatic, being diligent and enterprising, and driving collaboration and innovation".

# CHAIRMAN'S STATEMENT

"Staying authentic and pragmatic" means that we must strictly follow objective patterns and respect everyone and everything no matter how the internal and external environment change; in the face of complexity and uncertainty in development, we should go with the flow, be responsible and courageous while faced with issues and always seek truth from facts; in the face of market changes, we should always create value centring the users and gather strength while moving forward steadily. In the process of the transformation of conventional vehicles to intelligent electric vehicles, we admit that we still have not taken the lead in the transformation of intelligent electric vehicles. However, in the past year, the Group has taken the transition to new energy intelligence as its top priority, and has made material progress. Looking ahead, we will unswervingly and fully embrace the arrival of the new energy era.

"Being diligent and enterprising" requires us to actively respond to changes in the environment and the business mode, and constantly adjust strategies to strive for self-improvement. We are jumping out of the standard swimming pools and diving head-first into the turbulent ocean without hesitation. We will rise up to challenges with the spirit of "being diligent and enterprising" and turn the impossible into possible. In the roughly one year time since the establishment of ZEEKR, it is precisely this attitude that drove us through the path of development, for which other advanced electric vehicle enterprises might take more than ten years or even longer to get through. This proves that Geely's more than 30 years of accumulated experience in car making allows it to overcome the challenges of the new energy era. The era of electric intelligence has barely arrived, and Geely's brands are set to fully embrace new energy and intelligence. Only by "being diligent and enterprising" unswervingly can we realise self-innovation.

There is hardly any future when one is fighting alone, which makes "driving collaboration and innovation" necessary. This means that we must leverage and maximise the effect of each individual unit by connecting colleagues from different businesses and fields, lighten our corporate assets through reform and innovation, fixate the direction of innovation, consolidate the foundation of innovation, and strengthen our innovative abilities. Innovation is the leading driving force for development. Electrification is merely the prelude of the transformation of the global automobile industry, and the second half of the competition on intelligence has already begun. In the field of electrification, we are ready to thrive, but in the field of intelligence, there are still much to be done to pave our way to success, including more technological input, continuous accumulation of basic research and technical bottleneck breakthroughs, in order to fundamentally master core technologies and to form intelligent advantages both online and offline. China's automobile consumer market has entered a new era of personalised consumption. Improving user experience is the ultimate goal of all our efforts. In the future, our new explorations and new technologies will gradually be reflected in our various brands and products, and will definitely bring users a more enjoyable consumption experience.

Geely is not only a Chinese domestic enterprise, but also a global enterprise serving the global market. However, the profound and complex changes in the domestic and international environment have put forward higher requirements and challenges for the development of Geely Automobile. Though the road ahead is dangerous and daunting, we can only achieve our goals with constant efforts. We must press ahead with perseverance for a better future. Although the foreseeable path is bumpy and tortuous, we still remain hopeful.

China has embarked on a new journey of Chinese-style modernisation. We aim towards high-quality sustainability, by building a resilient supply chain system and promoting the vertical and in-depth development of the automotive industry towards electrification and intelligence, and we make greater contributions to this end.

Our constant efforts are required in order to let Chinese vehicles run all over the world, instead of letting vehicles from all around world run all over China. Enterprise competition fundamentally comes down to competition of talents; and talent competition fundamentally comes down to competition of corporate cultures. Therefore, let us continue practising Geely Automobile's cultural values, motivate our employees, gather the vitality of the enterprise, and work together to create the future together!

**Li Shu Fu**
*Chairman*
21 March 2023

# MANAGEMENT REPORT

# PERFORMANCE & GOVERNANCE

## OVERALL PERFORMANCE

2022 was a highly unusual year filled with challenges and difficulties. During the year, the automotive industry was affected by several factors such as the economic downturn and the rising costs of car-grade chips and raw materials, which brought a major impact on the automobile market. The sales volume of fuel vehicles plummeted, electrification developed rapidly, and the proportion of NEVs sales reached a new high and ultimately affected the overall automobile market landscape. At the same time, in view of the accumulation of China's automobile exports over the years, and the factors of global automobile market supply in the post-pandemic era, the export market of Chinese automobile companies has grown by more than 56.7% according to the data of the China Association of Automobile Manufacturers ("CAAM").

In 2022, the Group achieved a wholesale volume of 1,432,988 units (including the total sales volume# of "Lynk&Co" and "Livan" vehicles sold by the Group's two 50%-owned joint ventures, namely Lynk&Co Investment Co., Ltd. ("Lynk&Co JV") and Chongqing Livan Automotive Technology Company Limited ("Livan JV")), posting an increase of 8% YoY. Overall, it was slightly lower than the general trend of wholesale volume of the passenger car industry by 1.5% (source: CAAM), ranking third in the industry in terms of sales volume. Among them, the sales volume of NEVs was 328,727 units, representing a YoY increase of 300% and accounting for 23% of the total sales volume. However, there was still a certain gap from that of the industry, which was 27.8% (source: CAAM).

In terms of international export, the Group is constantly enriching its overseas product matrix to further tap into new markets in the Middle East, Eastern Europe and Southeast Asia. The annual export sales volume was 198,242 vehicles, a YoY increase of 72%, which was higher than the industry's growth rate of 56.7% (source: CAAM).

Benefiting from the further optimisation of the Group's product mix and the substantial increase in sales of NEVs, the total revenue** in 2022 increased by 46% to RMB148.0 billion. However, due to the increase in the price of raw materials such as lithium carbonate, the price of batteries has increased significantly, affecting the profitability of the electric vehicle brands of the Group. In addition, the sales volume of new energy vehicles increased by more than three times YoY during the year, and the overall gross margin ratio was under pressure, which in turn had a relatively large negative impact on the annual profitability. ZEEKR Intelligent Technology Holding Limited ("ZEEKR") is positioned in the field of luxury intelligent electric vehicles. In the early stages of development, research and development and selling expenses increased significantly. During the year, both administrative expenses and selling expenses of the Group increased by nearly 30%. In addition, since ZEEKR experienced operating loss during the year, while its Income tax rate is higher than other subsidiaries among the Group, a large amount of deferred tax credit was incurred. As such, the overall taxation of the Group decreased significantly by 90% YoY. In 2022, the Group recorded a one-off bargain purchase gain of RMB1.75 billion arising from the subscription of the common shares of an associate. Based on the above, the Group's profit attributable to the equity holders increased by 9% YoY to RMB5.26 billion in 2022. Diluted EPS increased by 6% to RMB0.50. If the non-cash share-based payment expenses and bargain purchase gain were excluded, the Group's profit attributable to the equity holders would have decreased by 18% YoY to RMB5.00 billion in 2022. In 2022, government grants and subsidies were down 56% YoY to RMB0.32 billion from 2021. 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 two 50%-owned joint ventures, namely the Lynk&Co JV and the Livan JV on a 100% consolidated basis, the Board believes it is more indicative of the underlying demand of the Group's vehicles.*

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

## SUBSCRIPTION FOR COMMON SHARES IN RENAULT KOREA

On 9 May 2022, Centurion Industries Limited ("CIL"), a wholly-owned subsidiary of the Group, entered into a subscription agreement with Renault Korea Motors Company Limited ("Renault Korea"). Pursuant to the subscription agreement, CIL agreed to subscribe for 45,375,000 common shares allotted by Renault Korea, representing 34.02% of the total issued share capital of Renault Korea on a fully-diluted basis, at a cash consideration of approximately KRW264 billion.

The Group successfully subscribed for the shares of Renault Korea at a consideration determined based on commercial negotiations. The consideration was determined with reference to the following: (i) the appraised value as at 31 December 2021 from the valuation report prepared by an independent valuer based on the market approach. Such appraised value was calculated with reference to a ratio of the value of price against net book value by taking a median of the ratios of seven comparable companies. The principal businesses of these comparable companies are manufacturing and selling of automobiles in Japan and Korea, which share similar products, business models, and operation regions of Renault Korea; (ii) the commercial potential and prospects of existing businesses and networks of Renault Korea; and (iii) the principal reasons for the difference between the implied value and appraised value, based on commercial negotiations after considering the increased uncertainty to the macroeconomic environment caused by the Russia-Ukraine war, especially for the supply of raw materials for automobile industry, and the continuous impact on the automobile industry brought by the persistence of shortage of semiconductors.

The consideration represented an implied value of Renault Korea with a discount of approximately 3.8% compared to the appraised value. The consideration for the subscription was funded by the Group's internal financial resources.

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

Based on the above, upon the completion of subscription, the Group recognised the equity investment based on the fair value of the identifiable net assets of Renault Korea attributable to

# PERFORMANCE & GOVERNANCE

the Group. As the fair value exceeded the portion of the original investment cost (i.e. the consideration) significantly, the Group recognised bargain purchase gain of approximately RMB1.75 billion in the consolidated income statement during the year.

On 29 November 2022, CIL completed the subscription of 34.02% common shares of Renault Korea. According to the dividend guarantee term of the subscription agreement, if the total amount of dividends paid to CIL for the two financial years ended/ending 31 December 2022 and 2023 is less than KRW63 billion (the sum of ordinary dividends and interim dividends), the shortfall shall be paid by Renault Korea to CIL.

Through the subscription, the Group, utilising its existing automobile technology, could establish its presence in the Korean market through collaboration with Renault Korea and further expand its export business into other developed markets. In addition, the subscription would allow the Group to further strengthen its capability in research in automobile architecture and vehicle model technology, while pursuing development along the industry value chain. Further, the licensing of intellectual properties would bring in considerable revenue to the Group.

## PROPOSED SPIN-OFF OF ZEEKR

On 31 October 2022, the Group announced that it submitted a proposal to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Practice Note 15 in relation to the proposed spin-off and separate listing of ZEEKR (the "Proposed Spin-off"). ZEEKR is a non-wholly-owned subsidiary of the Group, principally engaged in research and development and sales of BEVs, batteries and other components of NEVs and related services under the "ZEEKR" brand. The Stock Exchange has confirmed that the Group may proceed with the Proposed Spin-off.

As at the date of this report, the terms of the Proposed Spin-off, including listing venue, offering size, price range and assured entitlement of ZEEKR's securities for shareholders of the Company, had not yet been finalised.

The Group considers the Proposed Spin-off to be in the interests of the shareholders as a whole. Such move enables investors to better value the Group with its focus on the retained business, while providing ZEEKR with continuing direct and independent access to the equity and debt capital markets in the future should the need arise. In light of the industry trend and based on assessment of the business and operations of the Group and ZEEKR, the Proposed Spin-off would enhance the value of ZEEKR and enable ZEEKR to develop independently and unleash its full potential, thereby benefiting the shareholders.

# PERFORMANCE & GOVERNANCE

## PROPOSED FORMATION OF POWERTRAIN JOINT VENTURE BETWEEN GEELY HOLDING, RENAULT AND SAUDI ARAMCO

On 8 November 2022, Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司 or "Geely Holding"), Renault s.a.s. ("Renault") and the Company entered into a framework agreement and proposed to set up a joint venture company ("Proposed JV Company") for the purpose of integrating each party's respective expertise and strengths in relation to internal combustion engine, hybrids and plug-in hybrids powertrains and transmissions activities and related technologies. Pursuant to the framework agreement, Geely Holding and the Company on the one hand and Renault on the other hand, will each tentatively be interested in 50%, in the Proposed JV Company.

On 2 March 2023, Geely Holding, Renault, Saudi Arabian Oil Company ("Saudi Aramco") and the Company (collectively, the "Parties", each a "Party") entered into a letter of intent, pursuant to which, among other things, Saudi Aramco intended to invest for a minority stake in the Proposed JV Company in cash. Detailed terms in relation to the shareholding structure of the Proposed JV Company will be subject to further negotiation and finalisation among all the Parties. It is expected that the respective shareholding of Geely Holding and the Company on the one hand and Renault on the other hand, will be identical in the remaining stake of the Proposed JV Company. As at the date of this report, no binding definitive agreement had been entered into among the Parties.

## ENTERING INTO OF THE AGREEMENT FOR THE ACQUISITION OF THE ENTIRE EQUITY INTEREST OF XI'AN GEELY

On 12 December 2022, Zhejiang Jirun Automobile Company Limited (浙江吉潤汽車有限公司 or "Jirun Automobile"), an indirect 99% owned subsidiary of the Group, entered into the acquisition agreement with Zhejiang Geely Automobile Manufacturing Company Limited (浙江吉利汽車製造有限公司 or "Geely Manufacturing", which is indirectly owned as to 72.40% by Geely Holding) with regard to the acquisition of the entire equity interest of Xi'an Geely Automobile Company Limited (西安吉利汽車有限公司 or "Xi'an Geely"), for a cash consideration of RMB382.45 million.

The consideration for the acquisition was determined after arm's length negotiations between Jirun Automobile and Geely Manufacturing with reference to the appraised value of Xi'an Geely as at 30 September 2022 determined by an independent valuer using the asset-based approach. It is expected that the consideration for the acquisition will be funded by internal cash reserve of Jirun Automobile.

Xi'an Geely is principally engaged in manufacturing and sale of complete knock down kits, automobile parts and components in the PRC. It is currently manufacturing the complete knock down kits and automobile components of Geely-branded vehicles including a few sport utility vehicle ("SUV") models under Geely brand (the "Geely-branded SUV Models") and smart-branded vehicles.

# PERFORMANCE & GOVERNANCE

Xingyue L, a SUV model manufactured in the Xi'an plant, received high demand from customers since its launch in 2021. Before the completion of the acquisition, the Group has been procuring complete knock down kits and components from the Geely Holding Group for use in Xingyue L pursuant to the existing master complete knock down kits and automobile components purchase agreement. The Group paid the Geely Holding Group with the price according to the margin rate at a cost-plus basis. After completion of acquisition, the Group will manufacture Xingyue L model on its own and thus reduce its reliance on the Geely Holding Group. However, the transaction is subject to independent shareholders' approval at the Company's extraordinary general meeting.

As part of the business improvement plan, the Group will review the utilisation rate of existing manufacturing facilities on a regular basis for the optimisation of resources allocation. The Group has been exploring cost-effective ways to increase the efficiency of using its manufacturing facilities. However, retooling the existing manufacturing facilities or building up a new manufacturing plant to produce the Geely-branded SUV Models will incur enormous cost. Therefore, the Group believes that it will be more effective and economical to acquire Xi'an Geely and its existing manufacturing facilities for the production of the Geely-branded SUV Models.

## PROPOSED ACQUISITIONS OF 49.9% OF PROTON SHARES AND 49.9% OF DHG SHARES HELD BY GIHK

On 20 January 2023, Linkstate Overseas Limited ("Linkstate"), a wholly-owned subsidiary of the Group, and Geely International (Hong Kong) Limited ("GIHK", the sole shareholder of which is Geely Holding) entered into the Proton agreement, pursuant to which GIHK conditionally agreed to sell and Linkstate conditionally agreed to purchase the Proton shares at a consideration of RMB1,063 million and the loan at a consideration of US$56,390,000 (equivalent to approximately RMB393.7 million).

The equity consideration was determined after arm's length negotiations between Linkstate and GIHK with reference to the appraised value of RMB1,063 million for 49.9% of the equity interest in Proton as at 30 November 2022 as determined by an independent valuer using the market approach. The consideration of the loan receivable was determined after arm's length negotiations between Linkstate and GIHK with reference to the loan principal amount of US$56,390,000 (equivalent to approximately RMB393.7 million). It is expected that the aggregate consideration will be funded by internal cash reserve of the Group.

### Proton

Proton is a limited liability company incorporated in Malaysia in 1983. The principal activities of Proton include the manufacture and sale of motor vehicles of its own brand in Southeast Asia. As at the date of this report, Proton was owned as to 50.1% by DRB-HICOM Berhad ("DRBH") and 49.9% by GIHK. DRBH is a public company incorporated in Malaysia, the shares of which have been listed on the Bursa Securities since 4 September 1992 (stock name: DRBHCOM). It is a large and diversified conglomerate in Malaysia with key businesses in six core sectors: automotive, aerospace and defence, postal, banking, services and properties. DRBH is involved in the entire automotive value chain, including designing, assembling, distributing, component manufacturing, repairing and retailing.

On the same day, Linkstate and GIHK also entered into the DHG agreement, pursuant to which GIHK conditionally agreed to sell and Linkstate conditionally agreed to purchase the DHG shares at a nominal consideration of US$1.00.

### DHG

DHG is an investment holding company and was owned as to 50.1% by DRBH and as to 49.9% by GIHK as at the date of this report. DHG was incorporated by DRBH and GIHK to restructure the intercompany debt in the amount of

# PERFORMANCE & GOVERNANCE

approximately RM1,616.4 million (equivalent to approximately RMB2,551.3 million) between Proton (as borrower) and Perusahaan Otomobil Nasional Sdn. Bdn. ("PONSB") (a wholly-owned subsidiary of Proton, as lender). In order to set off against the debt, Proton issued non-convertible redeemable preference shares to DHG and DHG issued the same number of non-convertible redeemable preference shares to PONSB at the same issue price, which was then offset against the debt. No voting rights are attached to the aforesaid non-convertible redeemable preference shares, which can only be redeemed at the discretion of the issuer when it has sufficient funds.

Immediately after completion of the acquisition of the Proton shares and the DHG shares, the Group will hold 49.9% of the issued and paid-up ordinary share capital of each of Proton and DHG, and will account for their financial results by way of equity method.

The Proton acquisition provides a valuable opportunity for the Group to enter the passenger vehicle market of right-hand drive models in Southeast Asia. By leveraging the resources and experiences of Proton, the Group will be able to further strengthen its business development in Southeast Asia after completion of the Proton acquisition. The Group will continue to collaborate with Proton in the development of electric vehicle models under Proton brand in the future. The transactions is subject to independent shareholders' approval at the Company's extraordinary general meeting.

## FINANCIAL RESOURCES

Total capital expenditures of the Group, including property, plant and equipment, capitalised product development costs and land lease prepayments, amounted to RMB10.3 billion in 2022, which was higher than the budgeted amount of RMB9.2 billion fixed at the beginning of the year, mainly attributable to the higher investment in research and development as the Group accelerated the pace of new energy and intelligence transformation. Working capital (inventories plus trade and other receivables minus trade and other payables) of the Group increased by about RMB0.073 billion. During this year, the Group increased its borrowings to support the fast-growing operation under "ZEEKR" brand, most of which were loans from Geely Holding, our parent. Also, the Group repaid the original US$0.3 billion club loan at the beginning of July 2022, and re-obtained a three-year club loan with a principal amount of up to US$0.4 billion for sustainable development at the end of August 2022. As a result, the Group's total cash level (including bank balances and cash plus restricted and pledged bank deposits) increased by 20% YoY to RMB33.7 billion at the end of 2022. The Group's total borrowings (including loan from a related company, bank borrowings and bonds payable) increased by 184% to RMB10.8 billion. As of the end of 2022, the Group's financial position remained solid. Net cash on hand (total cash level minus total borrowings and perpetual capital securities) decreased to RMB19.5 billion, versus a net cash level of RMB22.0 billion six months ago. As of the end of 2022, the Group's total borrowings were primarily denominated in either RMB or US$. Among them, the foreign currency borrowings were well matched by the currency mix of the Group's export revenues. In addition, net notes receivable (notes receivable minus notes payable) at the end of 2022 amounted to RMB13.7 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivable with the banks.

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## CASH AND BANK BALANCES (INCLUDING RESTRICTED AND PLEDGED BANK DEPOSITS)

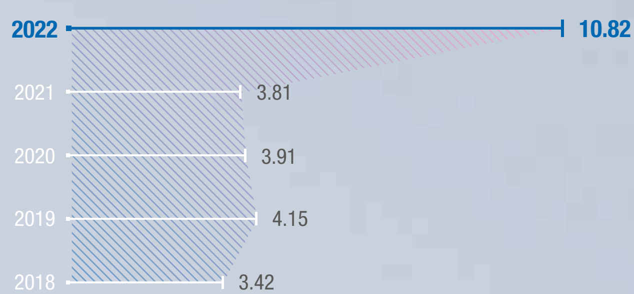
RMB Billion (As at 31 December)


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

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

## TOTAL BORROWINGS (INCLUDING LOAN FROM A RELATED COMPANY/ BANK BORROWINGS/BONDS PAYABLE)

RMB Billion (As at 31 December)




## RESEARCH AND DEVELOPMENT

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

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

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

In 2022, the increase in capitalised product development costs of RMB6.4 billion, included in the intangible assets of the consolidated statement of financial position, was primarily related to vehicle model development. The remaining was for the development of powertrain and NEV technologies.

## VEHICLE MANUFACTURING

The Group sold a total of 1,432,988 units of vehicles (including the total sales volume of "Lynk&Co" and "Livan" vehicles sold by the Lynk&Co JV and the Livan JV) in 2022, representing an increase of 8% YoY, with the annual sales volume first went low and then surged. The overall global economy is down, and the chip shortage disrupted the production and sales during the first half of the year, resulting in a significant drop in sales in the second quarter. In the second half of the year, with the improved situation and the government's introduction of fuel vehicle purchase tax subsidy policy in the second half of the year, consumption gradually recovered. However, the rising competitiveness of NEVs which had explosive growth in product options, and the continuous support of the policies, have stimulated the significant increase in the sales volume of NEVs, while, on the contrary, the demand for fuel vehicles fell sharply. During the year, the Group topped the priority of new energy transformation among other operational objectives. In 2022, the Group sold a total of 1,104,261 fuel vehicles, representing a YoY decrease of 11%. Meanwhile, the Group sold a total of 328,727 units of NEVs (including the sales volume of "Lynk&Co" and "Livan" vehicles), the sales volume was up 300% when compared with the same period in 2021. Among them, the total sales volume of pure electric vehicles was 262,253 units, increased 328% YoY, and the total sales volume of plug-in hybrid electric vehicles was 66,474 units, increased 219% YoY.

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The Group's domestic wholesale volume posted a slight rise of 2% in 2022 to 1,234,746 units. In terms of 2022 sales volume, the Group ranked number 3 among China's top 10 passenger vehicle manufacturers (source: CAAM). Export sales volume of the Group increased by 72% to 198,242 units in 2022 and accounted for 13.8% of the Group's total sales volume during the year. Also, the Group's share of China's total export of passenger vehicles increased from 7.1% in 2021 to 7.8% in 2022 according to the CAAM.

The Group's ASP in 2022 increased by 30% 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" and "Livan" vehicles sold by the Lynk&Co JV and the Livan JV respectively on a proforma basis, the Group's combined ASP recorded an increase of 24% YoY.

In 2022, the Group continued to strengthen its sales and marketing system in China's market, enabling it to provide better sales and after-sale services to its customers. Currently, the Group's products are sold under the "Geely" brand (through independent distribution channel), "Geometry" brand (through independent distribution channel), "ZEEKR" brand (through independent distribution channel directly operated under "ZEEKR"), "Lynk&Co" brand (through independent distribution channel under the Lynk&Co JV) and "Livan" brand (through independent distribution channel under the "Livan JV"), targeting customers at different market segments. "Geely" brand is the Group's main stream mass market brand, "Geometry" brand is the Group's mass-oriented pure electric brand, "ZEEKR" brand is the Group's latest pure electric luxury brand, "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, whereas "Livan" brand is a joint-venture brand established by the Group and Lifan Technology (Group) Company Limited ("Lifan Technology") (力帆科技(集團)股份有限公司), mainly focusing on battery swapping products and ecosystem development.

By the end of 2022, the Group had more than 1,014 dealers in China, marketing "Geely" brand vehicles, while "Geometry" brand had 328 dealers in China. "ZEEKR" brand adopted different marketing and distribution systems in China, and served its customers via 15 "ZEEKR Centres", 195 "ZEEKR Spaces", 24 "ZEEKR Home" and 26 delivery centres. "Lynk&Co" joint venture also adopted different marketing and distribution systems, and served its customers via 359 "Lynk&Co Centres" and 17 "Lynk&Co Spaces" in China. The "Livan" JV owned 169 independent distributor stores in China.

## ANNUAL SALES VOLUME*

(Unit)


*: Including the total sales volume of "Lynk&Co" and "Livan" vehicles

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## AVERAGE PRE-TAX EX-FACTORY PRICES**

(RMB)


**: Including the total sales volume of "Lynk&Co" and "Livan" vehicles

| **Name** | **Interests** | **Usable Annual Production Capacity** (Units Per Double Shift) | **Models** |
|---|---|---|---|
| Chunxiao plant | 99.0% | 200,000 | Geely Borui |
| | | | Geely Boyue, Geely Boyue L |
| Xiangtan plant | 99.0% | 240,000 | Binyue |
| Baoji plant | 99.0% | 200,000 | Geely Boyue, Geely Boyue L |
| Linhai plant | 99.0% | 300,000 | Emgrand L |
| | | | Emgrand GS |
| Jinzhong plant | 99.0% | 180,000 | Emgrand GSe |
| | | | Geometry G6, Geometry M6 |
| | | | Emgrand EV |
| Qiantang plant | 99.0% | 100,000 | ICON, Geometry E |
| Hangzhou Bay DMA plant | 99.0% | 150,000 | Xingyue |
| | | | Xingrui |
| Guiyang plant | 99.0% | 150,000 | Jiaji |
| | | | Haoyue |
| Changxing plant | 99.0% | 100,000 | New Emgrand, Binrui COOL |
| Total | | 1,620,000 | |

## NEW ENERGY DEVELOPMENT STRATEGY

On 23 February 2023, the Group held the "Geely Galaxy New Energy Strategy Release Conference", in which it officially launched the new mid-to-high-end new energy vehicle series, "Geely Galaxy", and showcased the Geely Galaxy Smart Electric Prototype Car, also known as "Galaxy Light". On the same occasion, "Geely Galaxy L7", the first smart electric hybrid SUV of Geely, also made it worldwide debut and started accepting pre-orders.

The Group plans to accelerate the launch of NEVs in 2023, and continuously launch a variety of brand new models of NEVs to achieve the goal of doubling sales volume of NEVs. The plan of building over 200 battery swapping stations will also be fully promoted, which surrounds core cities including Hangzhou, Chongqing and Jinan. A user-centred battery swapping system can thus be created.

In addition, to enhance the sales-channel layout for new energy, the Group will enhance the sales channels of key cities (including the construction of image stores, superstores, directly-operated centres, etc.) on the basis of maintaining the stability of existing channels, so as to create a brand new sales and service operation procedure and continue the improvement of terminal service standard.

The Group will expand the in-depth cooperation with suppliers of power batteries, electric engines and electronic control systems, improve the supplier system of major new energy parts and components for power batteries, electric engines and electronic control systems, and raise the bargaining power of key parts and components to speed up the cost reduction of power batteries, electric engines and electronic control systems, and improve the profitability of new energy products. Meanwhile, the Group will actively develop new technologies applicable to NEV models, such as tablet batteries, improving battery energy density and reducing battery costs to achieve technological cost reduction.

Moreover, the Group will develop a healthy supply chain ecology system, and establish a comprehensive medium to long-term plan for the supply chain business, establish an open and fair mechanism for supplier evaluation, strengthen the synergetic improvement with suppliers, integrate resources from suppliers to construct a healthier supply chain ecology system.

## NEW PRODUCTS

In 2023, NEVs and SUV models remained the Group's focus in new products offering. In the future, the Group will focus on launching NEVs including battery electric vehicles ("BEVs") and plug-in hybrid electric vehicles ("PHEVs"). "NordThor powertrain" has been adequately recognised since the release of the technology. In 2023, the Group will launch a series of plug-in hybrid products centred around its second generation upgraded technology "NordThor 8848 Powertrain" with the technological advantages accumulated by the Group's modular platform over the years. According to the Group's preliminary plan, the following new models are expected to be offered to the market in 2023:

The "Geely" brand

- "Geely Galaxy L7": A compact plug-in hybrid SUV model, developed under the Compact Modular Architecture ("CMA") platform with NordThor powertrain;
- "Geely Galaxy L6": A compact plug-in hybrid A-segment sedan model, developed under the CMA platform with NordThor powertrain;
- "Geely Galaxy E8": A battery electric vehicle sedan model, developed under the Pure Modular Architecture; and

# PERFORMANCE & GOVERNANCE

- "Geely Geome Panda Mini": A battery electric A000 SUV model; and

- "Geely Star": A compact SUV model, developed under the B-segment Modular Architecture ("BMA") platform.

The "ZEEKR" brand

- "ZEEKR X": A battery electric vehicle SUV model, developed under the Sustainable Experience Architecture ("SEA") platform; and

- A battery electric vehicle sedan model, developed under the SEA platform.

