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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 %
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	
Sales volume* (Units)	<b>1,320,217</b>	1,361,560	(3)
Revenue	<b>92,113,878</b>	97,401,248	(5)
Other income	<b>1,039,382</b>	1,224,666	(15)
Gain on disposal of subsidiaries	<b>392,040</b>	183,067	114
Profit for the year	<b>5,574,630</b>	8,261,358	(33)
Profit attributable to equity holders of the Company	<b>5,533,790</b>	8,189,638	(32)
Earnings per share			
Basic (RMB)	<b>0.56</b>	0.90	(38)
Diluted (RMB)	<b>0.56</b>	0.89	(37)
Proposed final dividend (per ordinary share) (HK\$)	<b>0.20</b>	0.25	(20)

\* 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\$0.20 per ordinary share (2019: HK\$0.25 per ordinary share), and such proposal is subject to approval by shareholders at the annual general meeting of the Company to be held on Monday, 24 May 2021 at 4:00 p.m. (Hong Kong Time).

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>	5	<b>92,113,878</b>	97,401,248
Cost of sales		<u>(77,376,859)</u>	<u>(80,484,620)</u>
<b>Gross profit</b>		<b>14,737,019</b>	16,916,628
Other income	6	<b>1,039,382</b>	1,224,666
Distribution and selling expenses		<b>(5,053,491)</b>	(4,332,267)
Administrative expenses, excluding share-based payments		<b>(5,745,019)</b>	(5,084,146)
Impairment loss on trade and other receivables	8(c)	<b>(8,594)</b>	(38,242)
Share-based payments		<b>(4,095)</b>	(5,459)
Finance income, net	8(a)	<b>208,322</b>	108,021
Share of results of associates		<b>50,604</b>	38,122
Share of results of joint ventures	11	<b>824,810</b>	625,878
Gain on disposal of subsidiaries	18	<b>392,040</b>	183,067
<b>Profit before taxation</b>	8	<b>6,440,978</b>	9,636,268
Taxation	7	<u>(866,348)</u>	<u>(1,374,910)</u>
<b>Profit for the year</b>		<u><b>5,574,630</b></u>	<u>8,261,358</u>
<b>Attributable to:</b>			
Equity holders of the Company		<b>5,533,790</b>	8,189,638
Non-controlling interests		<u>40,840</u>	<u>71,720</u>
<b>Profit for the year</b>		<u><b>5,574,630</b></u>	<u>8,261,358</u>
<b>Earnings per share</b>			
Basic	10	<b>RMB0.56</b>	RMB0.90
Diluted	10	<u><b>RMB0.56</b></u>	<u>RMB0.89</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>	<u><b>5,574,630</b></u>	<u>8,261,358</u>
<b>Other comprehensive (expense)/income:</b>		
Items that may be reclassified subsequently to profit or loss:		
– Notes receivable at fair value through other comprehensive income		
Change in fair value	(193,361)	–
Income tax effect	42,935	–
– Exchange differences on translation of financial statements of foreign operations	(87,533)	50,275
– Realisation of translation reserve upon deregistration of a subsidiary	<u>17,611</u>	<u>–</u>
<b>Other comprehensive (expense)/income for the year, net of tax</b>	<u><b>(220,348)</b></u>	<u>50,275</u>
<b>Total comprehensive income for the year</b>	<u><u><b>5,354,282</b></u></u>	<u><u>8,311,633</u></u>
<b>Attributable to:</b>		
Equity holders of the Company	5,314,681	8,239,395
Non-controlling interests	<u>39,601</u>	<u>72,238</u>
<b>Total comprehensive income for the year</b>	<u><u><b>5,354,282</b></u></u>	<u><u>8,311,633</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>26,574,279</b>	27,070,318
Intangible assets		<b>18,610,115</b>	17,597,628
Land lease prepayments		<b>3,042,911</b>	3,230,845
Goodwill		<b>42,806</b>	42,806
Interests in associates		<b>494,498</b>	462,387
Interests in joint ventures	<i>11</i>	<b>9,194,017</b>	8,375,076
Trade and other receivables	<i>12</i>	<b>952,356</b>	268,899
Deferred tax assets		<b>970,011</b>	865,606
		<b><u>59,880,993</u></b>	<u>57,913,565</u>
<b>Current assets</b>			
Inventories		<b>3,690,631</b>	4,820,776
Trade and other receivables	<i>12</i>	<b>27,868,232</b>	25,844,914
Income tax recoverable		<b>224,608</b>	26,714
Pledged bank deposits		<b>174,422</b>	40,393
Bank balances and cash		<b>18,976,843</b>	19,281,216
		<b><u>50,934,736</u></b>	<u>50,014,013</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>41,516,307</b>	47,873,315
Lease liabilities		<b>30,380</b>	37,223
Income tax payable		<b>340,190</b>	615,894
		<b><u>41,886,877</u></b>	<u>48,526,432</u>
<b>Net current assets</b>		<b><u>9,047,859</u></b>	<u>1,487,581</u>
<b>Total assets less current liabilities</b>		<b><u><u>68,928,852</u></u></b>	<u><u>59,401,146</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December 2020*

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>14</i>	<b>179,672</b>	167,733
Perpetual capital securities	<i>16</i>	<b>3,413,102</b>	3,413,102
Reserves		<b><u>60,038,340</u></b>	<u>50,854,791</u>
<b>Equity attributable to equity holders of the Company</b>		<b>63,631,114</b>	54,435,626
<b>Non-controlling interests</b>		<b><u>582,152</u></b>	<u>488,840</u>
<b>Total equity</b>		<b><u>64,213,266</u></b>	<u>54,924,466</u>
<b>Non-current liabilities</b>			
Trade and other payables	<i>13</i>	<b>385,557</b>	–
Lease liabilities		<b>11,915</b>	26,366
Bank borrowings		<b>1,959,750</b>	2,089,110
Bonds payable	<i>15</i>	<b>1,949,735</b>	2,060,085
Deferred tax liabilities		<b><u>408,629</u></b>	<u>301,119</u>
		<b><u>4,715,586</u></b>	<u>4,476,680</u>
		<b><u><u>68,928,852</u></u></b>	<u><u>59,401,146</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company										
	Share capital	Perpetual capital securities	Share premium	Capital reserve	Statutory reserve	Translation reserve	Share option reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 14)	(note 16)									
<b>Balance at 1 January 2019</b>	164,470	-	6,692,297	164,790	310,398	(32,117)	378,096	37,266,043	44,943,977	430,741	45,374,718
Profit for the year	-	-	-	-	-	-	-	8,189,638	8,189,638	71,720	8,261,358
Other comprehensive income:											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	49,757	-	-	49,757	518	50,275
<b>Total comprehensive income for the year</b>	-	-	-	-	-	49,757	-	8,189,638	8,239,395	72,238	8,311,633
Transactions with owners:											
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,555	1,555
Transfer of reserves	-	-	-	-	45,240	-	-	(45,240)	-	-	-
Issuance of perpetual capital securities (note 16)	-	3,413,102	-	-	-	-	-	-	3,413,102	-	3,413,102
Shares issued under share option scheme (note 14 (a))	3,263	-	899,295	-	-	-	(263,105)	-	639,453	-	639,453
Equity settled share-based payments	-	-	-	-	-	-	5,459	-	5,459	-	5,459
Transfer upon forfeiture of share options	-	-	-	-	-	-	(20,149)	20,149	-	-	-
Final dividend approved and paid in respect of the previous year (note 9)	-	-	-	-	-	-	-	(2,805,760)	(2,805,760)	-	(2,805,760)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(15,694)	(15,694)
<b>Total transactions with owners</b>	3,263	3,413,102	899,295	-	45,240	-	(277,795)	(2,830,851)	1,252,254	(14,139)	1,238,115
<b>Balance at 31 December 2019</b>	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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

