# IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached preliminary offering circular ("**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. In order to view this Offering Circular or make an investment decision with respect to the securities, you must not be located in the United States.

**Confirmation of Your Representation:** This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Managers (as defined in the attached Offering Circular), the Issuer and the Guarantor that (1) you and any customers you represent are not, and the e-mail address that you gave us and to which this e-mail has been delivered is not located, in the United States, its territories or possessions, and (2) your stated electronic mail address to which this email has been delivered is not located in the United States and you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Managers, the Trustee (as defined in the attached Offering Circular) or the Agents (as defined in the attached Offering Circular) nor any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

**Restrictions:** The attached Offering Circular is in preliminary form and is being furnished in connection with an offering outside the United States in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES (THE "**NOTES**") AND THE GUARANTEE THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the issuer of the securities, the guarantor thereof or the Managers, the Trustee or the Agents to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

**Actions that You May Not Take:** If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by email, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The information in this Preliminary Offering Circular is not complete and may be changed. This Preliminary Offering Circular is not an offer to sell the securities mentioned herein and is not soliciting an offer to buy such securities in any jurisdiction where such offer or sale is not permitted.

**Subject to completion**
**Preliminary Offering Circular dated 24 February 2020** **STRICTLY CONFIDENTIAL**

# Geely Finance (Hong Kong) Limited

*(incorporated in Hong Kong with limited liability)*

**U.S.$ per cent. Guaranteed Notes due 20**
**unconditionally and irrevocably guaranteed by**

# Zhejiang Geely Holding Group Company Limited
# (浙江吉利控股集團有限公司)

*(incorporated in the People's Republic of China with limited liability)*

**Issue Price: per cent.**

Geely Finance (Hong Kong) Limited (the "**Issuer**") proposes to issue the U.S.$ per cent. Guaranteed Notes due 20 (the "**Notes**"). The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司) (the "**Guarantor**").

The Notes bear interest from and including at the rate of per cent. per annum. Interests will be payable semi-annually in arrear on and in each year (each an **Interest Payment Date**). Payments on the Notes will be made without deduction or withholding for or on account of taxes of any Relevant Jurisdiction (as defined herein) to the extent described under "*Terms and Conditions of the Notes – Taxation*".

Unless previously redeemed, purchased or cancelled, the Notes will mature on at their principal amount. The Notes are subject to redemption in whole, but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of any Relevant Jurisdiction at any time upon giving not less than 30 nor more than 60 days' notice. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Taxation Reasons*." The Notes may also be redeemed at the option of the holders at 101 per cent. of the principal amount, together with accrued interest, upon occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes) and at 100 per cent. of the principal amount, together with accrued interest, upon the occurrence of a No Registration Event (as defined in the Terms and Conditions of the Notes).

The Guarantor will file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its local branch ("**SAFE**") the Deed of Guarantee within 15 PRC Business Days (as defined in the Terms and Conditions of the Notes) after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) and the relevant operational guidelines promulgated by SAFE on 12 May 2014 with effect from 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor will complete registration of the Guarantee with SAFE on or before the Registration Deadline (being the day falling 120 PRC Business Days after the Issue Date).

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect immediately ("**Circular 2044**"), the Guarantor has registered the issuance of the Notes with the NDRC and has obtained a registration certificate dated 9 August 2019 with the validity of one year from the date thereof (the "**NDRC Pre-issuance Registration Certificate**"), according to which the Guarantor's overseas subsidiary was allowed to issue offshore bonds up to US$700 million. The Guarantor intends to provide the requisite information on the issuance of the Notes to the NDRC within 10 PRC Business Days after the Issue Date and in accordance with Circular 2044 and the NDRC Pre-issuance Registration Certificate.

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained herein. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group (as defined herein) or the Notes. There is currently no public market for the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of not less than S$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST.

The Notes will be issued in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.

The Notes are expected to be rated "BBB-" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**"). The credit ratings accorded to the Notes are not a recommendation to purchase, hold or sell the Notes in as much as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for a given period or that the ratings will not be revised by the rating agencies in the future.

See "*Risk Factors*" beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Notes.

**The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold outside the United States in compliance with Regulation S under the Securities Act.**

**The Notes will initially be represented a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream. Except in the limited circumstances set out herein, individual certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate. See "Summary of Provisions relating to the Notes in Global Form" beginning on page 66. It is expected that delivery of the Global Certificate will be made on or such later date as may be agreed (the "Issue Date") by the Issuer and the Managers (as defined in "Subscription and Sale").**

***Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers***

**Barclays** **Bank of China** **BNP PARIBAS** **DBS Bank Ltd.** **Standard Chartered Bank**

Offering Circular dated

# IMPORTANT NOTICE

**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (the "**SFA**"): In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Each of the Issuer and the Guarantor confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries taken as a whole (the "**Group**"), the Notes and the Guarantee which is relevant and material in the context of the issue, offering, sale and distribution of the Notes; (ii) the statements contained herein relating to the Issuer, the Guarantor, the Group, the Guarantee and the Notes are in every material particular true and accurate and not misleading; (iii) the opinions, intentions and all forecasts, estimates, expectations, and other forward-looking statements expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are truly and honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes and the Guarantee, the omission of which would, in the context of the issue and offering of the Notes and the Guarantee, make any statement, opinion or intentions expressed in this Offering Circular misleading; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements; (vi) the statistical, industry and market-related data included in this Offering Circular are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects; and (vii) this Offering Circular does not and, if amended or supplemented, will not include an untrue statement of a material fact; or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Barclays Bank PLC, Bank of China Limited, Singapore Branch, BNP Paribas, DBS Bank Ltd. and Standard Chartered Bank (together, the "**Managers**") to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor and the Managers represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the PRC, Hong Kong and Singapore, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Notes and the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained

herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. None of the Issuer nor the Guarantor has authorised its use for any other purpose. The appointment of the Trustee and the Agents is subject to internal compliance approvals by the entities named as such in this Offering Circular.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer, the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them). None of the Managers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) has independently verified any of the information contained in this Offering Circular and none of the Managers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) can give assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuers, the Guarantor, the Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officer, employees, representatives, agents, advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by a Manager or on its behalf in connection with any of the Issuer, the Guarantor, the Group, the Guarantee or the issue and offering of the Notes. Each of the Manager, the Trustee and the Agents and their respective affiliates, directors, officer, employees, representatives, agents, advisers or any person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officer, employees, representatives, agents, advisers undertakes to review the results of operations, financial condition or affairs of the Issuers, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Managers, the Trustee or the Agents.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) that any recipient of this Offering Circular should

purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY MANAGER ACTING AS A STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Listing of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the SGX-ST. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls of any them) in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, agents and advisers, and none of the Issuer, the Guarantor, the Managers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

## PRESENTATION OF FINANCIAL INFORMATION

The Guarantor prepares its consolidated financial statements in accordance with the general accepted accounting principles of the PRC ("**PRC GAAP**"). The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018 were audited by Beijing Xinghua Certified Public Accountants (Special General Partnership) ("**Beijing Xinghua**"), and are included elsewhere in this Offering Circular, together with the auditor's audit reports.

The consolidated financial information of the Guarantor as at and for the nine months ended 30 September 2018 and 2019 has been extracted from the Guarantor's consolidated financial information as at and for the nine months ended 30 September 2019 (the "**September 2019 Financial Information**"). Beijing Xinghua has reviewed the September 2019 Financial Information pursuant to the Chinese Institute of Certified Public Accountants Review Standards No. 2101 – Review of Financial Statement. However, no review opinion was issued by Beijing Xinghua in respect of the consolidated financial information of the Guarantor as at and for the nine months ended 30 September 2019. This information is not audited and no reviewed opinion has been issued, such information should not be relied upon by investors to provide the same quality of information associate with (1) information that has been audited or (2) information that has been reviewed with a reviewed opinion. Investors must exercise caution when using such data to evaluate the Group's financial condition, results of operation and cash flows. The consolidated financial information of the Guarantor as at and for the nine months ended 30 September 2019 should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2019.

None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers has independently verified the accuracy of the financial information or financial statements of the Group and none of the Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers can give assurance that the financial information and financial statements are accurate. Each of the Mangers and any of their respective affiliates, directors or advisers disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any financial information or financial statements of the Guarantor or the Group.

PRC GAAP differs in certain material respects from International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**").

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Issuer or the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Issuer and the Guarantor have included EBITDA because the Issuer and the Guarantor believe that it is a useful supplement to cash flow data as a measure of their respective performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Issuer's and the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Unless otherwise indicated, all references in this Offering Circular to "**China**" or the "**PRC**" are to the People's Republic of China which for the purpose of this Offering Circular only excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC and all references to the "**PRC government**" are to the central government of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them.

Unless otherwise indicated, all references in this Offering Circular to "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC, all references to "**Hong Kong dollars**" or "**HK$**" are to the lawful currency of Hong Kong, all references to "**S$**" are to the lawful currency in Singapore, and all references to "**U.S. dollars**", "**U.S.$**" or "**USD**" are to the lawful currency of the United States of America.

Solely for the sake of convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollar amounts at specified rates. Unless otherwise indicated, the translation of Renminbi amounts into U.S. dollar amounts has been made at the exchange rate of RMB7.1477 to U.S.$1.00, being the noon buying rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States on 30 September 2019. Further information on exchange rates is set forth in "*Exchange Rate Information*". These translations should not be construed as representations that the Renminbi amounts could actually be converted into any U.S. dollar amounts or vice versa at the rates indicated or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

## FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's business and operating strategies;
- the Group's capital expenditure and development plans;
- various business opportunities that the Group may pursue;
- the regulatory environment of the automobile industry in general;
- changes in political, economic, legal and social conditions in China and elsewhere, including the specific policies of the PRC central and local governments with respect to economic growth, inflation and foreign exchange;
- the continued availability and costs of bank loans and other forms of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- effect of competition on the demand for and prices of the products the Group offers; and
- other risks identified in the "*Risk Factors*" section of this Offering Circular.

