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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

FINANCIAL HIGHLIGHTS:

	Year ended 31 December		Change %
	2021 RMB'000	2020 RMB'000	
Sales volume* (Units)	1,328,031	1,320,217	1
Revenue	101,611,056	92,113,878	10
Other income	1,339,074	1,039,382	29
Share-based payments	(1,212,699)	(4,095)	29,514
Gain on disposal of subsidiaries	–	392,040	(100)
Profit for the year	4,353,008	5,574,630	(22)
Profit attributable to equity holders of the Company	4,847,448	5,533,790	(12)
Earnings per share			
Basic (RMB)	0.48	0.56	(15)
Diluted (RMB)	0.48	0.56	(15)
Proposed final dividend (per ordinary share) (HK\$)	0.21	0.20	5

* Included the sales volume of “Lynk&Co” vehicles sold by the Group’s 50%-owned joint venture.

The Board recommends payment of a final dividend of HK\$0.21 per ordinary share (2020: HK\$0.20 per ordinary share), and such proposal is subject to approval by shareholders at the annual general meeting of the Company to be held on Wednesday, 25 May 2022 at 4:00 p.m. (Hong Kong Time).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	101,611,056	92,113,878
Cost of sales		<u>(84,198,821)</u>	<u>(77,376,859)</u>
Gross profit		17,412,235	14,737,019
Other income	6	1,339,074	1,039,382
Distribution and selling expenses		(6,322,762)	(5,053,491)
Administrative expenses		(7,907,530)	(5,745,019)
Impairment loss on trade and other receivables	8(c)	(128,290)	(8,594)
Share-based payments		(1,212,699)	(4,095)
Finance income, net	8(a)	280,155	208,322
Share of results of associates		57,984	50,604
Share of results of joint ventures	11	1,147,008	824,810
Gain on disposal of subsidiaries		<u>–</u>	<u>392,040</u>
Profit before taxation	8	4,665,175	6,440,978
Taxation	7	<u>(312,167)</u>	<u>(866,348)</u>
Profit for the year		<u>4,353,008</u>	<u>5,574,630</u>
Attributable to:			
Equity holders of the Company		4,847,448	5,533,790
Non-controlling interests		<u>(494,440)</u>	<u>40,840</u>
Profit for the year		<u>4,353,008</u>	<u>5,574,630</u>
Earnings per share			
Basic	10	RMB0.48	RMB0.56
Diluted	10	<u>RMB0.48</u>	<u>RMB0.56</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		30,858,504	26,574,279
Intangible assets		20,901,178	18,610,115
Land lease prepayments		3,435,744	3,042,911
Goodwill		58,193	42,806
Interests in associates		609,808	494,498
Interests in joint ventures	<i>11</i>	9,594,805	9,194,017
Trade and other receivables	<i>12</i>	800,512	952,356
Financial assets at fair value through profit or loss		351,646	–
Deferred tax assets		2,435,192	970,011
		<u>69,045,582</u>	<u>59,880,993</u>
Current assets			
Inventories		5,521,573	3,690,631
Trade and other receivables	<i>12</i>	31,549,100	27,868,232
Income tax recoverable		140,350	224,608
Derivative financial instruments		66,892	–
Pledged bank deposits		3,912	174,422
Bank balances and cash		28,013,995	18,976,843
		<u>65,295,822</u>	<u>50,934,736</u>
Current liabilities			
Trade and other payables	<i>13</i>	57,392,790	41,516,307
Lease liabilities		198,290	30,380
Bank borrowings		1,906,740	–
Income tax payable		852,737	340,190
		<u>60,350,557</u>	<u>41,886,877</u>
Net current assets		<u>4,945,265</u>	<u>9,047,859</u>
Total assets less current liabilities		<u><u>73,990,847</u></u>	<u><u>68,928,852</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2021*