	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 option reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2020	167,733	3,413,102	7,591,592	164,790	355,638	-	17,640	100,301	42,624,830	54,435,626	488,840	54,924,466
Profit for the year	-	137,217	-	-	-	-	-	-	5,396,573	5,533,790	40,840	5,574,630
Other comprehensive (expense)/income:												
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
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>137,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(148,955)</b>	<b>(70,154)</b>	<b>-</b>	<b>5,396,573</b>	<b>5,314,681</b>	<b>39,601</b>	<b>5,354,282</b>
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)	-	-	-	-	-	-	-	-	(2,120,977)	(2,120,977)	-	(2,120,977)
<b>Total transactions with owners</b>	<b>11,939</b>	<b>(137,217)</b>	<b>6,188,733</b>	<b>-</b>	<b>352,000</b>	<b>-</b>	<b>-</b>	<b>(76,692)</b>	<b>(2,457,956)</b>	<b>3,880,807</b>	<b>53,711</b>	<b>3,934,518</b>
Balance at 31 December 2020	<u>179,672</u>	<u>3,413,102</u>	<u>13,780,325</u>	<u>164,790</u>	<u>707,638</u>	<u>(148,955)</u>	<u>(52,514)</u>	<u>23,609</u>	<u>45,563,447</u>	<u>63,631,114</u>	<u>582,152</u>	<u>64,213,266</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Cash flows from operating activities</b>			
Profit before taxation		<b>6,440,978</b>	9,636,268
Adjustments for:			
Bad debts written off	8(c)	–	5,542
Depreciation and amortisation		<b>5,491,209</b>	3,733,212
Equity settled share-based payments		<b>4,095</b>	5,459
Finance costs	8(a)	<b>166,979</b>	127,580
Gain on disposal of an associate	6	–	(636)
Gain on disposal of subsidiaries	18	<b>(392,040)</b>	(183,067)
Impairment loss on trade and other receivables	8(c)	<b>8,594</b>	38,242
Interest income	8(a)	<b>(375,301)</b>	(235,601)
Loss on deregistration of a subsidiary	8(c)	<b>18,811</b>	–
Net foreign exchange loss/(gain)		<b>63,281</b>	(8,729)
Net (gain)/loss on disposal of property, plant and equipment	8(c)	<b>(7,513)</b>	55,929
Share of results of associates		<b>(50,604)</b>	(38,122)
Share of results of joint ventures	11	<b>(824,810)</b>	(625,878)
Operating profit before working capital changes		<b>10,543,679</b>	12,510,199
Inventories		<b>1,104,127</b>	(699,388)
Trade and other receivables		<b>(4,029,743)</b>	(3,769,692)
Trade and other payables		<b>(4,650,266)</b>	6,446,007
Cash generated from operations		<b>2,967,797</b>	14,487,126
Income taxes paid		<b>(1,371,205)</b>	(1,949,422)
<i>Net cash generated from operating activities</i>		<b><u>1,596,592</u></b>	<u>12,537,704</u>



## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,806,586)	(2,872,645)
Proceeds from disposal of property, plant and equipment		101,216	8,216
Additions of land lease prepayments		(44,475)	(95,980)
Additions of intangible assets		(4,191,189)	(4,606,090)
Initial/additional capital injection in an associate		(49,490)	(20,493)
Additional capital injection in joint ventures	11	–	(1,831,580)
Dividend received from an associate		40,361	–
Proceeds from disposal of intangible assets		28,594	–
Change in pledged bank deposits		(134,029)	(21,001)
Net cash outflows on acquisition of subsidiaries	17	–	(320,689)
Net cash inflows/(outflows) on disposal of subsidiaries	18	819,094	(2,699)
Settlement of payables for acquisition of subsidiaries in previous year		–	(1,265,277)
Proceeds from disposal of subsidiaries in previous year	18	507,135	–
Proceeds from disposal of interests in an associate		–	1,533
Interest received		299,132	235,601
		<u>(5,430,237)</u>	<u>(10,791,104)</u>
<i>Net cash used in investing activities</i>			
<b>Cash flows from financing activities</b>			
Dividends paid	9(b)	(2,120,977)	(2,805,760)
Dividends paid to non-controlling interests		–	(15,694)
Distribution paid on perpetual capital securities	9(c)	(137,217)	–
Capital contribution from non-controlling interests		53,711	1,555
Proceeds from issuance of shares upon exercise of share options	14(a)	197,814	639,453
Proceeds from issuance of shares upon placement	14(b)	5,937,136	–
Proceeds from issuance of perpetual capital securities, net of transaction costs	16	–	3,413,102
Proceeds from bank borrowings	19	–	2,060,760
Repayments of bank borrowings	19	–	(1,373,120)
Payment of lease liabilities	19	(35,320)	(33,399)
Interest paid	19	(133,995)	(123,537)
		<u>3,761,152</u>	<u>1,763,360</u>
<i>Net cash generated from financing activities</i>			
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(72,493)</b>	<b>3,509,960</b>
Cash and cash equivalents at the beginning of the year		19,281,216	15,737,196
Effect of foreign exchange rate changes		(231,880)	34,060
		<u>18,976,843</u>	<u>19,281,216</u>
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b>			

## NOTES

For the year ended 31 December 2020

(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 2020, 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, 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 Hong Kong 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 the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2020 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 that are stated at fair value.

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

#### 3.1 Amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

#### 3.2 Issued but not yet effective HKFRSs

At the date of authorisation of 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 <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>6</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective date not yet determined

<sup>5</sup> 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

<sup>6</sup> Effective for annual periods beginning on or after 1 June 2020

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

These amendments address the accounting issues that arise when existing interbank offered rates included in financial instruments are replaced with alternative benchmark risk-free rates.