The words "**anticipate**", "**believe**", "**estimate**", "**expect**", "**intend**", "**plan**", "**may**", "**seek**", "**target**" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer and the Guarantor undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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## SUMMARY

*The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.*

### OVERVIEW

The Group is a global automotive group. The Group offers a comprehensive product portfolio under its complementary brand portfolio, which mainly includes passenger vehicles under its two subsidiary groups: Geely Automobile Holding Limited ("**Geely**", together with its subsidiaries, the "**Geely Auto Group**"), Volvo Car AB (publ.) (registration no. 556810-8988) ("**Volvo**", together with its subsidiaries, the "**Volvo Car Group**"). The Group operates many well-known international automotive brands including Geely Auto, Lynk & Co, Volvo Cars, Polestar, LEVC, Lotus, Yuan Cheng Auto and Terrafugia, with global operations spanning the automotive value chain from research, development and design to production, sales and servicing. The Guarantor has been recognised as a Fortune 500 company for the last eight consecutive years and was ranked No. 220 by Fortune Global in 2019, and Geely has been ranked by Fortune China among "China's Top 500 Companies" for the last 16 consecutive years and ranked by the China Association of Automobile Manufacturers ("**CAAM**") as one of the "Top Ten Automobile Manufacturers" for the last 16 consecutive years. In 2017, the Guarantor was named by Forbes as one of the world's fastest growing car companies.

The Group has an established global footprint. As of 31 December 2019, the Group had manufacturing plants located in China, Belgium, the United Kingdom, Sweden and the United States and its sales network covered around 100 countries worldwide. For the years ended 31 December 2017, 2018 and 2019, the Group sold around 1.8 million, 2.2 million and 2.2 million vehicles worldwide, respectively. As of 31 December 2019, the Group has set up five research and development centres located in China, Sweden, the United Kingdom and Germany, respectively, and built up strong capacity to develop vehicles, engines, gearboxes and automotive electronics. The Group has also set up five design centres in Shanghai, Gothenburg, Coventry, California and Barcelona to create a global design platform.

Founded in 1986 and headquartered in Hangzhou, Zhejiang Province, the PRC, the Group entered into the automobile industry in 1997 and has accumulated rich experience in developing, manufacturing and selling passenger vehicles and automobile parts and components. Over the past few decades, the Group has evolved from a home-grown automobile company with one brand into a global company owning multiple brands. Having established itself firmly in the domestic market of China, the Group acquired Volvo in 2010, which has allowed access to Volvo's vast experience and technology knowhow. Since then, the Group's global presence and brand awareness have been further strengthened. In 2013, the Group acquired London Taxi Corporation Limited ("**LTC**") and in July 2017 renamed it as London Electric Vehicle Company ("**LEVC**"). LEVC is the manufacturer of the iconic London taxi which represents a significant share of all taxis in London. The name change represents the Group's commitment to becoming a leading producer of new energy-focused urban commercial vehicles. With a new factory base at Coventry, the United Kingdom, LEVC aims to become a leader of lightweight vehicle and range extender powertrain technologies. In June 2017, the Group acquired a 49.9 per cent. equity interest in Malaysian automaker Proton Holding Bd ("**Proton**") as well as a 51.0 per cent. equity interest in British sports carmaker Lotus Advance Technologies Sdn Bhn ("**Lotus**"), thereby gaining platforms to expand into the Southeast Asian and luxury sports car markets. In November 2017, the Group completed the acquisition of a U.S. start-up, Terrafugia Inc. ("**Terrafugia**"), a world-leader in flying-car technology. Furthering the expansion of its global reach, in June 2018 the Group made its investment in AB Volvo (publ), a Swedish leading commercial vehicles and industrial engineering group. The transaction made the Guarantor the largest shareholder and the second largest holder in voting rights of AB Volvo (publ) as of 31 December 2018. The Group and AB Volvo (publ) expect to benefit from a global trend to replace diesel-powered trucks with gas-powered trucks, of which AB Volvo (publ) is a leading manufacturer, to reduce emissions.

In 2016, 2017 and 2018 and for the nine months ended 30 September 2018 and 2019, the Group recorded operating income of RMB208,798.7 million, RMB278,264.6 million and RMB328,520.9 million, RMB235,492.5 million and RMB226,851.2 million, respectively, and recorded net profit of RMB11,711.5 million, RMB18,824.2 million and RMB20,267.6 million, RMB16,416.2 million and RMB10,560.6 million, respectively, for the same periods. The following table sets forth a breakdown of the Group's operating income and its absolute percentage of the Group's total operating income for the periods indicated:

| | Year ended 31 December | | | | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2017 | | 2018 | | 2019 | |
| | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total |
| | *(RMB in millions, except percentages)* | | | | | | | |
| **Manufacturing and sale of complete vehicles** | 196,185.3 | 94.0 | 266,950.4 | 95.9 | 315,186.9 | 95.9 | 221,893.4 | 97.8 |
| Geely series[1] | 55,921.6 | 26.8 | 98,230.8 | 35.3 | 124,183.1 | 37.8 | 80,923.1 | 35.7 |
| Volvo series[2] | 140,263.7 | 67.2 | 168,719.6 | 60.6 | 191,003.8 | 58.1 | 140,970.3 | 62.1 |
| **Parts and others**[3] | 12,613.4 | 6.0 | 11,314.2 | 4.1 | 13,334.0 | 4.1 | 4,957.8 | 2.2 |
| **Total** | **208,798.7** | **100.0** | **278,264.6** | **100.0** | **328,520.9** | **100.0** | **226,851.2** | **100.0** |

*Notes:*

1. Includes operating income generated from sales of complete vehicles by the Geely Auto Group.
2. Includes operating income generated from sales of complete vehicles by the Volvo Car Group.
3. Includes operating income generated from sales of complete vehicles by LEVC, Yuan Cheng Auto and Lotus, sales of automobile parts and components and other miscellaneous businesses.

The following table sets forth a breakdown of the Group's gross profit by business segment and its absolute percentage of the total gross profit for the periods indicated:

| | Year ended 31 December | | | | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2017 | | 2018 | | 2019 | |
| | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total |
| | *(RMB in millions, except percentages)* | | | | | | | |
| **Manufacturing and sale of complete vehicles** | 41,249.6 | 90.0 | 59,085.7 | 93.9 | 67,805.6 | 91.0 | 43,732.4 | 95.4 |
| Geely series[1] | 11,916.9 | 26.0 | 21,792.1 | 34.6 | 28,472.2 | 38.2 | 16,666.2 | 36.4 |
| Volvo series[2] | 29,332.7 | 64.0 | 37,293.6 | 59.3 | 39,333.4 | 52.8 | 27,066.2 | 59.0 |
| **Parts and others**[3] | 4,602.1 | 10.0 | 3,845.4 | 6.1 | 6,661.5 | 9.0 | 2,116.3 | 4.6 |
| **Total** | **45,851.7** | **100.0** | **62,931.1** | **100.0** | **74,467.1** | **100.0** | **45,848.7** | **100.0** |

*Notes:*

1. Includes gross profit generated from sales of complete vehicles by the Geely Auto Group.
2. Includes gross profit generated from sales of complete vehicles by the Volvo Car Group.
3. Includes gross profit generated from sales of complete vehicles by LEVC, Yuan Cheng Auto and Lotus, sales of automobile parts and components and other miscellaneous businesses.

## RECENT DEVELOPMENTS

The Group's September 2019 Financial Information indicates that its total operating income, operating profit and net profit for the nine months ended 30 September 2019 have experienced decreases compared to the nine months ended 30 September 2018, which was primarily due to the decline in vehicle sales resulting from automobile market's downturn in China. As at 30 September 2019, the Group's total liabilities increased as compared to the balance as at 31 December 2018. See "*Summary of Consolidated Financial Data and Other Data of the Guarantor*". Such financial information has not been subject to an audit and no reviewed opinion has been issued by Beijing Xinghua on such financial information and therefore should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or that a reviewed opinion has been issued. Such financial information as at and for the nine months ended 30 September 2019 should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2019.

Since 31 December 2018, the Group has incurred additional indebtedness to satisfy its capital needs, including but not limited to (1) the RMB2.5 billion 3.49 per cent. 270-day super & short-term commercial paper issued by the Guarantor in January 2019; (2) the RMB3.5 billion 4.1 per cent. medium-term notes due 2022 issued by the Guarantor in April 2019 and (3) the RMB2.0 billion 3.78 per cent. corporate bonds issued by the Guarantor in January 2020. In November 2019, Geely issued US$500,000,000 senior perpetual capital securities. The Group will continue to seek external capital on favourable terms to fund its business operations and expansion and to optimise its debt structure.

In February 2020, Geely announced that it is in preliminary discussions with Volvo regarding a possible restructuring through a combination of the businesses of the two companies ("**Proposed Transaction**"). The intention would be to preserve the distinct identity of each of the brands Geely, Volvo, Lynk & Co and Polestar. It is intended that the combined business will be listed in both Hong Kong and Stockholm to enable it to access the capital markets. As of the date of this Offering Circular, no concrete timetable or detailed plans of the Proposed Transaction have been formed or announced.