The "Lynk&Co" brand

- "Lynk&Co 08": A full-size plug-in hybrid SUV model, developed under the CMA platform with Emotive Hybrid powertrain; and

- A plug-in hybrid sedan model, developed under the CMA platform with Emotive Hybrid powertrain.

The "Livan" brand

- "Livan 7": A battery swapping battery electric model.

## ZEEKR

ZEEKR was incorporated in March 2021 as a non-wholly-owned subsidiary of the Group. Currently, ZEEKR is jointly held by the Group, Geely Holding and external investors, which is devoted to the research and development, purchase and sale of intelligent electric vehicles and other electric mobility related products, as well as the provision of service relating thereto. Since its incorporation, ZEEKR has been adhering to the values of equality, diversity, and sustainability, focusing on the research and development of forward-looking technologies for intelligent electric mobility, creating a trendy technological life and providing users with an ultimate experience. "ZEEKR 001", developed based on Sustainable Experience Architecture (SEA), is ZEEKR's first mass-produced model and was officially commenced delivery in October 2021. The luxury pure electric MPV "ZEEKR 009", ZEEKR's second flagship model, was launched on 1 November 2022, and delivery began in mid January 2023.

ZEEKR adopted an innovative business model, established a new brand direct sales terminal, built its own full-scenario charging and energy replenishment service system.

"ZEEKR 001" delivered a total of 71,941 units in 2022, completing the annual delivery target of 70,000 units ahead of schedule, and achieving the goal of being the first Chinese brand to deliver more than 10,000 luxury pure electric vehicles in a single month. "ZEEKR 001" has created 4 Guinness World Records with its outstanding product competitiveness. Its average order value exceeded RMB336,000, and continued to be the "Champion of the Sales Volume of Battery Electric Vehicles above RMB300,000 among Chinese Brands" consecutively, setting new heights for the Chinese brand worth.

In addition to breakthroughs in product delivery, ZEEKR has also been continuously making efforts in ecological services. As of the end of 2022, ZEEKR had established 260 directly-operated stores nationwide, including offline stores such as ZEEKR Centres, ZEEKR Spaces and delivery centres, covering nearly 70 cities, with a store being set up every two days on average since the opening date for the first store. Among them, ZEEKR Center at Taikoo Li Chengdu Store was the Winner of the World Design Awards 2022.

The net loss of ZEEKR for the year ended 31 December 2022 was RMB2.0 billion.

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## 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 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 based on the platform technology architecture, which is jointly developed by Geely Holding and VCC and licensed to the Lynk&Co JV.

Lynk&Co JV recorded a total sales volume of 180,127 units in 2022, representing a decline of 18% YoY. It was mainly attributable to the brand was in the early stage of new energy transformation and the unstable supply chain. In addition, the distribution network of Lynk&Co was mainly located in first and second tier cities in China, in which the impact brought by the pandemic in 2022 was relatively more significant. The normal store operation was adversely affected to a greater extent, which further weakened the sales performance.

Apart from the sales volume disclosed above, Lynk&Co JV also delivered vehicles to its customers in the European market under its subscription model[#], and a total of 14,571 units of vehicle were delivered to its subscription customers for the year of 2022, up 145% YoY.

For the year ended 31 December 2022, Lynk&Co JV recorded a net profit of RMB7.2 million, down 99% YoY significantly. It was mainly due to the significant drop in the sales of conventional fuel vehicles and the promotion of its subscription model[#] in Europe still being under the investment stage, which had a more significant impact on the marketing expenses.

In view of Chinese consumers' current preference over physical dealer shops to support sales and services, Lynk&Co JV maintained a dealer network in China with 359 stores called "Lynk&Co Centres" and 17 display and customer service centres called "Lynk&Co Spaces" in China at the end of December 2022. Outside China, Lynk&Co JV has set up 10 Clubs, offering 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.. Normally, the Lynk&Co JV recognises the revenue and corresponding profit or loss over time once the subscription consumers have received and consumed the economic benefits of the provided vehicles during the subscription service period.*

## LIVAN JV

Livan JV, the Group's 50%-owned joint venture with Lifan Technology, was established in January 2022, with its principal activities being the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles). Livan JV strived to create a user-centered recyclable intelligent battery swapping ecology. It has resolved the core issue of new energy market through continuous technology upgrades of vehicles, stations, and cloud system, as well as constant optimization of its business model, allowing it to provide users with convenient and worry-free journey experience with an intelligent battery swapping ecology, while providing the market with competitive battery swapping products and services.

In 2022, the first year of its formation, Livan JV recorded a total sales volume of 56,140 units of vehicles, with an average unit price of approximately RMB100,000. It achieved breakeven and recorded a net profit of RMB0.016 billion during its first year

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of operation. During that year, the company had introduced various products and launched technological achievements, including the GBRC Crystal Architecture, and established a system related to Geely's battery swapping ecology and its own competitiveness. In addition, Livan's battery swapping ecology is forging ahead towards C-end market through cultivating a convenient, low cost, and practical technology experience on the basis of consolidating its foundation in the B-end market, to provide consumers with a worry-free battery product experience. By introducing new products, Livan JV will improve the energy replenishment advantage of the integration of charging and swapping, thus enhancing value experience of its users.

## 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 brands including "Geely", "Geometry", "ZEEKR", "Lynk&Co", "Livan" and "Volvo Car".

As affected by the decline in demand, the business growth of Genius AFC in 2022 faced certain pressure, and the number of new retail financing contracts decreased by 7% YoY. However, with the accumulated new financing amount, its total outstanding loan assets continued to increase, reaching RMB52.2 billion by the end of 2022, representing a YoY increase of 9%. Benefiting from 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 15% YoY to RMB1.222 billion for the year.

Genius AFC is dedicated to the active management of funding costs and will continue to expand into new business areas. In 2022, the Company broadened the diversity of its external funds channels, including syndicated loans, bilateral bank facilities and asset-backed security ("ABS"). During the year, Genius AFC successfully launched five ABS issuances with a cumulative amount of RMB19.8 billion, providing support to its business growth, of which, the first green ABS was issued in October, with an issuance amount of RMB1.2 billion. In July 2022, Genius AFC also successfully signed the industry's first sustainable development-related agreement. In order to fully cooperate with the Group's business strategies, Genius AFC developed new financing solutions for other new brands under Geely Holding, such as the "smart" brand.

On 11 July 2022, the Group entered into an equity transfer agreement with BNPP PF and its wholly-owned subsidiary in relation to the exercise of the call option by BNPP PF, pursuant to which the wholly-owned subsidiary of BNPP PF agreed to purchase from the Group and the Group agreed to sell to the wholly-owned subsidiary of BNPP PF an interest of 5% in the registered capital of Genius AFC at an initial cash consideration of approximately RMB420,706,000, which will be subsequently adjusted for any change in the book value of Genius AFC between 31 July 2020 and the completion date. Upon completion, Genius AFC will be owned as to 75% and 25% by the Group and BNPP PF, respectively.

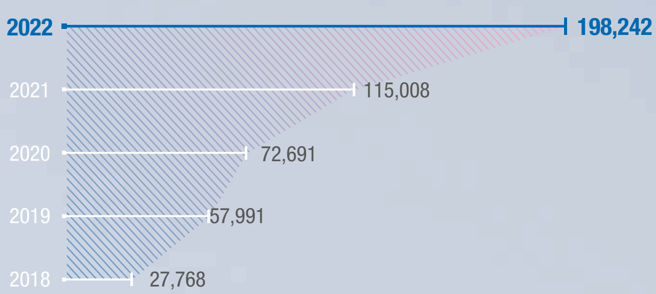
## EXPORTS

The Group's export business continued to maintain a strong growth in 2022. This was mainly attributable to the robust recovery of demand in its major export markets. The Group exported 198,242 units of vehicle in 2022, up by 72% from 2021. Despite this, exports only accounted for 13.8% of the Group's total sales volume during the year. The Group's share of China's total exports of passenger vehicles increased from 7.1% in 2021 to 7.8% in 2022 according to the CAAM.

Developing countries in Southeast Asia, Eastern Europe and the Middle East were the most important export markets of the Group in 2022. In addition to export of vehicles from China, the Group also assembles some models sold overseas using contract manufacturing arrangements with local partners. As at the end of 2022, the Group exported its products to 51 countries through 43 sales agents and 379 sales and services outlets.

## EXPORT SALES VOLUME

(Unit)




## OUTLOOK

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

Under the development of the "Smart Geely 2025" strategy, we will put more efforts on the promotion of new energy products. By launching Geely's mid-to-high-end new energy vehicle series, "Geely Galaxy" and a brand-new new energy sales network, we will construct a strong Geely new energy brand image and attract consumers with excellent safety, power, and performance. Meanwhile, ZEEKR will strive to spearhead the development of luxury pure electric vehicle market through continuous investment in new product launch, core technology research and development, supply chain system upgrade, high quality product delivery and ecological layout. Since its incorporation , ZEEKR has positioned itself as a globalised enterprise and planned to extend its reach to the European market in 2023 to create value for the world's most developed automobile market and set sail to a new era of intelligent mobility with users across the globe. Lynk&Co brand will continue to improve user experience, including fully implementing plug-in hybridisation of its main products, and improving user satisfaction through measures such as upgrading the cockpit and optimising space. In addition, Lynk&Co will also accelerate the launching of new energy mid-level SUVs and sedans based on the modular architecture, which is expected to significantly increase its sales volume. Livan's battery swapping ecology will continue to maintain a steady development in the B-end market, and will also enter the C-end market through a convenient, low-cost, and practical technology to provide consumers with a worry-free battery product experience. At the same time, by introducing new products, Livan will further improve the energy replenishment advantage of the integration of charging and swapping, thus enhancing user value experience.

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

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

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

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

## CAPITAL STRUCTURE AND TREASURY POLICIES

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

As at 31 December 2022, the Group's shareholders' funds amounted to approximately RMB75.1 billion (As at 31 December 2021: approximately RMB68.6 billion). The Company issued 2,405,000 ordinary shares under its share option scheme and 36,127,246 ordinary shares under its share award scheme 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 China and the Group's assets and liabilities were mainly denominated in Renminbi (RMB), the functional currency of the Company and its key operating subsidiaries.

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

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

Total borrowings (excluding trade and other payables and lease liabilities) as at 31 December 2022 amounted to approximately RMB10.8 billion (As at 31 December 2021: approximately RMB3.8 billion) were mainly the Group's bank borrowings, loan from a related company and bonds payable. At the end of 2022, the Group's total borrowings were denominated in either Renminbi (RMB) or United States Dollars (US$). The foreign currency borrowings were well matched by the currency mix of the Group's export revenues, which were mainly denominated in US$. For the borrowings, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Directors believe that the Group is in a good position to obtain such financing.

## EMPLOYEES' REMUNERATION POLICY

As at 31 December 2022, the total number of employees of the Group was approximately 49,000 (As at 31 December 2021: 44,000).

Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions.

The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the mainland China. In addition, employees are eligible for share options under the share option scheme and share awards under the share award scheme adopted by the Company.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## EXECUTIVE DIRECTORS

**Mr. Li Shu Fu**, aged 59, 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 also serves as the chairperson and member of the board of Volvo Car AB (Stock Code of Stockholm Stock Exchange: VOLCAR B) since 2010. Mr. Li has extensive experience in the investment and management of the automobile manufacturing business in the PRC. 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. Li Dong Hui, Daniel**, aged 53, joined the Group on 15 July 2016 as an Executive Director and the Vice Chairman of the Board. Mr. Li has been an executive vice president and the 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 November 2011, a member of the board of directors of Volvo Car AB (Stock Code of Stockholm Stock Exchange: VOLCAR B) from April 2012, and a member of the board of directors of Polestar Automotive Holding UK PLC (Stock Code of NASDAQ: PSNY) from 2017. 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 sino-foreign multinational companies; his last position was the vice chairman and the president (finance) of 北京東方園林生態股份有限公司 (Beijing Orient Landscape Co., Ltd.) (Stock Code of Shenzhen Stock Exchange: 002310) (2014-2016). Mr. Li graduated from the Kelley School of Business of Indiana University in the USA with a Master's Degree in Business Administration in 2010 and graduated from 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 Renmin University of China with a Bachelor's Degree in Philosophy in 1991. He is currently the independent non-executive director of YTO International Express and Supply Chain Technology Limited (formerly known as 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).

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Mr. Gui Sheng Yue**, aged 59, 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 36 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 53, 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 since December 2011. Mr. An is currently the chairman of Geely Automobile Group Company Limited ("Geely Automobile Group") (a company incorporated in the PRC and is ultimately owned by Mr. Li Shu Fu, a substantial shareholder of the Company and his associate), the CEO of ZEEKR Intelligent Technology Holding Limited ("ZEEKR Holding"), and the chairman of the principal operating subsidiary, namely Zhejiang Jirun Automobile Company Limited ("Jirun Automobile"), 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 in 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 63, 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).

**Ms. Wei Mei**, aged 54, joined the Group on 17 January 2011 as an Executive Director. Ms. Wei has been a vice president of Geely Holding since June 2009, and is currently a senior vice president and chief operating officer of Geely Holding, being responsible for the operation management, digitalization, and information technology related works of Geely Holding. Ms. Wei holds a Doctoral Degree in Management from Northwest A&F University, a Master's Degree in Management and a Bachelor's Degree in Science from 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

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

operation management of Haier dishwashers and other small appliances.

**Mr. Gan Jia Yue**, aged 42, joined the Group on 25 July 2022 as an Executive Director. He has been the CEO of Geely Automobile Group since 23 March 2021. He is currently responsible for the operation management of Geely Automobile Group. Mr. Gan joined Geely Holding in February 2003. He has previously served as member of the management committee, senior director of management and head of group finance department of Geely Automobile Group, and has been the vice president of Geely Automobile Group since 11 June 2020 and was responsible for the procurement duties of Geely Automobile Group. 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, and made extraordinary contribution in enhancing finance management, operation optimisation, organizational transformation and supplier chain construction of Geely Automobile Group. Mr. Gan also serves as director of certain subsidiaries of the Group. Mr. Gan has extensive financial knowledge and practical experience in corporate governance. Mr. Gan graduated from Zhengzhou University of Aeronautics with a Bachelor's Degree in Management in 2003.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. An Qing Heng**, aged 78, 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 his 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).

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Mr. Wang Yang**, aged 48, joined the Group as a Non-executive Director on 15 September 2010 and was then 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 Shanghai Jiao Tong 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 joining CICC's investment banking division, Mr. Wang worked in CICC's Private Equity Group from 2000 to 2001.

**Ms. Lam Yin Shan, Jocelyn**, aged 50, joined the Group as an Independent Non-executive Director on 1 November 2021. Ms. Lam has over 26 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 of 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 48, 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 CFO of Lightspeed China Partners (Funds III and IV, Selected Fund I and RMB Fund I), and the partner and CFO of Soul Capital. 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 Saunders 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 a council member of the US Chapter of Shanghai Overseas Returned Scholars Association and the advisor of the New York University Shanghai Alumni Group.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## SENIOR MANAGEMENT

**Mr. Dai Qing**, aged 40, joined Geely in 2000 and currently serves as a senior vice president and CFO of Geely Automobile Group. He was in charge of operation management, finance and investment, strategic planning and other work at Geely Holding Group and led the establishment and revolution of the group's financial and risk control system; and holds key positions such as director of several subsidiaries of the Group. He has extensive and strong management experience in multiple fields of automotive industry. Mr. Dai obtained an Executive Master's Degree in Professional Accountancy from The Chinese University of Hong Kong.

**Mr. Cheung Chung Yan, David**, aged 47, joined the Group as the Financial Controller and Company Secretary on 17 May 2005. Mr. Cheung is a director of two subsidiaries of the Group. He 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 25 years of experience in auditing, accounting and financial management.

**Mr. Poon Chi Kit**, aged 43, 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 17 years of experience in auditing, accounting and financial management.

**Mr. Chiu Yeung, Adolph**, aged 38, 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 on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company at the same time of publication of its annual report for the year ended 31 December 2022.

For the year ended 31 December 2022, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code ("CG Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for CPs B.2.3, B.3.4, C.2.7 and F.2.2. This report further illustrates as to how the CG Code has been applied, including 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 028 to 031 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 *(retired on 25 May 2022)* | 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 | 25 May 2022 | 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. Gan Jia Yue | ED[1] | 25 July 2022 | – | Oversees the overall operation management of the Group |
| Mr. Lee Cheuk Yin, Dannis *(retired on 25 May 2022)* | INED[2] | 28 June 2002 | 25 May 2020 | Provides independent advice on financial and auditing activities to the Board |
| Mr. Yeung Sau Hung, Alex *(retired on 25 May 2022)* | INED[2] | 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 2022 | Provides independent advice on corporate finance, investments and merger & acquisitions to the Board |
| Ms. Lam Yin Shan, Jocelyn | INED[2], chairperson of RC[4], member of AC[3] & member of NC[5] | 1 November 2021 | 25 May 2022 | Provides independent advice on taxation, corporate finance to the Board |
| Ms. Gao Jie | INED[2], chairperson of AC[3], member of RC[4] & member of NC[5] | 1 November 2021 | 25 May 2022 | 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/her 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 Mr. Gan Jia Yue, whom was appointed as an executive Director on 25 July 2022.

# 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, interim report 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 C.1.4 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 hosted continuous professional development ("CPD") sessions for the Directors in relation to directors' duties and inside information respectively. In addition, 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 for their ongoing 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.

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 timely enabling 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.

# CORPORATE GOVERNANCE REPORT

## Securities Transactions of the Directors and the Senior Management

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

The Directors, having been enquired specifically, confirmed their compliance with the required standard set out in the Model Code during the year and there had been no cases of non-compliance reported. As at 31 December 2022, details of the Directors' holding of the Company's securities are set out on pages 069 to 071 of this annual report.

Details of the senior management's holding of the Company's shares as at 31 December 2022 are set out in the table below:

| Name | Number of the Company's shares |
|---|---|
| Mr. Dai Qing | 343,793 |
| Mr. Cheung Chung Yan, David | 114,125 |
| Mr. Poon Chi Kit | 45,650 |
| Mr. Chiu Yeung, Adolph | 412,012 |

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.

# CORPORATE GOVERNANCE REPORT

## 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 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 the Whistleblowing Policy, Remuneration Policy, Shareholders' Communication Policy, Dividend Policy, Director Nomination Policy, Board Diversity Policy, and Anti-corruption 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; (v) reviewed the code of conduct and compliance manual including the Code of Business Conduct and the Supplier Code of Conduct; and (vi) 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 2022, the Board comprised seven executive Directors and four independent non-executive Directors, namely 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 295 of this report.

# CORPORATE GOVERNANCE 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 role and function 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 annual general meeting after appointment.

In accordance with Article 116 of the second amended and restated articles of association of the Company (the "Articles of Association"), Mr. Li Shu Fu, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and Ms. Wei Mei will retire by rotation and being eligible, shall offer himself, offer themselves for re-election at the Company's forthcoming annual general meeting. In addition, in accordance with Article 99 of the Articles of Association, Mr. Gan Jia Yue shall hold office until the first annual general meeting after his appointment and being eligible, shall offer himself for re-election at that 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).

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

Mr. Wang Yang ("Mr. Wang") was first appointed as an independent non-executive Director on 17 May 2012 and had served as an independent non-executive Director for more than nine years. Owing to an inadvertent oversight, the Company has not included in the circular dated 19 April 2022 sent to the Shareholders on, among other things, the re-election of Mr. Wang in relation to the information required under CPs B.2.3 and B.3.4.

# CORPORATE GOVERNANCE REPORT

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

### Meetings of the Board

As required by business needs, the Company held a total of 5 regular Board meetings, 15 ad hoc Board meetings, 8 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 the Sustainability Committee ("SC"), 1 annual general meeting ("AGM") and 1 extraordinary general meeting ("EGM") for the financial year ended 31 December 2022.

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 retired part way during the year.

# CORPORATE GOVERNANCE REPORT

| | Attendance Rate for Meetings | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name of Directors** | **Regular Board Meetings** | **Ad hoc Board Meetings** | **EC Meetings** | **AC Meetings** | **RC Meetings** | **NC Meetings** | **SC Meetings** | **AGM** | **EGM** |
| ***Executive Directors*** | | | | | | | | | |
| Mr. Li Shu Fu *(Chairman)* | 4/5 | 15/15 | – | – | – | – | – | 0 | 0/1 |
| Mr. Yang Jian *(retired on 25 May 2022)* | 1/1 | 6/6 | – | – | – | – | – | 0 | – |
| Mr. Li Dong Hui, Daniel *(Vice Chairman)* | 5/5 | 15/15 | – | 1*(Note)* | – | – | – | 0 | 1/1 |
| Mr. Gui Sheng Yue *(CEO)* | 5/5 | 15/15 | 8/8 | – | – | 2/2 | 4/4 | 1 | 1/1 |
| Mr. An Cong Hui | 5/5 | 15/15 | – | – | – | – | 4/4 | 0 | 1/1 |
| Mr. Ang Siu Lun, Lawrence | 5/5 | 15/15 | 8/8 | 2*(Note)* | – | – | – | 1 | 1/1 |
| Ms. Wei Mei | 5/5 | 15/15 | – | – | 6/6 | – | – | 1 | 1/1 |
| Mr. Gan Jia Yue *(appointed on 25 July 2022)* | 3/3 | 6/6 | – | – | – | – | – | – | 1/1 |
| ***Independent Non-executive Directors*** | | | | | | | | | |
| Mr. Lee Cheuk Yin, Dannis *(retired on 25 May 2022)* | 1/1 | 6/6 | – | 2/2 | 2/2 | – | – | 1 | – |
| Mr. Yeung Sau Hung, Alex *(retired on 25 May 2022)* | 1/1 | 6/6 | – | 2/2 | 2/2 | – | – | 0 | – |
| Mr. An Qing Heng | 5/5 | 15/15 | – | 4/4 | – | – | – | 1 | 1/1 |
| Mr. Wang Yang | 5/5 | 15/15 | – | 4/4 | 6/6 | 2/2 | 4/4 | 1 | 1/1 |
| Ms. Lam Yin Shan, Jocelyn | 5/5 | 15/15 | – | 4/4 | 6/6 | 2/2 | – | 1 | 1/1 |
| Ms. Gao Jie | 4/5 | 15/15 | – | 4/4 | 6/6 | 2/2 | – | 1 | 1/1 |

*Note: They attended the relevant meetings in the capacity of the management of the Group*

### Relationship between 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 four independent non-executive Directors for the year ended 31 December 2022 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 C.2.7 provides that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year ended 31 December 2022, a formal meeting could not be arranged between the Chairman and the independent non-executive Directors without the presence of other Directors, as their schedules were heavily booked with conflicting commitments. 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 055 to 058 of this report.

# CORPORATE GOVERNANCE REPORT

## C. BOARD COMMITTEES

The Company currently has five Board committees, namely the Executive Committee, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Sustainability Committee. The written terms of reference of the Remuneration Committee, the Nomination Committee, the Audit Committee and 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.

### Executive Committee

The 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 executive 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 8 meetings. During the year, the committee approved the issue and allotment of the Company's new shares upon exercise of share options and vesting of restricted share awards. 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 041 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; to make recommendations to the Board on the remuneration of non-executive Directors; and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The remuneration packages of executive Directors and senior management should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment at a reasonable and appropriate level); levels of which should be sufficient to attract, retain and/or compensate Directors and senior management to run the Company successfully without paying more than necessary. The updated terms of reference of the Remuneration Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

#### *Proceedings of the Remuneration Committee*

The Remuneration Committee, being chaired by Ms. Lam Yin Shan, Jocelyn, an independent non-executive Director, currently comprises three independent non-executive Directors (including the chairperson of the committee herself) and one executive Director. Details of the compositions of the Board and its committees are set out on page 295 of this report.

# CORPORATE GOVERNANCE 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 041 of this report. The Remuneration Committee considered the following proposals and made recommendation to the Board whenever necessary during the year:–

- Reviewed the basic monthly salary, benefits and discretionary 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 the remuneration of the retired Directors;
- Approved the remuneration package of the newly appointed Director;
- Approved an extension of the service agreement for an executive Director;
- Reviewed and approved the adoption of a new share option scheme of the Company and amendments to the share award scheme adopted in 2021 in compliance with the latest requirements on share schemes under Chapter 17 of the Listing Rules; 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 E.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 details of Directors' remuneration, please refer to pages 168 to 170 of this annual report.

No equity-based remuneration with performance-related elements was granted to independent non-executive Directors during the year.

For the year ended 31 December 2022, the remuneration payable to members of senior management was within the following bands:

| | Number of individuals |
|---|---|
| HK$3,500,001-HK$4,000,000 | **1** |
| HK$4,000,001-HK$4,500,000 | **1** |
| HK$12,500,001-HK$13,000,000 | **1** |
| HK$35,000,001-HK$35,500,000 | **1** |
| | **4** |

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

| | RMB'000 |
|---|---|
| Salaries and allowances | **3,898** |
| Discretionary bonuses | **414** |
| Retirements benefits and scheme contributions | **77** |
| Share-based payment expenses | **43,702** |
| | **48,091** |

### Nomination Committee

The role and function of the Nomination Committee is to determine the policy for the nomination of Directors with the support from independent professional advice at the Company's expense where 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 Mr. Wang Yang, an independent non-executive Director, currently comprises three independent non-executive Directors (including the chairman of the committee himself) and one executive Director. Details of the compositions of the Board and its committees are set out on page 295 of this report.

The Nomination Committee reviews the composition of the Board on an annual basis (or more frequently if it is determined necessary) 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 a new executive Director, 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 four independent non-executive Directors; review the mechanism to ensure independent views and input are available to the Board; and reviewed the terms of reference of the committee. Full minutes of the Nomination 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 041 of this report.

# CORPORATE GOVERNANCE REPORT

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

In identifying and recommending nominees for positions on the Board, the Nomination Committee places primary emphasis on (i) judgment, character, expertise, skills and knowledge useful to the oversight of the Company's business; (ii) diversity of viewpoints, backgrounds, experiences and other demographics; (iii) business or other relevant experience; and (iv) the extent to which the interplay of the nominee's expertise, skills, knowledge and experience with that of other members of the Board will build a board that is active, collegial and responsive to the needs of the Company.

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 described above 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***

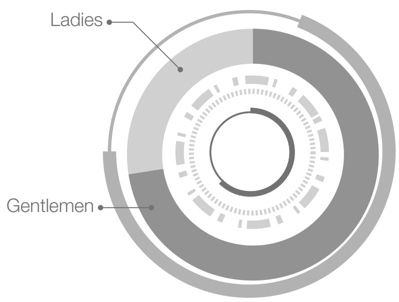
With a view to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element. The Board Diversity Policy of the Company is published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section 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, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

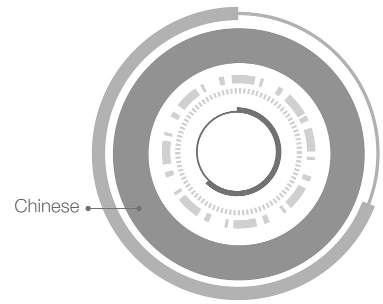
# CORPORATE GOVERNANCE REPORT

The Board also reviews the Board Diversity Policy at least annually 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.

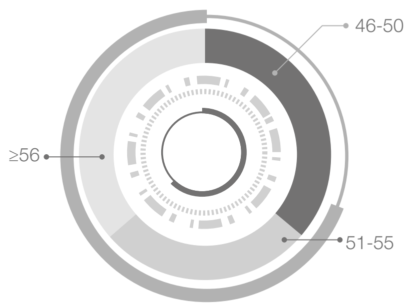
## By Gender



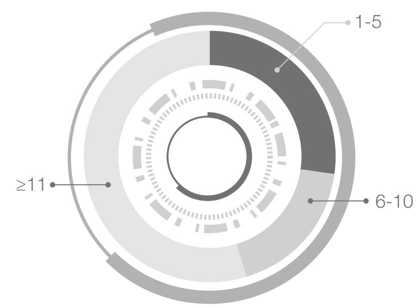

## By Ethnicity




## By Age Range (years old)




## By Length of Service with the Company (years)



# CORPORATE GOVERNANCE REPORT

The Board currently has three female Directors representing around 27.3% of the Board members, which has satisfied the requirement under the Listing Rules and achieved the Company's gender diversity target of over 20% at the board level. Having said that, the Company will continue to increase the percentage of female Directors on the Board in the future to further improve the corporate governance practices of the Company.