The amendments mainly affect the following areas:

- Financial instruments (measured at amortised costs) where the basis for determining the contractual cash flows changes as a result of the interest rate benchmark reform – providing a practical expedient that an entity will not have to derecognise the carrying amount of financial instruments and recognise an immediate gain or loss for changes solely arose from the interest rate benchmark reform, but will instead revise the effective interest rate of the financial instruments;
- Modifications of lease liabilities as a result of the interest rate benchmark reform – providing a similar practical expedient that lessee will remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate, instead of applying the original lease modification guidance in HKFRS 16;
- Hedge accounting requirements – permitting changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. In addition, it also provides a temporary relief to entities from having to meet the separately identifiable requirement when an alternative benchmark risk-free rate is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expect the alternative benchmark risk-free rate risk component to become separately identifiable within the next 24 months.
- Additional disclosures – an entity will be required to disclose information about new risks arising from the interest rate benchmark reform and how it manages those risks as well as additional disclosure requirements for transitioning from interbank offered rates to alternative benchmark risk-free rates.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 are effective for the annual period beginning on or after 1 January 2021 and apply retrospectively. Earlier application is permitted.

As at 31 December 2020, the Group has several London Interbank Offered Rates bank borrowings which will be subject to interest rate benchmark reform. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

#### 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 related automobile components, 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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue from external customers</b>		
PRC	85,597,084	92,640,882
Malaysia	2,421,314	2,722,776
Eastern Europe	2,203,083	1,593,038
Middle East	851,405	219,825
Sweden	600,305	–
Philippines	284,490	43,021
Central and South America	83,088	115,001
Africa	49,913	66,705
Other countries	23,196	–
	<u>92,113,878</u>	<u>97,401,248</u>
<b>Specified non-current assets</b>		
Hong Kong, place of domicile	744	4,421
PRC	57,762,107	56,585,615
Other countries	195,775	189,024
	<u>57,958,626</u>	<u>56,779,060</u>

## 5. REVENUE

Revenue represents sales of automobiles and automobile parts and components, provision of research and development and related technological support services and licensing of intellectual properties, net of value-added taxes (“VAT”) or related sales taxes and net of discounts.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”)</b>		
Disaggregated by major products/services		
– Sales of automobiles and related services	83,814,362	91,842,836
– Sales of automobile parts and components	6,988,524	5,130,185
– Research and development and related technological support services	745,071	–
– Licensing of intellectual properties	565,921	428,227
	<u>92,113,878</u>	<u>97,401,248</u>
Disaggregated by timing of revenue recognition		
– At a point in time	91,250,884	97,401,248
– Over time	862,994	–
	<u>92,113,878</u>	<u>97,401,248</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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Rental income	24,569	22,364
Gain on disposal of an associate	–	636
Gain on disposal of scrap materials	72,006	46,810
Net foreign exchange gain	–	67,554
Net gain on disposal of property, plant and equipment	7,513	–
Government grants and subsidies ( <i>note</i> )	771,502	845,449
Sundry income	163,792	241,853
	<u>1,039,382</u>	<u>1,224,666</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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax:		
– PRC enterprise income tax	891,023	1,590,840
– (Over)/Under-provision in prior years	<u>(36,351)</u>	<u>2,978</u>
	854,672	1,593,818
Deferred tax	<u>11,676</u>	<u>(218,908)</u>
	<u><b>866,348</b></u>	<u><b>1,374,910</b></u>

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2020 and 2019.

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% (2019: 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 2020 and 2019.

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 (“**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 2020 and 2019.

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:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before taxation	<b><u>6,440,978</u></b>	<u>9,636,268</u>
Tax at the PRC enterprise income tax rate of 25% (2019: 25%)	<b>1,610,245</b>	2,409,067
Tax effect of expenses not deductible	<b>56,913</b>	155,487
Tax effect of non-taxable income	<b>(188,839)</b>	(112,523)
Tax effect of unrecognised tax losses	<b>75,429</b>	26,777
Utilisation of previously unrecognised tax losses	<b>(67,218)</b>	(46,527)
Tax effect of different tax rates of entities operating in other jurisdictions	<b>(55,151)</b>	12,686
Deferred tax charge on distributable profits withholding tax	<b>87,299</b>	23,080
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	<b>(397,901)</b>	(884,788)
Super Deduction for research and development costs	<b>(218,078)</b>	(211,327)
(Over)/Under-provision in prior years	<b><u>(36,351)</u></b>	<u>2,978</u>
Tax expense for the year	<b><u>866,348</u></b>	<u>1,374,910</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 RMB87,299,000 (2019: RMB23,080,000) 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):

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>(a) Finance income and costs</b>		
<b>Finance costs</b>		
Effective interest expenses on bonds payable ( <i>note 15</i> )	3,564	3,574
Coupon expense on bonds payable	74,913	75,271
Interest on discounted notes receivable	30,854	–
Interest on lease liabilities	2,852	3,557
Interest on bank borrowings wholly repayable within five years	<u>54,796</u>	<u>45,178</u>
	<u>166,979</u>	<u>127,580</u>
<b>Finance income</b>		
Bank and other interest income	<u>(375,301)</u>	<u>(235,601)</u>
<b>Net finance income</b>	<u>(208,322)</u>	<u>(108,021)</u>
<b>(b) Staff costs (including directors' emoluments) (<i>note (a)</i>)</b>		
Salaries, wages and other benefits	5,547,019	5,638,075
Retirement benefit scheme contributions ( <i>note (b)</i> )	299,469	394,121
Equity settled share-based payments	<u>4,095</u>	<u>5,459</u>
	<u>5,850,583</u>	<u>6,037,655</u>
<b>(c) Other items</b>		
Depreciation ( <i>note (a)</i> ):		
– Owned assets	2,189,872	1,403,730
– Right-of-use assets (including land lease prepayments)	<u>151,229</u>	<u>112,797</u>
Total depreciation	<u>2,341,101</u>	<u>1,516,527</u>
Amortisation of intangible assets (related to capitalised product development costs)	3,150,108	2,216,685
Research and development costs	588,100	850,468
Auditor's remuneration:		
– Audit services	5,944	7,498
– Non-audit services	7,005	1,118
Bad debts written off	–	5,542
Cost of inventories ( <i>note (a)</i> )	76,685,864	80,484,620
Impairment loss on trade and other receivables	8,594	38,242
Lease charges on short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16 on 1 January 2019	33,993	18,683
Loss on deregistration of a subsidiary	18,811	–
Net (gain)/loss on disposal of property, plant and equipment	(7,513)	55,929
Net foreign exchange loss/(gain)	43,135	(67,554)
Net claims paid on defective materials purchased	<u>136,937</u>	<u>64,195</u>

Notes:

- (a) Cost of inventories included RMB5,823,152,000 (2019: RMB4,979,329,000) 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 have been promulgated by the government since February 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.