## COMPETITIVE STRENGTHS

The Group believes that the following competitive strengths have contributed to its success, distinguished it from its competitors and positioned it favourably to take advantage of future growth opportunities:

- A Leading Global Automobile Group
- Strong Research and Development Capabilities
- Globally Diversified Sales and Production Footprint
- Strategic Synergies between the Geely Auto Group and the Volvo Car Group
- Well Positioned to Benefit from Industry Trends in Emission Efficiency
- Strong Liquidity and Diversified Funding Sources
- Experienced and Dedicated Management Team with Global Vision

## BUSINESS STRATEGIES

The Group intends to consolidate and enhance its leading position in the automobile industry by pursuing the following key business strategies:

- To Continue Diversifying the Group's Brand Portfolio
- To Further Enhance the Group's Capability in Research and Development
- To Build Up a Well-established Talent Introduction and Training System
- To Achieve the Group's Sustainable Development Goal of "Zero-Emissions"
- To Expand the Group's International Presence

## THE ISSUE

*The following contains some summary information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Notes" and "Summary of Provisions Relating to the Notes in Global Form" shall have the same meanings in this summary. For a comprehensive description of the terms and conditions of the Notes, see the section entitled "Terms and Conditions of the Notes" of this Offering Circular.*

| | |
|---|---|
| **Issuer** | Geely Finance (Hong Kong) Limited. |
| **Guarantor** | Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司). |
| **Notes** | U.S.$ per cent. guaranteed notes due 20 (the "**Notes**"). |
| **Guarantee** | The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed, as further described in Condition 4 of the Terms and Conditions of the Notes, and as provided in a deed of guarantee to be dated on or about (the "**Deed of Guarantee**" or the "**Guarantee**"). The Guarantor will complete the Cross-Border Security Registration of the Guarantee on or before the Registration Deadline (being the day falling 120 PRC Business Days after the Issue Date). |
| **Issue Price** | per cent. |
| **Issue Date** | . |
| **Maturity Date** | . |
| **The Offering** | The Notes are being offered outside the United States in reliance on Regulation S under the Securities Act. See "*Subscription and Sale*". |
| **Interest** | The Notes will bear interest from and including at the rate of per cent. per annum, payable semi-annually in equal instalments in arrear on and in each year. See Condition 6 of the Terms and Conditions of the Notes. |
| **Status of the Notes and the Guarantee** | The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1 (*Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and (subject as stated above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. |

| | |
|---|---|
| | The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1 of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. |
| **Negative Pledge** . . . . . | The Notes will contain a negative pledge provision as further described in Condition 5.1 of the Terms and Conditions of the Notes. |
| **Taxation** . . . . . | All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future Taxes (as defined in the Terms and Conditions of the Notes) imposed or levied by or on behalf of Relevant Jurisdiction (as defined in the Terms and Conditions of the Notes), unless the withholding or deduction of the Taxes is required by law. Where such withholding or deduction is made by the Issuer or the Guarantor by or within the PRC at the rate of up to and including the aggregate rate applicable on (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amount received by Noteholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction.<br><br>If the Issuer or the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within any Relevant Jurisdiction other than the PRC, the Issuer or, as the case may be, the Guarantor will pay such additional amounts ("**Additional Tax Amounts**") as may be necessary in order that the net amount received by Noteholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, save for certain exceptions. See "*Terms and Conditions of the Notes – Taxation*". |
| **Redemption for Taxation Reasons** . . . . . | The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with accrued interest, in the event that the Issuer or the Guarantor would be required to pay Additional Tax Amounts as provided or referred to in Condition 9.1 of the Terms and Conditions of the Notes in respect of the Notes as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdictions, or any change in, or amendment to, the application or official interpretation thereof. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Taxation Reasons*". |

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| **Redemption upon Change of Control or No Registration Event** . . . . . | A Noteholder shall have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of such Noteholder's Notes at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount together with accrued interest upon the occurrence of a Change of Control or, as the case may be, a No Registration Event. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption upon Change of Control or No Registration Event*". |
| **Form and Denomination** . . . . . | The Notes will be issued in registered form in amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will initially be represented by a Global Certificate deposited on or before the Issue Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances described in the relevant Global Certificate, definitive certificates of Notes will not be issued in exchange for beneficial interests in such Global Certificate. See "*Summary of Provisions relating to the Notes in Global Form*". The securities codes for the Notes are as follows:<br><br>ISIN XS<br>Common Code |
| **Legal Entity Identifier**. . . . . | 254900NA82QGYW26UQ06. |
| **Clearing**. . . . . | Euroclear and Clearstream. |
| **Governing Law** . . . . . | The Notes, the Guarantee, the Trust Deed, the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Guarantee, the Agency Agreement and the Trust Deed will be governed by and construed in accordance with English law. |
| **Rating** . . . . . | The Notes are expected to be rated "BBB-" by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agencies. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Issuer. |

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| **Further Issues** . . . . . | The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects save for their issue date and the first payment of interest thereon and the Post-issuance Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Notes constituted by the Trust Deed or any supplemental deed. See "*Terms and Conditions of the Notes – Further Issues*". |
| **Trustee** . . . . . | DB Trustees (Hong Kong) Limited. |
| **Principal Paying Agent, Registrar and Transfer Agent** . . | Deutsche Bank Aktiengesellschaft, Hong Kong Branch. |
| **Listing** . . . . . | Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of not less than S$200,000 (or its equivalent in foreign currencies) for so long as any of the Notes are listed on the SGX-ST.<br><br>For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Certificate evidencing the Notes is exchanged for Definitive Certificates.<br><br>In the event that the Global Certificate evidencing the Notes is exchanged for Definitive Certificates, for so long as the Notes are listed on the SGX-ST, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore. |
| **Use of Proceeds** . . . . . | The net proceeds of the issue of the Notes will be used for the Group's domestic and overseas business development, and to refinance certain existing offshore indebtedness of the Group. See "*Use of Proceeds*." |

## SUMMARY OF CONSOLIDATED FINANCIAL DATA AND OTHER DATA OF THE GUARANTOR

*The following tables set forth summary consolidated financial information of the Guarantor as at and for the periods indicated.*

*The summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2016, 2017 and 2018 as set forth below is derived from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018, which are included elsewhere in this Offering Circular. Such summary consolidated financial information should be read in conjunction with, and is qualified in its entirety by reference to the Guarantor's relevant consolidated financial statements (including the notes thereto).*

*The consolidated financial information of the Guarantor as at and for the nine months ended 30 September 2018 and 2019 has been extracted from the September 2019 Financial Information. Beijing Xinghua has reviewed the September 2019 Financial Information pursuant to the Chinese Institute of Certified Public Accountants Review Standards No. 2101 – Review of Financial Statement. However, no review opinion was issued by Beijing Xinghua in respect of the consolidated financial information of the Guarantor as at and for the nine months ended 30 September 2019. This information is not audited and no reviewed opinion has been issued, such information should not be relied upon by investors to provide the same quality of information associate with (1) information that has been audited or (2) information that has been reviewed with a reviewed opinion. Investors must exercise caution when using such data to evaluate the Group's financial condition, results of operation and cash flows. The consolidated financial information of the Guarantor as at and for the nine months ended 30 September 2019 should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2019. The Guarantor prepares its consolidated financial statements in accordance with PRC GAAP. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See "Differences between PRC Accounting Standards and International Financial Reporting Standards".*

*Pursuant to the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (Cai Kuai [2017] No. 30), the comparative amounts of gains/(losses) from asset disposal, non-operating income and non-operating expenses for the year ended 31 December 2016 are restated in the consolidated financial statements as at and for the year ended 31 December 2017. For details and impact on the Guarantor of such restatement, see Note IV.27 "Changes in Significant Accounting Policies and Estimates" to the Guarantor's consolidated financial statements as at and for the year ended 31 December 2017 included elsewhere in this Offering Circular.*

*Pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements (Cai Kuai [2018] No. 15) promulgated on 15 June 2018, notes receivable and accounts receivable, notes payable and accounts payable and research and development expenses are added as new line items in the consolidated financial statements as at and for the year ended 31 December 2018; the calculation of other receivables, fixed assets, construction in progress, other payables, long-term payable and administrative expenses are adjusted in the consolidated financial statements as at and for the year ended 31 December 2018; notes receivable, accounts receivable, interests receivable, dividends receivable, fixed assets disposal, construction materials, notes payable, accounts payable, interests payable, dividends payable, and special payable are no longer line items in the consolidated financial statements as at and for the year ended 31 December 2018. For details and impact on the Guarantor of such restatement, see Note IV.28 "Changes in Significant Accounting Policies and Estimates" to the Guarantor's consolidated financial statements as at and for the year ended 31 December 2018 included elsewhere in this Offering Circular. Pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6) which is newly promulgated on 30 April 2019, notes receivable and accounts receivable is divided into "notes receivable" and "accounts receivable" as two separate line items, and notes payable and accounts payable is divided into "notes payable" and "accounts payable" as two separate line items. Restated amounts might be different from the financial information previously reported in such consolidated financial statements. Consequently, potential investors must exercise caution when using such financial statements to evaluate the Group's financial condition and results of operations. See "Risks relating to the financial information – Historical consolidated financial information of the Group may not be indicative of its current or future results of operations".*

## SUMMARY CONSOLIDATED INCOME STATEMENT DATA

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| | **(audited and restated)** | **(audited and restated)** | **(audited)** | **(unaudited)** | **(unaudited)** |
| **Total operating income** | **208,798,700** | **278,264,594** | **328,520,880** | **235,492,506** | **226,851,196** |
| Less: | | | | | |
| Operating costs | 162,946,963 | 215,333,482 | 254,053,783 | 184,364,656 | 181,002,519 |
| Taxes and surcharges | 3,796,984 | 6,427,753 | 7,305,728 | 4,244,705 | 4,252,137 |
| Selling expenses | 11,866,563 | 16,299,504 | 17,878,917 | 13,141,228 | 13,472,542 |
| General and administrative expenses | 15,984,151 | 9,605,086 | 10,992,053 | 14,737,848 | 6,434,016 |
| Research and development expenses | –[1] | 8,609,535 | 9,328,490 | – | 9,365,112 |
| Financial expenses | 1,586,799 | 1,444,268 | 1,813,848 | 1,208,268 | 1,978,178 |
| Asset impairment losses | 375,819 | 195,959 | 428,878 | (238,536) | 5,210 |
| Credit impairment losses | – | – | 9,499 | – | (6,134) |
| Add: | | | | | |
| Other income | – | 2,489,181 | 2,891,998 | 2,257,007 | 1,764,211 |
| Investment income (loss) | 99,449 | 11,027 | (42,144) | 401,725 | 1,779,130 |
| Net exposure hedging losses | – | – | (586,504) | – | – |
| Gains/(losses) from changes of the fair value | 201,524 | 315,968 | (30,803) | (34,973) | (62,486) |
| Gains/(losses) from disposal of asset | (303,046) | (260,428) | (2,900,129) | 546 | (140,089) |
| **Operating profit** | **12,239,347** | **22,904,754** | **26,042,100** | **20,181,572** | **13,686,535** |
| Non-operating income | 2,615,224 | 618,590 | 228,332 | 242,584 | 114,856 |
| Non-operating expenses | 222,565 | 176,903 | 500,440 | 118,039 | 441,643 |
| **Profit before tax** | **14,632,006** | **23,346,441** | **25,769,992** | **20,306,117** | **13,359,748** |
| Income tax expenses | 2,920,525 | 4,522,207 | 5,502,352 | 3,889,943 | 2,799,143 |
| **Net profit** | **11,711,481** | **18,824,235** | **20,267,640** | **16,416,174** | **10,560,605** |
| Net profit attributable to owners of the parent | 8,408,719 | 12,302,371 | 13,026,070 | 10,514,212 | 6,112,333 |
| Profit or loss attributable to minority interests | 3,302,762 | 6,521,864 | 7,241,570 | 5,901,962 | 4,448,272 |

[1] The general and administrative expenses have been adjusted and split into two separate line items, namely, the administrative expenses and the research and development expenses, in the Group's consolidated financial statements as at 31 December 2018. Such adjustment was made based on accounting rules promulgated in 2018 – "Notice on the Revision of the Format for Issuing General Enterprise Financial Statements" (Cai Kuai [2018] No. 15).