The Company had adopted the following measures to develop a pipeline of potential successors to the Board:

- Implementing flexible Board arrangements, such as virtual Board meetings or flexible meeting schedules, to help support the work-life balance of the Board members, including females, and to enable them to continue to advance in their Board careers;

- Providing access to the Board governance training and skill development opportunities, to help potential female Directors build the skills and experience necessary for the Board's service;

- Setting gender diversity targets in the boardroom, to ensure that there is a pipeline of potential female successors; and

- Using objective criteria in selecting Board members, such as skills, experience, qualifications and background, to help reduce bias and ensure that females are considered fairly.

These measures help create a supportive environment that enables females to develop the skills and experience necessary to advance to the Board level, and ensure a pipeline of potential female successors for achieving gender diversity on the Board.

The details of gender diversity at the workforce (including senior management) level will be covered in the Group's ESG report, which is published on the websites of the Stock Exchange and the Company at the same time of publication of its annual report for the year ended 31 December 2022.

***Independent Views and Input***

The Company has established a mechanism to ensure independent views and input are available to the Board by way of appointment of sufficient independent non-executive Directors, who all meet the independence requirements under Rule 3.13 of the Listing Rules. Four independent non-executive Directors representing more than one-third of the Board devote adequate time contribution to the affairs of the Group, and independent non-executive Directors share their views and opinions through Board and/or its committee(s) meetings with the management from time to time. Their involvement always ensure that decisions made by the Board and/or its committee(s) are in the interests of the Company and its Shareholders as a whole, rather than being influenced by personal or financial interests. To facilitate proper discharge of their duties, all the Directors are entitled to seek advice from the Company Secretary of the Company or, upon reasonable request, seek independent professional advice at the Company's expense. The monthly Board reports on the Group's business updates and financial performance are also provided to the Board for their independent views and inputs.

The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Board reviewed and considered that such mechanisms in place are effective to ensure that independent views and input are provided to the Board.

## 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 where 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 Ms. Gao Jie, an independent non-executive Director, who is a member of the American Institute of Certified Public Accountants, currently comprises four members (including the chairperson of the committee), solely the independent non-executive Directors. Details of the compositions of the Board and its committees are set out on page 295 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 041 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 2021 including the major accounting and audit issues raised by the external auditor;
- Reviewed the Group's interim results for the six months ended 30 June 2022;
- Approved the change of the chairperson of the Audit Committee;
- Assessed the independence and objectivity of the Company's external auditor and approved the annual audit fee for the year ended 31 December 2022;
- 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 risk management and 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 services 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 31 December 2022, 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 as well as those relating to the Group's ESG performance and reporting, 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 at least annually. 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 Group's risk management framework and internal control systems are developed based on the "Three Lines of Defense" model and with reference to the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s "Internal Control – Integrated Framework" and the "Basic Standard for Enterprise Internal Control" issued by the Ministry of Finance of the People's Republic of China and other four Ministries.

The Board develops corporate culture with a strong commitment to integrity and ethical values and communicates the tone from the top within the Group by promoting the importance of integrity and ethical values in internal conferences, publication of Code of Business Conduct and other compliance-related policies, etc.

# CORPORATE GOVERNANCE REPORT

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 (including ESG risks) identified to the management at least annually. After assessment and evaluation of these significant risks reported, the management 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 their 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 ESG and provide guidance in the implementation of related measures to promote the Group's sustainability. The updated 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 Mr. An Cong Hui, an executive Director, comprises two executive Directors (including the chairman of the committee himself) and one independent non-executive Director. Details of the compositions of the Board and its committees are set out on page 295 of this report.

During the year, the Sustainability Committee held 4 meetings. The committee reviewed the ESG report 2021; engaged an external consultant for the upcoming ESG report 2022; approved and reviewed the Anti-corruption Policy, the Code of Business Conduct and the Supplier Code of Conduct; and reviewed the terms of reference of the committee. Full minutes of the Sustainability 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 041 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 2022, 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 2022 in the independent auditor's report set out on pages 105 to 111 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 risk management and 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 2022 in the independent auditor's report set out on pages 105 to 111 of this annual report.

During the year, 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 2022, 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:

# CORPORATE GOVERNANCE REPORT

| | 2022 RMB'000 |
|---|---|
| ***Audit Service*** | |
| Annual audit | **6,450** |
| | |
| ***Non-audit Services*** | |
| Interim review | **750** |
| General tax advisory and compliance services | **363** |
| Discloseable and connected transaction* | **20** |
| | |
| Total | **7,583** |

* Please refer to the Company's announcement dated 12 December 2022 for details.

## 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 2022.

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 updated Shareholders' Communication Policy, which sets out its policies of information dissemination, maintaining communications with Shareholders, Shareholders' rights and the procedures that Shareholders can use to propose a person for election as a Director and convene an extraordinary general meeting, formalities of the Shareholders' meetings, and Shareholders' privacy, on its website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" for Shareholders' inspection.

As part of its ongoing commitment to transparency and open communication, the Company conducted a comprehensive review of its Shareholders' Communication Policy during the year. The review process involved an analysis of the Policy's effectiveness in facilitating timely and accurate communication between the Company and its shareholders, as well as gathering feedback from stakeholders on ways to improve the Policy. Based on this review, the Company found that the Policy has been successful in promoting transparency and maintaining positive relationships with its stakeholders. The Company arrived at this conclusion by evaluating the effectiveness of its communication channels, reviewing feedback from shareholders and other stakeholders, and analyzing the frequency and quality of communications throughout the year.

### 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. All general meetings may be held as a physical meeting in any part of the world, as a hybrid meeting or as an electronic meeting, as may be determined by the Board in its absolute discretion. An extraordinary general meeting may be convened at the request of Shareholders under the following conditions:–

1. On the written requisition of any Shareholders holding as at the date of deposit of the requisition, 10 per cent or above of the voting rights, on a one vote per share basis, in the share capital of the Company;

2. The requisition must specify the objects of the meeting and resolutions to the meeting agenda (if any), 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 296 of this annual report under the section headed "Corporate Information";

# CORPORATE GOVERNANCE REPORT

3. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves may convene the physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company; and

4. 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.

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

### Communication with Shareholders

CP F.2.2 provides that the Chairman and the chairperson of respective Board committees should attend the annual general meeting of the Company. During the year ended 31 December 2022, the Chairman did not attend the 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.

# CORPORATE GOVERNANCE REPORT

The Company held its annual general meeting ("AGM") on 25 May 2022. 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. Four independent non-executive Directors and two 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 041 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 and extraordinary general meetings called for the passing of a special resolution at least 21 clear days before the meeting, and to be sent at least 14 clear days for all other extraordinary general meetings.

### Policy on Payment of Dividends

Subject to the Companies Act (as amended) of the Cayman Islands, the Company may from time to time in general meeting declare 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

Reference is made to the Company's circular dated 19 April 2022, the Board proposed to amend the Company's memorandum and articles of association ("Memorandum and Articles of Association") in order to (i) reflect and align with the new requirements under the amended Appendix 3 to the Listing Rules which have come into effect on 1 January 2022; (ii) provide flexibility to the Company in relation to the conduct of general meetings; and (iii) make certain other housekeeping changes. At the Company's annual general meeting held on 25 May 2022, the amendments to the Memorandum and Articles of Association and the adoption of the second amended and restated Memorandum and Articles of Association have been passed by the Shareholders as a special resolution.

The second amended and restated Memorandum and Articles of Association 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.

### 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 31 December 2022 are set out on pages 074 to 075 of this annual report.

# CORPORATE GOVERNANCE REPORT

### Details of the last AGM and EGM in 2022

| Event Date & Time | Venue | Major items discussed | Voting results |
|---|---|---|---|
| **AGM** on 25 May 2022 (Wednesday) at Hong Kong Time ("HKT") 4:00 p.m. | Boardroom 6, M/F, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, 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;<br>(vi) granted a general mandate to the directors to repurchase shares and to issue new shares; and<br>(vii) approved the amendments to the Memorandum and Articles of Association of the Company and the adoption of the amended and restated Memorandum and Articles of Association. | The resolution for amendments to the Memorandum and Articles of Association and adoption of the amended and restated Memorandum and Articles of Association was duly passed by the Shareholders as a special resolution by way of poll; and<br>all the other resolutions were duly passed by the Shareholders as ordinary resolutions by way of poll |
| **EGM** on 11 November 2022 (Friday) at HKT 4:00 p.m. | Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong | (i) approved, ratified and confirmed Supplemental Services Agreement (as defined in the circular of the Company dated 26 October 2022), the transactions contemplated thereunder and the annual cap amounts; and<br>(ii) approved, ratified and confirmed the Supplemental Automobile Components Procurement Agreement (as defined in the circular dated 26 October 2022), the transactions contemplated thereunder and the annual cap amounts; | all resolutions were duly passed by the independent Shareholders as ordinary resolutions by way of poll |

# CORPORATE GOVERNANCE REPORT

**Indication of important dates for the Shareholders in 2023/2024**

| Event | | Date |
|---|---|---|
| Closure of the Company's register of members ("Book Close") for entitlement of voting rights at the forthcoming annual general meeting | : | 22 May 2023 (Monday) to 25 May 2023 (Thursday) |
| Forthcoming annual general meeting | : | 25 May 2023 (Thursday) at HKT 4:00 p.m. at Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong |
| Ex-entitlement date for final dividend | : | 5 June 2023 (Monday) |
| Book Close for entitlement of final dividend | : | 7 June 2023 (Wednesday) to 12 June 2023 (Monday) |
| Record date for final dividend entitlement | : | 12 June 2023 (Monday) |
| Final dividend distribution | : | July 2023 |
| 2023 interim results announcement | : | Late August 2023 ***(to be confirmed)*** |
| Financial year end | : | 31 December 2023 (Sunday) |
| 2023 annual results announcement | : | Late March 2024 ***(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 2022.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 46 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 112 and page 113, 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 12 June 2023, amounting to approximately RMB1,866,554,000.

## 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 027 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 098 of this annual report and notes 21 and 24 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 2022 are set out in the Management Report – Performance & Governance on pages 011 to 027.

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 to upgrade its existing models, and in the meantime, to develop new models. The Group plans to launch several new models in 2023 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

# DIRECTORS' REPORT

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 ("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.

# DIRECTORS' REPORT

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 economic downturn, there has been a global shortage of chip supply and the Group's supply chain has also been under great pressure.

# DIRECTORS' REPORT

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.

# DIRECTORS' REPORT

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, as well as new energy vehicle products, will broaden the Group's model portfolio. Meanwhile, the Group has a robust sales and marketing strategies 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. Risks of overseas operations

The Group has subsidiaries in foreign countries and regions. In recent years, the amount and proportion of overseas operating income and overseas equity investment have been increasing. The Group mainly conducts overseas business through the export of complete vehicles and parts. However, if global trade friction continues to escalate, certain countries implement policies such as increasing tariffs or setting up non-tariff barriers, or geopolitical conflicts escalate, the Group's operations may be adversely affected.

To reduce the risks of overseas operations, the Group is committed to making efforts in several aspects: formulating prices and policies that are tailored to local conditions and controlling the inventory-to-sales ratio within a reasonable range; setting reasonable credit periods and managing overseas funds; adhering to the principle of exchange rate neutrality, reducing the impact of exchange rate fluctuations on business operations through a combination of forward hedging and spot exchange; and insuring overseas equity through Sinosure to prevent extreme situations such as exchange restrictions and wars from causing losses in equity.

# DIRECTORS' REPORT

7 **Foreign exchange risk of RMB exchange rate fluctuation**

The majority of the Group's export sales are settled in foreign currencies such as the US dollar and the Euro. Additionally, the Group has local affiliates, joint ventures, or partnerships in some overseas export markets. Since the implementation of the managed floating exchange rate mechanism in China in July 2005, RMB exchange rate fluctuations have mainly impacted the Group's operating performance in two aspects. Firstly, fluctuations in the RMB exchange rate directly affect the selling price of our export products, which affects the competitive pricing of our products. Secondly, RMB exchange rate fluctuations may also result in corresponding exchange gains or losses for the Group.

To mitigate or hedge foreign exchange risks, the Group has developed strict foreign exchange risk management policies. The Group primarily employs natural hedging through operational means. If foreign exchange risk exposure still exists, the Group will use financial instruments such as hedging, interest rate swaps, and currency swaps to manage foreign exchange risks.

8. **Significant adverse impacts due to climate change and regulatory environment changes**

The automotive and transportation industry is one of the major sources of global carbon emissions, and as such, the Group also faces risks related to climate change in areas such as policy and legal frameworks, technology, market dynamics, reputation, and physical infrastructure. Climate change also presents opportunities for the development of resilient business models and new products, such as providing new energy transportation services and products, and green financing. If the Group fails to effectively identify, assess, and manage climate-related risks and opportunities, as well as implement effective response measures, it may face adverse financial and non-financial impacts due to the aforementioned risks or missed business opportunities.

To address these issues, the Group has established a Sustainability Committee to oversee the management of climate-related risks and opportunities. Also, a dedicated team has been established to manage daily management work of carbon emission. The Group further published emission reduction and carbon neutral targets and related measures in March 2022, as well as an ESG strategy that includes "climate neutrality" in March 2023, to effectively address climate change and promote sustainable development.

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 "To Create an Intelligent Mobility Experience that Exceeds Users' Expectations" with an aim to build up the core values of "Truth-seeking & Practical, Hardworking & Enterprising, Collaborative & Innovative". 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 2022, the Group complied with the relevant laws and regulations that have a significant impact on the Group.

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 and climate change 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 websites of Stock Exchange and the Company at the same time of publication of the its annual report for the year ended 31 December 2022.

## CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2023 to 25 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 25 May 2023, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 19 May 2023.

The register of members of the Company will be closed from 7 June 2023 to 12 June 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 6 June 2023.

# 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 30 to the consolidated financial statements.

## BORROWINGS

Particulars of borrowings of the Group as at 31 December 2022 are set out in notes 28, 29 and 33, respectively, to the consolidated financial statements.

## RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in note 37 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 117 and page 280 of the annual report, respectively.

As at 31 December 2022, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB13,343,505,000 (2021: RMB12,881,610,000). After the end of the reporting period, the Directors proposed a final dividend of HK$0.21 (2021: HK$0.21) per ordinary share amounting to RMB1,866,554,000 (2021: RMB1,699,495,000). The final dividend proposed has not been recognised as a liability at the end of the reporting period 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 *(retired on 25 May 2022)*
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
Mr. Gan Jia Yue *(appointed on 25 July 2022)*

**Independent Non-executive Directors:**

Mr. Lee Cheuk Yin, Dannis *(retired on 25 May 2022)*
Mr. Yeung Sau Hung, Alex *(retired on 25 May 2022)*
Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn
Ms. Gao Jie

# DIRECTORS' REPORT

In accordance with Article 116 of the Company's Articles of Association, Mr. Li Shu Fu, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and Ms. Wei Mei shall retire from office by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with Article 99 of the Company's Articles of Association, Mr. Gan Jia Yue shall hold office until the first annual general meeting after his appointment, and be eligible for re-election at that 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-election 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).

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.

The re-election of each of Mr. Li Shu Fu, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui, Ms. Wei Mei and Mr. Gan Jia Yue 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, 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

# DIRECTORS' REPORT

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 shares<br>*Long position* | <br>*Short position* | Approximate percentage or attributable percentage of shareholding<br>*(%)* |
|---|---|---|---|---|
| **Shares** | | | | |
| Mr. Li Shu Fu *(Note 1)* | Interest in controlled corporations | 4,215,888,000 | – | 41.92 |
| Mr. Li Shu Fu | Personal | 23,140,000 | – | 0.23 |
| Mr. Li Dong Hui, Daniel | Personal | 5,004,000 | – | 0.05 |
| Mr. Gui Sheng Yue | Personal | 17,877,000 | – | 0.18 |
| Mr. An Cong Hui | Personal | 7,876,000 | – | 0.08 |
| Mr. Ang Siu Lun, Lawrence | Personal | 4,000,000 | – | 0.04 |
| Mr. Gan Jia Yue | Personal | 2,230,200 | – | 0.02 |
| 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 (excluding those held directly by Mr. Li Shu Fu), representing approximately 41.92% of the total issued share capital of the Company as at 31 December 2022. 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.

# DIRECTORS' REPORT

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

| Name of Director | Nature of interests | Number or attributable number of underlying shares *Long position* | *Short position* | Approximate percentage or attributable percentage of shareholding *(%)* |
|---|---|---|---|---|
| **Share Options/Share Awards** | | | | |
| Mr. Gui Sheng Yue | Personal | 13,500,000 *(Note 1)* | – | 0.13 |
| Mr. Li Dong Hui, Daniel | Personal | 14,000,000 *(Note 1)* | – | 0.14 |
| Mr. An Cong Hui | Personal | 22,000,000 *(Note 1)* | – | 0.22 |
| Mr. Ang Siu Lun, Lawrence | Personal | 3,000,000 *(Note 1)* | – | 0.03 |
| Ms. Wei Mei | Personal | 7,000,000 *(Note 1)* | – | 0.07 |
| Mr. Gan Jia Yue | Personal | 8,000,000 *(Note 1)* | – | 0.08 |
| Mr. Gan Jia Yue | Personal | 4,200,000 *(Note 2)* | – | 0.04 |

*Notes:*

(1) 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 2022.

(2) The interest relates to the restricted share awards of the Company (which were unvested share awards granted under the share award scheme of the Company adopted on 30 August 2021), representing 0.04% of the issued share capital of the Company as at 31 December 2022.

# DIRECTORS' REPORT

**(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/ amount of contribution to the registered capital in the associated corporations Long position | Short position | Approximate percentage of shareholding (%) |
|---|---|---|---|---|
| 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 | RMB938,074,545 *(Note 2)* | – | 91.08 |
| Mr. Li Shu Fu | Zhejiang Geely Automobile Company Limited | RMB2,069,907,337 *(Note 3)* | – | 72.40 |
| 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 |
| Mr. Li Shu Fu | Hunan Geely Automobile Components Company Limited | US$885,000 *(Note 7)* | – | 1 |
| Mr. Li Shu Fu | ZEEKR Intelligent Technology Holding Limited | 522,000,000 *(Note 8)* | – | 22.93 |
| Mr. An Cong Hui | ZEEKR Intelligent Technology Holding Limited | 68,000,000 *(Note 9)* | – | 2.99 |
| Mr. Li Dong Hui, Daniel | ZEEKR Intelligent Technology Holding Limited | 20,000,000 *(Note 10)* | – | 0.88 |
| Mr. Gui Sheng Yue | ZEEKR Intelligent Technology Holding Limited | 10,000,000 *(Note 11)* | – | 0.44 |
| Ms. Wei Mei | ZEEKR Intelligent Technology Holding Limited | 5,800,000 *(Note 12)* | – | 0.25 |
| Mr. Gan Jia Yue | ZEEKR Intelligent Technology Holding Limited | 4,000,000 *(Note 13)* | – | 0.18 |

# 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 72.40% by Geely Holding, as to 1.61% by other Mr. Li Shu Fu 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) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.18%-owned by Mr. Gan Jia Yue, an executive Director, and his associate.

# DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2022, 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 2022, 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 | – | 26.22 |
| Geely Holding *(Note 1)* | Interest in controlled corporations | 4,019,391,000 | – | 39.97 |
| Geely Group Limited *(Note 1)* | Beneficial owner | 196,497,000 | – | 1.95 |
| Zhejiang Geely *(Note 2)* | Beneficial owner | 796,562,000 | – | 7.92 |

# 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 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 is a limited liability company incorporated in the PRC and is owned as to 72.40% by Geely Holding, as to 1.61% by other Mr. Li Shu Fu 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. 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. Mr. Gan Jia Yue is a director of Zhejiang Geely.

Save as disclosed above, as at 31 December 2022, 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's share option scheme ("2012 Option Scheme") and the related accounting policy are set out in notes 38 and 4(p) to the consolidated financial statements, respectively.

The 2012 Option Scheme that was in effect during the year ended 31 December 2022 was adopted by an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012. Based on 7,474,860,450 ordinary shares of HK$0.02 each in the share capital of the Company (the "Shares") in issue as at the date of the annual general meeting held on 18 May 2012, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the 2012 Option Scheme was 747,486,045 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the 2012 Option Scheme and approximately 7.43% of the total number of issued shares of the Company as at the date of this annual report.

The 2012 Option Scheme expired on 18 May 2022 and accordingly the Company did not have any options available to be granted under the 2012 Option Scheme as at 31 December 2022. The total number of securities available for issue in relation to all the outstanding options under the 2012 Option Scheme as at 31 December 2022 was 544,990,000 Shares, representing approximately 5.42% of the total issued share capital of the Company as at 31 December 2022.

# DIRECTORS' REPORT

### Proposed Adoption of 2023 Share Option Scheme and the Amendments to the 2021 Share Award Scheme

Pursuant to the proposed amendments to Listing Rules relating to share schemes of listed issuers and housekeeping rule amendment published by the Stock Exchange in July 2022 ("Consultation Conclusions"), Chapter 17 of the Listing Rules is amended to govern both share option schemes and share award schemes with effect from 1 January 2023 (the "New Chapter 17").

The Board is pleased to announce that on 23 December 2022, it resolved to propose (i) adopting the 2023 share option scheme (the "2023 Share Option Scheme"); and (ii) amending the terms of the existing share award scheme of the Company adopted on 30 August 2021 (the "2021 Share Award Scheme"), in compliance with the requirements under the New Chapter 17, details of which were set out in the Company's announcement dated 23 December 2022.

The 2023 Share Option Scheme and the amendments to the 2021 Share Award Scheme are subject to the Shareholders' approval at the extraordinary general meeting of the Company to be convened and held on 28 April 2023. Further details of the 2023 Share Option Scheme and the amendments to the 2021 Share Award Scheme were set out in the Company's circular dated 6 April 2023.

The 2023 Share Option Scheme shall take effect on the adoption date and is conditional upon (i) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be allotted and issued by the Company pursuant to the 2023 Share Option Scheme; and (ii) the passing of the necessary resolution to approve and adopt the 2023 Share Option Scheme by the Shareholders at the extraordinary general meeting of the Company to be convened and held on 28 April 2023.

# DIRECTORS' REPORT

Details of the share options and share awards granted to each participant or category of participants involving new Shares under the 2012 Option Scheme and the 2021 Share Award Scheme for the year are as follows:

| | Date of grant | Vesting period | Exercise period From | Exercise period To | Exercise/ purchase price *HK$* | Outstanding options/ unvested share awards as at 1.1.2022 | Granted during the year | Share options exercised/ share awards vested during the year | Reallocated upon appointment or retirement during the year | Administrated during the year (Note 7) | Lapsed during the year | Outstanding options/ unvested share awards as at 31.12.2022 | Price of share prior to the grant date of share options and awards during the year *HK$* | Price of share prior to the exercise/ vesting date of share options and awards during the year (Note 8) *HK$* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors and their associates** | | | | | | | | | | | | | | |
| Mr. An Cong Hui | | | | | | | | | | | | | | |
| – Share options | 15-01-21 | (Note 1) | 15-01-23 | 14-01-28 | 32.70 | 22,000,000 | – | – | – | – | – | 22,000,000 | – | – |
| Mr. Ang Siu Lun, Lawrence | | | | | | | | | | | | | | |
| – Share options | 15-01-21 | (Note 1) | 15-01-23 | 14-01-28 | 32.70 | 3,000,000 | – | – | – | – | – | 3,000,000 | – | – |
| Mr. Gan Jia Yue | | | | | | | | | | | | | | |
| – Share options | 15-01-21 | (Note 1) | 15-01-23 | 14-01-28 | 32.70 | – | – | – | 8,000,000 | – | – | 8,000,000 | – | – |
| – Share awards | 30-08-21 | (Note 2) | Not applicable | | 0.02 | 5,600,000 | – | (1,278,200) | – | – | (121,800) | 4,200,000 | – | 16.44 |
| Mr. Gui Sheng Yue | | | | | | | | | | | | | | |
| – Share options | 15-01-21 | (Note 1) | 15-01-23 | 14-01-28 | 32.70 | 13,500,000 | – | – | – | – | – | 13,500,000 | – | – |
| Mr. Li Dong Hui, Daniel | | | | | | | | | | | | | | |
| – Share options | 15-01-21 | (Note 1) | 15-01-23 | 14-01-28 | 32.70 | 14,000,000 | – | – | – | – | – | 14,000,000 | – | – |
| Ms. Wei Mei | | | | | | | | | | | | | | |
| – Share options | | | | | | | | | | | | | | |
| – Tranche 1 | 23-03-12 | (Note 3) | 23-03-12 | 14-01-28 | 4.07 | 105,000 | – | (105,000) | – | – | – | – | – | 20.00 |
| – Tranche 6 | 15-01-21 | (Note 1) | 15-01-23 | 14-01-28 | 32.70 | 7,000,000 | – | – | – | – | – | 7,000,000 | – | – |

# DIRECTORS' REPORT

| | Date of grant | Vesting period | Exercise period From | Exercise period To | Exercise/ purchase price HK$ | Outstanding options/ unvested share awards as at 1.1.2022 | Granted during the year | Share options exercised/ share awards vested during the year | Reallocated upon appointment or retirement during the year | Administrated during the year (Note 7) | Lapsed during the year | Outstanding options/ unvested share awards as at 31.12.2022 | Price of share prior to the grant date of share options and awards during the year HK$ | Price of share prior to the exercise/ vesting date of share options and awards during the year (Note 8) HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Yang Jian | | | | | | | | | | | | | | |
| – Share options | 15-01-21 | (Note 1) | 15-01-23 | 14-01-28 | 32.70 | 3,000,000 | – | – | (3,000,000) | – | – | – | – | – |
| **Other employee participants** | | | | | | | | | | | | | | |
| – Share options | | | | | | | | | | | | | | |
| – Tranche 1 | 23-03-12 | (Note 3) | 23-03-12 | 22-03-22 | 4.07 | 2,300,000 | – | (2,300,000) | – | – | – | – | – | 19.28 |
| – Tranche 2 | 31-03-17 | (Note 4) | 31-03-18 | 30-03-22 | 12.22 | 1,300,000 | – | – | – | – | (1,300,000) | – | – | – |
| – Tranche 3 | 07-09-18 | (Note 5) | 07-09-19 | 06-09-23 | 15.96 | 600,000 | – | – | – | – | – | 600,000 | – | – |
| – Tranche 4 | 14-01-20 | (Note 6) | 14-01-21 | 13-01-25 | 16.04 | 790,000 | – | – | – | – | – | 790,000 | – | – |
| – Tranche 5 | 15-01-21 | (Note 1) | 15-01-23 | 14-01-28 | 32.70 | 511,600,000 | – | – | (5,000,000) | – | (30,500,000) | 476,100,000 | – | – |
| – Share awards | 30-08-21 | (Note 2) | Not applicable | | 0.02 | 153,899,299 | – | (34,680,093) | – | (168,953) | (10,028,206) | 109,022,047 | – | 16.44 |

Note 1: Such share options will be vested in tranches of 20% each commencing from the second anniversary date following the date of grant for 5 years and could be exercised until the expiry of these share options on 14 January 2028. As at 31 December 2022, all these share options were unvested.

Note 2: Such share awards would be vested in tranches of 25% each on each anniversary date following the date of grant for four years.

Note 3: Such share options would be vested in tranches of 10% each commencing on the date of grant immediately and on each anniversary date following the date of grant for nine years. As at 31 December 2022, all these share options were fully vested and expired.

Note 4: Such share options would be vested in tranches of 25% each on each anniversary date following the date of grant for four years and could be exercised until the expiry of these share options on 30 March 2022. As at 31 December 2022, all these share options were fully vested and expired.

# DIRECTORS' REPORT

Note 5: Such share options would be vested in tranches of 25% each on each anniversary date following the date of grant for four years and could be exercised until the expiry of these share options on 6 September 2023. As at 31 December 2022, all these share options were fully vested.

Note 6: Such share options would be vested in tranches of 25% each on each anniversary date following the date of grant for four years and could be exercised until the expiry of these share options on 13 January 2025. As at 31 December 2022, 395,000 share options were unvested.

Note 7: Such share awards were retained and held by BOCI Prudential Trustee Limited, a professional and independent trustee appointed by the Company, for administration purpose.

Note 8: The stated price was the weighted average closing price of the ordinary shares immediately before the date on which the share options were exercised and share awards were vested.