## 9. DIVIDENDS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend proposed after the reporting date of Hong Kong dollars (“ <b>HK\$</b> ”) 0.20 (2019: HK\$0.25) per ordinary share	<u>1,637,367</u>	<u>2,057,746</u>

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2020.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.25 (2019: HK\$0.35) per ordinary share	<u>2,120,977</u>	<u>2,805,760</u>

(c) **Distribution on perpetual capital securities**

The Company made a distribution on perpetual capital securities of RMB137,217,000 (2019: RMBNil) to the securities holders during the year ended 31 December 2020.

## 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 RMB5,396,573,000 (2019: RMB8,189,638,000) and weighted average number of ordinary shares of 9,552,290,892 shares (2019: 9,080,734,422 shares), calculated as follows:

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year attributable to the equity holders of the Company	5,533,790	8,189,638
Distribution paid on perpetual capital securities	<u>(137,217)</u>	<u>–</u>
Profit for the year attributable to ordinary equity holders of the Company	<u>5,396,573</u>	<u>8,189,638</u>

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

	2020	2019
Issued ordinary shares as at 1 January ( <i>note 14</i> )	9,166,997,540	8,981,612,540
Effect of share options exercised	42,670,401	99,121,882
Effect of shares issued upon placement	<u>342,622,951</u>	<u>–</u>
Weighted average number of ordinary shares as at 31 December	<u>9,552,290,892</u>	<u>9,080,734,422</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 RMB5,396,573,000 (2019: RMB8,189,638,000) and the weighted average number of ordinary shares (diluted) of 9,561,259,972 shares (2019: 9,180,124,256 shares), calculated as follows:

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

	2020	2019
Weighted average number of ordinary shares (basic) as at 31 December	9,552,290,892	9,080,734,422
Effect of deemed issue of shares under the Company's share option scheme	<u>8,969,080</u>	<u>99,389,834</u>
Weighted average number of ordinary shares (diluted) as at 31 December	<u>9,561,259,972</u>	<u>9,180,124,256</u>

## 11. INTERESTS IN JOINT VENTURES

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Share of net assets	<b><u>9,194,017</u></b>	<u>8,375,076</u>
Represented by:		
Cost of unlisted investments	<b>7,279,102</b>	7,279,102
Unrealised gain on disposal of a subsidiary to a joint venture	<b>(14,943)</b>	(14,943)
Share of post-acquisition results and other comprehensive income	<b><u>1,929,858</u></b>	<u>1,110,917</u>
	<b><u>9,194,017</u></b>	<u>8,375,076</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 2020 and 2019, are as follows:

Name of joint venture	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group		Principal activities
				2020	2019	
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 dollar (“US\$”) 117,000,000	40%	40%	Manufacturing and sale of front-wheel drive 6-speed automatic transmissions and related parts and components

# 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.

During the year ended 31 December 2019, the Group and the joint venture partner contributed US\$32,800,000 (equivalent to approximately RMB231,580,000) and US\$49,200,000 (equivalent to approximately RMB347,370,000), respectively, to Zhejiang AISIN.

## LYNK & CO Investment

On 4 August 2017, the Group entered into a joint venture agreement with Zhejiang Haoqing Automobile Manufacturing Company Limited<sup>#</sup> (“**Zhejiang Haoqing**”) 浙江豪情汽車製造有限公司 and Volvo Car (China) Investment Company Limited<sup>#</sup> (“**VCI**”) 沃爾沃汽車(中國)投資有限公司, 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 2020, 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.

<sup>#</sup> 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.

During the year ended 31 December 2019, the registered capital of Genius AFC had been increased by RMB2,000,000,000 from RMB2,000,000,000 as at 31 December 2018 to RMB4,000,000,000 as at 31 December 2019 whereby the Company and the joint venture partner injected additional capital in proportional to their existing shareholding to Genius AFC amounted to RMB1,600,000,000 and RMB400,000,000, respectively.

As at 31 December 2020, the aggregate bank balances deposited by the Group with Genius AFC amounted to approximately RMB5,303,717,000 (2019: RMB5,134,810,000).

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	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,292,789	210,524	11,472,910	9,808,742	1,377,922	977,093
Current assets	346,304	570,611	12,615,050	8,443,630	44,753,614	34,403,287
Current liabilities	(74,922)	(25,597)	(11,399,157)	(7,193,560)	(26,308,969)	(23,826,322)
Non-current liabilities	(850,000)	-	(3,605,660)	(2,475,687)	(14,345,417)	(6,808,757)
Net assets	<u>714,171</u>	<u>755,538</u>	<u>9,083,143</u>	<u>8,583,125</u>	<u>5,477,150</u>	<u>4,745,301</u>
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	281,310	544,347	660,772	1,595,023	3,866,230	3,225,994
Current financial liabilities (excluding trade and other payables and provisions)	-	-	(1,059,166)	(6,313)	(22,288,975)	(20,869,696)
Non-current financial liabilities (excluding trade and other payables and provisions)	(650,000)	-	(952,551)	(3,205)	(14,345,417)	(6,808,757)
Revenue	131	-	23,781,859	17,325,408	3,268,936	2,223,598
(Loss)/Profit for the year	(41,367)	(60,813)	511,756	485,868	731,849	509,086
Other comprehensive expense for the year	-	-	(11,738)	-	-	-
Total comprehensive (expense)/income for the year	(41,367)	(60,813)	500,018	485,868	731,849	509,086
Dividend received from the joint ventures	-	-	-	-	-	-
The above (loss)/profit for the year including the following:						
Depreciation and amortisation	(1,108)	(930)	(1,744,342)	(924,427)	(32,521)	(22,142)
Interest income	7,566	3,458	28,225	10,240	3,210,495	2,162,143
Interest expense	(12,833)	-	(59,586)	(644)	(1,313,160)	(963,653)
Income tax credit/(expense)	-	-	126,969	(193,257)	(265,194)	(173,680)

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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Net assets of the joint ventures	714,171	755,538	9,083,143	8,583,125	5,477,150	4,745,301
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	285,668	302,215	4,541,572	4,291,563	4,381,720	3,796,241
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><u>285,668</u></u>	<u><u>302,215</u></u>	<u><u>4,526,629</u></u>	<u><u>4,276,620</u></u>	<u><u>4,381,720</u></u>	<u><u>3,796,241</u></u>