## Summary Consolidated Balance Sheet Data

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| | (audited) | (audited and restated) | (audited) | (unaudited) |
| **Current assets** | | | | |
| Cash at bank and on hand | 47,714,422 | 54,268,663 | 67,340,144 | 77,250,269 |
| Financial assets held for trading | – | – | 1,881,645 | 1,328,461 |
| Derivative financial assets | – | – | 773,721 | 321,247 |
| Financial assets at fair value and changes accounted into current profit or loss | 8,126,292 | 3,166,788 | – | – |
| Bills receivable | 10,259,135 | 24,709,771[2] | 22,614,810 | 22,991,071 |
| Accounts receivable | 6,212,072 | 6,866,285[2] | 6,876,698 | 10,221,090 |
| Prepayment | 2,697,048 | 2,195,233 | 2,617,428 | 2,589,806 |
| Other receivables | 1,662,203[3] | 3,021,677 | 2,800,222 | 4,320,660 |
| In which: | | | | |
| Interests receivables | 19,450 | 73,258 | 43,988 | 157,379 |
| Inventories | 21,626,628 | 33,556,266 | 37,181,569 | 43,112,982 |
| Contract assets | – | – | – | 282 |
| Held-for-sale assets | – | 12,306 | – | – |
| Non-current assets due within one year | 61,417 | 86,915 | 12,509 | – |
| Other current assets | 2,954,862 | 5,645,110 | 5,550,501 | 7,963,922 |
| **Total current assets** | **101,314,080** | **133,529,014** | **147,649,246** | **170,099,790** |
| **Non-current assets** | | | | |
| Debt investment | – | – | 30,000 | – |
| Available-for-sale financial assets | 3,367,168 | 4,515,998 | – | – |
| Long-term receivables | 601,131 | 3,906,828 | 3,388,675 | 4,540,338 |
| Long-term equity investment | 4,533,568 | 5,610,123 | 14,981,375 | 15,458,591 |
| Other equity instruments investment | – | – | 17,510,792 | 19,760,511 |
| Other non-current financial assets | – | – | 581,226 | 385,521 |
| Fixed assets | 42,802,496[4] | 55,742,394 | 70,586,768 | 76,251,294 |
| Construction in progress | 12,323,334 | 14,691,152 | 8,789,455 | 10,422,985 |
| Intangible assets | 23,279,691 | 33,112,658 | 34,350,259 | 38,207,888 |
| Development expenditure | 13,437,867 | 18,366,312 | 26,936,177 | 30,609,526 |
| Goodwill | 399,898 | 657,705 | 722,978 | 603,523 |
| Long-term deferred expenses | 103,473 | 123,663 | 173,046 | 278,464 |
| Deferred tax assets | 3,320,728 | 4,322,331 | 6,523,178 | 8,756,892 |
| Other non-current assets | 1,257,341 | 1,827,391 | 1,208,136 | 2,050,599 |
| **Total non-current assets** | **105,426,694** | **142,876,556** | **185,782,064** | **207,326,134** |
| **Total Assets** | **206,740,774** | **276,405,570** | **333,431,309** | **377,425,923** |
| **Current liabilities** | | | | |
| Short-term loans | 11,218,589 | 13,758,062 | 35,093,092 | 33,388,703 |
| Financial liabilities held for trading | – | – | 6,605 | 19,013 |
| Derivative financial liabilities | – | – | 1,414,363 | 3,093,234 |
| Financial liabilities at fair value and changes accounted into current profit or loss | 1,581,466 | 452,598 | – | – |
| Bills payable | 3,545,559 | 9,709,905[5] | 13,408,629 | 19,779,813 |
| Accounts payable | 31,171,740 | 41,860,453[5] | 42,129,996 | 41,858,109 |
| Advances from customers | 8,716,051 | 8,911,129 | 5,782,147 | 3,543,265 |
| Contract liabilities | – | – | 10,924,999 | 12,093,733 |
| Employee benefits payable | 4,911,338 | 6,449,701 | 6,330,638 | 5,952,949 |
| Taxes payable | 3,059,721 | 5,363,619 | 5,458,378 | 3,799,253 |
| Other payables | 10,359,735 | 13,061,577 | 5,622,996 | 7,125,373 |
| In which: | | | | |
| Interest payable | 559,914 | 344,887 | 534,368 | 799,384 |
| Dividends payable | 7,169 | 7,169 | 7,168 | 69,005 |
| Non-current liabilities due within one year | 8,114,959 | 10,973,058 | 8,884,896 | 11,460,265 |
| Other current liabilities | 15,724,720 | 21,575,642 | 12,156,228 | 12,326,662 |
| **Total current liabilities** | **98,403,879** | **132,115,744** | **147,212,967** | **154,440,372** |

[2] The notes receivable and accounts receivable has been adjusted and divided into two line items pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6) which is newly promulgated on 30 April 2019.

[3] The interests receivables, dividends receivable and other receivables have been adjusted and combined into one line item in the Group's consolidated financial statements as at 31 December 2018. Such adjustment was made based on accounting rules promulgated in 2018 – "Notice on the Revision of the Format for Issuing General Enterprise Financial Statements" (Cai Kuai [2018] No. 15).

[4] The fixed assets and fixed assets disposal have been adjusted and combined into one line item in the Group's consolidated financial statements as at 31 December 2018. Such adjustment was made based on accounting rules promulgated in 2018 – "Notice on the Revision of the Format for Issuing General Enterprise Financial Statements" (Cai Kuai [2018] No. 15).

[5] The notes payable and accounts payable has been adjusted and divided into two line items pursuant to the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements for 2019 (Cai Kuai [2019] No. 6) which is newly promulgated on 30 April 2019.

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| | (audited) | (audited and restated) | (audited) | (unaudited) |
| **Non-current liabilities** | | | | |
| Long-term loans | 13,276,571 | 13,418,284 | 31,118,986 | 38,302,584 |
| Bonds payable | 16,408,628 | 15,363,624 | 19,830,414 | 33,331,950 |
| Long-term accounts payables | 2,681,530[6] | 2,001,293 | 1,258,145 | 1,832,047 |
| Provisions | 5,326,401 | 7,879,331 | 4,814,296 | 6,396,944 |
| Deferred income | 3,357,412 | 7,782,512 | 13,211,597 | 13,250,340 |
| Deferred income tax liabilities | 927,956 | 1,611,143 | 1,399,643 | 1,542,163 |
| Other non-current liabilities | 3,837,923 | 5,774,800 | 11,831,483 | 12,966,960 |
| **Total non-current liabilities** | **45,816,421** | **53,830,988** | **83,464,564** | **107,622,988** |
| **Total Liabilities** | **144,220,300** | **185,946,732** | **230,677,531** | **262,063,360** |
| **Shareholder's equity** | | | | |
| Share capital | 830,000 | 930,000 | 930,000 | 930,000 |
| Other equity instruments | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| In which: | | | | |
| Perpetual capital securities | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Capital reserve | 17,340,057 | 19,007,823 | 19,044,131 | 19,467,277 |
| Surplus reserves | – | 38,590 | 40,735 | – |
| Undistributed profit | 21,491,604 | 33,685,219 | 46,440,199 | 53,041,575 |
| Other comprehensive income | (690,845) | 3,265,113 | (10,658,355) | (9,714,966) |
| **Total equity attributable to parent company** | **40,970,816** | **58,926,745** | **57,796,710** | **65,723,885** |
| Minority interests | 21,549,658 | 31,532,093 | 44,957,068 | 49,638,678 |
| **Total shareholder's equity** | **62,520,474** | **90,458,838** | **102,753,778** | **115,362,563** |
| **Total liabilities and shareholder's equity** | **206,740,774** | **276,405,570** | **333,431,309** | **377,425,923** |

[6] The special payable and long-term payables have been adjusted and combined into one line item in the Issuer's consolidated financial statements as at 31 December 2018. Such adjustment was made based on accounting rules promulgated in 2018 – "Notice on the Revision of the Format for Issuing General Enterprise Financial Statements" (Cai Kuai [2018] No. 15).