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	183,015	179,672
Perpetual capital securities	<i>16</i>	3,413,102	3,413,102
Reserves		<u>65,010,029</u>	<u>60,038,340</u>
Equity attributable to equity holders of the Company		68,606,146	63,631,114
Non-controlling interests		<u>1,614,826</u>	<u>582,152</u>
Total equity		<u>70,220,972</u>	<u>64,213,266</u>
Non-current liabilities			
Trade and other payables	<i>13</i>	961,697	385,557
Lease liabilities		502,486	11,915
Bank borrowings		–	1,959,750
Bonds payable	<i>15</i>	1,901,137	1,949,735
Deferred tax liabilities		<u>404,555</u>	<u>408,629</u>
		<u>3,769,875</u>	<u>4,715,586</u>
		<u><u>73,990,847</u></u>	<u><u>68,928,852</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company										Total	
	Share capital	Perpetual capital securities	Share premium	Capital reserve	Statutory reserve	Fair value reserve (recycling)	Translation reserve	Share-based compensation reserve	Retained profits	Sub-total		Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	167,733	3,413,102	7,591,592	164,790	355,638	-	17,640	100,301	42,624,830	54,435,626	488,840	54,924,466
Profit for the year	-	137,217	-	-	-	-	-	-	5,396,573	5,533,790	40,840	5,574,630
Other comprehensive expense:												
Change in fair value of notes receivable at fair value through other comprehensive income	-	-	-	-	-	(148,955)	-	-	-	(148,955)	(1,471)	(150,426)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(87,765)	-	-	(87,765)	232	(87,533)
Realisation of translation reserve upon deregistration of a subsidiary	-	-	-	-	-	-	17,611	-	-	17,611	-	17,611
Total comprehensive income for the year	-	137,217	-	-	-	(148,955)	(70,154)	-	5,396,573	5,314,681	39,601	5,354,282
Transactions with owners:												
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	53,711	53,711
Transfer of reserves	-	-	-	-	352,000	-	-	-	(352,044)	(44)	-	(44)
Shares issued under share option scheme (note 14(a))	888	-	262,648	-	-	-	-	(65,722)	-	197,814	-	197,814
Shares issued upon placement (note 14(b))	11,051	-	5,926,085	-	-	-	-	-	-	5,937,136	-	5,937,136
Equity settled share-based payments	-	-	-	-	-	-	-	4,095	-	4,095	-	4,095
Transfer upon forfeiture of share options	-	-	-	-	-	-	-	(15,065)	15,065	-	-	-
Distribution paid on perpetual capital securities (note 9(c))	-	(137,217)	-	-	-	-	-	-	-	(137,217)	-	(137,217)
Final dividend approved and paid in respect of the previous year (note 9(b))	-	-	-	-	-	-	-	-	(2,120,977)	(2,120,977)	-	(2,120,977)
Total transactions with owners	11,939	(137,217)	6,188,733	-	352,000	-	-	(76,692)	(2,457,956)	3,880,807	53,711	3,934,518
Balance at 31 December 2020	179,672	3,413,102	13,780,325	164,790	707,638	(148,955)	(52,514)	23,609	45,563,447	63,631,114	582,152	64,213,266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2021

	Attributable to equity holders of the Company											
	Share capital RMB'000 (note 14)	Perpetual capital securities RMB'000 (note 16)	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Fair value reserve (recycling) RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
Balance at 1 January 2021	179,672	3,413,102	13,780,325	164,790	707,638	(148,955)	(52,514)	23,609	45,563,447	63,631,114	582,152	64,213,266
Profit for the year	-	127,388	-	-	-	-	-	-	4,720,060	4,847,448	(494,440)	4,353,008
Other comprehensive expense:												
Change in fair value of notes receivable at fair value through other comprehensive income	-	-	-	-	-	(5,950)	-	-	-	(5,950)	(93)	(6,043)
Share of other comprehensive expense of associate and joint venture	-	-	-	-	-	(20,381)	6,349	-	-	(14,032)	-	(14,032)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(44,857)	-	-	-	(44,857)	9,415	(35,442)
Total comprehensive income for the year	-	127,388	-	-	-	(26,331)	(38,508)	-	4,720,060	4,782,609	(485,118)	4,297,491
Transactions with owners:												
Transfer of reserves	-	-	-	-	441	-	-	-	(579)	(138)	-	(138)
Shares issued under share option scheme (note 14(a))	91	-	38,455	-	-	-	-	(7,812)	-	30,734	-	30,734
Equity settled share-based payments	-	-	-	-	-	-	1,546,822	-	1,546,822	-	-	1,546,822
Acquisition of a subsidiary (note 17)	-	-	-	-	-	-	-	-	-	823,959	-	823,959
Capital contribution from non- controlling interests	-	-	-	1,783,777	-	-	-	-	1,783,777	1,146,144	-	2,929,921
Acquisition of additional interests from non-controlling interests	3,252	-	3,386,712	(4,819,909)	-	-	-	-	(1,429,945)	(387,243)	-	(1,817,188)
Distribution paid on perpetual capital securities (note 9(c))	-	(127,388)	-	-	-	-	-	-	(127,388)	-	-	(127,388)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(65,068)	(65,068)
Final dividend approved and paid in respect of the previous year (note 9(b))	-	-	-	-	-	-	-	-	(1,611,439)	(1,611,439)	-	(1,611,439)
Total transactions with owners	3,343	(127,388)	3,425,167	(3,036,132)	441	-	-	1,539,010	(1,612,018)	192,423	1,517,792	1,710,215
Balance at 31 December 2021	<u>183,015</u>	<u>3,413,102</u>	<u>17,205,492</u>	<u>(2,871,342)</u>	<u>708,079</u>	<u>(175,286)</u>	<u>(91,022)</u>	<u>1,562,619</u>	<u>48,671,489</u>	<u>68,606,146</u>	<u>1,614,826</u>	<u>70,220,972</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,833,372)	(2,806,586)
Proceeds from disposal of property, plant and equipment		228,359	101,216
Additions of land lease prepayments		(56)	(44,475)
Additions of intangible assets		(3,266,765)	(4,191,189)
Initial/additional capital injection in associates		(60,423)	(49,490)
Initial capital injection in a joint venture	11	(8,300)	–
Dividend received from an associate		–	40,361
Dividend received from a joint venture	11	888,689	–
Proceeds from disposal of intangible assets		13,192	28,594
Purchase of preferred share investments in an unlisted entity		(323,025)	–
Change in pledged bank deposits		170,510	(134,029)
Net cash outflows on acquisition of subsidiaries	17	(2,540,659)	–
Net cash inflows on disposal of subsidiaries		–	819,094
Proceeds from disposal of subsidiaries in previous year		–	507,135
Interest received		572,683	299,132
		<u>(7,159,167)</u>	<u>(5,430,237)</u>
<i>Net cash used in investing activities</i>			
Cash flows from financing activities			
Dividends paid to equity holders of the Company	9(b)	(1,611,439)	(2,120,977)
Dividends paid to non-controlling interests		(65,068)	–
Distribution paid on perpetual capital securities	9(c)	(127,388)	(137,217)
Acquisition of additional interests from non-controlling interests	18(a)	(9,804)	–
Capital contribution from non-controlling interests		2,929,921	53,711
Proceeds from issuance of shares upon exercise of share options	14(a)	30,734	197,814
Proceeds from issuance of shares upon placement	14(b)	–	5,937,136
Payment of lease liabilities	19	(90,251)	(35,320)
Interest paid	19	(140,686)	(133,995)
		<u>916,019</u>	<u>3,761,152</u>
<i>Net cash generated from financing activities</i>			
Net increase/(decrease) in cash and cash equivalents		9,105,195	(72,493)
Cash and cash equivalents at the beginning of the year		18,976,843	19,281,216
Effect of foreign exchange rate changes		(68,043)	(231,880)
		<u>28,013,995</u>	<u>18,976,843</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash		28,013,995	18,976,843