## 12. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Trade and notes receivables</b>			
Trade receivables, net of loss allowance			
– Third parties		429,220	622,228
– Joint ventures		339,094	261,436
– Associates		976,738	489,970
– Related companies controlled by the substantial shareholder of the Company		<u>2,185,944</u>	<u>1,179,681</u>
	<i>(a)</i>	3,930,996	2,553,315
Notes receivable	<i>(b)</i>	<u>20,625,550</u>	<u>17,210,523</u>
		<u>24,556,546</u>	<u>19,763,838</u>
<b>Deposit, prepayment and other receivables</b>			
Prepayment to suppliers			
– Third parties		194,981	277,245
– Related companies controlled by the substantial shareholder of the Company		<u>401,883</u>	<u>–</u>
		596,864	277,245
Deposits paid for acquisition of property, plant and equipment		164,359	457,691
Other contract costs	<i>(c)</i>	359,283	–
Utility deposits and other receivables		675,949	1,270,529
VAT and other taxes receivables		<u>2,207,356</u>	<u>4,304,742</u>
		4,003,811	6,310,207
Amounts due from related companies controlled by the substantial shareholder of the Company	<i>(d)</i>	<u>260,231</u>	<u>39,768</u>
		<u>4,264,042</u>	<u>6,349,975</u>
		<u>28,820,588</u>	<u>26,113,813</u>
<i>Representing:</i>			
– Current		27,868,232	25,844,914
– Non-current		<u>952,356</u>	<u>268,899</u>
		<u>28,820,588</u>	<u>26,113,813</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 and automobile parts and components and 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:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 60 days	<b>2,024,533</b>	1,128,532
61 – 90 days	<b>10,291</b>	117,568
91 – 365 days	<b>363,989</b>	262,680
Over 365 days	<b>330,687</b>	323,616
	<b><u>2,729,500</u></b>	<u>1,832,396</u>

For overseas customers, the Group allows credit periods ranged from 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:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 60 days	<b>478,452</b>	119,792
61 – 90 days	<b>212,027</b>	90,208
91 – 365 days	<b>416,796</b>	410,858
Over 365 days	<b>94,221</b>	100,061
	<b><u>1,201,496</u></b>	<u>720,919</u>

**(b) Notes receivable**

All notes receivable are denominated in RMB. As at 31 December 2020, all notes receivable were guaranteed by established banks in the PRC and have maturities of less than one year (2019: less than six months) 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 2020 and 2019 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 2020, the Group endorsed certain notes receivable accepted by banks in Mainland China (the “**Endorsed Notes**”) with a carrying amount of RMB646,804,000 (2019: RMB296,644,000) 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 2020, the aggregate carrying amount of the trade payables settled by the Endorsed Notes during the year to which the suppliers have recourse was RMB646,804,000 (2019: RMB296,644,000).

As at 31 December 2020, the Group discounted and endorsed certain notes receivable accepted by banks in Mainland China (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 RMB24,756,861,000 (2019: RMB27,551,871,000). The Derecognised Notes had a maturity of less than one year (2019: less than six months) 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 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.

**(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>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Trade and notes payables</b>			
Trade payables			
– Third parties		<b>27,315,141</b>	30,544,446
– Associates		<b>1,334,777</b>	726,376
– Joint ventures		<b>2,711</b>	–
– Related companies controlled by the substantial shareholder of the Company		<u><b>1,265,467</b></u>	<u>253,879</u>
	<i>(a)</i>	<b>29,918,096</b>	31,524,701
Notes payable	<i>(b)</i>	<u><b>311,273</b></u>	<u>2,233,280</u>
		<u><b>30,229,369</b></u>	<u>33,757,981</u>
<b>Other payables</b>			
Receipts in advance from customers	<i>(c)</i>		
– Third parties		<b>2,589,346</b>	4,940,701
– Associates		<b>5,004</b>	–
– Joint ventures		<b>965</b>	–
– Related companies controlled by the substantial shareholder of the Company		<u><b>195,696</b></u>	<u>–</u>
		<b>2,791,011</b>	4,940,701
Deferred government grants which conditions have not been satisfied		<b>900,000</b>	1,459,964
Payables for acquisition of property, plant and equipment		<b>2,528,125</b>	2,795,722
Accrued staff salaries and benefits		<b>1,282,871</b>	1,253,715
VAT and other taxes payables		<b>711,812</b>	145,941
Other accrued charges and payables	<i>(d)</i>	<u><b>3,130,626</b></u>	<u>3,519,291</u>
		<b>11,344,445</b>	14,115,334
Amounts due to related companies controlled by the substantial shareholder of the Company	<i>(e)</i>	<u><b>328,050</b></u>	<u>–</u>
		<u><b>11,672,495</b></u>	<u>14,115,334</u>
		<u><b>41,901,864</b></u>	<u>47,873,315</u>
<i>Representing:</i>			
– Current		<b>41,516,307</b>	47,873,315
– Non-current		<u><b>385,557</b></u>	<u>–</u>
		<u><b>41,901,864</b></u>	<u>47,873,315</u>

**(a) Trade payables**

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 60 days	<b>26,609,028</b>	28,851,143
61 – 90 days	<b>2,580,039</b>	1,389,265
Over 90 days	<b>498,567</b>	1,224,451
Over 365 days	<b>230,462</b>	59,842
	<b><u>29,918,096</u></b>	<u>31,524,701</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 2020 and 2019, all notes payable had maturities of less than six months from the reporting date.

As at 31 December 2020 and 2019, 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 (ii) the obligation for service agreed to be part of the sales of automobiles, that the respective revenue will be recognised when the performance obligation is satisfied after the automobiles, automobile parts and components and services were delivered to the customers.

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Relating to the sales of automobiles, automobile parts and components	<b>2,333,435</b>	4,940,701
Relating to the obligation for service agreed to be part of the sales of automobiles	<b>457,576</b>	–
	<b><u>2,791,011</u></b>	<u>4,940,701</u>

Receipts in advance from customers outstanding at the beginning of the year amounting to approximately RMB4,940,701,000 (2019: RMB1,890,772,000) 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one year	72,019	–
More than one year	<u>385,557</u>	<u>–</u>
	<u><u>457,576</u></u>	<u><u>–</u></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 that have an original expected duration of one year or less.