**Summary Consolidated Cash Flow Statement Data**

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| | (audited) | (audited) | (audited) | (unaudited) | (unaudited) |
| Net cash flows from operating activities | 33,900,704 | 43,039,286 | 43,146,353 | 28,356,258 | 22,066,470 |
| Net cash flows from investment activities | (25,624,727) | (32,546,366) | (79,632,491) | (59,156,231) | (27,949,829) |
| Net cash flows from financing activities | 13,991,994 | 8,300,876 | 47,847,832 | 34,903,225 | 17,733,941 |
| Effect of exchange rate fluctuation on cash held | 512,898 | 448,394 | (177,107) | 89,370 | 35,804 |
| Net increase of cash and cash equivalents | 22,780,870 | 19,242,190 | 11,184,588 | 4,192,623 | 11,886,386 |
| Opening balance of cash and cash equivalents | 33,500,118 | 56,280,988 | 75,523,178 | 75,523,178 | 86,707,766 |
| Ending balance of cash and cash equivalents | 56,280,988 | 75,523,178 | 86,707,766 | 79,715,801 | 98,594,153 |

**Other Financial Data**

| | As at and for the year ended 31 December | | | As at and for the nine months ended 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| EBITDA[(1)] (RMB'000) | 23,854,056 | 34,496,416 | 44,650,176 | 26,001,563 |
| EBITDA margin[(2)] (per cent.) | 11.4 | 12.4 | 13.6 | 11.5 |
| EBITDA/total interest expense | 12.1x | 21.3x | 20.7x | 9.4x |
| Total indebtedness[(3)]/EBITDA | 1.9x | 1.4x | 2.0x | 2.8x |
| Net debt[(4)]/EBITDA | (0.1) | (0.2) | 0.5x | 0.9x |

*Notes:*

1. The Guarantor calculates EBITDA for any year or period as gross profit (operating income minus operating costs) for the year, minus business taxes and surcharges, selling expenses, general and administrative expenses, plus depreciation of fixed assets, amortisation of intangible assets and amortisation of long-term deferred expenses. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition. Interest expense excludes amounts capitalised.

2. EBITDA margin is calculated as EBITDA divided by total operating income.

3. Total indebtedness represents the aggregate of short-term borrowings, long-term loans due within one year, bonds payable due within one year, long-term loans and bonds payable.

4. Net debt is equal to total indebtedness less cash.

*Prospective purchasers of the Notes should carefully consider the following risk factors in addition to the other information presented in this Offering Circular before making an investment decision. The occurrence of any of the following events could have a detrimental effect on the Group and its results of operations. These risks are not the only ones that the Group faces. Additional risks not currently known to the Group or those which the Group currently believes are immaterial may also impair its business operations. The Group's business, results of operations and financial condition could be materially adversely affected by any of these risks.*

## RISKS RELATING TO THE GROUP'S BUSINESS

### The Group may not be able to identify or offer popular models to meet changing trends and consumer demands, or the Group may not be able to gain market acceptance of its new models

Market trends, consumer demands and needs in the markets where the Group operates depend upon various factors, some of which are beyond its control, such as prevailing economic conditions, consumption patterns, disposable income and uncertainties inherent in different markets. To compete effectively in the automobile industry, the Group needs to launch new products in a timely and cost-effective manner to meet changing consumer preferences and demands.

To broaden its model portfolio, the Group plans to continue upgrading its existing models, and in the meantime, to develop new models. In 2018, the Geely Auto Group launched the Geely Binrui, a new compact sedan and the Geely Binyue, its first compact SUV. It also unveiled its first MPV, the Geely Jiaji, in March 2019. By providing more diverse product offerings to the global market, they play a vital role in strengthening the Geely Auto Group's market position. Further, as part of its efforts to transform from a traditional automobile company to an industry leader in new energy vehicle technologies, the Geely Auto Group launched the Emgrand EV model, its first new energy vehicle model, in November 2015. It has also launched its hybrid-electric vehicle ("**HEV**") and plug-in hybrid electric vehicle ("**PHEV**") in 2017 and the Emgrand GSe which is the full electric variant of the Geely Emgrand GS crossover in 2018. Lynk & Co launched Lynk & Co 03 plus in August 2019, which is the upgrade of the prototype Lynk & Co 03. In 2019, the Volvo Car Group produced its first all-electric car, the XC40 Recharge. Whilst new energy vehicles represent a new business area for the Group, there is no assurance that its efforts to develop, launch and market these new products will be successful or completed within anticipated time frames. The Group's success in launching these new products depends on a number of factors, including its ability to offer products that appeal to target customers, its marketing strategy, customer perceptions and its cooperation with its partners.

The Group's model development may not always reflect the prevailing market trends or customer needs at any given time, and the new models it launches may not be well received by the market or achieve the expected sales. It may also be unable to produce sufficient quantities of these models to meet market demand. If the Group's new models fail to gain market acceptance, the Group's brand image, business, financial condition, results of operations and prospects could be materially and adversely affected.

### The Group's continued growth depends on its research and development capabilities and efforts, which may not be successful

The automobile market is characterised by changing technologies, periodic new model introductions and evolving end-user customer and industry requirements. The Group's competitors are continuously developing automobiles that have adopted advanced technologies to operate more efficiently and cost effectively. The Group's continued success, therefore, depends on its ability to continuously develop new products that can successfully compete with those offered by its competitors in terms of design, performance and price, which, in turn, depends largely on its research and development capabilities. If the Group is unable to enhance its research and development capabilities to improve its existing products and develop new products, or if it fails to anticipate end-user customers' changing needs, it may be at a disadvantage compared to its competitors and, consequently, its business, financial condition, results of

operations and prospects may be materially and adversely affected. The Group's research and development efforts may not be successful or may not yield the anticipated level of economic benefits. Even if its research and development efforts are successful, it may not be able to apply these newly developed technologies to products that will be accepted by the market or apply them in a timely manner to take advantage of the opportunities presented in the market. The level of economic benefit that can be derived from newly developed technologies or products may also be affected by the ability of its competitors to replicate such technologies or products or develop more advanced or cheaper alternatives. If the Group's technologies or products are replicated, replaced or made redundant, or if the demand for the Group's products is not as anticipated, the Group's operating income associated with such technologies and products may not offset the costs that it incurs in developing such new technologies and products. If any of the aforesaid occurs, it may have a material adverse effect on its business, financial condition, results of operations and future development.

**The Group may not be able to maintain relationships with its existing dealers, franchisees or sales agents or effectively manage its dealers, franchisees or sales agents**

The Group sells substantially all of its products primarily through 4S dealers, franchisees and sales agents. Therefore, the Group's success depends on its ability to retain existing and attract new dealers, franchisees or sales agents. As of 31 December 2019, the Geely Auto Group sold products through 949 dealer shops throughout China and exported its products to 24 countries through 24 sales agents and over 300 sales and service outlets, and the Volvo Car Group sold cars in approximately 100 countries through approximately 2,400 dealers. There is no assurance that the Group will be able to successfully renew its existing sales contracts upon their expiration on favourable terms, or at all. Competition for dealers, franchisees or sales agents is intense, as the Group must compete with other leading passenger vehicle brands for dealers, franchisees and sales agents in markets where it has operations or has plans to enter. Such competitors may benefit from higher visibility, greater brand recognition, greater financial resources and a broader product offering than the Group does, which may provide them with a competitive advantage in securing dealers, franchisees or sales agents. The Group's competitors may also enter into long-term or exclusive agreements that effectively prevent their dealers, franchisees or sales agents from selling the Group's products. Consequently, engaging new dealers, franchisees or sales agents, maintaining relationships with existing dealers, franchisees or sales agents and replacing them can be difficult and time consuming. Any disruption to the Group's distribution network, including a failure on its part to renew its existing agreements with its preferred dealers, franchisees or sales agents or to attract new dealers, franchisees or sales agents, could negatively affect the Group's ability to effectively sell its products to its end-user customers which in turn could materially and adversely affect its business, financial condition, results of operations and prospects.

In addition, the Group has limited ability to manage and control the activities of its dealers, franchisees or sales agents. They could take certain actions that potentially have a material adverse effect on the Group's reputation, business and prospects, such as selling products that compete with the Group's products, focusing only on the sales of those products that provide them with higher margins or commissions thus undermining the Group's efforts to maintain a well-balanced portfolio of its products, selling the Group's products outside their designated territory, failing to adequately promote the Group's products or conducting their business in violation of relevant laws or regulations in their respective jurisdictions. The Group's reputation, business and prospects could be adversely affected as a result of any improper or illegal actions taken by its dealers, franchisees or sales agents.

**Any material disruption to the Group's production facilities may materially and adversely affect its business, financial condition and results of operations**

The Group's production facilities are mainly located in China, Belgium, the United Kingdom, Sweden and the United States. If operations at any of the Group's facilities were to be materially disrupted as a result of equipment failure, natural disasters, diseases, power outages, explosions, adverse weather conditions, strikes, civil unrest or other factors, its business, financial condition and results of operations may be materially and adversely affected. The occurrence of any of these significant events could also require the Group to make significant unanticipated capital expenditures. Interruptions in production may limit the

Group's production capacity and cause a reduction or delay in its sales. The Group's insurance policies may not cover lost sales or increased costs incurred as a result of disruption of operations, and prolonged business disruptions could result in a loss of customers. If any of the aforesaid events were to materialise, the Group's business, financial condition and results of operations may be materially and adversely affected.

**The Group's production capacity expansion plans may not be successfully achieved**

The Group plans to expand its production capacity in stages based on its ongoing research and analysis of evolving market demand, through acquisition or construction of new production facilities as well as expansion and upgrade of existing production facilities. However, risks and uncertainties in a number of areas, including, without limitation, capital requirements, government approval requirements and operational risks, may adversely affect the acquisition or construction of additional facilities in a timely and cost-effective manner. The Group's production capacity expansion plans may not be successfully implemented within its planned time frames, or at all. The Group may also experience quality control issues as it implements expansion plans. Delays or any failure in the implementation of the Group's expansion plans could adversely affect the Group's financial position and results of operations. In addition, the Group's efforts to expand its production capacities may not achieve the expected benefits. The demand for the Group's products may not continue to increase or remain at current levels and may be affected by various factors beyond the Group's control, including government policies and the overall economy. If demand for its products is weaker than anticipated, the Group may experience overcapacity and under-utilisation of human resources, which may materially and adversely affect its business, financial condition and results of operations.