Note 9: No share option or share award has been granted to service provider(s) (as defined under New Chapter 17).

Number of the options available for grant as at 1 January 2022 and 31 December 2022 are as follows:

| | **As at 1 January 2022** | **As at 31 December 2022** |
|---|---|---|
| **Share options under the 2012 Option Scheme** | | |
| Under the mandate limit | **44,076,045** | **–** |

## SHARE AWARDS

### Share award scheme of the Company

Particulars of the 2021 Share Award Scheme and the related accounting policy are set out in notes 38 and 4(p) to the consolidated financial statements, respectively.

The Company has adopted the 2021 Share Award Scheme pursuant to resolutions 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. Details of the 2021 Share Award Scheme were set out in the announcement of the Company dated 30 August 2021.

The maximum number of Shares which could be granted under the 2021 Share Award Scheme is 350,000,000, representing approximately 3.48% of the total number of issued shares of the Company as at the date of this annual report, which could be satisfied by way of new shares to be issued or existing shares to be purchased from the secondary market.

Following the adoption of the 2021 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 Shares under the general mandate to issue Shares granted by its Shareholders to the Directors at the annual general meeting held on 24 May 2021. As at 31 December 2022, the number of Shares available for future grant under the 2021 Share Award Scheme was 200,650,707, representing 2.00% of the total issued share capital of the Company as at the date of this report.

# DIRECTORS' REPORT

Unless approved by the Company's Shareholders in a general meeting, the maximum number of Shares granted or cumulatively granted to a selected participant at any point in time shall not exceed 1% of the Company's issued share capital on the adoption date of the 2021 Share Award Scheme.

The Shares being granted with respect to a selected participant will vest in 4 tranches of 25% each year from 30 August 2022 to 30 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 of HK$0.02 per Share 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. For the avoidance of doubt, Mr. Gan Jia Yue has subsequently become a connected person of the Company after his appointment as an executive director of the Company since 25 July 2022.

As at 31 December 2022, 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 2021 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.

Movement in the number of award Shares during the year are as follows:

| | **2022** |
|---|---|
| Balance at 1 January | **159,499,299** |
| Granted | **–** |
| Vested | **(35,958,293)** |
| Lapsed | **(10,150,006)** |
| Balance at 31 December | **113,391,000** |

The 2021 Share Award Scheme will be valid and effective from the adoption date (i.e. 30 August 2021) and will terminate on the earlier of (i) the tenth (10th) anniversary date of the adoption date; and (ii) such date of early termination as determined by the Board, provided that such termination will not affect any subsisting rights of any selected participant under the 2021 Share Award Scheme.

The Board is pleased to announce that on 23 December 2022, it resolved to propose amending the 2021 Share Award Scheme to bring it in line with the New Chapter 17. The proposed amendments to the 2021 Share Award Scheme is subject to the approval of the Shareholders at the extraordinary general meeting of the Company to be convened and held on 28 April 2023.

Number of the awards available for grant as at 1 January 2022 and 31 December 2022 are as follows:

| | **As at 1 January 2022** | **As at 31 December 2022** |
|---|---|---|
| **Share awards under the 2021 Share Award Scheme** | | |
| Under the mandate limit | **190,500,701** | **200,650,707** |

# DIRECTORS' REPORT

**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"). For the avoidance of doubt, ZEEKR Holding is not a principal subsidiary as defined under New Chapter 17. 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 maximum number of ordinary shares of ZEEKR Holding ("ZEEKR Shares") which could be granted under the ZEEKR Share Award Scheme is 150,000,000 ZEEKR Shares by way of new ZEEKR Shares.

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, who are not connected persons of the Company, 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.

ZEEKR Holding further granted 37,957,156 ZEEKR Award Shares to 7,761 selected participants, who are not connected persons of the Company, 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 2023; (ii) the second batch (being up to 25% of the ZEEKR Award Shares granted) will be vested on 15 April 2024; (iii) the third batch (being up to 25% of the ZEEKR Award Shares granted) will be vested on 15 April 2025; and (iv) the fourth batch (being up to 25% of the ZEEKR Award Shares granted) will be vested on 15 April 2026. The selected participants are required to pay the nominal value for the ZEEKR Award Shares.

As at 31 December 2022, the total number of ZEEKR Shares which were available for future grant under the ZEEKR Share Award Scheme was 63,972,924, representing 2.81% of the issued shares capital of ZEEKR Holding (assuming 150,000,000 ordinary shares of ZEEKR Holding reserved under ZEEKR Share Award Scheme have been fully issued) as at the date of this report.

# DIRECTORS' REPORT

For the year ended 31 December 2022, as the condition for the vesting of the ZEEKR Award Shares had not been satisfied, no ZEEKR Award Shares had been vested.

Movement in the number of ZEEKR Award Shares during the year are as follows:

| | 2022 |
|---|---|
| Balance at 1 January | **52,964,800** |
| Granted | **37,957,156** |
| Lapsed | **(4,894,880)** |
| Balance at 31 December | **86,027,076** |

The ZEEKR Share Award Scheme is valid and effective from the adoption date (i.e. 20 August 2021) and will terminate on the earlier of (i) the tenth (10th) anniversary date of the adoption date; and (ii) such date of early termination as determined by he board of ZEEKR Holding provided that such termination will not affect any subsisting rights of any selected participant under the ZEEKR Share Award Scheme.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

## PERMITTED INDEMNITY PROVISION

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 OF SIGNIFICANCE

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 39 to the consolidated financial statements.

Save as disclosed above and contracts amongst group companies, 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.

# DIRECTORS' REPORT

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report and the section headed "Connected Transactions & Continuing Connected Transactions" and note 39 to the consolidated financial statements, there was no other contract of significance entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the year ended 31 December 2022, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries was entered into during the year ended 31 December 2022.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2022.

## 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. Save as disclosed below, other related party transactions set out in note 39 to the consolidated financial statements are not connected transactions under 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 39 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

### Framework agreement on the formation of a joint venture company

Pursuant to the framework agreement dated 8 November 2022, Geely Holding, Renault s.a.s. (an independent third party) ("Renault"), and the Company agreed to set up a joint venture company in relation to internal combustion engine, hybrids and plug-in hybrids powertrains and transmissions activities and related technologies. Pursuant to such framework agreement, Geely Holding and the Company on the one hand and Renault on the other hand, will each tentatively be interested in 50%, in the joint venture company.

As at the date of the framework agreement, Geely Holding, ultimately wholly-owned by Mr. Li Shu Fu and his associate, was the substantial shareholder of the Company holding approximately 40% of the total issued share capital of the Company.

### Acquisition of Xi'an Geely

Pursuant to the acquisition agreement dated 12 December 2022, Jirun Automobile, an indirect 99% owned subsidiary of the Company, agreed to acquire, and Zhejiang Geely Automobile Manufacturing Company Limited (浙江吉利汽車製造有限公司 or "Geely Manufacturing") agreed to sell, the entire registered capital of Xi'an Geely Automobile Company Limited (西安吉利汽車有限公司 or "Xi'an Geely"), for a cash consideration of RMB382.4 million.

Xi'an Geely is principally engaged in the manufacture and sales of complete knock down kit(s) ("CKD(s)") and automobile parts and components in the PRC. Prior to the acquisition , the Group has been procuring CKDs and CKDs and automobile components from the Geely Holding Group for the use in the Geely-branded SUV models. Through the acquisition, the Group could manufacture the Geely-branded SUV models on its own and thus reduce its reliance on the Geely Holding Group in this regard.

As at the date of the acquisition agreement, Geely Manufacturing was wholly-owned by Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司), which in turn was 71.05% owned by Geely Holding. Geely Holding was ultimately wholly-owned by Mr. Li Shu Fu and his associate.

Upon completion of the acquisition, Xi'an Geely will continue to manufacture and sell CKDs and automobile components in relation to vehicle models including smart-branded vehicles to Geely Holding and its subsidiaries (collectively, the "Geely Holding Group"), therefore the Company and Geely Holding entered into the master agreement ("CKDs and Automobile Components Sales Agreement") on 12 December 2022 for a term from the completion date of the acquisition to 31 December 2025 with the largest annual cap being RMB34,109.6 million for the three years ending 31 December 2025.

As at the date of this report, the acquisition of Xi'an Geely has not been completed and the CKDs and Automobile Components Sales Agreement has not taken effect.

# DIRECTORS' REPORT

## CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group entered into certain transactions with the following connected persons, which constitute its continuing connected transactions (CCTs) under the Listing Rules:

| Name | Connected relationship as at 31 December 2022 | Numeric point below for CCTs |
|---|---|---|
| Geely Holding | It was ultimately beneficially wholly-owned by Mr. Li Shu Fu, who was an executive director and a substantial shareholder of the Company, and his associate. | 1, 3, 6, 8, 10, 11, 12, 13, 14, 16, 17 & 18 |
| Volvo Car Distribution (Shanghai) Co., Ltd. or "VCDC" | It was an indirect non wholly-owned subsidiary of Geely Holding. | 2 |
| Volvo Car (APAC) Investment Holding Co., Ltd. or "VCIC" | It was an indirect non wholly-owned subsidiary of Geely Holding. | 2 |
| LYNK & CO | It was owned as to 50% by an indirect wholly-owned subsidiary of the Company, as to 20% by Geely Holding and as to 30% by an indirect non wholly-owned subsidiary of Geely Holding, respectively. | 3, 8, 11, 12 & 13 |
| LYNK & CO Auto Sales Company Limited | It was a wholly-owned subsidiary of LYNK & CO. | 4 |
| Zhejiang Fengsheng Automobile Sales Company Limited | It was owned as to 78% by Geely Technology Group Company Limited, which was ultimately wholly-owned by Mr. Li Shu Fu and his associate and as to 22% by an independent third party. | 5 |
| ZEEKR Intelligent Technology Holding Limited | It was a connected subsidiary of the Company. | 7, 9 & 15 |
| smart Automobile Sales (Nanning) Co., Limited | It was indirectly owned as to 50% by Geely Holding and directly owned as to 50% by a third party. | 19 |

**1. Services agreement and the supplemental services agreement both between the Company and Geely Holding (the services agreement and the supplemental services agreement both have an effective term until 31 December 2024)**

- ***Sales of CKDs from the Group to the Geely Holding Group***

  Pursuant to the services agreement dated 15 October 2021 and the supplemental services agreement dated 9 September 2022, the Group agreed to supply to the Geely Holding Group the CKDs in accordance with the product specifications set out in the services agreement (as supplemented by the supplemental services agreement) with an aggregate largest annual cap of RMB163,930 million for the three years ending 31 December 2024.

# DIRECTORS' REPORT

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB98,195.5 million for sales of CKDs which did not exceed the annual cap of RMB116,226 million for sales of CKDs for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

- ***Sales of complete build-up units ("CBUs") from the Geely Holding Group to the Group***

  Pursuant to the services agreement dated 15 October 2021 and the supplemental services agreement dated 9 September 2022, the Geely Holding Group agreed to sell to the Group the CBUs with the aggregate largest annual cap of RMB169,577 million for the three years ending 31 December 2024.

  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 RMB107,154.6 million for purchases of the CBUs which did not exceed the annual caps of RMB117,729 million for purchases of CBUs for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

**2. The Volvo finance cooperation agreements amongst Genius AFC, VCDC and VCIC (the Volvo finance cooperation agreements have an effective term until 31 December 2024) (capitalised terms were defined in the circular of the Company dated 16 November 2021)**

# DIRECTORS' REPORT

- ***Wholesale facility agreements between Genius AFC and Volvo wholesale dealers (the wholesale facility agreements have an effective term until 31 December 2024)***

  Pursuant to the wholesale facility agreement dated 11 December 2015, the Company's announcement dated 15 October 2021 and circular dated 16 November 2021, Genius AFC, a jointly controlled entity owned as to 80% by the Company and 20% by BNP Paribas Personal Finance, will provide vehicles financing to Volvo wholesale dealers to facilitate their purchase of Volvo-branded vehicles with the largest annual cap being RMB6,883.4 million for the three years ending 31 December 2024.

  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 RMB2,959.3 million which, did not exceed the annual cap of RMB5,561.6 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

- ***Retail loan cooperation agreements between Genius AFC and Volvo retail customers (the retail loan cooperation agreements have an effective term until 31 December 2024)***

  Pursuant to the retail loan cooperation agreement dated 11 December 2015, the Company's announcement dated 15 October 2021 and circular dated 16 November 2021, 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 RMB10,473.0 million for the three years ending 31 December 2024.

  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 RMB6,108.4 million which, did not exceed the annual cap of RMB7,785.2 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

# DIRECTORS' REPORT

3. **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 RMB18,232.5 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 RMB6,395.1 million which, did not exceed the annual cap of RMB15,527.6 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

4. **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 RMBNil which, did not exceed the annual cap of RMB675.0 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

# DIRECTORS' REPORT

- ***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 RMB5,207.7 million which, did not exceed the annual cap of RMB13,303.5 million for the year ended 31 December 2022 as approved the independent shareholders of the Company.

5. **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 RMB7.8 million which, did not exceed the annual cap of RMB120.5 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

# DIRECTORS' REPORT

6. **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 RMB75.7 million which, did not exceed the annual cap of RMB377.9 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

7. **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 RMB3,646.9 million which, did not exceed the annual cap of RMB4,977.0 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

# DIRECTORS' REPORT

8. **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 RMB24,644.7 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 RMB11,011.6 million which, did not exceed the annual cap of RMB13,750.9 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

9. **Automobile components procurement agreement and the supplemental automobile components procurement agreement both between the Company and ZEEKR (the automobile components procurement agreement and the supplemental automobile components procurement agreement both have an effective term until 31 December 2023)**

Pursuant to the automobile components procurement agreement dated 2 July 2021 and the supplemental automobile components procurement agreement dated 9 September 2022, 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 RMB3,942 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 RMB1,910.9 million which, did not exceed the annual cap of RMB3,749 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

# DIRECTORS' REPORT

**10. Automobile components procurement agreement between the Company and Geely Holding (the automobile components procurement agreement has an effective term until 31 December 2024)**

Pursuant to the automobile components procurement agreement dated 15 October 2021, the Group agreed to procure from the Geely Holding Group, automobile components, with the largest annual cap being RMB9,220.2 million for the three years ended 31 December 2024.

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 RMB4,575.6 million which, did not exceed the annual cap of RMB6,779.3 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

**11. R&D services and technology licensing agreement 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 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 RMB10,053.1 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 RMB8,449.1 million which, did not exceed the annual cap of RMB9,568.2 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

# DIRECTORS' REPORT

12. **R&D services and technology licensing agreement 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 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 RMB4,364.0 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 RMB3,924.9 million which, did not exceed the annual cap of RMB4,027.9 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

13. **Operation services agreement amongst the Company, Geely Holding and the LYNK & CO (the operation services agreement has an effective term until 31 December 2024)**

Pursuant to the operation services agreement dated 15 October 2021, 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 RMB2,708.3 million for the three years ending 31 December 2024.

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 RMB1,140.6 million which, did not exceed the annual cap of RMB1,954.2 million for the year ended 31 December 2022 as set by the Company.

# DIRECTORS' REPORT

**14. Operation services agreement between the Company and Geely Holding (the operation services agreement has an effective term until 31 December 2024)**

Pursuant to the operation services agreement dated 15 October 2021, the Group agreed to procure from the Geely Holding Group, operation services that mainly include but not limited to business travel services and after-sales services, with the largest annual cap being RMB484.6 million for the three years ending 31 December 2024.

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 RMB331.2 million which, did not exceed the annual cap of RMB388.6 million for the year ended 31 December 2022 as set by the Company.

**15. ZEEKR operation services agreement and the supplemental ZEEKR operation services agreement both between the Company and the ZEEKR (the ZEEKR operation services agreement and the supplemental ZEEKR operation services agreement both have an effective term until 31 December 2023)**

Pursuant to the ZEEKR operation services agreement dated 2 July 2021 and the supplemental ZEEKR operation services agreement dated 29 March 2022, 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 RMB930.9 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 RMB435.6 million which, did not exceed the annual cap of RMB596.6 million for the year ended 31 December 2022 as set by the Company.

# DIRECTORS' REPORT

**16. CBUs sales agreement between the Company and Geely Holding (the CBUs sales agreement has an effective term until 31 December 2024)**

Pursuant to the CBUs sales agreement dated 15 October 2021, 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 RMB4,244.3 million for the three years ending 31 December 2024.

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 RMB2,056.3 million which, did not exceed the annual cap of RMB2,815.0 million for the year ended 31 December 2022 as set by the Company.

**17. 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 RMB4,212.8 million which, did not exceed the annual cap of RMB9,163.7 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

# DIRECTORS' REPORT

**18. 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 both 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 RMB58,836.5 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 RMB36,046.9 million which, did not exceed the annual cap of RMB44,855.6 million for the year ended 31 December 2022 as approved by the independent shareholders of the Company.

**19. Smart finance cooperation agreement between Genius AFC and smart Automobile Sales (Nanning) Co., Limited) ("smart Sales") (the smart finance cooperation agreement has an effective term until 31 December 2023)**

Pursuant to the smart finance cooperation agreement dated 9 September 2022, Genius AFC agreed to provide vehicle financing services to the smart retail customers to assist them to purchase smart-branded vehicles. The largest annual cap under the smart finance cooperation agreement is RMB670.0 million for the two 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 RMB101.4 million which, did not exceed the annual cap of RMB134.0 million for the year ended 31 December 2022 as set by 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 (Revised) "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 Rule 14A.56 of the Listing Rules. 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 to 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 2022.

## DONATIONS

During the year ended 31 December 2022, the Group donated approximately RMB2,457,000 (2021: RMB1,044,000) to support the community activities.

## 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, 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 38 to the consolidated financial statements.

# DIRECTORS' REPORT

## 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.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's five largest suppliers and the largest supplier are 38.7% and 14.7%, 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 8.9% and 2.5% respectively, of the Group's total revenue for the year.

During the year, the following companies were the Group's largest and second-largest customers, fifth-largest customer and fourth-largest supplier, largest supplier, and third-largest supplier, respectively: Yuyao LYNK & CO Auto Parts Company Limited (余姚領克汽車部件有限公司), Ningbo Geely Automobile R&D Company Limited (寧波吉利汽車研究開發有限公司), Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司), Ningbo Hangzhou Bay Geely Automobile Components Company Limited (寧波杭州灣吉利汽車部件有限公司), and Xi'an Geely Automobile Company Limited (西安吉利汽車有限公司). These related companies are controlled by Mr. Li Shu Fu, who is an executive director and substantial shareholder of the Company, and his associates.

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 033 to 060 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 Ms. Gao Jie, Mr. An Qing Heng, Mr. Wang Yang and Ms. Lam Yin Shan, Jocelyn who are the independent non-executive directors of the Company.

## FACILITY AGREEMENT WITH COVENANT OF THE CONTROLLING SHAREHOLDERS

On 26 August 2022, the Company as the borrower entered into a facility agreement (the "Facility Agreement") with The Hongkong and Shanghai Banking Corporation Limited (the "Agent") as the coordinator and agent for a syndicate of banks pursuant to which a term loan facility in the principal amount of up to US$400,000,000 has been granted to the Company for a term of three years. The purpose of the loan facility is to finance the general corporate purposes of the Group in accordance with the sustainable finance framework (the "Sustainable Finance Framework") of the Company to finance and/or refinance any Eligible Green Project (as defined in the Sustainable Finance Framework) and/or Eligible Social Project (as defined in the Sustainable Finance Framework).

# DIRECTORS' REPORT

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

## SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires at least 25% of the issued share capital of the Company to be held in public hands.

Based on the information available and within the knowledge of the Directors as at the latest practicable date prior to the issue of the annual report, the Company has maintained the prescribed public float as required under the Listing Rules.

## COMPETING BUSINESSES

The Group is principally engaged in the research, production, marketing and sales of vehicles and related automobile components in the PRC. Geely Holding, which is ultimately owned by Mr. Li Shu Fu 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 Shu Fu 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 Shu Fu 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 entered into heads of agreement for the acquisition of 49.9% of the issued and paid-up ordinary share capital of Proton Holdings Bhd. ("Proton") (the "Proton Acquisition"). Proton is a manufacturer 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 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. At present, the Group primarily produces left-hand drive vehicles, which are mainly exported to developing countries such as Asia, Eastern Europe and the Middle East. As such, Proton is considered to be operating in a different market that can be distinguished from the business of the Group.

On 20 January 2023, Linkstate Overseas Limited (as purchaser, a direct wholly-owned subsidiary of the Company) and Geely International (Hong Kong) Limited (as seller) entered into the agreement to purchase the sale shares of Proton, representing 49.9% of the issued and paid-up ordinary share capital of Proton, at a consideration of RMB1,063 million and the sale loan at a consideration of US$56,390,000 (equivalent to approximately RMB393.7 million) (the "PHB Acquisition"). Immediately after completion of the PHB Acquisition, the Group will hold 49.9% of the issued and paid-up ordinary share capital of Proton and will account for Proton's financial results by way of equity method. It is expected that completion of the PHB Acquisition will take place on or before 30 April 2023 and the potential competing business between the Group and Proton would no longer exist upon completion of the PHB Acquisition.

# DIRECTORS' REPORT

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

The Group's passenger vehicle products include two brands, namely, Geely 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, London Electric Vehicle Company, Livan and smart. 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 two major brands: Geely 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, and Geely brand includes three major product series, namely Geely Star series, Geome series and Galaxy series. Among them, Geely Star series is focused on the fuel vehicle market, the Geome series targets the mass market for pure electric vehicle market, and the Galaxy series is positioned as a mass market for mid-to-high-end new energy vehicles. The ZEEKR brand is a new luxury 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 Ningbo Geely (the Group's wholly-owned subsidiary), Geely Holding and VCI, adopts a more premium product positioning than the Group's economy passenger vehicles under Geely brand and the positioning of the luxury smart pure electric vehicles of the ZEEKR brand is higher-end than that of Lynk&Co brand; 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 2022, 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 2022, Geely Holding indirectly held 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 UK PLC. Polestar Automotive Holding UK PLC is owned as to 39.3% by PSD Investment Limited and as to 48.3% 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 2022, 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 and ZEEKR.

*Lavin*
Lavin is an electric mobility brand focusing on battery swapping business models. Lavin is jointly established by the Group and Lifan Technology, with 50% equity held by both parties respectively. The vision of Lavin is to create a new pattern of battery swapping in the new energy era. The goal is to shape the perception of intergenerational advantage, to advocate the life style of battery swapping, and to create new value and changes for the industry. Lavin positions itself as popularizing convenient commute with battery swapping. Lavin has released a number of battery swapping models, which not only focus on the operation market, but also provide more choices for consumers. The business-end and customer-end drive the business growth at the same time. Lavin has obvious differentiations with the Group's major brands, namely Geely and ZEEKR, regarding product positioning, targeted market segment and business operation models.

*smart*
smart is a vehicle brand of the joint venture company and owned as to 50% each by Geely Holding Automobile and a third party, respectively. With more than 25 years of brand awareness, the tonality of the brand mainly emphasizes light luxury, fashionable interest and intelligence, highlighting internal and external style design, personalized use function and experience and aiming at the targeted user group that pursues light luxury/fashionable interest/technological experience. The pricing of the first model of smart and the price range of other brands formed a strong complementary relationship. In terms of sales market, smart naturally have the advantage of centering on two major markets, China and Europe. Especially, the brand recognition is stronger in the European market than that of other brands. smart targets the middle class customers who prefer smaller size vehicles which are more applicable for individual use. There are clear differences between smart and the Group's major brands, namely Geely and ZEEKR, in terms of targeted users, brand positioning and sales market.

Businesses controlled by the controlling shareholder, such as Lotus, Polestar, LEVC, Livan and smart 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.

# DIRECTORS' REPORT

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 2022, neither Mr. Li Shu Fu 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 2022, none of the Directors nor any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## AUDITOR

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

On behalf of the Board

**Li Shu Fu**
*Chairman*
21 March 2023

# 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 (collectively the "Group") set out on pages 112 to 294, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

## Basis for opinion

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

# INDEPENDENT AUDITOR'S REPORT

## Key audit matters

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

**Impairment assessment of intangible assets**

Refer to notes 5 and 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**

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 2022, intangible assets of approximately RMB22,547,705,000 represented capitalised product development costs related to cash-generating unit ("CGU").

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 2022.

**How the matter was addressed in our audit**

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

- Obtained an understanding of the Group's internal controls and processes of impairment assessment;
- Assessed the valuation methodology adopted by management;
- 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;
- Assessed the reasonableness of key assumptions, including growth rate and discount rate, based on our knowledge of the business and industry;
- Involved an independent and qualified valuation specialist to assess the reasonableness of discount rate used by management; and
- Reconciled input data to supporting evidence, such as approved budgets and considered the reasonableness of these budgets.

## Key audit matters (Continued)

**Revenue recognition on sales of automobile, automobile parts and components and battery packs and related parts**

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

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| For the year ended 31 December 2022, the revenue of the Group amounted to approximately RMB147,964,647,000 of which approximately RMB139,580,411,000 was contributed from the sales of automobiles, automobile parts and components and battery packs and related parts.<br><br>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. | 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:<br><br>– 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;<br><br>– 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;<br><br>– Performed analytical review on revenue and gross margin by automobile products categories to identify significant or unusual fluctuation on revenue;<br><br>– Assessed, on a sample basis, whether specific revenue transactions around the end of the reporting period 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<br><br>– Obtained external confirmation to verify the outstanding trade receivables balances at the end of the reporting period directly from customers, on a sample basis. |

# INDEPENDENT AUDITOR'S REPORT

## Key audit matters (Continued)

**Recognition of gain on bargain purchase upon subscription for an associate**

Refer to note 18 to the consolidated financial statements and the accounting policy as set out in note 4(d) to the consolidated financial statements.

**The key audit matter**

For the year ended 31 December 2022, the Group recognised a gain on bargain purchase of approximately RMB1,749,734,000 upon subscription for 45,375,000 common shares of Renault Korea Motors Co., Ltd. ("Renault Korea"), which is accounted for as an associate by the Group.

We identified the gain on bargain purchase upon subscription for an associate as a key audit matter because of its financial significance to the consolidated financial statements. This gain arises when the consideration paid for a subscription is less than the fair value of the assets and liabilities acquired.

**How the matter was addressed in our audit**

Our audit procedures in relation to the recognition of gain on bargain purchase upon subscription for an associate included the following:

– Assessed the business rationale for the subscription, including the strategic reasons for the investment and the expected benefits to the Group;

– Evaluated the accuracy and completeness of the financial and non-financial information provided by the Group relating to the shares subscription, including the valuation report of assets and liabilities of Renault Korea at the completion date;

– Evaluated the independent valuer's competence, capabilities and objectivity;

– Obtained an understanding from the independent valuer about the valuation methodologies, significant unobservable inputs and critical judgement on key inputs and data used in the valuations;

– Reviewed any relevant contractual agreements, legal documentation, and other relevant information related to the shares subscription; and

– Performed analytical procedures to assess the reasonableness of the gain on bargain purchase and other financial statement amounts.

## Other information

The directors are responsible for the other information. The other information comprises all the information included in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## Responsibilities of the directors for the consolidated financial statements

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

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

The directors 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.