**(d) 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.

**(e) Amounts due to related companies**

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

**14. SHARE CAPITAL**

	2020		2019	
	Number of shares	Nominal value <i>RMB'000</i>	Number of shares	Nominal value <i>RMB'000</i>
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	9,166,997,540	167,733	8,981,612,540	164,470
Shares issued under share option scheme ( <i>note (a)</i> )	49,629,000	888	185,385,000	3,263
Shares issued upon placement ( <i>note (b)</i> )	<u>600,000,000</u>	<u>11,051</u>	<u>–</u>	<u>–</u>
At 31 December	<u><u>9,816,626,540</u></u>	<u><u>179,672</u></u>	<u><u>9,166,997,540</u></u>	<u><u>167,733</u></u>

*Notes:*

- (a) During the year ended 31 December 2020, share options were exercised to subscribe for 49,629,000 ordinary shares (2019: 185,385,000 ordinary shares) of the Company at a consideration of approximately RMB197,814,000 (2019: RMB639,453,000) of which approximately RMB888,000 (2019: RMB3,263,000) was credited to share capital and approximately RMB196,926,000 (2019: RMB636,190,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of approximately RMB65,722,000 (2019: RMB263,105,000) 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 carry 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Carrying amount</b>		
At 1 January	2,060,085	2,047,822
Exchange differences	(113,914)	8,689
Interest expenses	<u>3,564</u>	<u>3,574</u>
At 31 December	<u><u>1,949,735</u></u>	<u><u>2,060,085</u></u>

## 16. PERPETUAL CAPITAL SECURITIES

On 9 December 2019, the Company (the “**Issuer**”) issued of 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 COMBINATION

### **Yiwu Geely Powertrain Company Limited**<sup>#</sup> 義烏吉利動力總成有限公司 (“**YW Geely**”)

On 29 April 2019, Zhejiang Geely Powertrain Company Limited<sup>#</sup> 浙江吉利動力總成有限公司 (“**Zhejiang Powertrain**”), an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Zhejiang Powertrain has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of YW Geely for a cash consideration of approximately RMB322,206,000. YW Geely is engaged in the technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC. The acquisition of YW Geely was completed on 30 July 2019. Please refer to the Company’s circular dated 22 May 2019 for further details.

<sup>#</sup> 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.

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

	<b>Pre-acquisition carrying amounts RMB'000</b>	<b>Fair value adjustments RMB'000</b>	<b>Recognised values on acquisition RMB'000</b>
<b>The net assets acquired:</b>			
Property, plant and equipment	1,713,308	–	1,713,308
Intangible assets	356,393	–	356,393
Land lease prepayments	48,534	173	48,707
Deferred tax assets	2,314	–	2,314
Trade and other receivables	13,994	–	13,994
Inventories	32,563	–	32,563
Bank balances and cash	1,517	–	1,517
Trade and other payables	<u>(1,862,982)</u>	<u>–</u>	<u>(1,862,982)</u>
	<u>305,641</u>	<u>173</u>	<u>305,814</u>

**Goodwill arising on acquisition:**

Cash consideration transferred	322,206
Fair value of identifiable net assets acquired	<u>(305,814)</u>
	<u>16,392</u>

**Net cash outflow arising on acquisition of a subsidiary:**

Cash consideration paid	(322,206)
Bank balances and cash acquired	<u>1,517</u>
	<u>(320,689)</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.

YW Geely has contributed revenue of RMBNil and loss of RMB15,243,000, respectively from the acquisition date to 31 December 2019.

If the acquisition had occurred on 1 January 2019, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2019 would be RMB97,401,248,000 and RMB8,244,703,000, 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 2019 and could not serve as a basis for the forecast of future operation results.



## 18. DISPOSALS OF SUBSIDIARIES

**Disposals of Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司 (“Chengdu Automobile”), Ningbo Beilun Geely Automotive Manufacturing Company Limited# 寧波北侖吉利汽車製造有限公司 (“Ningbo Beilun”) and Ningbo Jining Automobile Components Company Limited# 寧波吉寧汽車零部件有限公司 (“Ningbo Jining”)**

On 8 July 2020, the Group and the companies owned by the Company’s ultimate holding company (“**Ultimate Holding Companies**”) entered into certain disposal agreements pursuant to which the Group conditionally agreed to sell, and the Ultimate Holding Companies conditionally agreed to acquire the entire equity interests of Chengdu Automobile, Ningbo Beilun and Ningbo Jining for total net cash considerations of approximately RMB76,272,000, RMB729,387,000 and RMB30,495,000, respectively. The disposals of Chengdu Automobile, Ningbo Beilun and Ningbo Jining were completed on July 2020, September 2020 and August 2020, respectively. Please refer to the Company’s announcement dated 9 July 2020 for further details. The net assets disposed of at the disposal date are set out as follows:

	<b>Chengdu Automobile RMB’000</b>	<b>Ningbo Beilun RMB’000</b>	<b>Ningbo Jining RMB’000</b>	<b>Total RMB’000</b>
<b>Net assets disposed of:</b>				
Property, plant and equipment	492,587	278,392	275,580	1,046,559
Land lease prepayments	70,241	61,470	18,421	150,132
Deferred tax assets	34,364	–	–	34,364
Inventories	–	–	26,018	26,018
Trade and other receivables	91,599	44,256	65,009	200,864
Bank balances and cash	12,314	28	4,718	17,060
Trade and other payables	(608,897)	(200)	(365,086)	(974,183)
	<u>92,208</u>	<u>383,946</u>	<u>24,660</u>	<u>500,814</u>
<b>Gain on disposal of subsidiaries:</b>				
Cash consideration received	76,272	729,387	30,495	836,154
Right-of-use assets acquired <sup>^</sup>	56,700	–	–	56,700
Net assets disposed of	(92,208)	(383,946)	(24,660)	(500,814)
	<u>40,764</u>	<u>345,441</u>	<u>5,835</u>	<u>392,040</u>
<b>Net cash inflow arising on disposal:</b>				
Cash consideration received				836,154
Bank balances and cash disposed of				<u>(17,060)</u>
				<u>819,094</u>

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

- ^ The consideration of approximately RMB56,700,000 paid by the Group for the grant of right to continue to use the manufacturing facilities of Chengdu Automobile upon completion of the disposal of Chengdu Automobile (the “**Chengdu Automobile Disposal**”) will partially offset the consideration for the Chengdu Automobile Disposal, which results in a net consideration of approximately RMB76,272,000 received by the Group.

**Disposal of Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司 and its subsidiary (“Jinan Geely Group”)**

On 26 November 2019, the Group entered into a disposal agreement with a fellow subsidiary owned by the Company’s ultimate holding company for the disposal of the entire interests in Jinan Geely Group, of which members are indirect 99% owned subsidiaries of the Company, at an aggregate cash consideration of approximately RMB507,135,000 (“**JN Disposal**”). JN Disposal was completed on 3 December 2019. Please refer to the Company’s announcement dated 26 November 2019 for further details. The net assets disposed of at the disposal date are set out as follows:

	<i><b>RMB’000</b></i>
<b>Net assets disposed of:</b>	
Property, plant and equipment	468,147
Intangible assets	141,358
Land lease prepayments	170,338
Deferred tax assets	21,655
Inventories	8,555
Trade and other receivables	915,660
Bank balances and cash	2,699
Trade and other payables	(1,402,043)
Income tax payable	(2,301)
	<u>324,068</u>
<b>Gain on disposal of subsidiaries:</b>	
Consideration receivable (included in utility deposits and other receivables in note 12)*	507,135
Net assets disposed of	(324,068)
	<u>183,067</u>
<b>Cash outflow arising on disposal:</b>	
Bank balances and cash disposed of	(2,699)

- \* Consideration receivable of RMB507,135,000 was received in full during the year ended 31 December 2020.