NOTES

For the year ended 31 December 2021

(Amounts expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

1. GENERAL INFORMATION

Geely Automobile Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”). As at 31 December 2021, the directors consider the immediate holding company of the Company is Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the “**BVI**”). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司 (“**Geely Holding**”), which is incorporated in the People’s Republic of China (the “**PRC**”) and is beneficially owned by Mr. Li Shu Fu and his associates.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”).

The HKICPA has issued certain new and amended HKFRSs that are first effective or available for early adoption for the current accounting period of the Company and its subsidiaries (together referred to as 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.

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

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

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

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

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

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

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

Impact on measurement of financial assets and financial liabilities

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

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

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

3.2 Issued but not yet effective HKFRSs

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

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

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

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

³ Effective date not yet determined

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

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

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

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

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

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

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

Amendments to HKAS 8 “Definition of Accounting Estimates”

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

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

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

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

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

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

4. SEGMENT INFORMATION

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

Geographical information

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

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

5. REVENUE

Revenue represents 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 intellectual properties, net of value added tax (“VAT”) or related sales taxes and net of discounts.

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

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

6. OTHER INCOME

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

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

7. TAXATION

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

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

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2020: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2021 and 2020.

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

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

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

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

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

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

8. PROFIT BEFORE TAXATION

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(a) Finance income and costs		
Finance costs		
Effective interest expenses on bonds payable (<i>note 15</i>)	3,323	3,564
Coupon expense on bonds payable	69,316	74,913
Interest on discounted notes receivable	120,200	30,854
Interest on lease liabilities	13,396	2,852
Interest on bank borrowings wholly repayable within five years	<u>58,594</u>	<u>54,796</u>
	<u>264,829</u>	<u>166,979</u>
Finance income		
Bank and other interest income	<u>(544,984)</u>	<u>(375,301)</u>
Net finance income	<u><u>(280,155)</u></u>	<u><u>(208,322)</u></u>
(b) Staff costs (including directors' emoluments) (<i>note (a)</i>)		
Salaries, wages and other benefits	6,086,427	5,547,019
Retirement benefit scheme contributions (<i>notes (b) and (c)</i>)	421,576	299,469
Equity settled share-based payments	<u>1,212,699</u>	<u>4,095</u>
	<u><u>7,720,702</u></u>	<u><u>5,850,583</u></u>

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

Notes:

- (a) Cost of inventories included RMB6,222,784,000 (2020: RMB5,823,152,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.
- (b) Due to the impact of COVID-19, a number of policies including the relief of social insurance had been promulgated by the government from February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.
- (c) At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: RMBNil).