# INDEPENDENT AUDITOR'S REPORT

## 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 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

21 March 2023

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

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Revenue** | 6 | **147,964,647** | 101,611,056 |
| Cost of sales | | **(127,069,010)** | (84,198,821) |
| **Gross profit** | | **20,895,637** | 17,412,235 |
| Other income | 8 | **1,156,773** | 1,339,074 |
| Distribution and selling expenses | | **(8,228,085)** | (6,322,762) |
| Administrative expenses | | **(10,293,757)** | (7,907,530) |
| Impairment loss on trade and other receivables | 9(c) | **(2,668)** | (128,290) |
| Impairment loss on interest in a joint venture | 19 | **(138,632)** | – |
| Gain on bargain purchase upon subscription for an associate | 18 | **1,749,734** | – |
| Share-based payments | 38 | **(1,488,910)** | (1,212,699) |
| Finance income, net | 9(a) | **380,472** | 280,155 |
| Share of results of associates | 18 | **(179,424)** | 57,984 |
| Share of results of joint ventures | 19 | **830,801** | 1,147,008 |
| **Profit before taxation** | 9 | **4,681,941** | 4,665,175 |
| Taxation | 10 | **(32,278)** | (312,167) |
| **Profit for the year** | | **4,649,663** | 4,353,008 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **5,260,353** | 4,847,448 |
| Non-controlling interests | | **(610,690)** | (494,440) |
| **Profit for the year** | | **4,649,663** | 4,353,008 |
| **Earnings per share** | | | |
| Basic | 12 | **RMB0.51** | RMB0.48 |
| Diluted | 12 | **RMB0.50** | RMB0.48 |

The notes on pages 120 to 294 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 2022

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

The notes on pages 120 to 294 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **32,201,419** | 30,858,504 |
| Intangible assets | 15 | **22,547,705** | 20,901,178 |
| Land lease prepayments | 16 | **3,401,795** | 3,435,744 |
| Goodwill | 17 | **61,418** | 58,193 |
| Interests in associates | 18 | **3,967,117** | 609,808 |
| Interests in joint ventures | 19 | **10,268,201** | 9,594,805 |
| Trade and other receivables | 21 | **1,457,600** | 800,512 |
| Financial assets at fair value through profit or loss ("FVTPL") | 25 | **–** | 351,646 |
| Financial assets at FVOCI | 26 | **284,012** | – |
| Deferred tax assets | 35 | **4,573,149** | 2,435,192 |
| | | **78,762,416** | 69,045,582 |
| **Current assets** | | | |
| Inventories | 20 | **10,822,330** | 5,521,573 |
| Trade and other receivables | 21 | **34,392,326** | 31,549,100 |
| Income tax recoverable | | **121,020** | 140,350 |
| Derivative financial instruments | 22 | **–** | 66,892 |
| Restricted and pledged bank deposits | 23 | **386,898** | 3,912 |
| Bank balances and cash | | **33,341,339** | 28,013,995 |
| | | **79,063,913** | 65,295,822 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **65,480,717** | 57,392,790 |
| Derivative financial instruments | 22 | **80,509** | – |
| Lease liabilities | 27 | **556,579** | 198,290 |
| Bank borrowings | 28 | **–** | 1,906,740 |
| Bonds payable | 33 | **2,062,396** | – |
| Income tax payable | | **773,013** | 852,737 |
| | | **68,953,214** | 60,350,557 |
| **Net current assets** | | **10,110,699** | 4,945,265 |
| **Total assets less current liabilities** | | **88,873,115** | 73,990,847 |

| | Note | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 30 | **183,686** | 183,015 |
| Perpetual capital securities | 31 | **3,413,102** | 3,413,102 |
| Reserves | 32 | **71,533,667** | 65,010,029 |
| **Equity attributable to equity holders of the Company** | | **75,130,455** | 68,606,146 |
| **Non-controlling interests** | | **1,065,360** | 1,614,826 |
| **Total equity** | | **76,195,815** | 70,220,972 |
| **Non-current liabilities** | | | |
| Trade and other payables | 24 | **1,602,020** | 961,697 |
| Lease liabilities | 27 | **1,779,429** | 502,486 |
| Bank borrowings | 28 | **2,757,960** | – |
| Loan from a related company | 29 | **6,000,000** | – |
| Bonds payable | 33 | **–** | 1,901,137 |
| Deferred tax liabilities | 35 | **537,891** | 404,555 |
| | | **12,677,300** | 3,769,875 |
| | | **88,873,115** | 73,990,847 |

Approved and authorised for issue by the Board of Directors on 21 March 2023.

| **Li Shu Fu**<br>Director | **Gui Sheng Yue**<br>Director |
|---|---|

The notes on pages 120 to 294 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 30) | Perpetual capital securities RMB'000 (note 31) | Share premium RMB'000 (note 32(a)) | Capital reserve RMB'000 (note 32(b)) | Statutory reserve RMB'000 (note 32(c)) | Fair value reserve (recycling) RMB'000 (note 32(d)) | Translation reserve RMB'000 (note 32(f)) | Share-based compensation reserve RMB'000 (note 32(g)) | Retained profits RMB'000 (note 32(h)) | 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 FVOCI | – | – | – | – | – | (5,950) | – | – | – | (5,950) | (93) | (6,043) |
| Share of other comprehensive expense of associate and joint venture | – | – | – | – | – | (20,381) | 6,349 | – | – | (14,032) | – | (14,032) |
| Exchange differences on translation of financial statements of foreign operations | – | – | – | – | – | – | (44,857) | – | – | (44,857) | 9,415 | (35,442) |
| Total comprehensive income for the year | – | 127,388 | – | – | – | (26,331) | (38,508) | – | 4,720,060 | 4,782,609 | (485,118) | 4,297,491 |
| Transactions with owners: | | | | | | | | | | | | |
| Transfer of reserves | – | – | – | – | 441 | – | – | – | (579) | (138) | – | (138) |
| Shares issued under share option scheme (note 30(a)) | 91 | – | 38,455 | – | – | – | – | (7,812) | – | 30,734 | – | 30,734 |
| Equity settled share-based payments (note 38) | – | – | – | – | – | – | – | 1,546,822 | – | 1,546,822 | – | 1,546,822 |
| Acquisition of a subsidiary (note 40) | – | – | – | – | – | – | – | – | – | – | 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 41(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 |

For the year ended 31 December 2022

| | Attributable to equity holders of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 30) | Perpetual capital securities RMB'000 (note 31) | Share premium RMB'000 (note 32(a)) | Capital reserve RMB'000 (note 32(b)) | Statutory reserve RMB'000 (note 32(c)) | Fair value reserve (recycling) RMB'000 (note 32(d)) | Fair value reserve (non-recycling) RMB'000 (note 32(e)) | Translation reserve RMB'000 (note 32(f)) | Share-based compensation reserve RMB'000 (note 32(g)) | Retained profits RMB'000 (note 32(h)) | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| **Balance at 1 January 2022** | 183,015 | 3,413,102 | 17,205,492 | (2,871,342) | 708,079 | (175,286) | - | (91,022) | 1,562,619 | 48,671,489 | 68,606,146 | 1,614,826 | 70,220,972 |
| Profit for the year | - | 137,476 | - | - | - | - | - | - | - | 5,122,877 | 5,260,353 | (610,690) | 4,649,663 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Change in fair value of notes receivable at FVOCI | - | - | - | - | - | 63,756 | - | - | - | - | 63,756 | 644 | 64,400 |
| Share of other comprehensive expense of associate and joint venture | - | - | - | - | - | - | - | (20,328) | - | - | (20,328) | - | (20,328) |
| Exchange differences on translation of financial statements of foreign operations | - | - | - | - | - | - | - | 89,262 | - | - | 89,262 | (2,814) | 86,448 |
| Change in fair value of equity investments at FVOCI | - | - | - | - | - | - | (95,958) | - | - | - | (95,958) | - | (95,958) |
| Total comprehensive income for the year | - | 137,476 | - | - | - | 63,756 | (95,958) | 68,934 | - | 5,122,877 | 5,297,085 | (612,860) | 4,684,225 |
| Transactions with owners: | | | | | | | | | | | | | |
| Transfer of reserves | - | - | - | - | 376,514 | - | - | - | - | (376,514) | - | - | - |
| Share of capital reserve of a joint venture | - | - | - | 3,044 | - | - | - | - | - | - | 3,044 | - | 3,044 |
| Shares issued under share option scheme (note 30(a)) | 39 | - | 11,481 | - | - | - | - | - | (3,543) | - | 7,977 | - | 7,977 |
| Shares issued under share award scheme (note 30(b)) | 632 | - | 803,218 | - | - | - | - | - | (803,218) | - | 632 | - | 632 |
| Equity settled share-based payments (note 38) | - | - | - | - | - | - | - | - | 1,984,900 | - | 1,984,900 | - | 1,984,900 |
| Capital contribution from non-controlling interests (note 41(b)) | - | - | - | 1,155,816 | - | - | - | - | - | - | 1,155,816 | 108,441 | 1,264,257 |
| Distribution paid on perpetual capital securities (note 11(c)) | - | (137,476) | - | - | - | - | - | - | - | - | (137,476) | - | (137,476) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (45,047) | (45,047) |
| Final dividend approved and paid in respect of the previous year (note 11(b)) | - | - | - | - | - | - | - | - | - | (1,787,669) | (1,787,669) | - | (1,787,669) |
| Total transactions with owners | 671 | (137,476) | 814,699 | 1,158,860 | 376,514 | - | - | - | 1,178,139 | (2,164,183) | 1,227,224 | 63,394 | 1,290,618 |
| **Balance at 31 December 2022** | 183,686 | 3,413,102 | 18,020,191 | (1,712,482) | 1,084,593 | (111,530) | (95,958) | (22,088) | 2,740,758 | 51,630,183 | 75,130,455 | 1,065,360 | 76,195,815 |

The notes on pages 120 to 294 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | Note | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **4,681,941** | 4,665,175 |
| Adjustments for: | | | |
| Depreciation and amortisation | | **8,318,331** | 6,893,322 |
| Fair value changes on financial assets at FVTPL | 8 | **–** | (28,621) |
| Equity settled share-based payments | 38 | **1,488,910** | 1,212,699 |
| Finance costs | 9(a) | **550,689** | 264,829 |
| Gain on bargain purchase upon subscription for an associate | 18 | **(1,749,734)** | – |
| Gain from derecognition of financial assets at FVTPL | 8 | **(28,324)** | – |
| Impairment loss on trade and other receivables | 9(c) | **2,668** | 128,290 |
| Impairment loss on interest in a joint venture | 9(c) | **138,632** | – |
| Impairment loss on property, plant and equipment | 9(c) | **199,026** | – |
| Interest income | 9(a) | **(931,161)** | (544,984) |
| Net foreign exchange loss/(gain) | | **219,202** | (67,808) |
| Net loss on written off/disposal of property, plant and equipment | 9(c) | **39,869** | 84,513 |
| Share of results of associates | 18 | **179,424** | (57,984) |
| Share of results of joint ventures | 19 | **(830,801)** | (1,147,008) |
| Unrealised loss/(gain) on derivative financial instruments | | **147,401** | (66,892) |
| Write-down for slow-moving inventories | 9(c) | **2,742** | 49,023 |
| Operating profit before working capital changes | | **12,428,815** | 11,384,554 |
| Inventories | | **(5,303,499)** | (1,273,145) |
| Trade and other receivables | | **(131,682)** | (2,940,174) |
| Trade and other payables | | **11,106,961** | 9,374,135 |
| Cash generated from operations | | **18,100,595** | 16,545,370 |
| Income taxes paid | | **(2,082,200)** | (1,197,027) |
| *Net cash generated from operating activities* | | **16,018,395** | 15,348,343 |

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(3,515,965)** | (2,833,372) |
| Proceeds from disposal of property, plant and equipment | | **146,814** | 228,359 |
| Additions of land lease prepayments | 16 | **(52,262)** | (56) |
| Additions of intangible assets | | **(6,768,761)** | (3,266,765) |
| Initial/additional capital injection in associates | 18 | **(1,812,310)** | (60,423) |
| Initial/additional capital injection in joint ventures | 19 | **(373,200)** | (8,300) |
| Dividend received from a joint venture | | **380,000** | 888,689 |
| Proceeds from disposal of intangible assets | | **–** | 13,192 |
| Purchase of preferred share investments in an unlisted entity | | **–** | (323,025) |
| Change in restricted and pledged bank deposits | | **(382,986)** | 170,510 |
| Net cash outflows on acquisition of subsidiaries | 40 | **(645,259)** | (2,540,659) |
| Interest received | | **893,579** | 572,683 |
| *Net cash used in investing activities* | | **(12,130,350)** | (7,159,167) |
| **Cash flows from financing activities** | | | |
| Dividends paid to equity holders of the Company | 11(b) | **(1,787,669)** | (1,611,439) |
| Dividends paid to non-controlling interests | | **(45,047)** | (65,068) |
| Distribution paid on perpetual capital securities | 11(c) | **(137,476)** | (127,388) |
| Acquisition of additional interests from non-controlling interests | 41(a) | **–** | (9,804) |
| Settlement of payable for acquisition of additional interests in a subsidiary in previous year | 41(c) | **(1,807,384)** | – |
| Capital contribution from non-controlling interests | | **1,264,257** | 2,929,921 |
| Proceeds from bank borrowings | 34 | **3,819,402** | – |
| Repayment of bank borrowings | 34 | **(3,731,301)** | – |
| Advances from related companies | 34 | **7,600,000** | – |
| Repayment to related companies | 34 | **(3,085,000)** | – |
| Proceeds from issuance of shares upon vesting of award shares | 30(b) | **632** | – |
| Proceeds from issuance of shares upon exercise of share options | 30(a) | **7,977** | 30,734 |
| Payment of lease liabilities | 34 | **(611,065)** | (90,251) |
| Interest paid | 34 | **(162,243)** | (140,686) |
| *Net cash generated from financing activities* | | **1,325,083** | 916,019 |
| **Net increase in cash and cash equivalents** | | **5,213,128** | 9,105,195 |
| Cash and cash equivalents at the beginning of the year | | **28,013,995** | 18,976,843 |
| Effect of foreign exchange rate changes | | **114,216** | (68,043) |
| **Cash and cash equivalents at the end of the year, represented by bank balances and cash** | | **33,341,339** | 28,013,995 |

The notes on pages 120 to 294 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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 2022, the directors consider the immediate holding company of the Company is Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the "BVI"). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# ("Geely Holding") 浙江吉利控股集團有限公司, which is incorporated in the People's Republic of China (the "PRC") and is beneficially owned by Mr. Li Shu Fu and his associates.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 46 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 112 to 294 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 Hong Kong 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 2022

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

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

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

### 3.2 Issued but not yet effective HKFRSs

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

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

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

3 Effective date not yet determined

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

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

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

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

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

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

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies 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.

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

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

***Amendments to HKAS 8 "Definition of Accounting Estimates" (Continued)***

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

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

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

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

# 4. SIGNIFICANT ACCOUNTING POLICIES

## (a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2022 comprise the Group and the Group's interests in associates and joint ventures.

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

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

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

### (b) Basis of consolidation

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

### (c) Goodwill

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

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

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 used 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 the end of each reporting period, 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)).

### (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).

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

***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.

## (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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Inventories (Continued)

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 the end of each reporting period, 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). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

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 end of reporting period, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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, restricted and 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, restricted and 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 end of reporting period; 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.

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 end of the reporting period.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial assets (Continued)***

*Credit losses (Continued)*

Measurement of ECLs (Continued)

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 has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the end of the reporting period with that assessed at the date of initial recognition. In making this assessment, 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial assets (Continued)***

*Credit losses (Continued)*

Significant increases in credit risk (Continued)

Despite the foregoing, 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 the end of each reporting period 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 notes receivable 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 44.

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 the end of each reporting period, 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.

# 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 (Continued)

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.

***Financial liabilities***

The Group's financial liabilities include bank borrowings, loan from a related company, 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).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

***Financial liabilities (Continued)***

*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 end of reporting period.

***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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP") 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 CIP) 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 asset is set out in note 4(r).

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.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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 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.

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

Internal and external sources of information are reviewed at the end of the reporting period 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 and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

– 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.

– 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 end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would be at the end of the financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

– Reversals of impairment losses (Continued)

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 policy set out in note 4(h).

Bank balances for which used by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting the use of bank balances are disclosed in note 23.

### (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 and other contract costs

#### *(a) Revenue from contracts with customers*

<u>Sales of automobiles, automobile parts and components, battery packs and related parts and scrap materials</u>

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.

# 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (n) Revenue recognition and other contract costs (Continued)

### *(a) Revenue from contracts with customers (Continued)*

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

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".

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 delivered 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Revenue recognition and other contract costs (Continued)

#### *(a) Revenue from contracts with customers (Continued)*

*Licensing of intellectual properties*

For granting of a license that is distinct from other promised goods or services, the nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

(i) The contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual properties to which the customer has rights;

(ii) The rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and

(iii) Those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

*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)

### (n) Revenue recognition and other contract costs (Continued)

#### *(b) Other contract costs*

If the costs incurred in fulfilling a contract with a customer which are not capitalised as inventories, property, plant and equipment and intangible assets, the Group capitalises the costs incurred to fulfil a contract with a customer as an asset (included in trade and other receivables in the consolidated statement of financial position) if all of the following criteria are met:

(i) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

An asset is amortised and charged to the profit or loss on a systematic basis (i.e. in line with the recognition of the respective revenue in accordance with the terms of the contracts that is consistent with the transfer to the customer of the goods or services to which the asset relates). The asset is subject to impairment review. Other costs of fulfilling a contract, which are not capitalised, are expensed as incurred.

### (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 end of the reporting period. 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Taxation (Continued)

Deferred tax is recognised for 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 end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Taxation (Continued)

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 options 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 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 to 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 the end of each reporting period 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 most senior executive management, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

## 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 end of the reporting period, 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. During the year ended 31 December 2022, the impairment loss of RMB199,026,000 (2021: RMBNil) was provided for long-lived assets.

## 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 2022 and 2021, the carrying amounts of trade and other receivables are set out in note 21. During the year ended 31 December 2022, impairment loss of RMB2,668,000 (2021: RMB128,290,000) was recognised for 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 the end of each reporting period, 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 RMB2,742,000 (2021: RMB49,023,000) was recognised as an expense during the year ended 31 December 2022.

***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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 the end of each interim period if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy as set out in note 4(d). The assessment of value-in-use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. During the year ended 31 December 2022, the impairment losses of RMBNil (2021: RMBNil) and RMB138,632,000 (2021: RMBNil) were provided for interests in associates and interests in joint ventures, respectively.

***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 2022, deferred tax assets of RMB2,897,621,000 (2021: RMB1,216,395,000) 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 tax losses of RMB1,499,643,000 (2021: RMB2,106,943,000) as well as the deductible temporary differences of RMB289,004,000 (2021: RMB220,997,000) 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.

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

### Key sources of estimation uncertainty (Continued)

***Deferred tax (Continued)***

As at 31 December 2022, deferred tax liabilities of RMB466,530,000 (2021: RMB399,407,000) 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 RMB10,406,927,000 (2021: RMB13,364,461,000) 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 35.

***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 changes in 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. 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 44). The information about the preferred shares investments in an unlisted entity is disclosed in note 25.

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

### 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 2022 and 2021. Unanimous consent from the Group and the other investor, BNP Paribas Personal Finance ("BNPP PF") 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 BNPP PF, despite the Group has an equity interest of 80%. Also, the Group and BNPP PF 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 2022 and 2021. 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.

*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 2022 and 2021. 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 2022 and 2021. Pursuant to the joint venture agreement, the registered capital of Geely Sunwoda is 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.# ("Sunwoda") 欣旺達電動汽車電池有限公司 and Geely Automobile Group Company Limited# ("Geely Automobile Group") 吉利汽車集團有限公司, 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.

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

### Critical accounting judgements (Continued)

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

*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 2022 and 2021. Pursuant to the joint venture agreement, the registered capital of Xinyueneng is contributed as to 40% (equivalent to RMB160,000,000), 40% (equivalent to RMB160,000,000) and 20% (equivalent to RMB80,000,000) by the Group, Guangdong Xinjuneng Semiconductor Company Limited# ("Guangdong Xinjuneng") 廣東芯聚能半導體有限公司 and Guangzhou Xinhe Technology Investment Partnership (Limited Partnership)# ("Xinhe Technology") 廣州芯合科技投資合夥企業(有限合夥), respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective subscribed shareholding ratio. Certain key corporate matters shall only be decided by two-thirds of the voting rights from shareholders of Xinyueneng. Therefore, Xinyueneng is under the joint control of the Group and other shareholders because decisions about the key corporate matters cannot be made without the parties' agreement. Accordingly, the investment in Xinyueneng is classified as a joint venture of the Group and accounted for using the equity method.

*Chongqing Livan Automotive Technology Company Limited# ("Chongqing Livan") 重慶睿藍汽車科技有限公司*

The Group invested in Chongqing Livan as at 31 December 2022. Pursuant to the investment cooperation agreement, the registered capital of Chongqing Livan is contributed as to 50% (equivalent to RMB300,000,000) and 50% (equivalent to RMB300,000,000) by the Group and Lifan Technology (Group) Company Limited# ("Lifan Technology") 力帆科技(集團)股份有限公司, respectively. Shareholder's meeting is the highest authority, and the voting rights in the meeting are in proportion to respective subscribed shareholding ratio. Therefore, the Group's investment in Chongqing Livan is classified as a joint venture 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. Revenue was mainly derived from customers located in the PRC.

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

## 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 and battery packs and related parts, provision of research and development and related technological support services and licensing of related intellectual properties with similar economic characteristics. Accordingly, the executive directors review the performance of the Group as a single business segment. No separate analysis of the segment results by reportable segment is necessary.

## 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. SEGMENT INFORMATION (Continued)

### Information about a major customer

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Customer A# | 21,580,845 | Not applicable* |

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

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

## 8. OTHER INCOME

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

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):

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **(a) Finance income and costs** | | |
| **Finance costs** | | |
| Effective interest expenses on bonds payable (note 33) | **3,532** | 3,323 |
| Coupon expense on bonds payable | **68,441** | 69,316 |
| Interest on discounted notes receivable | **83,002** | 120,200 |
| Interest on lease liabilities | **64,589** | 13,396 |
| Interest on loans from related companies | **211,329** | – |
| Interest on bank borrowings wholly repayable within five years | **23,489** | 58,594 |
| Discounting effect on initial recognition of financial assets carried at amortised cost | **96,307** | – |
| | **550,689** | 264,829 |
| **Finance income** | | |
| Bank and other interest income | **(931,161)** | (544,984) |
| **Net finance income** | **(380,472)** | (280,155) |
| **(b) Staff costs (including directors' emoluments (note 13)) (note (a))** | | |
| Salaries, wages and other benefits | **6,722,023** | 6,086,427 |
| Retirement benefit scheme contributions (note (b)) | **504,617** | 421,576 |
| Equity settled share-based payments (note 38) | **1,488,910** | 1,212,699 |
| | **8,715,550** | 7,720,702 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. PROFIT BEFORE TAXATION (Continued)

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

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

Notes:

(a) Cost of inventories included RMB7,396,679,000 (2021: RMB6,222,784,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.

(b) As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: RMBNil).

## 10. TAXATION

| | **2022** **RMB'000** | 2021 RMB'000 |
|---|---|---|
| Current tax: | | |
| – PRC enterprise income tax | **2,032,646** | 1,812,234 |
| – Under/(Over)-provision in prior years | **9,160** | (18,402) |
| | **2,041,806** | 1,793,832 |
| Deferred tax (note 35) | **(2,009,528)** | (1,481,665) |
| | **32,278** | 312,167 |

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

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2021: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Also, certain PRC subsidiaries of the Group located in the western region of the PRC are engaged in the encouraged businesses. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2022 and 2021.

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

## 10. TAXATION (Continued)

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

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

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

| | **2022** **RMB'000** | 2021 RMB'000 |
|---|---|---|
| Profit before taxation | **4,681,941** | 4,665,175 |
| Tax at the PRC enterprise income tax rate of 25% (2021: 25%) | **1,170,485** | 1,166,294 |
| Tax effect of expenses not deductible | **453,393** | 262,307 |
| Tax effect of non-taxable income | **(370,558)** | (190,245) |
| Tax effect of unrecognised tax losses | **76,784** | 89,406 |
| Utilisation of previously unrecognised tax losses/deductible temporary differences | **(181,197)** | (5,834) |
| Tax effect of unrecognised deductible temporary differences | **10,201** | 23,640 |
| Tax effect of different tax rates of entities operating in other jurisdictions | **(246,973)** | (72,656) |
| Deferred tax charge on distributable profits withholding tax (note 35) | **67,123** | 10,989 |
| Withholding tax on dividend declared by subsidiaries | **218,857** | – |
| Effect of tax concessions and lower tax rates for certain PRC subsidiaries | **(576,336)** | (473,108) |
| Super Deduction for research and development costs | **(598,661)** | (480,224) |
| Under/(Over)-provision in prior years | **9,160** | (18,402) |
| Tax expense for the year | **32,278** | 312,167 |

The Group is also liable to withholding tax on dividends to be distributed from the Group's subsidiaries in the PRC in respect of their profits generated from 1 January 2008. Deferred tax liabilities of RMB67,123,000 (2021: RMB10,989,000) were recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Group during the year.

## 11. DIVIDENDS

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Final dividend proposed after the end of reporting period of Hong Kong dollars ("HK$") 0.21 (2021: HK$0.21) per ordinary share | **1,866,554** | 1,699,495 |

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

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

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

### (c) Distribution on perpetual capital securities

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

## 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 RMB5,122,877,000 (2021: RMB4,720,060,000) and weighted average number of ordinary shares of 10,034,020,507 shares (2021: 9,820,647,302 shares), calculated as follows:

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

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

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

| | **2022** | 2021 |
|---|---|---|
| Issued ordinary shares as at 1 January (note 30) | **10,018,441,540** | 9,816,626,540 |
| Effect of share options exercised | **2,315,814** | 3,482,652 |
| Effect of award shares vested | **13,263,153** | – |
| Effect of shares issued on acquisition of additional interests in a subsidiary | **–** | 538,110 |
| Weighted average number of ordinary shares as at 31 December | **10,034,020,507** | 9,820,647,302 |

## 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 RMB5,122,877,000 (2021: RMB4,720,060,000) and the weighted average number of ordinary shares (diluted) of 10,146,990,673 shares (2021: 9,886,713,130 shares), calculated as follows:

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

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

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

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

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

**2022**

| Name of directors | Fees RMB'000 | Salaries RMB'000 | Discretionary bonuses 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 | 41,871 | 41,880 |
| Mr. Ang Siu Lun, Lawrence | – | 3,628 | 925 | – | 31 | 4,584 | 5,710 | 10,294 |
| Mr. Gan Jia Yue (note (ii)) | 4 | – | – | – | – | 4 | 20,461 | 20,465 |
| Mr. Gui Sheng Yue (Chief Executive Officer) | – | 3,912 | 998 | 556 | 31 | 5,497 | 25,694 | 31,191 |
| Mr. Li Dong Hui, Daniel (Vice Chairman) | 9 | – | – | – | – | 9 | 26,645 | 26,654 |
| Mr. Li Shu Fu (Chairman) | – | 390 | – | – | 18 | 408 | – | 408 |
| Ms. Wei Mei | 9 | – | – | – | – | 9 | 13,323 | 13,332 |
| Mr. Yang Jian (note (iii)) | 3 | – | – | – | – | 3 | 2,379 | 2,382 |
| **Independent non-executive directors** | | | | | | | | |
| Mr. An Qing Heng | 308 | – | – | – | – | 308 | – | 308 |
| Mr. Lee Cheuk Yin, Dannis (note (iv)) | 118 | – | – | – | – | 118 | – | 118 |
| Mr. Wang Yang | 308 | – | – | – | – | 308 | – | 308 |
| Mr. Yeung Sau Hung, Alex (note (iv)) | 118 | – | – | – | – | 118 | – | 118 |
| Ms. Lam Yin Shan, Jocelyn | 308 | – | – | – | – | 308 | – | 308 |
| Ms. Gao Jie | 308 | – | – | – | – | 308 | – | 308 |
| | 1,502 | 7,930 | 1,923 | 556 | 80 | 11,991 | 136,083 | 148,074 |

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

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

2021

| Name of directors | Fees RMB'000 | Salaries RMB'000 | Discretionary bonuses 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 (v)) | 49 | – | – | – | – | 49 | – | 49 |
| Ms. Gao Jie (note (v)) | 49 | – | – | – | – | 49 | – | 49 |
| | 826 | 7,658 | 1,875 | 563 | 78 | 11,000 | 110,031 | 121,031 |

Notes:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The fair 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 note 38 to the consolidated financial statements.

(ii) Mr. Gan Jia Yue was appointed as an executive director of the Company on 25 July 2022.

(iii) Mr. Yang Jian retired as an executive director of the Company on 25 May 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(iv) Mr. Lee Cheuk Yin, Dannis and Mr. Yeung Sau Hung, Alex retired as independent non-executive directors of the Company on 25 May 2022.

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

(vi) No director waived any emoluments during the years ended 31 December 2022 and 2021.