**The Group may not be able to successfully expand its sales, service and distribution network**

The Group intends to expand its sales, service and distribution network in China and overseas to expand its geographical coverage and increase its domestic and international market penetration. The Group plans to continue to localise its production in new overseas markets through cooperating with selected original equipment manufacturer ("**OEM**") contractors or by setting up manufacturing plants. The expansion of the Group's sales and service network and the exploration of new markets will require significant capital expenditures as well as increased human resources. There is no assurance that the Group can successfully implement its network expansion strategy or that network expansion can successfully improve the Group's results of operations.

**The Group's brand image and business may be negatively affected by the performance of its OEM partners**

The Group engages local partners in certain overseas markets to assemble its products on an OEM basis. The Group's OEM partners assemble products in plants with the Group's technical supervision, and the final products are sold under the Group's brand. The Group selects its OEM partners on the basis of their production facilities, financial status, historical performance, management competence, quality control, technical know-how and growth potential. However, the products assembled by any of the Group's OEM partners may not be delivered in a timely manner or with satisfactory quality. If the performance of any of the Group's OEM partners is not satisfactory or an OEM partner decides to substantially reduce its volume of supply to the Group, substantially increase its fees or terminate its business relationship with the Group, the Group may need to replace that OEM partner or take other remedial actions, which could increase the cost and lengthen the time required to deliver its products to its customers. In addition, the Group's OEM partners may not adhere to the Group's quality control policies and guidelines at all times. Any defect in the products assembled by the Group's OEM partners could subject the Group to product liability claims, monetary losses or damage the Group's reputation. Furthermore, the Group's OEM partners may not fully comply with applicable laws and regulations, such as labour laws and environmental laws, in which case negative publicity regarding such noncompliance could damage the Group's brand image. Any of these factors could have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

**The Group may be unable to maintain an effective quality control system at the Group's manufacturing facilities**

The performance, quality and safety of the Group's products are critical to its end-user customers and its success. The Group has established and maintained stringent quality assurance standards and inspection procedures, including quality control with respect to the parts and components purchased from external suppliers. The effectiveness of the Group's quality control system is determined by various factors, including the design of the system, the implementation of quality standards, the quality of training programs and employee adherence to quality control policies and guidelines. In addition, it is important that the Group's quality control system cover all stages of production, including raw materials procurement, semi-finished and finished products. If the Group fails to maintain an effective or adequate quality control system, it may produce defective products that expose it to warranty claims, which may include return or replacement of its products, compensation of customers and other related product liability claims, as well as damage to the Group's reputation. For example, in 2017, due to a risk of malfunction of the airbag, the Geely Auto Group recalled an aggregate of 187,657 vehicles, including 163,960 units of GX7, 19,203 units of SX7 and 4,494 units of GX9. In January 2018, the Geely Auto Group recalled an aggregate of 40,068 units of Geely Borui manufactured between 1 April 2015 and 28 October 2016 to avert any possible future power steering failure. In January 2019, the Geely Auto Group recalled an aggregate of 42,216 units of Geely Vision and GC7 models manufactured between 7 Oct 2010 and 7 July 2012 and 47,441 units of EC7 models produced between 5 July 2011 and 31 May 2012 due to defective fuel pumps. Any such warranty claim, regardless of whether it is ultimately successful, could cause the Group to incur significant costs, damage its business reputation and result in significant disruption to its operations. Furthermore, if any such claim is ultimately successful, the Group could be required to not only recall and replace defective products, but also pay substantial monetary damages or penalties, which could have a material adverse effect on its results of operations and financial condition.

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

The Group's products can expose the Group to potential product liability claims if they fail to perform as expected, or are proven to be defective, or if their use causes, results in or is alleged to have caused or resulted in personal injuries, property damage or other adverse effects. Any product liability claim, whether relating to personal injuries or property damage, or regulatory action could prove costly and time consuming to defend and has the potential to harm the reputations of the Group and its brands. If successful, product liability claims may require the Group to pay substantial damages. The Group may be unable to obtain sufficient product liability insurance coverage on commercially reasonable terms, or at all.

Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third party suppliers. Such third party suppliers may not indemnify the Group for defects as to such parts and components or may only provide the Group with limited indemnification that is insufficient to cover the Group's damages resulting from such product liability claims. Product liability claims, with or without merit, may result in significant negative publicity and thus materially and adversely affect the marketability of the Group's products and its reputation. Moreover, a material design, manufacturing or quality-related failure or defect in the Group's products or other safety issues could warrant a product recall by the Group and result in increased product liability claims.

In addition, in certain countries in which the Group has operations, violation of product quality and safety requirements may subject the Group to monetary and injunctive penalties, including orders to cease manufacturing and sales of relevant products or to cease operations pending the required rectification. For serious violations, the Group's licenses to manufacture or sell relevant products could potentially be revoked, and the Group could be subject to criminal liability.

**The Group may not be able to obtain external financing on favourable terms, or at all, to fund its ongoing operations and expansion**

To fund its ongoing operations, existing and future capital expenditure requirements, investment plans and other financing requirements and to competitively respond to technological change and market demand, the Group requires sufficient internal sources of liquidity or access to additional financing from external resources. In particular, the Group requires significant capital for research and development of new vehicle development platforms and new engines, and expansion and upgrade of production facilities of existing plants. The Group principally funds its operations from a combination of cash generated from its business operations, securities offerings and bank borrowings. The availability of external funding is subject to various factors, some of which are beyond the Group's control, including obtaining governmental approvals, prevailing capital market conditions, credit availability, cost of financing including changes in interest rates and the performance of the businesses the Group operates. Financing may not be available in amounts or on terms acceptable to the Group, if at all. Any failure by the Group to arrange sufficient funding in a timely manner, on terms that are satisfactory to it or at all, could adversely affect its business, results of financial condition and expansion plans.

**The Group's relatively high level of indebtedness exposes it to liquidity risks**

The Group relies on bank loans and other borrowings to support a substantial portion of its capital expenditures, and the Group expects to continue to do so in the future. As of 31 December 2016, 2017 and 2018 and 30 September 2019, the Group's total indebtedness (which comprises short-term borrowings, long-term loans due within one year, bonds payable due within one year, long-term loans and bonds payable) was RMB44,325.4 million, RMB49,060.4 million, RMB89,865.2 million and RMB113,830.9 million, respectively. In addition, as at 30 September 2019, the Group had outstanding guarantee in a total amount of RMB1,890.0 million, which was mainly relating to contractual arrangements with independent third parties. The Group's relatively high level of indebtedness and leverage could materially and adversely affect its liquidity. For example, it could:

- require it to allocate a higher portion of its cash flow from operations to fund repayments of principal and interest on its borrowings, thus reducing the availability of its cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increase its vulnerability to adverse economic or industry conditions;
- limit its flexibility in planning for, or reacting to, changes in its business or in the industry in which it operates;
- potentially restrict it from pursuing strategic business opportunities;
- limit its ability to incur additional debt; and
- increase its exposure to interest rate fluctuations.

As of the date of this Offering Circular, the Group has not experienced any material reduction or withdrawal of credit or banking facilities by its lenders or an inability to settle its trade payables in the ordinary course of business. However, there is no assurance that the Group will always be able to continue to repay or refinance its bank loans when they become due, and/or raise the necessary funding to finance its current liabilities and its capital commitments.

In addition, restrictive covenants contained in the financing agreements may limit the Group's ability to incur additional indebtedness and may negatively affect the Group's ability to respond to changes in market conditions. The Group may not be able to obtain waivers if it fails to comply with any of the requirements under its financing agreements. Failure to service its debt or comply with the terms, conditions and covenants of its loan agreements could result in penalties, including increases in its interest

rates, accelerated repayment of loans and interest, termination of facilities and legal action against it by its creditors, any of which could have a material and adverse effect on its business, results of operations and financial condition. Furthermore, the Group's liquidity depends on the amount of cash it generates from operations and its access to further financial resources to fulfil its short-term payment obligations, which may be affected by its future operating performance, prevailing economic conditions and other factors, many of which are beyond its control.

**The Group's business and financial condition may be materially and adversely affected if it fails to monitor its inventory level or to collect accounts receivable**

The Group's inventories are principally raw materials, self-made semi-finished products and products, goods in stock and materials in transit. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the Group's inventory had the value of RMB21,626.6 million, RMB33,556.3 million RMB37,181.6 million and RMB43,113.0 million, respectively, which accounted for 21.3 per cent., 25.1 per cent., 25.2 per cent. and 25.3 per cent. of its current assets, respectively. The Group endeavours to manage its inventory level by aligning its procurement with its sales based on confirmed purchase orders and projected sales. However, making an accurate estimate of its sales is difficult. Inaccurate forecasts of market demand and a mismatch between purchases of the Group's raw materials and sales of its finished products could increase the Group's inventory risks. In addition, aging of inventories requires the Group to make provisions for impairment of the fair value of inventories, which may affect the Group's profit. As at 31 December 2016, 2017, 2018 and 30 September 2019, the Group's provisions for inventories were RMB322.4 million, RMB385.6 million, RMB557.8 million and RMB570.1 million, respectively. Any failure to effectively manage the Group's inventory level could have a material impact on the Group's cash flow and adversely affect its ability to carry on ordinary business activities and to serve its outstanding indebtedness, which in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Further, as of 31 December 2016, 2017 and 2018 and 30 September 2019, the Group's accounts receivable was RMB6,212.1 million, RMB6,866.3 million, RMB6,876.7 million and RMB10,221.1 million, respectively, which accounted for 6.1 per cent., 5.1 per cent., 4.7 per cent. and 6.0 per cent. of its current assets, respectively, and its allowance for doubtful debts as of the same dates was RMB326.9 million, RMB680.3 million, RMB761.3 million and RMB776.8 million, respectively. The Group's financial condition may be adversely affected if it fails to collect the accounts receivable in full when due. Most of the Group's accounts receivable and other receivables are accounts receivables and current account from debtors outside of the Group. There are risks associated with the Group's customers' or debtors' ability to make timely payments and their failure to make timely payments could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition and results of operations.