9. DIVIDENDS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend proposed after the reporting date of Hong Kong dollars (“HK\$”) 0.21 (2020: HK\$0.20) per ordinary share	<u>1,699,495</u>	<u>1,637,367</u>

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

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

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

(c) Distribution on perpetual capital securities

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

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

Profit attributable to ordinary equity holders of the Company

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

Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares as at 1 January (<i>note 14</i>)	9,816,626,540	9,166,997,540
Effect of share options exercised	3,482,652	42,670,401
Effect of shares issued upon placement	–	342,622,951
Effect of shares issued on acquisition of additional interests in a subsidiary	538,110	–
	<hr/>	<hr/>
Weighted average number of ordinary shares as at 31 December	<u>9,820,647,302</u>	<u>9,552,290,892</u>

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

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

11. INTERESTS IN JOINT VENTURES

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

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

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

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

* Genius AFC is directly held by the Company.

Zhejiang AISIN

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

LYNK & CO Investment

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

Genius AFC

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

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

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

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

Geely Sunwoda

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

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

Xinyueneng

During the year ended 31 December 2021, the Group acquired Xinyueneng through a business combination (*note 17*). The cost of the investment in Xinyueneng acquired in the business combination is fair value at the date of acquisition.

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

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

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

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

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

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

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

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

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

12. TRADE AND OTHER RECEIVABLES

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

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers from sales of automobiles, automobile parts and components and battery packs and related parts, provision of research and development and related technological support services. In respect of the trade receivable from related companies arising from the licensing of intellectual properties, it will be settled within five years in accordance with the contract terms. Ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the reporting date was as follows:

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

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

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

(b) Notes receivable

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

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

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

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

(c) Other contract costs

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

(d) Amounts due from related companies

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

13. TRADE AND OTHER PAYABLES

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and notes payables			
Trade payables			
– Third parties		27,711,329	27,315,141
– Associates		999,220	1,334,777
– Joint ventures		5,274	2,711
– Related companies controlled by the substantial shareholder of the Company		<u>3,290,590</u>	<u>1,265,467</u>
	(a)	32,006,413	29,918,096
Notes payable	(b)	<u>106,947</u>	<u>311,273</u>
		<u>32,113,360</u>	<u>30,229,369</u>
Other payables			
Receipts in advance from customers	(c)		
– Third parties		7,458,586	2,589,346
– Associates		8,307	5,004
– Joint ventures		194,088	965
– Related companies controlled by the substantial shareholder of the Company		<u>387,506</u>	<u>195,696</u>
		8,048,487	2,791,011
Deferred government grants which conditions have not been satisfied		3,574,474	900,000
Payables for acquisition of property, plant and equipment		2,304,916	2,528,125
Payables for capitalised product development costs from related companies	(d)	2,345,333	–
Payables for acquisition of additional interests in a subsidiary (<i>note 18(c)</i>)		1,807,384	–
Accrued staff salaries and benefits		1,776,055	1,282,871
VAT and other taxes payables		1,276,494	711,812
Other accrued charges and payables	(e)	<u>4,604,101</u>	<u>3,130,626</u>
		25,737,244	11,344,445
Amounts due to related companies controlled by the substantial shareholder of the Company	(f)	<u>503,883</u>	<u>328,050</u>
		<u>26,241,127</u>	<u>11,672,495</u>
		<u>58,354,487</u>	<u>41,901,864</u>
<i>Representing:</i>			
– Current		57,392,790	41,516,307
– Non-current		<u>961,697</u>	<u>385,557</u>
		<u>58,354,487</u>	<u>41,901,864</u>

(a) Trade payables

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

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

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

(b) Notes payable

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

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

(c) Receipts in advance from customers

The following amounts represent (i) the advance payments from customers for the sales of automobiles, automobile parts and components and 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 of the intellectual properties were obtained by customers.

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

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

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	182,238	72,019
More than one year	961,697	385,557
	<u>1,143,935</u>	<u>457,576</u>

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

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

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

(e) Other accrued charges and payables

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

(f) Amounts due to related companies

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

14. SHARE CAPITAL

	2021		2020	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Authorised:				
Ordinary shares of HK\$0.02 each				
At 31 December	<u>12,000,000,000</u>	<u>246,720</u>	<u>12,000,000,000</u>	<u>246,720</u>
Issued and fully paid:				
Ordinary shares of HK\$0.02 each				
At 1 January	9,816,626,540	179,672	9,166,997,540	167,733
Shares issued under share option scheme (note (a))	5,405,000	91	49,629,000	888
Shares issued upon placement (note (b))	–	–	600,000,000	11,051
Shares issued on acquisition of additional interests in a subsidiary (note 18(c))	<u>196,410,000</u>	<u>3,252</u>	<u>–</u>	<u>–</u>
At 31 December	<u>10,018,441,540</u>	<u>183,015</u>	<u>9,816,626,540</u>	<u>179,672</u>

Notes:

- (a) During the year ended 31 December 2021, share options were exercised to subscribe for 5,405,000 ordinary shares (2020: 49,629,000 ordinary shares) of the Company at a consideration of approximately RMB30,734,000 (2020: RMB197,814,000) of which approximately RMB91,000 (2020: RMB888,000) was credited to share capital and approximately RMB30,643,000 (2020: RMB196,926,000) was credited to the share premium account. As a result of the exercise of share options, share-based compensation reserve of RMB7,812,000 (2020: RMB65,722,000) has been transferred to the share premium account.
- (b) On 29 May 2020, the Company entered into a placing agreement (the “**Placing Agreement**”) with placing agents, to procure not less than six placees who are independent third parties to the Company to subscribe for 600,000,000 placing shares at the placing price of HK\$10.8 per placing share (the “**Placing**”). All conditions of the Placing Agreement were fulfilled. The Placing was completed and fully subscribed on 5 June 2020. The gross proceeds from the Placing amounted to approximately HK\$6,480,000,000 (equivalent to approximately RMB5,967,432,000) and the related directly attributable expenses were approximately HK\$32,899,000 (equivalent to approximately RMB30,296,000).

15. BONDS PAYABLE

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

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

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount		
At 1 January	1,949,735	2,060,085
Exchange differences	(51,921)	(113,914)
Interest expenses	<u>3,323</u>	<u>3,564</u>
At 31 December	<u><u>1,901,137</u></u>	<u><u>1,949,735</u></u>

16. 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.

17. BUSINESS COMBINATIONS

Zeekr Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# 極氫汽車(寧波杭州灣新區)有限公司 (“Zeekr Automobile”)

On 28 April 2021, Zeekr Automobile (Shanghai) Company Limited# 極氫汽車(上海)有限公司 (“**Zeekr Automobile (Shanghai)**”) (formerly known as Shanghai Maple Guorun Automobile Company Limited# 上海華普國潤汽車有限公司) 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	Fair value adjustments	Recognised values on acquisition
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
The net assets acquired:			
Property, plant and equipment	32,813	–	32,813
Intangible assets	1,674,498	160,122	1,834,620
Trade and other receivables	106,257	–	106,257
Deferred tax assets	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	–	(40,031)	(40,031)
	<u>358,539</u>	<u>120,091</u>	<u>478,630</u>
Goodwill arising on acquisition:			
Cash consideration transferred			485,329
Fair value of identifiable net assets acquired			<u>(478,630)</u>
			<u>6,699</u>
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(485,329)
Bank balances and cash acquired			<u>476,973</u>
			<u>(8,356)</u>

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

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

Zeekr Automobile has contributed revenue of RMB1,822,266,000 and loss of RMB369,805,000, respectively from the acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2021 would be RMB101,611,056,000 and RMB4,211,547,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2021 and could not serve as a basis for the forecast of future operation results.

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.

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

On 13 May 2021, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 (“**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.

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

	Pre- acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The net assets acquired:			
Property, plant and equipment	3,022,580	10,482	3,033,062
Intangible assets	64,964	–	64,964
Land lease prepayments	397,952	8,048	406,000
Deferred tax assets	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	–	(4,633)	(4,633)
	<u>2,515,209</u>	<u>13,897</u>	<u>2,529,106</u>
Goodwill arising on acquisition:			
Cash consideration transferred			2,534,689
Fair value of identifiable net assets acquired			<u>(2,529,106)</u>
			<u>5,583</u>
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(2,534,689)
Bank balances and cash acquired			<u>1,245</u>
			<u><u>(2,533,444)</u></u>

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 RMB4,332,921,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2021 and could not serve as a basis for the forecast of future operation results.

Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司 (“Ningbo Viridi”)

On 2 July 2021, Zeekr Automobile (Shanghai) entered into a subscription agreement with Ningbo Viridi and a fellow subsidiary owned by the Company’s ultimate holding company pursuant to which Zeekr Automobile (Shanghai) has conditionally agreed to subscribe for additional capital of Ningbo Viridi at a cash consideration of approximately RMB860,697,000.

Upon completion of the subscription of Ningbo Viridi, Zeekr Automobile (Shanghai) will hold 51% of the enlarged share capital of Ningbo Viridi. Ningbo Viridi is engaged in research, development, production and sale of automobile components including electric powertrain and battery systems and related products and provision of after-sales services in the PRC. The subscription of Ningbo Viridi was completed on 28 October 2021. Please refer to the Company’s circular dated 4 August 2021 for further details.