(vii) 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 during the years ended 31 December 2022 and 2021.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments, four (2021: three) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the remaining one individual (2021: two individuals) are as follows:

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Salaries and allowances | **–** | – |
| Discretionary bonuses | **–** | – |
| Retirement scheme contributions | **–** | – |
| Equity settled share-based payments | **30,263** | 53,846 |
| | **30,263** | 53,846 |

The emoluments of the one (2021: two) individual(s) with the highest emoluments are within the following bands:

| | **2022 Number of individuals** | 2021 Number of individuals |
|---|---|---|
| HK$21,000,001 – HK$21,500,000 | **–** | 1 |
| HK$32,000,001 – HK$32,500,000 | **–** | 1 |
| HK$35,000,001 – HK$35,500,000 | **1** | – |
| | **1** | 2 |

Note: No emoluments were paid by the Group to the remaining one individual (2021: two individuals) as an inducement to join or upon joining the Group or as compensation for loss or termination of their office during the years ended 31 December 2022 and 2021.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | 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 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 40) | 750,932 | 1,549,917 | 1,462,477 | – | 36,449 | 3,799,775 |
| At 31 December 2021 and 1 January 2022 | 4,160,646 | 13,400,286 | 19,963,549 | 21,402 | 2,671,614 | 40,217,497 |
| Additions | 1,731,253 | 2,168,289 | 270,137 | 16,549 | 771,849 | 4,958,077 |
| Transfer from CIP | (3,424,277) | 283,012 | 3,022,435 | – | 118,830 | – |
| Transfer to CIP | 748,495 | – | (1,152,181) | – | (2,110) | (405,796) |
| Disposals/Written off | – | (27,767) | (314,492) | (3,917) | (107,122) | (453,298) |
| Early termination of leases | – | (195,587) | – | – | – | (195,587) |
| Exchange realignment | (1,161) | (9) | (2,384) | – | (1,269) | (4,823) |
| Acquisition through business combination (note 40) | 86,224 | 177,783 | 56,503 | – | 26,437 | 346,947 |
| **At 31 December 2022** | **3,301,180** | **15,806,007** | **21,843,567** | **34,034** | **3,478,229** | **44,463,017** |
| **DEPRECIATION AND IMPAIRMENT** | | | | | | |
| At 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 and 1 January 2022 | – | 1,671,872 | 6,310,768 | 18,983 | 1,357,370 | 9,358,993 |
| Charge for the year | – | 1,019,865 | 1,965,180 | 1,068 | 446,757 | 3,432,870 |
| Transfer to CIP | – | – | (404,179) | – | (1,617) | (405,796) |
| Written back on disposals/written off | – | (1,787) | (214,946) | – | (49,882) | (266,615) |
| Early termination of leases | – | (56,880) | – | – | – | (56,880) |
| Impairment loss (note (c)) | – | – | 191,406 | – | 7,620 | 199,026 |
| **At 31 December 2022** | **–** | **2,633,070** | **7,848,229** | **20,051** | **1,760,248** | **12,261,598** |
| **NET BOOK VALUE** | | | | | | |
| **At 31 December 2022** | **3,301,180** | **13,172,937** | **13,995,338** | **13,983** | **1,717,981** | **32,201,419** |
| At 31 December 2021 | 4,160,646 | 11,728,414 | 13,652,781 | 2,419 | 1,314,244 | 30,858,504 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes:

(a) As at 31 December 2022 and 2021, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

| | Carrying amount | | Depreciation | |
|---|---|---|---|---|
| | **2022 RMB'000** | 2021 RMB'000 | **2022 RMB'000** | 2021 RMB'000 |
| Buildings | **2,322,944** | 692,352 | **606,212** | 101,135 |
| Plant and machinery | **–** | – | **–** | 24,985 |
| Motor Vehicles | **11,000** | – | **5,997** | – |
| | **2,333,944** | 692,352 | **612,209** | 126,120 |

During the year ended 31 December 2022, the total additions to right-of-use assets included in property, plant and equipment amounting to RMB2,214,735,000 (2021: RMB726,835,000). The details in relation to these leases are set out in note 27.

(b) The title certificates of certain buildings with an aggregate carrying value of RMB1,555,034,000 (2021: RMB3,731,806,000) are yet to be obtained as at 31 December 2022. 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 2022 and 2021.

(c) Due to some plants, machinery, and office equipment being idle or unused, the management of the Group conducted an impairment assessment of these assets. The impairment assessment involved a thorough analysis of the assets' remaining useful lives, market values, and future cash flows. Based on the assessment, it was determined that the assets had suffered a significant decline in their recoverable amounts. Therefore, a full impairment loss of RMB199,026,000 (2021: RMBNil) was recognised for these assets.

## 15. INTANGIBLE ASSETS

| | Capitalised product development costs RMB'000 |
|---|---|
| **COST** | |
| At 1 January 2021 | 27,181,864 |
| Acquisition through business combination (note 40) | 2,272,806 |
| Additions | 4,257,210 |
| Disposals/Written off | (87,164) |
| At 31 December 2021 and 1 January 2022 | 33,624,716 |
| Acquisition through business combination (note 40) | 20,511 |
| Additions | 6,424,582 |
| Exchange realignment | (7,338) |
| **At 31 December 2022** | **40,062,471** |
| **AMORTISATION** | |
| At 1 January 2021 | 8,571,749 |
| Charge for the year | 4,225,761 |
| Disposals/Written off | (73,972) |
| At 31 December 2021 and 1 January 2022 | 12,723,538 |
| Charge for the year | 4,799,250 |
| Exchange realignment | (8,022) |
| **At 31 December 2022** | **17,514,766** |
| **NET BOOK VALUE** | |
| **At 31 December 2022** | **22,547,705** |
| At 31 December 2021 | 20,901,178 |

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

As at 31 December 2022, the proportion of intangible assets not yet available for use to total intangible assets was approximately 55% (2021: 45%).

## 16. LAND LEASE PREPAYMENTS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| The Group's land lease prepayments comprise: | | |
| Outside Hong Kong, held on: | | |
| – Leases of between 10 to 50 years | **3,401,795** | 3,435,744 |
| Opening net carrying amount | **3,435,744** | 3,042,911 |
| Additions | **52,262** | 56 |
| Acquisition through business combinations (note 40) | **–** | 472,965 |
| Annual depreciation charges of land lease prepayments | **(86,211)** | (80,188) |
| Closing net carrying amount | **3,401,795** | 3,435,744 |

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 RMB65,086,000 (2021: RMB460,264,000) are yet to be obtained as at 31 December 2022. 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 2022 and 2021.

## 17. GOODWILL

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Carrying amount** | | |
| At 1 January | **58,193** | 42,806 |
| Arising on business combinations (note 40) | **3,225** | 15,387 |
| At 31 December | **61,418** | 58,193 |

The carrying amount of goodwill is allocated to the cash-generating units of manufacturing and research and development 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 pre-tax discount rate used to determine the recoverable amounts is approximately 12.5% (2021: 11.8%). 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 2022, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2021: RMBNil).

The management considered and assessed that a reasonably possible change in the key assumption would not cause the carrying amounts of cash-generating units to exceed their recoverable amounts.

## 18. INTERESTS IN ASSOCIATES

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

# 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 2022 and 2021, are as follows:

| Name of associates | Place of establishments and operations | Form of business structure | Particulars of issued and paid up/ registered capital | Attributable equity interest held by the Group 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|---|
| Hanna Mando (Ningbo) Automobile Chassis System Technology Co., Limited# ("Hanna Mando (Ningbo)") (formerly known as Mando (Ningbo) Automotive Parts Co., Limited)# 漢拿萬都(寧波)汽車底盤系統科技有限公司(前稱萬都(寧波)汽車零部件有限公司) | The PRC | Incorporated | United States dollars ("US$") 85,000,000 | **35%** | 35% | Manufacturing of automobile parts and components |
| Closed Joint Stock Company BELGEE ("BELGEE") | The Republic of Belarus ("Belarus") | Incorporated | Belarusian Ruble ("BYN") 234,535,000 | **36.7%** | 36.7% | Production, marketing and sales of vehicles |
| PT Geely Mobil Indonesia | The 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 | The PRC | Incorporated | RMB501,000,000 (2021: RMB101,000,000) | **49%** | 49% | Research and development, manufacture and sale of battery cells, battery modules and battery packs |
| Zhejiang Haohan Energy Technology Company Limited# ("Haohan Energy") 浙江浩瀚能源科技有限公司 | The PRC | Incorporated | RMB500,000,000 (2021: RMB359,000,000) | **30%** | 30% | Research and development of automobile charging systems and technologies, provision of automobile charging services and operation of automobile charging points and network |
| Wuxi Xingqu Technology Company Limited# ("Wuxi Xingqu") 無錫星驅科技有限公司 | The PRC | Incorporated | RMB61,250,000 | **27.6%** | – | Research and development of automobile parts and components |

## 18. INTERESTS IN ASSOCIATES (Continued)

| 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 2022 | Attributable equity interest held by the Group 2021 | Principal activities |
|---|---|---|---|---|---|---|
| Zhejiang Shuangli Automobile Intelligent Technology Company Limited# ("Shuangli Automobile") 浙江雙利汽車智能科技有限公司 | The PRC | Incorporated | RMB90,000,000 | **35%** | – | Not yet commenced the business |
| Renault Korea Motors Co., Ltd. ("Renault Korea") | The Republic of Korea | Incorporated | South Korean Won ("KRW") 666,875,000,000 | **34.02%** | – | Design, development, manufacturing, production, assembly, sales, distribution, import, export and marketing of automobiles, related parts and accessories |

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

All associates are indirectly held by the Company.

### Renault Korea

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. INTERESTS IN ASSOCIATES (Continued)

### Renault Korea (Continued)

| | 2022 RMB'000 |
|---|---|
| Cash consideration transferred | **1,426,905** |
| Total net fair value of the identifiable assets and liabilities measured of Renault Korea | **9,337,563** |
| The Group's effective interests in Renault Korea | **34.02%** |
| The Group's share of the net assets of Renault Korea | **3,176,639** |
| Gain on bargain purchase upon subscription for an associate | **1,749,734** |

### Haohan Energy

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

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

### Wuxi Xingqu

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

## 18. INTERESTS IN ASSOCIATES (Continued)

### Shuangli Automobile

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

### Times Geely

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

### BELGEE

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

# The 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.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. INTERESTS IN ASSOCIATES (Continued)

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

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

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

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

## 18. INTERESTS IN ASSOCIATES (Continued)

Aggregate financial information of associates that are not individually material:

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

## 19. INTERESTS IN JOINT VENTURES

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 2022 and 2021, are as follows:

| Name of joint ventures | Place of establishments and operations | Form of business structure | Particulars of registered capital | Proportion of ownership interest held by the Group 2022 | 2021 | Principal activities |
|---|---|---|---|---|---|---|
| Genius AFC* | The PRC | Incorporated | RMB4,000,000,000 | **80%** | 80% | Vehicles financing business |
| LYNK & CO Investment | The PRC | Incorporated | RMB7,500,000,000 | **50%** | 50% | Manufacturing and sales of vehicles under the "Lynk&Co" brand |
| Zhejiang AISIN | The 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 | The PRC | Incorporated | RMB100,000,000 | **41.5%** | 41.5% | Development, production, sales and after-sales service of hybrid battery cells, battery modules and battery packs |
| Xinyueneng | The PRC | Incorporated | RMB400,000,000 | **40%** | 40% | Provision of integrated circuit design, manufacturing, sales and the manufacturing of semiconductors |
| Chongqing Livan | The PRC | Incorporated | RMB600,000,000 | **50%** | – | Research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles) |

* Genius AFC is directly held by the Company.

## 19. INTERESTS IN JOINT VENTURES (Continued)

### Genius AFC

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

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

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

## 19. INTERESTS IN JOINT VENTURES (Continued)

### Geely Sunwoda

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

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

### Xinyueneng

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

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

## 19. INTERESTS IN JOINT VENTURES (Continued)

### Chongqing Livan

On 13 December 2021, the Group entered into the investment cooperation agreement with Lifan Technology, pursuant to which the Company and Lifan Technology agreed to form Chongqing Livan, to engage in the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles). Pursuant to the terms of the investment cooperation agreement, the registered capital of Chongqing Livan will be RMB600 million, and is contributed as to 50% (equivalent to RMB300 million) by the Group and as to 50% (equivalent to RMB300 million) by Lifan Technology, respectively. Shareholder's meeting is the highest authority, and the voting rights in the meeting are in proportion to respective subscribed shareholding ratio. Therefore, the Group's investment in Chongqing Livan is classified as a joint venture and accounted for using the equity method.

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

### Zhejiang AISIN

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

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

## 19. INTERESTS IN JOINT VENTURES (Continued)

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

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

## 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:

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. INVENTORIES

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Raw materials | **3,737,758** | 2,120,500 |
| Work in progress | **405,513** | 509,762 |
| Finished goods | **6,681,801** | 2,940,334 |
| | **10,825,072** | 5,570,596 |
| Less: provision for inventories | **(2,742)** | (49,023) |
| | **10,822,330** | 5,521,573 |

Write-down for slow-moving inventories amounted to RMB2,742,000 (2021: RMB49,023,000) was recognised as an expense during the year ended 31 December 2022 and included in 'Cost of sales' in the consolidated income statement.

## 21. TRADE AND OTHER RECEIVABLES

| | Note | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Trade and notes receivables** | | | |
| Trade receivables, net of loss allowance | | | |
| – Third parties | | **914,002** | 872,445 |
| – Joint ventures | | **1,491,801** | 731,034 |
| – Associates | | **1,083,478** | 1,682,610 |
| – Related companies controlled by the substantial shareholder of the Company | | **8,176,897** | 3,882,261 |
| | (a) | **11,666,178** | 7,168,350 |
| Notes receivable | (b) | **17,047,131** | 19,863,681 |
| | | **28,713,309** | 27,032,031 |
| **Deposit, prepayment and other receivables** | | | |
| Prepayment to suppliers | | | |
| – Third parties | | **1,323,349** | 622,404 |
| – Associates | | **85,635** | – |
| – Related companies controlled by the substantial shareholder of the Company | | **158,635** | 241,368 |
| | | **1,567,619** | 863,772 |
| Deposits paid for acquisition of property, plant and equipment | | **382,489** | 116,662 |
| Other contract costs | (c) | **547,731** | 433,012 |
| Utility deposits and other receivables | | **1,921,466** | 1,006,913 |
| VAT and other taxes receivables | | **2,334,275** | 2,706,652 |
| | | **6,753,580** | 5,127,011 |
| Amounts due from related companies controlled by the substantial shareholder of the Company | (d) | **383,037** | 190,570 |
| | | **7,136,617** | 5,317,581 |
| | | **35,849,926** | 32,349,612 |
| *Representing:* | | | |
| – Current | | **34,392,326** | 31,549,100 |
| – Non-current | | **1,457,600** | 800,512 |
| | | **35,849,926** | 32,349,612 |

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

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

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

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

# 21. TRADE AND OTHER RECEIVABLES (Continued)

## (b) Notes receivable

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (c) Other contract costs

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

### (d) Amounts due from related companies

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

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 44.

## 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 FVTPL. The fair value of these contracts has been measured as described in note 44.

As at 31 December 2022 and 2021, the Group had entered into the following foreign exchange forward contracts, which remained outstanding at the end of the reporting period:

**2022**

| Contract | Notional amount | Settlement date | Term | Forward rate on foreign exchange |
|---|---|---|---|---|
| A | Euro ("EUR") 16,000,000 | 9 February 2023 to 10 April 2023 | 105 to 165 days | RMB7.22 to RMB7.23 per EUR1.00 |
| B | EUR10,000,000 | 9 January 2023 | 74 days | RMB7.24 per EUR1.00 |
| C | US$195,000,000 | 13 January 2023 to 24 November 2023 | 145 to 333 days | RMB6.41 to RMB6.90 per US$1.00 |
| D | EUR38,000,000 | 13 January 2023 to 25 September 2023 | 270 to 323 days | RMB6.41 to RMB6.82 per US$1.00 |
| E | US$48,000,000 | 13 April 2023 to 25 October 2023 | 235 to 329 days | RMB6.67 to RMB6.91 per US$1.00 |
| F | US$33,000,000 | 25 August 2023 to 25 September 2023 | 333 to 343 days | RMB6.98 to RMB7.01 per US$1.00 |
| G | US$50,000,000 | 12 August 2025 to 2 September 2025 | 1,077 days to 1,099 days | RMB6.82 per US$1.00 |
| H | US$50,000,000 | 12 August 2025 to 2 September 2025 | 1,077 days to 1,099 days | RMB6.83 per US$1.00 |
| I | US$100,000,000 | 12 August 2025 to 2 September 2025 | 1,077 days to 1,099 days | RMB6.82 per US$1.00 |

## 22. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2022 and 2021, the Group had entered into the following foreign exchange forward contracts, which remained outstanding at the end of the reporting period (Continued):

2021

| Contract | 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. RESTRICTED AND PLEDGED BANK DEPOSITS

| | **2022** **RMB'000** | 2021 RMB'000 |
|---|---|---|
| Restricted bank deposits (note) | **386,898** | – |
| Pledged bank deposits | **–** | 3,912 |
| | **386,898** | 3,912 |

Note: The amounts represent deposits placed at banks as guarantee for notes payable and foreign exchange forward contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24. TRADE AND OTHER PAYABLES

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Trade and notes payables** | | | |
| Trade payables | | | |
| – Third parties | | **34,052,204** | 27,711,329 |
| – Associates | | **319,766** | 999,220 |
| – Joint ventures | | **69,403** | 5,274 |
| – Related companies controlled by the substantial shareholder of the Company | | **7,749,791** | 3,290,590 |
| | (a) | **42,191,164** | 32,006,413 |
| Notes payable | (b) | **3,365,739** | 106,947 |
| | | **45,556,903** | 32,113,360 |
| **Other payables** | | | |
| Receipts in advance from customers | | | |
| – Third parties | | **6,241,266** | 7,458,586 |
| – Associates | | **444,649** | 8,307 |
| – Joint ventures | | **47,536** | 194,088 |
| – Related companies controlled by the substantial shareholder of the Company | | **540,736** | 387,506 |
| | (c) | **7,274,187** | 8,048,487 |
| Deferred government grants which conditions have not been satisfied | | **887,754** | 3,574,474 |
| Payables for acquisition of property, plant and equipment | | **1,881,966** | 2,304,916 |
| Payables for capitalised product development costs from related companies | (d) | **1,091,552** | 2,345,333 |
| Payable for acquisition of additional interests in a subsidiary (note 41(c)) | | **–** | 1,807,384 |
| Accrued staff salaries and benefits | | **2,192,518** | 1,776,055 |
| VAT and other taxes payables | | **1,834,242** | 1,276,494 |
| Other accrued charges and payables | (e) | **5,475,817** | 4,604,101 |
| | | **20,638,036** | 25,737,244 |
| Amounts due to related companies controlled by the substantial shareholder of the Company | (f) | **887,798** | 503,883 |
| | | **21,525,834** | 26,241,127 |
| | | **67,082,737** | 58,354,487 |
| *Representing:* | | | |
| – Current | | **65,480,717** | 57,392,790 |
| – Non-current | | **1,602,020** | 961,697 |
| | | **67,082,737** | 58,354,487 |

## 24. TRADE AND OTHER PAYABLES (Continued)

### (a) Trade payables

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

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

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

### (b) Notes payable

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

## 24. TRADE AND OTHER PAYABLES (Continued)

### (c) Receipts in advance from customers

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

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

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

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

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within one year | **196,058** | 182,238 |
| More than one year | **1,602,020** | 961,697 |
| | **1,798,078** | 1,143,935 |

## 24. TRADE AND OTHER PAYABLES (Continued)

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

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

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

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

### (e) Other accrued charges and payables

The amounts mainly comprised (1) deposits provided by automobile dealers and other third parties which amounted to RMB1,307,122,000 (2021: RMB1,013,291,000) and (2) payables for warranty, advertising and promotion, transportation and general operations which amounted to RMB2,171,991,000 (2021: RMB1,815,463,000).

### (f) Amounts due to related companies

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

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Preferred shares investments in an unlisted entity | **–** | 351,646 |

On 7 September 2021, the Group entered into a subscription agreement to subscribe for 4,321,521 series B redeemable convertible preferred shares of ECARX Holdings Inc. ("Series B Preferred Shares") for a cash consideration of approximately US$50,000,000.

The Group had the right to require and demand the investee to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of the issuer. Hence, these investments were accounted for as debt instruments and were measured at financial assets at FVTPL. The major assumptions used in the valuation for investment in the unlisted entity are set out in note 44.

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

On 20 December 2022, ECARX Holdings Inc. announced it had successfully completed the merger transaction with COVA Acquisition Corp., a special purpose acquisition company whose shares are listed in the United States. Accordingly, all Series B Preferred Shares held by the Group were converted into class A ordinary shares of ECARX Holdings Inc. ("Class A Ordinary Shares"). After the shares conversion, the Group held 5,155,389 Class A Ordinary Shares. The carrying amount of the investment in Series B Preferred Shares was re-designated into the investment in Class A Ordinary Shares (note 26) on 20 December 2022 based on the fair value of Class A Ordinary Shares at the date of shares conversion. The difference between the fair value of the investment in Class A Ordinary Shares recognised and the carrying amount of the investment in Series B Preferred Shares of RMB28,324,000 was recognised in profit or loss as other income upon the shares conversion.

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Equity investment stated at fair value | | |
| – Listed in the United States | **284,012** | – |

The Group designated its investment in the listed equity securities as financial assets at FVOCI (non-recycling). Such investment is held for the strategic purpose and the Group considers this classification to be more relevant and appropriate.

The fair value of the Group's investment in the listed equity securities has been measured as described in note 44.

## 27. LEASE LIABILITIES

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Total minimum lease payments: | | |
| Due within one year | **677,351** | 221,732 |
| Due in the second to fifth years | **1,842,974** | 538,490 |
| | **2,520,325** | 760,222 |
| Future finance charges on lease liabilities | **(184,317)** | (59,446) |
| Present value of lease liabilities | **2,336,008** | 700,776 |
| Present value of minimum lease payments: | | |
| Due within one year | **556,579** | 198,290 |
| Due in the second to fifth years | **1,779,429** | 502,486 |
| | **2,336,008** | 700,776 |
| Less: Portion due within one year included under current liabilities | **(556,579)** | (198,290) |
| Portion due after one year included under non-current liabilities | **1,779,429** | 502,486 |

During the year ended 31 December 2022, the total cash outflows for the leases are RMB743,512,000 (2021: RMB133,178,000).

## 27. LEASE LIABILITIES (Continued)

### Details of the lease activities

As at 31 December 2022, the Group has entered into leases for office and factory premises, retail and service centres and motor vehicles (2021: office and factory premises and retail and service centres).

| 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" | 60 (2021: 23) | 1 to 19 years (2021: 1 to 5 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" | 221 (2021: 72) | 1 to 6 years (2021: 1 to 6 years) | • *Not contain any renewal and termination options*<br>• *Fixed payments during the contract period* |
| Motor vehicles | Furniture and fixtures, office equipment and motor vehicles in "Property, plant and equipment" | 136 (2021: Nil) | 1 to 2 years (2021: Nil) | • *Not contain any renewal and termination options*<br>• *Fixed payments during the contract period* |

## 28. BANK BORROWINGS

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Carrying amount repayable (note (i)) | | |
| Within one year | – | 1,906,740 |
| After two years but within five years | 2,757,960 | – |
| Total carrying amount | 2,757,960 | 1,906,740 |
| Less: | | |
| Amount due within one year | – | (1,906,740) |
| Carrying amount shown under non-current liabilities | 2,757,960 | – |

Notes:

(i) The amounts are based on the scheduled repayment dates set out in the loan agreements.

(ii) As at 31 December 2022, the bank loans were unsecured, carried at amortised cost, repayable in August 2025 (2021: July 2022) and interest-bearing at Secured Overnight Financing Rate plus 0.7% per annum (2021: London Interbank Offered Rates plus 0.95% per annum).

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

(iv) During the years ended 31 December 2022 and 2021, none of the covenants relating to drawn down facilities had been breached.

Further details of the Group's management of liquidity risk were set out in note 44.

## 29. LOAN FROM A RELATED COMPANY

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

## 30. SHARE CAPITAL

| | 2022 Number of shares | 2022 Nominal value RMB'000 | 2021 Number of shares | 2021 Nominal value RMB'000 |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of HK$0.02 each | | | | |
| At 31 December | **12,000,000,000** | **246,720** | 12,000,000,000 | 246,720 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK$0.02 each | | | | |
| At 1 January | **10,018,441,540** | **183,015** | 9,816,626,540 | 179,672 |
| Shares issued under share option scheme (note (a)) | **2,405,000** | **39** | 5,405,000 | 91 |
| Shares issued under share award scheme (note (b)) | **36,127,246** | **632** | – | – |
| Shares issued on acquisition of additional interests in a subsidiary (notes 41(c)) | **–** | **–** | 196,410,000 | 3,252 |
| At 31 December | **10,056,973,786** | **183,686** | 10,018,441,540 | 183,015 |

Notes:

(a) During the year ended 31 December 2022, share options were exercised to subscribe for 2,405,000 ordinary shares (2021: 5,405,000 ordinary shares) of the Company at a consideration of approximately RMB7,977,000 (2021: RMB30,734,000) of which approximately RMB39,000 (2021: RMB91,000) was credited to share capital and approximately RMB7,938,000 (2021: RMB30,643,000) was credited to the share premium account. As a result of the exercise of share options, share-based compensation reserve of RMB3,543,000 (2021: RMB7,812,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(p).

(b) During the year ended 31 December 2022, award shares representing a total of 36,127,246 ordinary shares were issued under the share award scheme, of which 35,958,293 award shares were vested to certain participants of the share award scheme of the Company at a consideration of approximately RMB632,000 (2021: RMBNil) and the remaining 168,953 award shares were retained and administrated by the appointed trustee for the share award scheme. As a result of the vesting of award shares, share-based compensation reserve of RMB803,218,000 (2021: RMBNil) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(p).

## 31. 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.

## 32. 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 Geely Holding, 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.

## 32. RESERVES (Continued)

### (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) Fair value reserve (non-recycling)

Fair value reserve (non-recycling) comprises the cumulative net change in the fair value of financial assets at FVOCI (non-recycling) (less related deferred tax charge) held at the end of the reporting period.

### (f) 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).

### (g) 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).

### (h) Retained profits

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

## 33. BONDS PAYABLE

On 25 January 2018, the Company issued the bonds with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,944,690,000) (the "Bonds"). The Bonds carried interest at 3.625% per annum, payable semi-annually in arrears on 25 January and 25 July of each year, and the maturity date is 25 January 2023 (the "Maturity Date").

The Bonds are listed on Singapore Exchange Securities Trading Limited. They constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to the terms and conditions of the Bonds, at all times rank *pari passu* with all its other present and future unsecured and unsubordinated obligations.

The carrying amount of the Bonds at initial recognition net of transaction costs amounted to US$297,296,000 (equivalent to approximately RMB1,927,161,000) and the effective interest rate was 3.825% per annum. The Bonds were measured at amortised cost at the end of the reporting period.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34. 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 27) | Bank borrowings RMB'000 (note 28) | Loan from a related company RMB'000 (note 29) | Bonds payable RMB'000 (note 33) | 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:** | | | | | | |
| 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 40) | – | 21,897 | – | – | – | 21,897 |
| Others (note) | – | – | – | – | (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 |

## 34. CASH FLOW INFORMATION (Continued)

### Reconciliation of liabilities arising from financing activities (Continued)

| | Dividends payable RMB'000 | Lease liabilities RMB'000 (note 27) | Bank borrowings RMB'000 (note 28) | Loan from a related company RMB'000 (note 29) | Bonds payable RMB'000 (note 33) | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2022 | – | 700,776 | 1,906,740 | – | 1,901,137 | 4,508,653 |
| **Changes from financing cash flows:** | | | | | | |
| Advances from related companies | – | – | – | 7,600,000 | – | 7,600,000 |
| Repayment to related companies | – | – | – | (3,085,000) | – | (3,085,000) |
| Proceeds from bank borrowings | – | – | 3,819,402 | – | – | 3,819,402 |
| Repayments of bank borrowings | – | – | (3,731,301) | – | – | (3,731,301) |
| Capital element of lease rentals paid | – | (611,065) | – | – | – | (611,065) |
| Other borrowing costs paid | – | (64,589) | (11,874) | (19,964) | (65,816) | (162,243) |
| Dividends paid | (1,787,669) | – | – | – | – | (1,787,669) |
| Total changes from financing cash flows | (1,787,669) | (675,654) | 76,227 | 4,495,036 | (65,816) | 2,042,124 |
| **Exchange adjustments** | – | – | 111,195 | – | 157,727 | 268,922 |
| **Other changes:** | | | | | | |
| Entering into new leases | – | 2,214,735 | – | – | – | 2,214,735 |
| Termination of leases | – | (138,707) | – | – | – | (138,707) |
| Interest expenses | – | 64,589 | 23,489 | 211,329 | 71,973 | 371,380 |
| Dividends declared (note 11(b)) | 1,787,669 | – | – | – | – | 1,787,669 |
| Acquisition through business combination (note 40) | – | 170,269 | 651,924 | 1,485,000 | – | 2,307,193 |
| Others (note) | – | – | (11,615) | (191,365) | (2,625) | (205,605) |
| Total other changes | 1,787,669 | 2,310,886 | 663,798 | 1,504,964 | 69,348 | 6,336,665 |
| **At 31 December 2022** | **–** | **2,336,008** | **2,757,960** | **6,000,000** | **2,062,396** | **13,156,364** |

Note:

Others include interest accruals.