**The Group may fail to manage its purchase costs or obtain raw materials, parts and components on a timely basis or at reasonable prices**

In order to remain competitive, the Group tries to manage its costs efficiently, aiming to produce its products at competitive costs. The Group has reduced and plans to further reduce its costs in purchasing raw materials, parts and components for its production through the implementation of its cost control policies such as streamlining its supply chains and localising production. As a result, the Group has generally been able to manage price fluctuations of raw materials, parts and components which has allowed it to improve its profit margin. For the years ended 31 December 2016, 2017 and 2018 and for the nine months ended 30 September 2018 and 2019, the Group's net profit margin was 5.6 per cent., 6.8 per cent., 6.2 per cent., 7.0 per cent. and 4.7 per cent., respectively. Although the Group has been able to improve its net profit margin through implementing its cost control policies, its cost reduction measures may not be sustainable. If it fails to manage its purchase costs, its financial condition and results of operations may be materially and adversely affected.

Although the Group usually sources its important raw materials, parts and components from multiple suppliers in order to achieve a stable supply, there is no assurance that its suppliers can always adequately serve its needs in a timely manner or at reasonable prices. If there is any significant increase in the prices of raw materials, parts or components or if their supply is disrupted, the Group may incur additional costs to maintain its production schedules, which, in turn, may decrease its profitability and materially and adversely affect its business, financial condition and results of operations.

**The Group is subject to joint venture risks**

Certain of the Group's operations are conducted through jointly controlled entities and associated companies. Co-operation and agreement among the Group's joint venture partners on the Group's existing or future business plans are important for the smooth operation and financial success of such business plans. However, the Group's joint venture partners may (i) have economic or business interests or goals that are different from the Group, (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements, or (iii) experience financial or other difficulties. Further, the Group may not be able to control the decision-making process of its joint ventures as, in some cases, it may not have effective control of the joint venture. The Group does, however, through contractual provisions or representatives appointed by it, typically have the ability to influence certain material decisions. Although the Group has not experienced any significant problems with its joint venture partners, no assurance can be given that disputes among its joint venture partners will not arise in the future that could adversely affect the Group's business plans and operations.

**The Group's business may be severely disrupted if it is unable to secure its senior management's continuing services**

The Group believes its business and future success depend, to a significant extent, on the capability, expertise and continued services of its management team. In particular, it relies on Mr. Li Shufu, the Group's founder and Chairman, who has almost 30 years of experience in the automobile industry. If Mr. Li or any other of the Group's senior management team members are unable or unwilling to continue in their present positions, the Group may not be able to identify and recruit suitable replacements in a timely manner or at an acceptable cost, or at all, and the implementation of the Group's business strategies may be affected, which could materially and adversely affect its operations.

**The Group's may be unable to retain and hire qualified employees**

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of investment, as well as the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, experienced engineers, finance professionals, information technology and legal professionals, and other operational personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect its financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect the Group's financial condition and results of operations.

**The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties**

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn affects the Group's reputation. Such fraud or misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- making or accepting bribes;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not always be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

**The Group may be subject to disputes, legal, regulatory or other proceedings**

The Group may from time to time be involved in disputes with dealers, franchisees, sales agents, suppliers, business partners and other third parties during the course of its daily operations. Claims may be brought against the Group based on a number of causes such as defective performance of auto-parts processing contracts. See "Description of the Group – Regulatory Compliance and Legal Proceedings". If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may resort to litigation or arbitration proceedings, which may be lengthy and costly and distract managerial resources. In the event that the Group prevails in such legal proceedings, there is no assurance that the judgment or awards will be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by its insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with its claims could have a material adverse impact on its financial condition, results of operations or cash flow.

**The preferential tax treatments currently available to the Group in the PRC may be reduced or discontinued**

Under the PRC Enterprise Income Tax Law and its implementation rules (collectively, the "EIT Law"), both foreign-invested and PRC-owned domestic enterprises generally are subject to a uniform 25 per cent. income tax rate. However, certain "High and New Technology Enterprises" and "Great Western Development Enterprises" are subject to a preferential income tax rate of 15 per cent. Some of the Group's PRC subsidiaries have obtained the "High and New Technology Enterprises" qualification, which qualify them for a preferential income tax rate of 15 per cent. for the three years following the date of the grant of such qualification, and some of the Group's PRC subsidiaries have obtained the "Great Western Development Enterprises" qualification, which qualify them for a preferential income tax rate of 15 per cent. through 31 December 2020. There is no assurance that any of the Group's eligible PRC subsidiaries will be able to renew their "High and New Technology Enterprises" or "Great Western Development Enterprise" qualifications and continue to enjoy the 15 per cent. preferential income tax treatment or any other preferential tax treatment when such preferential tax treatment expires. For example, on 13 December 2016, the State Administration of Taxation (the "**SAT**") and Ministry of Finance of the PRC (the "**MOF**") jointly promulgated the Notice on Reducing the Vehicle Purchase Tax on Passenger Vehicles with 1.6-litre or Lower Displacement (關於減徵1.6升及以下排量乘用車車輛購置税的通知), according to which the vehicle purchase tax on the passenger vehicles with an engine displacement of 1.6-litres or less was levied at the reduced rate of 7.5 per cent. from 1 January 2017 to 31 December 2017, but resumed at the statutory rate of 10.0 per cent. from 1 January 2018. In such case, the Group's results of operations and profit margin may be materially and adversely affected.

**The Group's failure to adequately protect, or uncertainty regarding the validity, enforceability or scope of, its intellectual property rights may undermine its competitive position, and protecting its intellectual property rights through litigation may be costly**

The Group relies on a combination of patents and trademark registrations to protect its intellectual property and regards its intellectual property rights as critical to its success. See "Description of the Group – Intellectual Property Rights". However, implementation and enforcement of intellectual property-related laws in jurisdictions where the Group has operation is inconsistent and, consequently, protection of intellectual property and proprietary rights in these jurisdictions may not be as effective as those in developed countries. The Group's pending or future patent applications may not be approved or, if allowed, they may not be of sufficient strength or scope to protect the Group's intellectual property. As a result, third parties may use the technologies and proprietary processes that the Group has developed and compete with the Group, which may negatively affect any competitive advantage the Group enjoys, dilute its brand and materially and adversely affect its business and results of operations.

In addition, policing the unauthorised use of the Group's proprietary technology can be difficult and expensive. Litigation may be necessary to enforce its intellectual property rights but there is no guarantee that litigation would result in an outcome favourable to the Group. Furthermore, litigation may be costly and may divert management's attention from its core business. An adverse determination in any lawsuit involving the Group's intellectual property may jeopardise its business prospects and reputation. The Group has no insurance coverage against litigation costs so it would be forced to bear all litigation costs if it cannot recover them from other parties. Any of the foregoing factors may materially and adversely affect the Group's business, financial condition and results of operations.

**The interests of the Guarantor's controlling shareholder may conflict with the interests of the holders of the Notes**

As of 30 September 2019, Mr. Li Shufu and his son, Mr. Li Xingxing owned 91.075 per cent. and 8.925 per cent., respectively, of the Guarantor's issued share capital. Mr. Li Shufu and Mr. Li Xingxing's interests may conflict with the interests of the holders of the Notes. Subject to the Guarantor's articles of association and applicable laws and regulations, Mr. Li Shufu and Mr. Li Xingxing will continue to have the ability to exercise a controlling influence on the Guarantor's management, policies and business by controlling the composition of its board of directors, determining the timing and amount of its dividend payments, approving significant corporate transactions and financing, including mergers and acquisitions and the issuance of bonds, and approving its annual budgets. There is no assurance that Mr. Li Shufu and

Mr. Li Xingxing will not cause the Guarantor to enter into transactions or will take, or fail to take, other actions or make decisions that may conflict with the best interests of the holders of the Notes and affect the value of their investment in the Notes.

**The Group's business may be affected by financial, geo-political and general economic events and circumstances prevailing from time to time in the Middle East, Ukraine, Russia and other regions outside of China, especially to the extent that such events result in the introduction of new economic sanctions**

The Group exports to the Middle East, Ukraine, Russia and other overseas markets, and it intends to continue its business in these markets. Certain of these markets, however, have experienced or are experiencing political unrest or armed conflict, and therefore could be at risk of being targeted with further EU, US and/or UN sanctions moving forward. To the extent that new sanctions are introduced which target these or other markets (for example, as a consequence of wider financial, geo-political and/or general economic events arising), such sanctions may prevent the Group from selling its products to such locations (and such events could also otherwise adversely affect its business operations in those regions more generally).

It is not possible to predict the occurrence of any financial, geo-political or economic events or circumstances, including war or hostilities, in the future nor the introduction of any new EU, US or UN sanctions that are related to the same. Consequently, there is no assurance that the Group would be able to develop its business in these markets (including, in particular, its Middle Eastern, Ukrainian and Russian markets) if such adverse events were to occur.

**The Group has conducted business activities in certain countries that are, or have been, the subject of United States, European Union and/or other countries' sanctions programmes, which, if violated, could result in penalties and other adverse consequences that materially and adversely affect investment in the Notes**

The U.S. Government, including the State Department and the Department of the Treasury's Office of Foreign Assets Control (the "**OFAC**"), administers certain laws and regulations (the "**U.S. Economic Sanctions Laws**") that impose restrictions upon U.S. persons, including, in some instances, foreign entities owned or controlled by U.S. persons, as well as non-U.S. persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of the U.S. Economic Sanctions Laws (the "**Sanctions Targets**"). Under the U.S. Economic Sanctions Laws, U.S. persons are generally prohibited from facilitating such activities or transactions. Furthermore, the U.S. Department of Commerce, Bureau of Industry and Security administers U.S. export control regulations ("**U.S. Export Controls**"). The U.S. Export Controls are applicable to all companies, regardless of their location, engaging in export, re-export or transfer of U.S. origin goods, and even non-U.S. origin goods that contain more than a certain amount of U.S. components, software or technologies.