The assets acquired and liabilities recognised immediately after the subscription are as follows:

	Pre- subscription carrying amounts	Effect on subscription	Fair value adjustments	Recognised values immediately after the subscription
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
The net assets acquired:				
Property, plant and equipment	739,704	–	(5,804)	733,900
Intangible assets	275,865	–	97,357	373,222
Land lease prepayments	54,304	–	12,661	66,965
Interest in a joint venture	118,524	–	26,580	145,104
Trade and other receivables	635,992	860,697	–	1,496,689
Inventories	538,950	–	–	538,950
Bank balances and cash	1,141	–	–	1,141
Trade and other payables	(1,654,800)	–	–	(1,654,800)
Deferred tax liabilities	–	–	(19,620)	(19,620)
	<u>709,680</u>	<u>860,697</u>	<u>111,174</u>	<u>1,681,551</u>
Goodwill arising on acquisition:				
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				<u>(1,681,551)</u>
				<u>3,105</u>
Cash inflow arising on acquisition of a subsidiary:				
Bank balances and cash acquired				<u>1,141</u>

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 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.

18. 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 Intelligent Technology Holding Limited (“**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 RMB980 million) 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# 浙江福林國潤汽車零部件有限公司 (“**Zhejiang Fulin**”), both wholly owned subsidiaries of the Company, a fellow subsidiary owned by the Company's ultimate holding company and Zeekr Holding, a non wholly owned subsidiary of the Company, entered into a disposal agreement pursuant to which Zeekr Holding conditionally agreed to acquire through its indirect wholly foreign-owned subsidiary, and Value Century, Zhejiang Fulin and the fellow subsidiary conditionally agreed to sell, their respective 91%, 8% and 1% equity interest(s) of Zeekr Automobile (Shanghai), for a cash consideration of approximately RMB980.4 million in total. The reorganisation of Zeekr Automobile (Shanghai) was completed in August 2021. Please refer to the Company's announcement dated 28 April 2021 for further details.

Immediately prior to the reorganisation, the carrying amount of the existing 1% non-controlling interests in Zeekr Automobile (Shanghai) was RMB6,797,000. The Group recognised a decrease in non-controlling interests of RMB6,797,000 and a decrease in equity attributable to equity holders of the Company of RMB3,007,000. Following the completion of the reorganisation, Zeekr Automobile (Shanghai) continues to be a subsidiary of the Company and its financial results continue to be consolidated into the consolidated financial statements of the Group.

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

On 27 August 2021, Zeekr Holding entered into a share purchase agreement with five investors, pursuant to which such investors agreed to subscribe for 126,470,585 series pre-A preferred shares (“**Series Pre-A Preferred Shares**”) at a total consideration of US\$500,000,000. Three of the investors completed the subscription for 75,882,351 Series Pre-A Preferred Shares at a total consideration of US\$300,000,000 (equivalent to approximately RMB1,938,150,000) in September 2021. The remaining two investors have not yet completed the subscription as at 31 December 2021.

The major terms of the Series Pre-A Preferred Shares are set out below:

- (i) The Series Pre-A Preferred Shares carry voting rights and can vote together with ordinary shares as a single class on a fully diluted, as converted and as exercised basis.
- (ii) The holders of Series Pre-A Preferred Shares are entitled to dividend on each share held on a pari passu basis with the ordinary shares and the dividend declared or paid is non-cumulative.
- (iii) The Series Pre-A Preferred Shares are non-redeemable.
- (iv) The Series Pre-A Preferred Shares are convertible into ordinary shares of Zeekr Holding on a one to one basis at the options of the holder.

Immediately after the issuance of 75,882,351 Series Pre-A Preferred Shares, the carrying amount of Zeekr Holding was RMB4,217,849,000 and subsequent to the issuance of Series Pre-A Preferred Shares, the equity interests of the Group and Geely Holding in Zeekr Holding was reduced from approximately 51% to 49.13% and from approximately 49% to 47.21%, respectively, and the corresponding carrying amount of approximately 3.66% non-controlling interests in Zeekr Holding was RMB154,373,000. The Group recognised an increase in non-controlling interests of RMB154,373,000 and an increase in equity attributable to equity holders of the Company of RMB1,783,777,000. Notwithstanding that the Group’s equity interests in Zeekr Holding is below 50%, for the reasons that the Group remains as the single largest shareholder in Zeekr Holding with approximately 49% of its equity interests, and the Group can still control the board of directors of Zeekr Holding and continues to be able to control Zeekr Holding.

(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.

The effect on the equity attributable to equity holders of the Company during the year is summarised as follows:

	2021 RMB'000
Consideration paid to non-controlling interests:	
– Fair value of the Company's ordinary shares issued	3,389,964
– Consideration payable (<i>note 13</i>)*	<u>1,807,384</u>
	5,197,348
Carrying amount of non-controlling interests acquired	<u>(380,446)</u>
Total amount recognised in the capital reserve within equity	<u><u>4,816,902</u></u>

* Pursuant to the share purchase agreement, the consideration payable of RMB1,807,384,000 will be paid by the end of March 2022.

19. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

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

	Dividends payable <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Bank borrowings <i>RMB'000</i>	Bonds payable <i>RMB'000</i> <i>(note 15)</i>	Total <i>RMB'000</i>
At 1 January 2020	–	63,589	2,089,110	2,060,085	4,212,784
Changes from financing cash flows:					
Capital element of lease rentals paid	–	(35,320)	–	–	(35,320)
Other borrowing costs paid	–	(2,852)	(54,796)	(76,347)	(133,995)
Dividends paid	<u>(2,120,977)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,120,977)</u>
Total changes from financing cash flows	<u>(2,120,977)</u>	<u>(38,172)</u>	<u>(54,796)</u>	<u>(76,347)</u>	<u>(2,290,292)</u>
Exchange adjustments	–	–	(129,360)	(113,914)	(243,274)
Other changes (note):					
Entering into new leases	–	14,026	–	–	14,026
Interest expenses	–	2,852	54,796	78,477	136,125
Dividends declared (note 9(b))	2,120,977	–	–	–	2,120,977
Others	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,434</u>	<u>1,434</u>
Total other changes	<u>2,120,977</u>	<u>16,878</u>	<u>54,796</u>	<u>79,911</u>	<u>2,272,562</u>
At 31 December 2020	<u>–</u>	<u>42,295</u>	<u>1,959,750</u>	<u>1,949,735</u>	<u>3,951,780</u>

	Dividends payable <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Bank borrowings <i>RMB'000</i>	Bonds payable <i>RMB'000</i> <i>(note 15)</i>	Total <i>RMB'000</i>
At 1 January 2021	–	42,295	1,959,750	1,949,735	3,951,780
Changes from financing cash flows:					
Capital element of lease rentals paid	–	(90,251)	–	–	(90,251)
Other borrowing costs paid	–	(13,396)	(58,594)	(68,696)	(140,686)
Dividends paid	<u>(1,611,439)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,611,439)</u>
Total changes from financing cash flows	<u>(1,611,439)</u>	<u>(103,647)</u>	<u>(58,594)</u>	<u>(68,696)</u>	<u>(1,842,376)</u>
Exchange adjustments	–	–	(53,010)	(51,921)	(104,931)
Other changes (note):					
Entering into new leases	–	726,835	–	–	726,835
Interest expenses	–	13,396	58,594	72,639	144,629
Dividends declared (note 9(b))	1,611,439	–	–	–	1,611,439
Acquisition through business combination (note 17)	–	21,897	–	–	21,897
Others	<u>–</u>	<u>–</u>	<u>–</u>	<u>(620)</u>	<u>(620)</u>
Total other changes	<u>1,611,439</u>	<u>762,128</u>	<u>58,594</u>	<u>72,019</u>	<u>2,504,180</u>
At 31 December 2021	<u>–</u>	<u>700,776</u>	<u>1,906,740</u>	<u>1,901,137</u>	<u>4,508,653</u>

Note: Other changes include interest accruals.

20. EVENT AFTER THE REPORTING DATE

Acquisition of China-Euro Vehicle Technology AB (“CEVT”)

On 2 July 2021, Zeekr Holding and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Zeekr Holding conditionally agreed to acquire 100% of the equity interests in CEVT for a cash consideration of approximately 1,057.8 million Swedish Krona (equivalent to approximately RMB745.6 million). CEVT principally engaged in automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and provision of mobility technology solutions. The acquisition of CEVT was completed in February 2022. Please refer to the Company’s announcement dated 2 July 2021 for further details.

However, as at the date of authorisation of these consolidated financial statements, the initial accounting for the business combination has not yet been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Our group's financial performance in 2021 was below the management's original expectations primarily due to the global shortage of chip supply during the year. Total revenue increased by 10% to RMB101.6 billion for the year ended 31 December 2021. Total net profit of our group declined 22% from RMB5.6 billion in 2020 to RMB4.4 billion in 2021. After accounting for non-controlling interests, our net profit attributable to equity holders was down 12% from RMB5.5 billion in 2020 to RMB4.8 billion in 2021. Diluted earnings per share was down 15% to RMB0.48. If the non-cash share-based payment expenses were excluded, our net profit attributable to equity holders would have increased by 9% year-on-year to RMB6.1 billion in 2021. As a result of the continued product mix improvement, our group's average ex-factory selling price ("ASP") during the period increased by 8% as compared to the corresponding period last year. After incorporating the sales of "Lynk&Co" vehicles sold by our 50%-owned joint venture on a proforma basis, our group's combined ASP recorded an increase of 9% year-on-year. Thanks to the product mix improvement, gross profit margin further improved in 2021. During the year, our group continued to generate good operational cash inflow. This, together with the Pre-A round external financing carried out by Zeekr Holding, raised our group's total cash level (bank balances and cash + pledged bank deposits) by 46% to RMB28.0 billion at the end of 2021.