## 35. DEFERRED TAX ASSETS AND LIABILITIES

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

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| At 1 January | **(2,030,637)** | (561,382) |
| Acquisition through business combination (note 40) | **(8,289)** | 10,671 |
| Recognised in other comprehensive income | **13,196** | 1,739 |
| Recognised in profit or loss (note 10) | **(2,009,528)** | (1,481,665) |
| At 31 December | **(4,035,258)** | (2,030,637) |

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 RMB'000** | **Amortisation of intangible assets RMB'000** | **Unrealised profit on inventories RMB'000** | **Change in fair value of notes receivable RMB'000** | **Others RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 114,483 | 692,960 | 5,596 | 42,935 | 114,037 | 970,011 |
| Recognised in profit or loss | 1,048,299 | 470,987 | 5,908 | – | 66,481 | 1,591,675 |
| Recognised in other comprehensive income | – | – | – | (1,739) | – | (1,739) |
| Acquisition through business combination (note 40) | 53,613 | – | – | – | – | 53,613 |
| At 31 December 2021 and 1 January 2022 | 1,216,395 | 1,163,947 | 11,504 | 41,196 | 180,518 | 2,613,560 |
| Recognised in profit or loss | 1,681,226 | 77,043 | 92,568 | – | 188,581 | 2,039,418 |
| Recognised in other comprehensive income | – | – | – | (13,196) | – | (13,196) |
| Acquisition through business combination (note 40) | – | – | – | – | 11,141 | 11,141 |
| **At 31 December 2022** | **2,897,621** | **1,240,990** | **104,072** | **28,000** | **380,240** | **4,650,923** |

## 35. 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 follows (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 2021 | 388,418 | – | 20,211 | 408,629 |
| Recognised in profit or loss | 10,989 | – | 99,021 | 110,010 |
| Acquisition through business combination (note 40) | – | 64,284 | – | 64,284 |
| At 31 December 2021 and 1 January 2022 | 399,407 | 64,284 | 119,232 | 582,923 |
| Recognised in profit or loss | 67,123 | – | (37,233) | 29,890 |
| Acquisition through business combination (note 40) | – | – | 2,852 | 2,852 |
| **At 31 December 2022** | **466,530** | **64,284** | **84,851** | **615,665** |

The amounts recognised in the consolidated statement of financial position are as follows:

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Deferred tax assets recognised in the consolidated statement of financial position | **(4,573,149)** | (2,435,192) |
| Deferred tax liabilities recognised in the consolidated statement of financial position | **537,891** | 404,555 |
| Net deferred tax assets | **(4,035,258)** | (2,030,637) |

## 35. 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 RMB10,406,927,000 (2021: RMB13,364,461,000).

As at the end of the reporting period, the Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences of approximately RMB1,499,643,000 (2021: RMB2,106,943,000) and RMB289,004,000 (2021: RMB220,997,000), respectively. Of the total unrecognised tax losses, approximately RMB1,234,064,000 (2021: RMB2,032,414,000) 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.

## 36. COMMITMENTS

### Capital commitments

As the end of the reporting period, the capital commitments not provided for in the consolidated financial statements were as follows:

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Contracted but not provided for, net of deposits/investments paid | | |
| – purchase of property, plant and equipment | **2,207,798** | 1,356,552 |
| – acquisition of a subsidiary | **382,450** | 745,600 |
| – investment in associates | **244,510** | 581,510 |
| – investment in joint ventures | **648,121** | 987,255 |
| | **3,482,879** | 3,670,917 |

# 36. COMMITMENTS (Continued)

## Capital commitments (Continued)

Notes:

(a) On 20 December 2018, Zhejiang Jirun Automobile Company Limited# ("Jirun Automobile") 浙江吉潤汽車有限公司, an indirect non wholly-owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 1") with Contemporary Amperex Technology Company Limited# ("CATL Battery") 寧德時代新能源科技股份有限公司, an independent third party, pursuant to which the parties agreed to establish an associate company, Times Geely. Pursuant to the terms of the Investment Agreement 1, Times Geely is owned as to 49% by Jirun Automobile and as to 51% by CATL Battery, respectively. The registered capital of Times Geely is RMB1,000,000,000, and is 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 2022, the Group and CATL Battery contributed RMB245,490,000 (2021: RMB49,490,000) and RMB255,510,000 (2021: RMB51,510,000), respectively, to Times Geely.

(b) On 12 June 2019, ZEEKR Automobile (Shanghai) Company Limited# ("ZEEKR Automobile (Shanghai)") 極氪汽車(上海)有限公司, 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 registered capital of the JV 1 will be US$188,000,000 (equivalent to approximately RMB1,296,242,000), and will be contributed as to 50% (US$94,000,000 or equivalent to approximately RMB648,121,000) and 50% (US$94,000,000 or equivalent to approximately RMB648,121,000) by ZEEKR Automobile (Shanghai) and LG Chem, respectively. As at 31 December 2022, the formation of the JV 1 had not yet been completed. Please refer to the Company's announcement dated 12 June 2019 for further details.

(c) On 12 December 2022, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile conditionally agreed to acquire 100% of the equity interests in Xi'an Geely Automobile Company Limited# ("Xi'an Geely") 西安吉利汽車有限公司 for a cash consideration of RMB382.45 million. Xi'an Geely is principally engaged in manufacturing and sale of complete knock down kits, automobile parts and components in the PRC. The acquisition of Xi'an Geely has not yet been completed as at the date of authorisation of these consolidated financial statements. Please refer to the Company's announcements dated 12 December 2022 and 10 March 2023 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.

## 36. COMMITMENTS (Continued)

### As lessee

At the end of the reporting period, the lease commitments for short-term leases are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Office and factory premises | | |
| – Within one year | 49,769 | 20,385 |

As at 31 December 2022 and 2021, 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 27.

### As lessor

As the end of the reporting period, the total future minimum lease receipts in respect of certain portion of buildings under non-cancellable operating leases are receivable as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Buildings | | |
| – Within one year | 1,630 | 3,417 |
| – After one year but within two years | 407 | 1,155 |
| – After two years but within three years | – | 385 |
| | 2,037 | 4,957 |

Leases are negotiated and rental are fixed for an initial period of two to three years (2021: one to five years).

## 37. RETIREMENT BENEFITS SCHEME

The Group participates in the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' relevant income to the MPF 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 RMB504,617,000 (2021: RMB421,576,000).

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 2022 and 2021.

## 38. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

### Share option scheme of the Company

A share option scheme was adopted by the Company on 18 May 2012 (the "Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012 and is valid and effective for a period of ten years until 18 May 2022. Pursuant to the ordinary resolution, a total of 747,486,045 shares were available for grant under the Scheme.

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.

As the Scheme expired on 18 May 2022, no new options could be granted after such expiry. As such, there was no shares available for future grant under the Scheme as at 31 December 2022.

## 38. 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 2022, 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 2022, 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.

# 38. 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 and eligible employees:

**2022**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Exercised during the year | Lapsed during the year | Reallocated upon appointment or retirement during the year | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr. Li Dong Hui, Daniel | 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 | 105,000 | (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. Gan Jia Yue | 15 January 2023 to 14 January 2028 | 32.70 | – | – | – | 8,000,000 | 8,000,000 |
| Mr. Yang Jian | 15 January 2023 to 14 January 2028 | 32.70 | 3,000,000 | – | – | (3,000,000) | – |
| | | | 62,605,000 | (105,000) | – | 5,000,000 | 67,500,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38. 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 and eligible employees (Continued):

**2022 (Continued)**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Exercised during the year | Lapsed during the year | Reallocated upon appointment or retirement during the year | Outstanding at 31 December |
|---|---|---|---|---|---|---|---|
| **Employees** | 23 March 2012 to 22 March 2022 | 4.07 | 2,300,000 | (2,300,000) | – | – | – |
| | 31 March 2018 to 30 March 2022 | 12.22 | 1,300,000 | – | (1,300,000) | – | – |
| | 7 September 2019 to 6 September 2023 | 15.96 | 600,000 | – | – | – | 600,000 |
| | 14 January 2021 to 13 January 2025 | 16.04 | 790,000 | – | – | – | 790,000 |
| | 15 January 2023 to 14 January 2028 | 32.70 | 511,600,000 | – | (30,500,000) | (5,000,000) | 476,100,000 |
| | | | 516,590,000 | (2,300,000) | (31,800,000) | (5,000,000) | 477,490,000 |
| | | | 579,195,000 | (2,405,000) | (31,800,000) | – | 544,990,000 |

# 38. 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 and eligible employees (Continued):

**2022 (Continued)**

| | Outstanding at 1 January HK$ | Exercised during the year HK$ | Lapsed during the year HK$ | Outstanding at 31 December HK$ |
|---|---|---|---|---|
| Weighted average exercise price per share | **29.14** | **4.07** | **31.86** | **32.66** |
| Weighted average remaining contractual life of options outstanding as at 31 December 2022 | | | | **5.22 years** |
| Number of options exercisable as at 31 December 2022 | | | | **4,352,500** |
| Weighted average exercise price per share of options exercisable as at 31 December 2022 | | | | **HK$8.28** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38. 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 and eligible employees (Continued):

**2021**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Lapsed 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 |

# 38. 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 and eligible employees (Continued):

**2021 (Continued)**

| | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January | Granted during the year | Exercised during the year | Lapsed 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 |
| | 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 |
| | | | 8,100,000 | 566,610,000 | (3,110,000) | (55,010,000) | 516,590,000 |
| | | | 10,500,000 | 629,110,000 | (5,405,000) | (55,010,000) | 579,195,000 |

## 38. 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 and eligible employees (Continued):

**2021 (Continued)**

| | Outstanding at 1 January HK$ | Granted during the year HK$ | Exercised during the year HK$ | Lapsed during the year HK$ | Outstanding at 31 December HK$ |
|---|---|---|---|---|---|
| Weighted average exercise price per share | 8.07 | 32.70 | 6.81 | 32.70 | 29.14 |
| 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 |

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.

## 38. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share option scheme of the Company (Continued)

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 were as follows:

| Grant date | **15 January 2021** |
|---|---|
| Share price | **HK$31.20** |
| Exercise price | **HK$32.70** |
| Expected volatility | **38.95%** |
| Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model) | **7 years** |
| Risk-free interest rate | **0.55%** |
| Expected dividend yield | **2%** |

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.

### Share award scheme of the Company

The Company has adopted a share award scheme pursuant to resolutions 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 has a term of 10 years from 30 August 2021.

The participants of the Share Award Scheme included employees, officers, agents or consultants of the Company or any of its affiliates or any individuals approved by the board of directors of the Company from time to time.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share award scheme of the Company (Continued)

The maximum number of shares which could be granted under the Share Award Scheme is 350,000,000, which could be satisfied by way of new shares to be issued or existing shares to be purchased from the secondary market.

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 new 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 30 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 2022, 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. As at 31 December 2022, the total number of award shares available for grant under the Share Award Scheme is 200,650,707 (2021: 190,500,701) and the remaining life of the Share Award Scheme is approximately 8 years and 8 months.

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

| | **2022** | 2021 |
|---|---|---|
| Balance at 1 January | **159,499,299** | – |
| Granted | **–** | 167,022,000 |
| Vested | **(35,958,293)** | – |
| Lapsed | **(10,150,006)** | (7,522,701) |
| Balance at 31 December | **113,391,000** | 159,499,299 |

The fair value of each award share was calculated based on the market price of the Company's share at the grant date.

## 38. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share award scheme of ZEEKR Intelligent Technology Holding Limited ("ZEEKR Holding")

On 20 August 2021, ZEEKR Holding 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 participants of the ZEEKR Share Award Scheme may include directors, employees, officers or consultants of the ZEEKR or its affiliates.

The maximum number of ordinary shares of ZEEKR Holding ("ZEEKR Shares") which could be granted under the ZEEKR Share Award Scheme is 150,000,000 ZEEKR Shares by way of new ZEEKR Shares.

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.

On 30 September 2022, ZEEKR Holding resolved to further grant 37,957,156 ZEEKR Award Shares to 7,761 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 2023; (ii) the second batch (being up to 25% of the ZEEKR Award Shares granted) will be vested on 15 April 2024; (iii) the third batch (being up to 25% of the ZEEKR Award Shares granted) will be vested on 15 April 2025; and (iv) the fourth batch (being up to 25% of the ZEEKR Award Shares granted) will be vested on 15 April 2026. The selected participants are required to pay the nominal value for the ZEEKR Award Shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

### Share award scheme of ZEEKR Intelligent Technology Holding Limited ("ZEEKR Holding") (Continued)

As at 31 December 2022, the total number of ZEEKR Shares available for grant under the ZEEKR Share Award Scheme is 63,972,924 (2021: 97,035,200) and the remaining life of the ZEEKR Share Award Scheme is approximately 8 years and 8 months.

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 RMB724,727,000 (2021: RMB647,972,000). Key assumptions adopted in determining the fair value are as follows:

| Grant date | **30 September 2022** | **20 August 2021** |
|---|---|---|
| Expected volatility | 55.13% to 59.09% | 53.14% |
| Risk-free interest rate | 4.16% to 4.23% | 0.79% |
| Expected dividend yield | 0.00% | 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.

# 38. 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:

| | **2022** | 2021 |
|---|---|---|
| Balance at 1 January | **52,964,800** | – |
| Granted | **37,957,156** | 56,560,400 |
| Lapsed | **(4,894,880)** | (3,595,600) |
| Balance at 31 December | **86,027,076** | 52,964,800 |

Equity settled share-based payments have been recorded in the consolidated financial statements as follows:

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **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 | **891,688** | **260,845** | **1,152,533** | 814,007 | 196,629 | 1,010,636 |
| Share award scheme of the Company | **597,222** | **235,145** | **832,367** | 398,692 | 137,494 | 536,186 |
| Share award scheme of ZEEKR Holding (note) | **–** | **–** | **–** | – | – | – |
| | **1,488,910** | **495,990** | **1,984,900** | 1,212,699 | 334,123 | 1,546,822 |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties:

### (a) Transactions

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 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) | **41,603,317** | 36,344,784 |
| | Sales of complete build-up units, complete knock down kits and related after-sales parts (note d) | **1,381,611** | 689,283 |
| | Purchase of complete build-up units (note d) | **51,298,948** | 37,877,190 |
| | Claims income on defective materials purchased | **227,440** | 246,352 |
| | Claims paid on defective materials sold | **199,071** | 276,537 |
| | Sales of automobile parts and components (note d) | **119,878** | 86,309 |
| | Acquisition of a subsidiary (note 40) | **720,328** | – |
| | Research, development and technology licensing service income (note d) | **–** | 38,321 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司 | Sales of complete knock down kits (note d) | **54,828,887** | 38,115,188 |
| | Purchase of complete build-up units (note d) | **54,456,151** | 39,421,642 |
| | Claims income on defective materials purchased | **192,145** | 223,242 |
| | Claims paid on defective materials sold | **222,950** | 240,124 |
| | Sales of complete build-up units, complete knock down kits and related after-sales parts (note d) | **1,855,533** | 1,102,207 |
| | Sales of automobile parts and components (note d) | **–** | 46,987 |
| | Purchase of complete knock down kits and automobile components (note d) | **3,894,946** | – |
| | Acquisition of property, plant and equipment (note g) | **–** | 56,598 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Geely Automobile Group | Operational service fee (note d) | **38,290** | 36,226 |
| | Operational service income (note d) | **150,279** | 15,367 |
| | Acquisition of property, plant and equipment (note g) | **–** | 52,773 |
| | Acquisition of a subsidiary (note 40) | **–** | 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) | **1,002,561** | 727,348 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **736,123** | – |
| 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) | **195,455** | 213,210 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| 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 |
| | Purchase of automobile parts and (note d) | **40,766** | 23,661 |
| | License fee income received (note h) | **–** | 255,000 |
| | Research, development and technology licensing service income (note d) | **4,200,988** | 2,623,163 |
| | Research, development and technology licensing service fee (note d) | **3,347,027** | 1,730,420 |
| | Operational service income (note d) | **–** | 42,718 |
| | Acquisition of property, plant and equipment (notes e and g) | **24,992** | 65,908 |
| | Disposal of property, plant and equipment | **–** | 51,063 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **68,905** | – |
| | Sales of automobile parts and components (note d) | **–** | 13,473 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| 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 build-up units (electric vehicles) (note d) | – | 27,225 |
| | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | 94,989 | – |
| Yiwu Geely Engine Company Limited# 義烏吉利發動機有限公司 | Acquisition of property, plant and equipment (note g) | – | 266,880 |
| Hangzhou Youhang Technology Company Limited# 杭州優行科技有限公司 | Sales of complete build-up units (electric vehicles) (note d) | – | 12,124 |
| Hubei Ecarx Technology 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 |
| 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) | 1,372,521 | 1,919,315 |
| | Purchase of complete build-up units (note d) | 1,274,362 | 1,934,588 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Hangzhou Geely Yiyun Technology Company Limited# 杭州吉利易雲科技有限公司 | Operational service income (note d) | **–** | 14,877 |
| | Acquisition of property, plant and equipment (note i) | **22,716** | – |
| Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司 | Business travel service expenses (note d) | **–** | 22,921 |
| | Operational service fee (note d) | **97,463** | – |
| Fengsheng Automobile (Jiangsu) Company Limited# 楓盛汽車(江蘇)有限公司 | Purchase of automobile parts and components (note d) | **61,000** | – |
| 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 |
| Viridi E-Mobility Technology (Ningbo) Co., Ltd.# ("Ningbo Viridi") (note f) 威睿電動汽車技術(寧波)有限公司 | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **–** | 711,331 |
| | Operational service income (note d) | **–** | 3,582 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Shanghai Meihuan Trade Company Limited# 上海美寰貿易有限公司 | Sales of complete build-up units, complete knock down kits and related after-sales parts (note d) | **975,642** | 591,896 |
| | Sales of powertrain and related components (note d) | **74,555** | 5,859 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **59,374** | 10,981 |
| | Operational service income (note d) | **229,417** | 124,312 |
| London EV Company Limited | Sales of powertrain and related components (note d) | **25,079** | 17,805 |
| Zhejiang Zhihui Puhua Financial Leasing Company Limited# 浙江智慧普華融資租賃有限公司 | Sales of complete build-up units (electric vehicles) (note d) | **–** | 40,214 |
| China-Euro Vehicle Technology AB ("CEVT") | Research, development and technology licensing service fee (note d) | **–** | 413,612 |
| 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 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhejiang Jichuang Industrial Development Co., Limited (formerly known as Zhejiang Jichuang Auto Parts Company Limited)# 浙江吉創產業發展有限公司(前稱浙江吉創汽車零部件有限公司) | Purchase of automobile parts and components (note d) | **1,841,090** | 2,521,849 |
| | 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 |
| | Research, development and technology licensing services income (note d) | **–** | 31,211 |
| | Research, development and technology licensing services fee (note d) | **137,507** | – |
| 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 |
| 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 |
| | Purchase of automobile parts and components (note d) | **1,285,222** | – |
| | Research, development and technology licensing services income (note d) | **241,642** | 165,923 |
| | Operational service income (note d) | **25,254** | 13,740 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Volvo Personvagnar AB | Sales of powertrain and related components (note d) | **497,120** | 768,708 |
| 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 |
| Zhejiang Yizhen Automobile Company Limited (formerly known as Zhejiang Yinglun Automobile Company Limited)# 浙江翼真汽車有限公司(前稱浙江英倫汽車有限公司) | Sales of powertrain and related components (note d) | **–** | 3,617 |
| Zhejiang Yizhen Automobile R&D Company Limited# 浙江翼真汽車研究開發有限公司 | Research, development and technology licensing service income (note d) | **30,564** | – |
| 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) | **47,540** | 53,813 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| 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) | **38,147** | 36,622 |
| 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) | **47,172** | 68,626 |
| 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 build-up units (electric vehicles) (note d) | **–** | 12,965 |
| 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) | **190,352** | 236,047 |
| Qingdao Lingjixing Automobile Sales Service Company Limited# 青島領吉星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) | **43,301** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| 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) | **860,454** | 679,059 |
| | Research, development and technology licensing service fee (note d) | **366,674** | – |
| Hangzhou Jidian Electronic Technology Company Limited# 杭州極電電子科技有限公司 | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **48,270** | – |
| 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) | **1,053,102** | 19,381 |
| | Purchase of automobile parts and components (note d) | **30,886** | – |
| Zhejiang Mingdao Industrial Co., Ltd.# 浙江銘島實業有限公司 | Purchase of automobile components (Automobile Components Procurement Agreement) (note d) | **–** | 3,606 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| 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 |
| 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 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **255,038** | – |
| | Sales of powertrain and related components (note d) | **–** | 13,023 |
| Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司 | Sales of complete knock down kits (note d) | **247,820** | 687,617 |
| | Purchase of complete build-up units (note d) | **–** | 743,610 |
| | Acquisition of property, plant and equipment (note g) | **–** | 30,447 |
| Zhejiang Jirun Meishan Automobile Components Company Limited# 浙江吉潤梅山汽車部件有限公司 | Purchase of complete build-up units (note d) | **19,558** | 42,088 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **345,476** | 91,541 |
| | Sales of powertrain and related components (note d) | **329,834** | 48,796 |
| | Operational service income (note d) | **–** | 11,967 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| 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 build-up units (note d) | **–** | 103,432 |
| | Purchase of automobile parts and components (note d) | **46,477** | – |
| | Purchase of complete knock down kits and automobile components (note d) | **18,605,099** | 1,815,884 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **2,402,657** | 18,548 |
| | Acquisition of property, plant and equipment (note g) | **27,376** | 34,319 |
| | Operational service income (note d) | **49,160** | 12,215 |
| | Research, development and technology licensing service fee (note d) | **73,741** | – |
| 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) | **58,021** | 11,518 |
| Hangzhou Zhihui Puhua Leasing Company Limited# 杭州智慧普華租賃有限公司 | Sales of complete build-up units (electric vehicles) (note d) | **–** | 20,497 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhongjia Automobile Manufacturing (Chengdu) Company Limited# 中嘉汽車製造(成都)有限公司 | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **583,050** | 28,000 |
| Wuhan Lingjixing Automobile Sales Service Company Limited# 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) | **55,372** | 22,129 |
| Suzhou Lingjixin Automobile Sales Service Company Limited# 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) | **38,875** | 17,657 |
| Hangzhou Fuzhao Langfeng Technology Company Limited# 杭州福兆朗風科技有限公司 | Purchase of automobile parts and components (note d) | **–** | 19,610 |
| Geely Changxing New Energy Vehicle Company Limited# 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 40) | **–** | 2,534,689 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Shanghai Jijin Mechanical and Electrical Equipment Company Limited# 上海吉津機電設備有限公司 | Acquisition of property, plant and equipment (notes g and i) | **46,713** | 38,300 |
| Xi'an Geely Automobile Company Limited# 西安吉利汽車有限公司 | Purchase of complete build-up units (note d) | **66,410** | 5,959,872 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **1,703,707** | – |
| | Sales of powertrain and related components (note d) | **1,948,376** | 617,624 |
| | Acquisition of property, plant and equipment (note g) | **–** | 51,790 |
| | Operational service income (note d) | **38,807** | 38,686 |
| | Purchase of complete knock down kits and automobile components (note d) | **10,868,229** | 29,767 |
| | Purchase of automobile parts and components (note d) | **21,821** | – |
| 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 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Polestar Performance AB | Research, development and technology licensing service income (note d) | **25,862** | 33,345 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **27,199** | – |
| 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 build-up 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 service expenses (note d) | **–** | 123,953 |
| | Operational service fee (note d) | **114,430** | – |
| Volvo Car Corporation | Research, development and technology licensing service income (note d) | **768,226** | 43,147 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **540,209** | – |
| Volvo Manufacturing Malaysia Sdn. Bhd. | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **92,408** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| 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 |
| 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 |
| Xi'an 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) | 52,636 | 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) | 2,219,340 | 378,137 |
| Daqing Volvo Car Manufacturing Co., Limited# 大慶沃爾沃汽車製造有限公司 | Sales of automobile components (Automobile Components Sales Agreement) (note d) | 176,195 | – |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|---|
| **Related companies (notes a and b)** | | | |
| Zhejiang Geely Automobile Manufacturing Co., Ltd.# 浙江吉利汽車製造有限公司 | Interest expense | **182,276** | – |
| Nanjing Lingjixing Automobile Sales Company Limited# 南京領吉行汽車銷售有限公司 | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **25,082** | – |
| Zhejiang Haowu Network Technology Co., Ltd.# 浙江浩物網絡科技有限公司 | Operational service fee (note d) | **81,001** | – |
| Binzhou Lingjixin Automobile Sales Service Company Limited# 濱州領吉欣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) | **35,517** | – |
| Zhangjiakou Aurobay Engine Manufacturing Co., Ltd.# 張家口極光灣發動機製造有限公司 | Sales of powertrain and related components (note d) | **40,628** | – |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Associates** | | | |
| Hanna Mando (Ningbo) | Purchase of automobile parts and components | **389,005** | 1,359,244 |
| | Claims income on defective materials purchased | **–** | 21,573 |
| BELGEE | Sales of automobile parts and components | **67,102** | 911,210 |
| Haohan Energy | Purchase of automobile parts and components (note d) | **203,382** | 17,100 |
| Renault Korea | Research, development and technology licensing service income | **292,450** | – |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 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 |
| | Storage fees for provision of warehouse services (note d) | – | 8,644 |
| | Purchase of complete build-up units (note d) | – | 18,778 |
| | Purchase of automobile parts and components (note d) | **42,360** | – |
| | Operational service income (note d) | **92,639** | 176,978 |
| | Sales of complete build-up units and related after-sales parts, components and accessories (note d) | **80,777** | 58,990 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **61,974** | – |
| Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd.#^ 凱悦汽車大部件製造(張家口)有限公司 | Sales of powertrain and related components (note d) | **963,778** | 1,436,936 |
| | Operational service income (note d) | **40,475** | 146,195 |
| | Purchase of automobile parts and components (note d) | – | 15,124 |
| | Research, development and technology licensing service income (note d) | **339,191** | 162,156 |
| | Sales of automobile parts and components (note d) | – | 19,621 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Joint ventures** | | | |
| Sichuan LYNK & CO Automobile Manufacturing Company Limited (formerly known as Sichuan Lingji Automobile Manufacturing Company Limited)#^ 四川領克汽車製造有限公司 (前稱四川領吉汽車製造有限公司) | Sales of powertrain and related components (note d) | **1,110,066** | 1,184,649 |
| | Purchase of complete knock down kits and automobile components (note d) | **2,678,667** | 2,311,047 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **295,610** | 52,750 |
| | Sales of automobile parts and components (note d) | **23,041** | 30,161 |
| | Operational service income (note d) | **31,985** | 22,798 |
| LYNK & CO Investment Company Limited#^ 領克投資有限公司 | Operational service income (note d) | **55,703** | – |
| 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) | **1,405,673** | 1,033,935 |
| | Purchase of complete build-up units (note d) | **39,188** | 20,721 |
| | Research, development and technology licensing services income (note d) | **894,376** | 261,951 |
| | Operational service income (note d) | **60,342** | 129,484 |
| | Sales of automobile components (Automobile Components Sales Agreement) (note d) | **1,396,105** | 61,999 |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 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 |
| | Research, development and technology licensing service income (note d) | **163,693** | 51,784 |
| LYNK & CO (Zhangjiakou) Co., Ltd.#^ 領克汽車(張家口)有限公司 | Operational service income (note d) | **47,447** | 121,568 |
| 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) | **319,118** | 93,771 |
| Geely Yaou (Ningbo Meishan Bonded Port Area) Technology Co., Ltd.#^ 吉利亞歐(寧波梅山保稅港區)科技有限公司 | Research, development and technology licensing service income (note d) | **667,561** | 172,497 |
| LYNK & CO International AB^ | Research, development and technology licensing service income (note d) | **22,439** | – |

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

| Name of related parties | Nature of transactions | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Joint ventures** | | | |
| Genius AFC | Interest income | **233,018** | 281,581 |
| | Service charge | **17,984** | 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 | Acquisition of property, plant and equipment (note i) | **20,222** | – |
| | Research, development and technology licensing service income (note d) | **234,054** | – |
| | Operational service income (note d) | **–** | 9,262 |

## 39. 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 2022 and 2021, 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 build-up 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) Ningbo Viridi had been acquired by the Group in October 2021 (note 40). The transactions represented sales and purchases before acquisition.