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

## 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 2019	–	64,059	1,375,280	2,047,822	3,487,161
<b>Changes from financing cash flows:</b>					
Proceeds from bank borrowings	–	–	2,060,760	–	2,060,760
Repayments of bank borrowings	–	–	(1,373,120)	–	(1,373,120)
Capital element of lease rentals paid	–	(33,399)	–	–	(33,399)
Other borrowing costs paid	–	(3,557)	(45,178)	(74,802)	(123,537)
Dividends paid	<u>(2,805,760)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,805,760)</u>
Total changes from financing cash flows	<u>(2,805,760)</u>	<u>(36,956)</u>	<u>642,462</u>	<u>(74,802)</u>	<u>(2,275,056)</u>
<b>Exchange adjustments</b>	–	–	26,190	8,689	34,879
<b>Other changes (note):</b>					
Entering into new leases	–	32,929	–	–	32,929
Interest expenses	–	3,557	45,178	78,845	127,580
Dividends declared	2,805,760	–	–	–	2,805,760
Others	<u>–</u>	<u>–</u>	<u>–</u>	<u>(469)</u>	<u>(469)</u>
Total other changes	<u>2,805,760</u>	<u>36,486</u>	<u>45,178</u>	<u>78,376</u>	<u>2,965,800</u>
At 31 December 2019	<u>–</u>	<u>63,589</u>	<u>2,089,110</u>	<u>2,060,085</u>	<u>4,212,784</u>

	<b>Dividends payable RMB'000</b>	<b>Lease liabilities RMB'000</b>	<b>Bank borrowings RMB'000</b>	<b>Bonds payable RMB'000 (note 15)</b>	<b>Total RMB'000</b>
<b>At 1 January 2020</b>	–	63,589	2,089,110	2,060,085	4,212,784
<b>Changes from financing cash flows:</b>					
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>
<b>Exchange adjustments</b>	–	–	(129,360)	(113,914)	(243,274)
<b>Other changes (note):</b>					
Entering into new leases	–	14,026	–	–	14,026
Interest expenses	–	2,852	54,796	78,477	136,125
Dividends declared	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>
<b>At 31 December 2020</b>	<u>–</u>	<u>42,295</u>	<u>1,959,750</u>	<u>1,949,735</u>	<u>3,951,780</u>

*Note:*

Other changes include interest accruals.

## 20. COMPARATIVE FIGURES

Certain comparative figures in the announcement have been reclassified to conform with the current year's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

Our group's financial performance in 2020 was below the management's expectations due to the prolonged negative impact on profitability caused by the dramatic disruption to sales activities as a result of the national lockdown started in January 2020. Total revenue decreased by 5% to RMB92.1 billion for the year ended 31 December 2020. Total net profit of our group declined 33% from RMB8.3 billion in 2019 to RMB5.6 billion in 2020. After accounting for non-controlling interests, our net profit attributable to equity holders was down 32% from RMB8.2 billion in 2019 to RMB5.5 billion in 2020. Diluted earnings per share was down 37% to RMB0.56. As a result of the higher customer incentives, which offset the continued product mix improvement, our group's average ex-factory selling price ("ASP") during the period stayed at around the same level 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 even recorded a slight increase year-on-year. During the year, our group speeded up payments to its suppliers to mitigate the negative impact from production disruption caused by the outbreak of COVID-19, resulting in much less net cash inflows from operating activities. To restore its financial strength and prepare for a possible prolonged disruption to production and sales, our group announced the placing of 600 million new shares to institutional investors in May 2020 to raise HK\$6,480 million. With the help of the proceeds from placing, our group's total cash level (bank balances and cash + pledged bank deposits) was maintained at around the same level at RMB19 billion by the end of 2020.

### **BUSINESS OVERVIEW**

Weakness at China's passenger vehicle market continued in early 2020. Following a 10% decline in total sales volume in 2019, the sales volume of passenger vehicles eventually fell about 6% in 2020. The COVID-19 pandemic started in early 2020 caused national lockdown across China in February 2020, resulting in sharp drop in passenger vehicle sales in February and March of 2020. Demand for passenger vehicles recovered steadily since April 2020. As a result, the large fall in vehicle sales in early part of 2020 was largely compensated by the recovery of sales in the subsequent months of the year.

During the year, we continued to lift our market share and further strengthened our leading position in China's passenger vehicle segment, maintaining our positions as the largest indigenous brand vehicle manufacturer and the third largest passenger vehicle brand in terms of sales volume in China. In 2020, our domestic wholesale volume (including the sales volume of "Lynk&Co" vehicles sold by our 50%-owned joint venture) fell 4% year-on-year ("YoY") to 1,247,526 units. On the other hand, our export sales volume continued to grow strongly at 25% YoY to 72,691 units in 2020 as a result of the introduction of more updated products to the export markets. Overall, our group sold a total of 1,320,217 units of vehicles (including the sales volume of "Lynk&Co" vehicles sold by our 50%-owned joint venture) in 2020, down 3% from 2019.

## 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 RMB7.0 billion in 2020, which exceeded the budgeted amount of RMB6.8 billion fixed at the beginning of the year. Working capital (inventories + trade and other receivables – trade and other payables) increased by about RMB7,548 million to deficit RMB9,391 million at the end of 2020. If excluding the working capital effects from the disposal of subsidiaries, the working capital decreased by RMB7.7 billion in 2020. During the year, the Group speeded up payments to its suppliers to mitigate the negative impact on its working capital caused by the production disruption after the outbreak of COVID-19, resulting in much less net cash inflows from operating activities. Thanks to the placing of 600 million new shares completed in early June 2020, the Group's total cash level (bank balances and cash + pledged bank deposits) at year end stabilized at around the same level of RMB19 billion as of the end of 2019. The Group's total borrowings (included bank borrowings and bonds payable) decreased by 6% to RMB3.9 billion. At the end of 2020, the financial position of the Group remained strong with net cash on hand (total cash level – borrowings – perpetual capital securities) of RMB11.8 billion versus a net cash level of RMB12.6 billion six months ago. At the end of 2020, 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 2020 amounted to RMB20.3 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivable with the banks.