BUSINESS OVERVIEW

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

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

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

FINANCIAL RESOURCES

Total capital expenditures on property, plant and equipment, intangible assets (i.e. capitalised product development costs) and land lease prepayments for the Group amounted to RMB6.1 billion in 2021, which was within the budgeted amount of RMB6.5 billion fixed at the beginning of the year. Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB11,090 million to deficit RMB20,480 million at the end of 2021. If excluding the changes in working capital related to the acquisition and disposal of subsidiaries, the working capital increased by RMB5.2 billion in 2021. Starting from 2021, the Group tightened its credit policies given to its dealers and suppliers back to normal levels as the negative impact of COVID-19 subsided, resulting in significant increase in net cash inflows from operating activities. Further, as a result of the good operational cash inflow from the Group's operations and the Pre-A round external financing carried out by Zeekr Holding, the Group's total cash level (bank balances and cash + pledged bank deposits) increased by 46% YoY to RMB28.0 billion at the end of 2021. The Group's total borrowings (included bank borrowings and bonds payable) decreased by 3% to RMB3.8 billion. At the end of 2021, the financial position of the Group remained strong with net cash on hand (total cash level – borrowings – perpetual capital securities) at RMB20.8 billion versus a net cash level of RMB12.6 billion six months ago. At the end of 2021, the Group's total borrowings were solely denominated in US\$, which aligned with the currency mix of the Group's revenues from export business. In addition, net notes receivable (notes receivable – notes payable) at the end of 2021 amounted to RMB19.8 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivable with the banks.

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

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

RESEARCH AND DEVELOPMENT

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

Further details were illustrated in the table below:

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

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

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

OUTLOOK

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

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

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

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

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

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

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

CAPITAL STRUCTURE AND TREASURY POLICIES

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

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

EXPOSURE TO FOREIGN EXCHANGE RISK

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's current ratio (current assets/current liabilities) was about 1.08 (As at 31 December 2020: 1.22) and the gearing ratio of the Group was about 5.6% (As at 31 December 2020: 6.1%) which was calculated on the Group's total borrowings (excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB11,090 million to deficit RMB20,480 million at the end of 2020. If excluding the changes in working capital related to the acquisition and disposal of subsidiaries, the working capital decreased by RMB5.2 billion in 2021. Starting from 2021, the Group tightened its credit policies given to its dealers and suppliers back to normal levels as the negative impact of COVID-19 subsided, resulting in significant increase in net cash inflows from operating activities. Further, as a result of the good operational cash inflow from the Group's operations and the Pre-A round external financing carried out by Zeekr Holding, the Group's total cash level (bank balances and cash + pledged bank deposits) increased by 46% year-on-year to RMB28.0 billion at the end of 2021. The Group's total borrowings (included bank borrowings and bonds payable, but excluded perpetual capital securities) decreased by 3% to RMB3.8 billion. Accordingly, it resulted in a slight decrease in current ratio at the end of year 2021 over the previous year.

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

EMPLOYEES' REMUNERATION POLICY

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK\$0.21 per ordinary share for the year ended 31 December 2021. The proposed final dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Wednesday, 25 May 2022 at 4:00 p.m. (Hong Kong Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid in July 2022 to shareholders whose names shall appear on the register of members of the Company on 10 June 2022.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2022 to 25 May 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 25 May 2022, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 19 May 2022.

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

CORPORATE GOVERNANCE

For the year ended 31 December 2021, the Company has complied with the code provisions (“**CPs**”) of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”), as set out in Appendix 14 to the Listing Rules, except for CPs A.2.7, A.6.5 and E.1.2.

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

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

CP E.1.2 provides that the Chairman and the chairman of respective Board committees should attend the annual general meeting of the Company. During the year ended 31 December 2021, the Chairman did not attend the annual general meeting of the Company due to conflict of his schedules and other prior business engagement in the PRC. If the Chairman could not attend the general meeting of the Company, he would assign an executive director, who does not have a material interest in the businesses contemplating in the meeting and should report to him on any enquiries Shareholders might have, to attend such general meeting on his behalf. Further, the Company would facilitate a conference call for Shareholders and the directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. Through these measures, views of the Shareholders would be properly communicated to the Board as a whole. In addition, the external auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, accounting policies and auditor’s independence.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an Audit Committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee is accountable to the Board and the primary duties of the Audit Committee include the review and supervision of the Group’s financial reporting process, risk management and internal controls. The Audit Committee currently comprises Mr. Lee Cheuk Yin, Dennis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie, who are the independent non-executive directors of the Company.

The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Wednesday, 25 May 2022 at 4:00 p.m. (Hong Kong Time). A notice of the annual general meeting will be issued and delivered to shareholders of the Company in due course.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2021 have been agreed by the Group’s auditor, Grant Thornton Hong Kong Limited (the “**Auditor**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2021 annual report will set out all information disclosed in the annual results announcement for 2021 and will be disclosed on the websites of the Company (<http://www.geelyauto.com.hk>) and The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) on or before 30 April 2022.

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

Hong Kong, 23 March 2022

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