(g) 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.

(h) 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.

## 39. 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 2022 and 2021, the Group had the following material transactions with connected and related parties (Continued):

### (a) Transactions (Continued)

Notes (Continued):

(i) Pursuant to the assets transfer agreement dated 15 October 2021, the Company entered into a transaction with Geely Holding, pursuant to which 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 RMB632,800,000; and 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 RMB357,900,000.

# 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.

^ The companies are the wholly-owned subsidiaries of LYNK & CO Investment.

### (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:

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Short-term benefits | **18,585** | 17,916 |
| Retirement scheme contribution | **208** | 236 |
| Equity settled share-based payments | **214,507** | 176,848 |
| | **233,300** | 195,000 |

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)).

## 39. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

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

## 40. BUSINESS COMBINATION

**2022**

**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 ("SEK") (equivalent to approximately RMB720.3 million). CEVT is principally engaged in automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and provision of 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.

## 40. BUSINESS COMBINATION (Continued)

**2022 (Continued)**

**CEVT (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 fair values on acquisition RMB'000 |
|---|---|---|---|
| The net assets acquired: | | | |
| Property, plant and equipment (note 14) | 347,824 | (877) | 346,947 |
| Intangible assets (note 15) | 11,564 | 8,947 | 20,511 |
| Trade and other receivables (note) | 3,170,961 | (27,448) | 3,143,513 |
| Deferred tax assets (note 35) | 7,149 | 3,992 | 11,141 |
| Bank balances and cash | 75,069 | – | 75,069 |
| Trade and other payables | (570,033) | – | (570,033) |
| Bank borrowings | (651,924) | – | (651,924) |
| Loan from a related company | (1,485,000) | – | (1,485,000) |
| Lease liabilities | (170,269) | – | (170,269) |
| Deferred tax liabilities (note 35) | (2,852) | – | (2,852) |
| | 732,489 | (15,386) | 717,103 |
| Goodwill arising on acquisition (note 17): | | | |
| Cash consideration transferred | | | 720,328 |
| Fair value of identifiable net assets acquired | | | (717,103) |
| | | | 3,225 |
| Net cash outflow arising on acquisition of a subsidiary: | | | |
| Cash consideration paid | | | (720,328) |
| Bank balances and cash acquired | | | 75,069 |
| | | | (645,259) |

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

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

## 40. BUSINESS COMBINATION (Continued)

**2022 (Continued)**

### CEVT (Continued)

As a result of the acquisition, the Group is expected to increase the speed of update and iteration of the automobiles, and provide continuous and stable technical support for product research and development. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

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

If the acquisition had occurred on 1 January 2022, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2022 would be RMB148,895,254,000 and RMB4,732,508,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2022 and could not serve as a basis for the forecast of future operation results.

## 40. BUSINESS COMBINATION (Continued)

**2021**

**ZEEKR Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# ("ZEEKR Automobile") 極氪汽車(寧波杭州灣新區)有限公司**

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 fair 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 35) | 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 35) | – | (40,031) | (40,031) |
| | 358,539 | 120,091 | 478,630 |

## 40. BUSINESS COMBINATION (Continued)

**2021 (Continued)**

**ZEEKR Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# ("ZEEKR Automobile") 極氪汽車(寧波杭州灣新區)有限公司 (Continued)**

| | Recognised fair values on acquisition RMB'000 |
|---|---|
| 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) |

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.

## 40. BUSINESS COMBINATION (Continued)

**2021 (Continued)**

**ZEEKR Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# ("ZEEKR Automobile") 極氪汽車(寧波杭州灣新區)有限公司 (Continued)**

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# ("Changxing Components") 長興吉利汽車部件有限公司**

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.

## 40. BUSINESS COMBINATION (Continued)

**2021 (Continued)**

**Changxing Geely Automobile Components Company Limited# ("Changxing Components") 長興吉利汽車部件有限公司 (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 fair 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 35) | 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 35) | – | (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) |

## 40. BUSINESS COMBINATION (Continued)

**2021 (Continued)**

**Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 ("Changxing Components") (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.

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 RMB4,333,921,000, 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.

**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.

## 40. BUSINESS COMBINATION (Continued)

**2021 (Continued)**

### 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 fair 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 | 615,588 | 860,697 | – | 1,476,285 |
| Inventories | 538,950 | – | – | 538,950 |
| Bank balances and cash | 1,141 | – | – | 1,141 |
| Trade and other payables | (1,634,396) | – | – | (1,634,396) |
| Deferred tax liabilities (note 35) | – | – | (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 |

## 40. BUSINESS COMBINATION (Continued)

### 2021 (Continued)

### Ningbo Viridi (Continued)

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

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.

## 41. 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 will issue 2 billion shares. The Company and Geely Holding will make capital contributions of RMB2 billion in total, and will subscribe for 51% (representing RMB1.02 billion) and 49% (representing RMB0.98 billion) of the total shares to be 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# ("Zhejiang Fulin") 浙江福林國潤汽車零部件有限公司, 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.

## 41. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

### (a) Non-controlling interests arising on change in ownership interests in a subsidiary upon group reorganisation (Continued)

| | 2021 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) |

### (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 completed the subscription for 50,588,234 Series Pre-A Preferred Shares at a total consideration of US$200,000,000 (equivalent to approximately RMB1,264,257,000) in January 2022.

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.

## 41. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

### (b) Non-controlling interests arising on change in ownership interests in subsidiaries upon issuance of new shares (Continued)

In September 2021, 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.

In January 2022, immediately after the issuance of 50,588,234 Series Pre-A Preferred Shares, the carrying amount of ZEEKR Holding was RMB4,730,775,000 and subsequent to the issuance of Series Pre-A Preferred Shares, the equity interests of the Group and other investors in ZEEKR Holding was reduced from approximately 59.73% to 58.31% and from approximately 40.27% to 39.31%, respectively, and the corresponding carrying amount of approximately 2.38% non-controlling interests in ZEEKR Holding was RMB108,441,000. The Group recognised an increase in non-controlling interests of RMB108,441,000 and an increase in equity attributable to equity holders of the Company of RMB1,155,816,000.

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Consideration received from non-controlling interests | **1,264,257** | 1,938,150 |
| Carrying amount of non-controlling interests deemed to be disposed of | **(108,441)** | (154,373) |
| Increase in capital reserve | **1,155,816** | 1,783,777 |

## 41. 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.

| | 2021<br>RMB'000 |
|---|---|
| Consideration paid to non-controlling interests: | |
| – Fair value of the Company's ordinary shares issued | (3,389,964) |
| – Consideration payable* (note 24) | (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 was paid to Geely Group Limited by the end of March 2022.

## 42. 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 2022, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB2,214,735,000 (2021: RMB726,835,000) was recognised at the lease commencement date.

During the year ended 31 December 2022, the Group capitalised share-based payment expenses as product development costs of intangible assets, amounting to RMB495,990,000 (2021: RMB334,123,000).

## 43. 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, bank borrowings and loan from a related company) and equity attributable to equity holders of the Company, comprising issued perpetual capital securities, share capital and reserves.

### Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

## 43. CAPITAL MANAGEMENT (Continued)

The gearing ratio as at the end of the reporting period was as follows:

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Debt | **10,820,356** | 3,807,877 |
| Equity attributable to equity holders of the Company | **75,130,455** | 68,606,146 |
| Debt to equity ratio | **14%** | 6% |

## 44. 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.

## 44. 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:

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| **Financial assets** | | |
| *Financial assets at FVOCI (recycling)* | | |
| – Trade and other receivables | **17,047,131** | 19,863,681 |
| *Financial assets at FVOCI (non-recycling)* | | |
| – Listed equity investments | **284,012** | – |
| *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 | **13,970,681** | 8,365,833 |
| – Restricted and pledged bank deposits | **386,898** | 3,912 |
| – Bank balances and cash | **33,341,339** | 28,013,995 |
| | **65,030,061** | 56,665,959 |
| **Financial liabilities** | | |
| *Financial liabilities measured at amortised cost* | | |
| – Trade and other payables | **57,086,554** | 45,455,032 |
| – Bank borrowings | **2,757,960** | 1,906,740 |
| – Bonds payable | **2,062,396** | 1,901,137 |
| – Loan from a related company | **6,000,000** | – |
| – Lease liabilities | **2,336,008** | 700,776 |
| *Financial liabilities measured at FVTPL* | | |
| – Derivative financial instruments | **80,509** | – |
| | **70,323,427** | 49,963,685 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44. 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 credit worthy 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 2022, 32% (2021: 50%) 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 calculated using a provision matrix. 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 2022, the Group has adopted average expected loss rate of 0.3% to 3.5% (2021: 5%) on the gross carrying amounts of the trade receivables amounted to RMB11,891,624,000 (2021: RMB7,391,128,000). The loss allowance as at 31 December 2022 is RMB225,446,000 (2021: RMB222,778,000).

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 volatility or disruptions in energy, financial, foreign currency or commodity markets.

## 44. 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:

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Balance at 1 January | **222,778** | 94,488 |
| Impairment losses recognised during the year | **2,668** | 128,290 |
| Balance at 31 December | **225,446** | 222,778 |

***Debts instruments at FVOCI (recycling) and other financial assets carried at amortised cost***

Other financial assets carried at amortised cost include utility deposits and other receivables, restricted and pledged bank deposits and bank balances and cash. In order to minimise the credit risk of utility deposits and other receivables, 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 are considered to be low.

Besides, management is of the opinion that there has been no significant increase in credit risk on these utility deposits and other receivables 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 restricted and pledged bank 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.

## 44. 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 2022. 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 |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| **Financial liabilities measured at amortised cost:** | | | | | | |
| Trade and other payables | N/A | 57,086,554 | – | – | 57,086,554 | 57,086,554 |
| Bank borrowings | 5.01 | 138,289 | 138,289 | 2,850,153 | 3,126,731 | 2,757,960 |
| Bonds payable | 3.83 | 2,073,135 | – | – | 2,073,135 | 2,062,396 |
| Loan from a related company | 4.50 | 270,000 | 270,000 | 8,013,750 | 8,553,750 | 6,000,000 |
| Lease liabilities | 4.15 | 677,351 | 1,088,237 | 754,737 | 2,520,325 | 2,336,008 |
| | | 60,245,329 | 1,496,526 | 11,618,640 | 73,360,495 | 70,242,918 |

# 44. 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 |
|---|---|---|---|---|---|---|
| 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 |

## 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 27), loan from a related company (note 29), bonds payable (note 33) bearing fixed rates and bank borrowings (note 28) bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The interest rate risk for the Group's short-term bank deposits is considered immaterial.

The interest rate profile of the Group as at the end of the reporting period has been set out in the liquidity risk section of this note.

As at 31 December 2022, 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 RMB27,580,000 (2021: RMB19,067,000).

## 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Interest rate risk (Continued)

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 the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant. The analysis is performed on the same basis as 2021.

### 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$, US$, SEK, EUR, RUB and BYN.

The Group has entered into certain foreign exchange forward contracts as set out in note 22 to mitigate part of its foreign exchange exposure. These foreign exchange forward contracts do not qualify for hedge accounting and are accounted for as financial assets at FVTPL.

# 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## Currency risk (Continued)

The following table details the Group's exposure as at the end of the reporting period 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.

| | 2022 | | | | | | 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | HK$ | US$ | SEK | EUR | RUB | BYN | HK$ | US$ | SEK | EUR | RUB | BYN |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bank balances and cash | 281,489 | 3,120,930 | 43,941 | 85,314 | 367,025 | 67 | 366,376 | 2,671,234 | – | 648 | 391,425 | 7,364 |
| Trade and other receivables | - | 437,866 | 943,474 | 332,679 | 24,631 | 563 | 606 | 359,676 | – | – | 26,852 | 284,140 |
| Bonds payable | - | (2,062,396) | - | - | - | - | – | (1,901,137) | – | – | – | – |
| Bank borrowings | - | (2,757,960) | - | - | - | - | – | (1,906,740) | – | – | – | – |
| Trade and other payables | - | (255,147) | (357,025) | (118) | (411,755) | - | – | (79,307) | – | (94) | (15,664) | (585,298) |
| Net exposure arising from recognised assets and liabilities | 281,489 | (1,516,707) | 630,390 | 417,875 | (20,099) | 630 | 366,982 | (856,274) | – | 554 | 402,613 | (293,794) |

As the Group is mainly exposed to the effects of fluctuation in HK$/US$/SEK/EUR/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 end of the reporting period 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 2021. 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 end of the reporting period for presentation purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Currency risk (Continued)

| | Impact of HK$ | | Impact of US$ | | Impact of SEK | | Impact of EUR | | Impact of RUB | | Impact of BYN | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Profit after taxation/ Retained profits | **14,074** | 18,349 | **(89,476)** | (79,179) | **23,640** | – | **15,729** | 29 | **(853)** | 16,030 | **27** | (8,838) |

### 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.

## 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Fair value measurements of financial instruments (Continued)

The financial assets/liabilities 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 |
|---|---|---|---|
| | **2022** | 2021 | |
| | **RMB'000** | 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) | **17,047,131** | 19,863,681 | Level 2 |
| **Financial assets at FVOCI (non-recycling)** | | | |
| Listed equity investments | **284,012** | – | Level 1 |
| **Financial liabilities measured at FVTPL** | | | |
| Foreign exchange forward contracts not designated as hedging instruments | **80,509** | – | Level 2 |

There were no transfer between the different levels of the fair value hierarchy during the year ended 31 December 2022 (2021: Nil).

The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 1, Level 2 and Level 3 are unchanged compared to the previous reporting periods and are described below.

***Listed equity investments***

The fair value of listed equity investments in Level 1 is determined by reference to published price quotations in an active market.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Fair value measurements of financial instruments (Continued)

***Notes receivable measured at FVOCI (recycling)***

The fair value of notes receivable in Level 2 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 |
|---|---|---|---|---|
| **As at 31 December 2021** | | | | |
| Preferred shares investments in an unlisted entity | Market comparable companies | Discount on lack of marketability | 26% to 45% | The discount rate is negatively correlated to the fair value measurement |

# 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## Fair value measurements of financial instruments (Continued)

***Preferred shares investments in an unlisted entity (Continued)***

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 was estimated that with all other variables held constant, an increase/decrease in the discount on lack of marketability by 10% would have decreased/increased the Group's profit by approximately RMB59,000,000. The movements during the year in the balance of Level 3 fair value measurements are as follows:

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Balance at 1 January | **351,646** | – |
| Payment for purchases | **–** | 323,025 |
| Changes in fair value recognised in profit or loss during the year | **–** | 28,621 |
| Conversion to ordinary shares of the listed equity investments | **(351,646)** | – |
| Balance at 31 December | **–** | 351,646 |

There have been no transfers into or out of Level 3 during the year ended 31 December 2022 (2021: Nil).

***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 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **1,617** | 4,081 |
| Investments in subsidiaries | **9,713,206** | 7,788,612 |
| Interest in a joint venture | **5,807,116** | 5,229,862 |
| Financial assets at FVTPL | **–** | 351,646 |
| Financial assets at FVOCI | **284,012** | – |
| | **15,805,951** | 13,374,201 |
| **Current assets** | | |
| Prepayments and other receivables | **1,879** | 1,654 |
| Amounts due from subsidiaries | **8,747,048** | 9,999,162 |
| Bank balances and cash | **2,062,928** | 350,488 |
| | **10,811,855** | 10,351,304 |
| **Current liabilities** | | |
| Other payables | **52,037** | 1,873,615 |
| Derivative financial instruments | **20,347** | – |
| Bonds payable | **2,062,396** | – |
| Bank borrowings | **–** | 1,906,740 |
| Amounts due to subsidiaries | **2,042,530** | – |
| Lease liabilities | **1,485** | 2,182 |
| | **4,178,795** | 3,782,537 |
| **Net current assets** | **6,633,060** | 6,568,767 |
| **Total assets less current liabilities** | **22,439,011** | 19,942,968 |

## 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Capital and reserves** | | |
| Share capital | **183,686** | 183,015 |
| Perpetual capital securities | **3,413,102** | 3,413,102 |
| Reserves (note) | **16,084,263** | 14,444,229 |
| **Total equity** | **19,681,051** | 18,040,346 |
| **Non-current liabilities** | | |
| Lease liabilities | **–** | 1,485 |
| Bonds payable | **–** | 1,901,137 |
| Bank borrowings | **2,757,960** | – |
| | **2,757,960** | 1,902,622 |
| | **22,439,011** | 19,942,968 |

Approved and authorised for issue by the Board of Directors on 21 March 2023.

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

## 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

| | Share premium# RMB'000 | Share-based compensation reserve RMB'000 | Fair value reserve (non-recycling)# RMB'000 | Accumulated losses# RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| 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 38) | – | 1,546,822 | – | – | 1,546,822 |
| Shares issued under share option scheme (note 30(a)) | 38,455 | (7,812) | – | – | 30,643 |
| Shares issued on acquisition of additional interests in a subsidiary | 3,386,712 | – | – | – | 3,386,712 |
| Dividends paid to equity holders of the Company (note 11(b)) | – | – | – | (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 |
| **Balance at 1 January 2022** | **17,205,492** | **1,562,619** | **–** | **(4,323,882)** | **14,444,229** |
| Profit for the year | **–** | **–** | **–** | **1,530,823** | **1,530,823** |
| Other comprehensive expense: | | | | | |
| Change in fair value of equity investments at FVOCI | **–** | **–** | **(95,958)** | **–** | **(95,958)** |
| Total comprehensive income for the year | **–** | **–** | **(95,958)** | **1,530,823** | **1,434,865** |
| Transactions with owners: | | | | | |
| Equity settled share-based payments (note 38) | **–** | **1,984,900** | **–** | **–** | **1,984,900** |
| Shares issued under share option scheme (note 30(a)) | **11,481** | **(3,543)** | **–** | **–** | **7,938** |
| Shares issued under share award scheme (note 30(b)) | **803,218** | **(803,218)** | **–** | **–** | **–** |
| Dividends paid to equity holders of the Company (note 11(b)) | **–** | **–** | **–** | **(1,787,669)** | **(1,787,669)** |
| **Total transactions with owners** | **814,699** | **1,178,139** | **–** | **(1,787,669)** | **205,169** |
| **Balance at 31 December 2022** | **18,020,191** | **2,740,758** | **(95,958)** | **(4,580,728)** | **16,084,263** |

# As at 31 December 2022, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB13,343,505,000 (2021: RMB12,881,610,000).

## 46. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows:

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | **Directly** | **Indirectly** | Directly | Indirectly | |
| Centurion Industries Limited | British Virgin Islands | Limited liability company | US$2 | **100%** | **-** | 100% | – | Investment holding |
| Value Century | British Virgin Islands | Limited liability company | US$1 | **100%** | **-** | 100% | – | Investment holding |
| ZEEKR Holding | Cayman Islands | Limited liability company | US$425,294 | **-** | **58.31%** | – | 59.73% | Investment holding |
| Geely Auto International Limited (formerly known as Geely International Limited) 吉利汽車國際有限公司(前稱吉利國際貿易有限公司) | Hong Kong | Limited liability company | 2 shares | **-** | **100%** | 100% | – | Investment holding and export of vehicles outside the PRC |
| Zhejiang Fulin* | The PRC | Limited liability company | US$93,851,017 | **-** | **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 | The PRC | Limited liability company | RMB15,000,000 | **-** | **99%** | – | 99% | Sales of automobile parts and components in the PRC |
| Jirun Automobile^ 浙江吉潤汽車有限公司 | The PRC | Limited liability company | US$790,000,000 | **-** | **99%** | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| ZEEKR Automobile (Shanghai)* | The PRC | Limited liability company | RMB1,855,538,567 (2021: RMB955,538,567) | - | 58.31% | – | 59.73% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |
| Zhejiang Geely Holding Group Automobile Sales Company Limited# 浙江吉利控股集團汽車銷售有限公司 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB521,676,992 | - | 99% | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Shanghai Jicining Mechanical and Electrical Equipment Company Limited# 上海吉茨寧機電設備有限公司 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB50,000,000 | - | 99% | – | 99% | Procurement of automobile parts and components in the PRC |
| Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB300,000,000 | - | 99% | – | 99% | Research, development, production and sales of vehicle engines and related after-sales parts in the PRC |

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | Limited liability company | BYN1,000,000 | - | 50.49% | – | 50.49% | Production, marketing and sales of vehicles |
| Limited Liability Company "Geely Motors" | Russia | Limited liability company | RUB14,010,000 (2021: 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 | The PRC | Limited liability company | RMB100,000,000 | - | 99% | – | 99% | Production of automobile engines in the PRC |

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Chengdu Geely Automobile Manufacturing Company Limited# 成都吉利汽車製造有限公司 | The PRC | Limited liability company | 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 |
| Aurobay Technology Company Limited# 極光灣科技有限公司 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB10,000,000 | - | 99% | – | 99% | Marketing and sales of vehicles in the PRC |
| Zhejiang Jirun Chunxiao Automobile Components Company Limited# (note) 浙江吉潤春曉汽車部件有限公司 | The PRC | Limited liability company | RMB1,500,000,000 | - | - | – | 99% | Research, development, production, marketing and sales of vehicles and related automobile components in the PRC |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Geometry Automobile (Shanxi) Co., Ltd.# 幾何汽車(山西)有限公司 | The PRC | Limited liability company | RMB500,000,000 | - | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB30,000,000 | - | 99% | – | 99% | Research and development of vehicles and related automobile components in the PRC |

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB480,000,000 | - | 99% | – | 99% | Preparation and construction of engine manufactory project in the PRC |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB5,000,000 | - | 99% | – | 99% | Marketing and sales of vehicles in the PRC |
| Geely Automobile Holdings (Shanghai) Co., Ltd. (formerly known as Shanghai Geely Diran Automobile Design Company Limited)# 吉利汽車控股(上海)有限公司 (前稱上海吉利翟然汽車設計有限公司) | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB10,000,000 | - | 99% | – | 99% | Procurement of automobile parts and components in the PRC |

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司 | The PRC | Limited liability company | 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 District Geely Automobile Sales Company Limited# 寧波杭州灣新區吉利汽車銷售有限公司 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | 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 | The PRC | Limited liability company | RMB50,000,000 | - | 99% | – | 99% | General logistic, packing, and storage services in the PRC |

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| ZEEKR Automobile | The PRC | Limited liability company | RMB500,000,000 | **-** | **58.31%** | – | 59.73% | Research and development, purchase and sale of the electric mobility related products under the ZEEKR Brand in the PRC |
| Changxing Components | The PRC | Limited liability company | RMB600,000,000 | **-** | **99%** | – | 99% | Research, development, production and sale of complete knock down kits, related automobile components and provision of after-sales services in the PRC |
| Ningbo Viridi | The PRC | Limited liability company | RMB122,448,980 | **-** | **29.74%** | – | 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 |

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows (Continued):

| Name of companies | Place of incorporation/ registration and operations | Type of legal entity | Issued and fully paid up/ registered capital | Percentage of equity interests held in 2022 | | Percentage of equity interests held in 2021 | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | Directly | Indirectly | |
| CEVT | Sweden | Limited liability company | SEK10,000,000 | **-** | **58.31%** | – | – | Automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and provision of mobility technology solutions |

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

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

Note: The subsidiary has been deregistered during the year.

None of the subsidiaries had issued any debt securities during the year or at the end of the year except for the issuance of Series Pre-A Preferred Shares by ZEEKR Holding (note 41(b)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists 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 | |
|---|---|---|
| | **2022** | 2021 |
| | **RMB'000** | RMB'000 |
| Non-controlling interests percentage | **1%** | 1% |
| Non-current assets | **54,767,698** | 54,051,493 |
| Current assets | **114,411,785** | 144,902,780 |
| Current liabilities | **(110,339,587)** | (144,495,481) |
| Non-current liabilities | **(2,123,989)** | (1,421,525) |
| Net assets | **56,715,907** | 53,037,267 |
| Carrying amount of non-controlling interests | **567,393** | 529,894 |
| Revenue | **204,208,634** | 178,792,371 |
| Profit for the year | **3,705,056** | 4,511,220 |
| Other comprehensive income/(expense) for the year | **44,782** | (18,233) |
| Total comprehensive income for the year | **3,749,837** | 4,492,987 |
| Profit allocated to non-controlling interests | **37,051** | 45,112 |
| Other comprehensive income/(expense) allocated to non-controlling interests | **448** | (182) |
| Cash flows generated from operating activities | **14,781,374** | 10,438,459 |
| Cash flows used in investing activities | **(6,790,370)** | (6,212,424) |
| Cash flows used in financing activities | **(2,188,779)** | (239,224) |
| Net cash inflows | **5,802,225** | 3,986,811 |

## 46. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists 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 (Continued).

| | ZEEKR Holding | |
|---|---|---|
| | **2022** | 2021 |
| | **RMB'000** | RMB'000 |
| Non-controlling interests percentage | **41.69%** | 40.27% |
| Non-current assets | **13,729,613** | 5,323,972 |
| Current assets | **15,717,521** | 6,839,320 |
| Current liabilities | **(18,432,832)** | (7,853,511) |
| Non-current liabilities | **(7,772,477)** | (486,229) |
| Net assets | **3,241,825** | 3,823,552 |
| Carrying amount of non-controlling interests | **486,140** | 1,021,717 |
| Revenue | **31,787,080** | 2,868,157 |
| Loss for the year/period | **(2,038,832)** | (1,010,101) |
| Other comprehensive income/(expense) for the year/period | **11,562** | (31,043) |
| Total comprehensive expense for the year/period | **(2,027,270)** | (1,041,144) |
| Loss allocated to non-controlling interests | **(648,838)** | (540,960) |
| Other comprehensive income/(expense) allocated to non-controlling interests | **4,820** | (15,210) |
| Cash flows generated from operating activities | **2,733,153** | 586,215 |
| Cash flows used in investing activities | **(7,524,851)** | (1,175,071) |
| Cash flows generated from financing activities | **4,581,258** | 3,924,778 |
| Net cash (outflows)/inflows | **(210,440)** | 3,335,922 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 47. EVENTS AFTER THE REPORTING PERIOD

### Formation of a joint venture company

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

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

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

### Spin-off and separate listing of ZEEKR Holding

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

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

### Acquisitions of PROTON Holdings Berhad ("Proton") and DRB-HICOM Geely Sdn. Bhd. ("DHG")

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

### Issuance of Series A Preferred Shares

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

# CORPORATE INFORMATION

## Executive Directors:

Mr. Li Shu Fu *(Chairman)*
Mr. Li Dong Hui, Daniel *(Vice Chairman)*
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei
Mr. Gan Jia Yue *(Appointed on 25 July 2022)*

## Independent Non-executive Directors:

Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn
Ms. Gao Jie

## Audit Committee:

Ms. Gao Jie *(Committee's Chairperson)*
Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn

## Remuneration Committee:

Ms. Lam Yin Shan, Jocelyn *(Committee's Chairperson)*
Ms. Wei Mei
Mr. Wang Yang
Ms. Gao Jie

## Nomination Committee:

Mr. Wang Yang *(Committee's Chairman)*
Mr. Gui Sheng Yue
Ms. Lam Yin Shan, Jocelyn
Ms. Gao Jie

## 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

## Legal Advisor on Hong Kong Law:

Sidley Austin

## Legal Advisor on Cayman Islands Law:

Maples and Calder

# CORPORATE INFORMATION

## Principal Bankers in Hong Kong (in alphabetical order):

Australia and New Zealand Banking Group Limited
Bank of America, N.A.
Bank of China (Hong Kong) Limited
BNP Paribas
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
Nanyang Commercial Bank, Limited
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
Industrial and Commercial Bank of China 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

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

Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 23 號鷹君中心 23 樓 2301 室

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