The COVID-19 pandemic has resulted in huge political and economic uncertainties globally, posing significant challenge to the Group's business activities and thus its future cash flow. To safeguard its financial strength and further enrich the Group's financial cushion to cope with a possible prolonged disruption to business activities, the Group decided to further expand its capital base by two equity issues announced during the year. On 29 May 2020, the Group announced to issue and place 600 million new shares through placing agents to various investors to raise net proceeds of HK\$6,447 million. The issue was successfully completed in early June 2020. On 17 June 2020, the Company's board of directors approved a preliminary proposal for the possible issue of RMB Shares and listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange (the “**Sci-Tech Board**”) (the “**Proposed RMB Share Issue**”). The Proposed RMB Share Issue is conditional upon and subject to, among other things, market conditions, the approval of the shareholders at the general meeting of the Company and the necessary regulatory approval(s). The relevant shareholders' approval was obtained at an extraordinary general meeting held on 29 July 2020. On 28 September 2020, the Proposed RMB Share Issue under the Specific Mandate has further been approved by the Listing Committee for the Sci-Tech Board. As at the date of this announcement, the Proposed RMB Share Issue is still subject to, among others, the registration and approval by China Securities Regulatory Commission.

The Group has been assigned credit ratings from both Standard & Poor’s Ratings Services and Moody’s Investors Service. On 27 November 2020, Standard & Poor’s Ratings Services downgraded corporate credit rating of the Group to “BBB-/Negative” to reflect the relatively high capital expenditure of the Geely Holding Group, potential economic volatility and the uncertain timing over the Proposed RMB Share Issue. On 12 June 2020, Moody’s Investors Service confirmed the Group’s credit rating as “Baa3” issuer rating and upgraded the outlook of the Company’s ratings from “rating under review” to “stable” on strong recovery of the Group’s sales in China since April 2020.

Budgeted capital expenditures (excluding acquisitions through business combinations) of the Group amount to about RMB6.5 billion in 2021, 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. Save for the Proposed RMB Share Issue, 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 2020, the Group recorded a total expense of RMB3,738 million (2019: RMB3,067 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:

	<b>2020</b>	2019	<i>YoY change</i>
	<b><i>RMB('000)</i></b>	<i>RMB('000)</i>	<i>(%)</i>
Amortisation of intangible assets (i.e. capitalised product development costs)	<b>3,150,108</b>	2,216,685	42
Research and development costs (i.e. not qualified for capitalisation)	<b>588,100</b>	850,468	(31)
<b><i>Total research and development costs charged to profit or loss</i></b>	<b><u>3,738,208</u></b>	<u>3,067,153</u>	<u>22</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 2020, the increase in capitalised product development costs of RMB4.2 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 intense market competition in China has showed no sign of subsiding and should continue to put pressure on the sales performance and profitability of Chinese vehicle manufacturers in 2021. Despite these, 2021 should be a better year for the Group, helped by the strong recovery of vehicle demand in China and other export markets since mid 2020. Longer-term, the transformation from conventional vehicles to new energy and electrified vehicles (“NEEVs”) 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 has firmly secured its leading position in China’s passenger vehicle market with consistent rise in its market share in China over the last few years. The Group’s financial position has strengthened considerably as a result of the recent successful moves to raise new equity to strengthen its capital base. These should enable the Group to continue investing for the future and address the dynamic market changes timely.

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 development. The Group will continue to increase the proportion of NEEVs in its total sales volume by introducing more competitive NEEV products. In addition, the Group will continue to enhance its products portfolio, aiming at improving the overall profitability of such portfolio. Further, 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 largely completed the rebranding and restructuring of its distribution channels in its major export markets. Localisation of production to reduce costs and currency risk has started to yield positive results in markets like Belarus and 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 2021, the Group will go ahead to further expand its export sales to new market in Southeast Asia 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 2021 at 1,530,000 units (including the sales volume target for "Lynk&Co" vehicles), representing an increase of around 16% from the total sales volume achieved in 2020.

## **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 2020, the Group's shareholders' funds amounted to approximately RMB63.6 billion (As at 31 December 2019: approximately RMB54.4 billion). The Company issued 49.629 million ordinary shares upon exercise of share options during the year.

## **EXPOSURE TO FOREIGN EXCHANGE RISK**

During the year, the Group's operations were principally related to domestic sales of automobiles and related automobile parts and components in the Mainland China and the Group's assets and liabilities were mainly denominated in Renminbi (RMB), the functional currency of the 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 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 tools to manage foreign exchange risk whenever necessary.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, the Group's current ratio (current assets/current liabilities) was about 1.22 (As at 31 December 2019: 1.03) and the gearing ratio of the Group was about 6.1% (As at 31 December 2019: 7.6%) which was calculated on the Group's total borrowings (excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). Working capital (inventories + trade and other receivables – trade and other payables) increased by about RMB7,548 million to deficit RMB9,391 million at the end of 2020. If excluding the working capital effects from the disposal of subsidiaries, the working capital decreased by RMB7.7 billion in 2020. Further, the Group settled more trade payables to its suppliers to mitigate the negative impact from the production disruption, resulting in much less net cash inflows from operating activities during the year ended 31 December 2020. Thanks to the placing of 600 million new shares completed in early June 2020, the Group's total cash level (bank balances and cash + pledged bank deposits) maintained around the same level at RMB19 billion by the end of 2020. The Group's total borrowings (included bank borrowings and bonds payable, but excluded perpetual capital securities) decreased by 6% to RMB3.9 billion. Accordingly, it resulted in a slight increase in current ratio at the end of year 2020 over the previous year.

Total borrowings (excluding trade and other payables and lease liabilities) as at 31 December 2020 amounted to approximately RMB3.9 billion (As at 31 December 2019: approximately RMB4.1 billion) were mainly the Group's borrowings and bonds payable. At the end of 2020, 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 2020, the total number of employees of the Group was about 38,000 (As at 31 December 2019: 43,000). 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 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 2020.

## **PROPOSED FINAL DIVIDEND**

The directors have recommended the payment of a final dividend of HK\$0.20 per ordinary share for the year ended 31 December 2020. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Monday, 24 May 2021 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 2021 to shareholders whose names shall appear on the register of members of the Company on 4 June 2021.

## **CLOSING OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 18 May 2021 to 24 May 2021, 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 24 May 2021, 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 17 May 2021.

The register of members of the Company will be closed from 1 June 2021 to 4 June 2021, 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 31 May 2021.

## **CORPORATE GOVERNANCE**

For the year ended 31 December 2020, 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 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 2020, 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 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 2020, 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 25 May 2020. 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. Two executive directors, 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 two 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 and Mr. Wang Yang, 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 2020.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held in Hong Kong on Monday, 24 May 2021 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 2020 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 2020 annual report will set out all information disclosed in the annual results announcement for 2020 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 2021.

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

Hong Kong, 23 March 2021

*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 and Mr. Wang Yang.*