The Group has provided its products to sales agents who have business or trading activities in several countries that are or have been the subject of trade embargoes under the U.S. Economic Sanctions Laws, including Cuba, Iran, Sudan, North Korea, Syria and the Crimea region of the Ukraine (the "**Sanctions Restricted Countries**"), which historically generated only an insignificant portion of its profit and revenue. In 2012 the Group ceased all business activities in Syria, in 2014 the Group ceased all business activities in the Crimea region and, in 2015, the Group ceased all business activities in North Korea. In May 2018, the Group ceased all business activities in Cuba. In August 2018, the Group ceased all business activities in Iran other than the exportation of parts for the purpose of providing after-sales services for automobiles already sold into Iran prior to August 2018 (*i.e.*, maintenance for finished vehicles, it being understood by the Group that all of such on-going Iranian exports are not subject to any applicable EU, US or UN sanctions). The Group's turnover from Iran is currently nil.

In short, the Group has in recent years reduced its business activities within Sanctions Restricted Countries and expects that its revenue and profit attributable to such activities will continue to decrease in the future.

As a non-U.S. based entity, the Group does not violate applicable primary U.S. Economic Sanctions Laws by engaging in this business provided that prohibited elements such as U.S. persons, the U.S. financial system and U.S.-origin goods are not involved, although it, like all non-U.S. companies, could risk enforcement under secondary U.S. Economic Sanctions Laws if it were, for example, to conduct business with certain Sanctions Targets. The Group has no intention to undertake any future business that would cause the Group or its investors to violate or become a target of U.S. Economic Sanctions Laws and/or U.S. Export Controls (or any other sanctions). However, there is no assurance that the Group's past or future business activities in Sanctions Restricted Countries are or will be free of risk under such laws and regulations (as well as the sanctions laws of other jurisdictions, such as the EU).

In addition, because many sanctions programmes are evolving, new requirements or restrictions could come into effect, which might increase scrutiny on business activities within Sanctions Restricted Countries or with Sanctions Targets and/or result in increased compliance costs or compliance risk. If the Group were to become the target of sanctions, or a sanctions-related enforcement action, it may be subject to monetary or non-monetary penalties and/or prevented from engaging in certain trade transactions in the United States and/or obtaining certain types of financing from the United States (or other relevant jurisdictions whose sanctions regimes have been violated, if relevant). In these circumstances, U.S. persons (and nationals of any other jurisdictions which have created sanctions regimes which have penalised the Group) could be prohibited from engaging in transactions that are related to the Notes.

**Non-compliance with environmental regulations in China, Sweden, the United Kingdom and other markets where the Group has operations may result in significant monetary damages, fines or even criminal liability as well as negative publicity and damage to its brand name and reputation**

Under the relevant environmental laws and regulations in the PRC, Sweden, the United Kingdom and countries where the Group has operations, the construction, expansion and operation of production facilities are subject to certain environmental impact assessments, government inspections and other relevant government environmental approvals. Some of the Group's PRC subsidiaries have not obtained pollutant discharge permits or environmental inspection certificates issued by the local environmental authorities for various reasons including the inconsistency of interpretation and implementation of laws by local governments. The failure to obtain such permits or approvals may subject the Group to fines and penalties imposed by the relevant environmental authorities and the Group may be required to suspend the use of production facilities or cease operations. If the violation is considered material, the competent department for environmental protection may order the relevant entity to suspend its business after reporting the decision to the competent authority for approval.

In addition, as the Group's production processes generate noise, waste water, gases and other industrial waste, the Group is also required to comply with applicable national and local environmental regulations. Emissions standards in China and other markets where the Group has operation also apply to certain of its products. If the Group fails to comply with present or future applicable regulations, it may be required to pay substantial fines, suspend production or cease operations. Any failure by the Group to control the use or to restrict adequately the discharge of hazardous substances could subject it to potentially significant monetary damages, fines or suspensions or closures of its business operations, which could have a material adverse effect on its business and results of operations. Moreover, the Group currently does not carry any insurance for potential liability relating to the release of hazardous materials. Therefore, if the Group is held liable for damages in the event of contamination or injury from hazardous materials, it could experience a material adverse effect on its reputation, financial condition and results of operations.

**The Group may fail to obtain, maintain or renew any material approvals, permits, licenses, filings and certificates required to carry on its business**

The manufacturing, export and sale of the Group's products are subject to regulations in countries where the Group manufactures and sells its products. Some permits and licenses are subject to periodic renewal. See "PRC Regulations – Policies Affecting the PRC Automobile Industry". There is no assurance that the Group will be able to retain or renew its existing approvals, permits and licenses or that it will be able to successfully obtain, retain or renew future approvals, permits and licenses in a timely manner or at all, or that such approvals, permits and licenses will not be revoked by the relevant authorities. Moreover, the local government may impose additional conditions on the Group's approvals, permits and licenses that may be burdensome and costly to fulfill. Failure to obtain, retain or renew and ensure continued compliance with such approvals, permits and licenses as planned may cause the Group to experience delays in its production or expansion plans or result in administrative penalties and other government actions, thereby adversely affecting its business, financial condition and results of operations.

**The Group's results of operations may be affected by social and political instability as well as the occurrence of epidemics and natural disasters**

Any social or political unrest, wars, acts of terrorism and other instability in Hong Kong, the PRC or other parts of the world may disrupt the Group's business operations and have a material adverse impact on the Group's business performance. In addition, the Group's business may be affected by major natural disasters, such as typhoon, floods, windstorms and earthquakes, or widespread outbreaks of infectious diseases in Hong Kong, the PRC or any other parts of the world. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to national and local economies. Outbreaks of Severe Acute Respiratory Syndrome (SARS), influenza A (H1N1), avian flu (H5N1), Ebola virus or Middle East Respiratory Syndrome (MERS) and other epidemics, such as the ongoing 2019-novel coronavirus COVID-19 epidemic, in Hong Kong, the PRC or any other parts of the world may cause disruption of regional or national economic activities. The on-going COVID-19 and any prolonged recurrence of avian influenza, SARS or other adverse public health developments in the PRC could materially and adversely affect domestic consumption, labour supply and, possibly, the overall gross domestic product growth of the PRC. A portion of the Group's revenue is currently derived from its PRC operations, and any labour shortages on contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the Group's business, financial condition and results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant plants and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition, and results of operations.

**The Group's insurance coverage may be inadequate to protect it against all operating risks**

The Group does not carry comprehensive insurance against all potential losses or damages relating to its operations. There is no assurance that the Group will not have any such complaints or claims, which may result in substantial costs and the diversion of resources. The occurrence of certain incidents, including earthquakes, typhoons, floods, wars and riots, and the consequences, damages and disruptions resulting from them, may not be covered adequately or at all by current insurance policies. In the PRC, the Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be compliant with applicable laws and regulations and in line with industry practice. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Group's operations due to the above-mentioned operational risks. Certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) are not insured in the PRC because they are either uninsurable or not economically insurable. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, its business, financial condition, results of operations and cash flow may be materially and adversely affected.

**The Group faces risks associated with sales of its products in global markets, and if the Group is not able to effectively manage these risks, its ability to manage and grow its business abroad could be limited**

The Group has expanded its operations internationally, in particular after the Group's acquisition of Volvo, LEVC and Lotus, which has led to operations across many countries. The Group intends to continue exploring business opportunities in selected global markets. Manufacturing in multiple countries and sales within multiple countries and territories exposes the Group to various risks, including but not limited to:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, and strained or altered foreign relations with China or other relevant countries;
- economic, financial and market instability and credit risks, including, for example, those relating to the potential deterioration of credit markets and other economic conditions in the Group's overseas markets and other countries;
- changes in foreign government regulations or policies, for example, the U.S.-China trade war;
- dependence on foreign governments or entities controlled by foreign governments for electricity, water, transportation and other utility or infrastructure needs;
- unfamiliarity with local operating and market conditions;
- lack of understanding of local taxation, customs and other laws, regulations, standards and requirements;
- risks and uncertainty associated with using foreign agents or distributors in connection with the Group's overseas operations and sales;
- preferential treatment or corrupt business practices;
- foreign currency controls and fluctuations;
- sanctions imposed by certain countries against transactions with other countries in which it conducts business, which may limit its ability to obtain funding for certain overseas projects;
- discrimination against ethnic Chinese or protectionism against Chinese companies;
- competition from other international and local companies;
- adverse labour conditions or employee strikes;
- potential disputes with foreign partners, OEM contractors, customers, subcontractors, suppliers or local residents or communities;
- expropriation and nationalisation of its assets in foreign countries; and
- lack of a well-developed or independent legal system in the foreign countries in which the Group has overseas operations, which may create difficulties in the enforcement of contractual rights.

If any of the risks described above materialise, or if the Group is unable to manage these risks effectively, its ability to manage or grow its international business would be undermined, which may in turn materially and adversely affect its business, financial condition, results of operations and prospects.

*The relationship of the United Kingdom with the European Union may affect the business of the Group*

During the past two years, the Group has undertaken preparatory measures in anticipation of the United Kingdom's exit from the European Union ("**Brexit**"). Under the terms of the ratified EU-UK article 50 withdrawal agreement (the "**article 50 withdrawal agreement**"), a transition period has now commenced which will last until 31 December 2020. During this period, most European Union rules and regulations will continue to apply to and in the United Kingdom and negotiations in relation to a free trade agreement will be ongoing. Under the article 50 withdrawal agreement, the transition period may, before 1 July 2020, be extended once by up to two years. However, the United Kingdom legislation ratifying the article 50 withdrawal agreement (the European Union (Withdrawal) Act 2018 as amended by the European Union (Withdrawal Agreement) Act 2020 (as so amended, the "**EUWA**")) contains a prohibition on a Minister of the Crown agreeing any extension to the transition period. While this does not entirely remove the prospect that the transition period will be extended (as the United Kingdom Parliament could pass legislation that would override the effect of the prohibition in the EUWA), the likelihood of a further extension is reduced. During the transition period, the United Kingdom and the European Union may not reach agreement on the future relationship between them, or may reach a significantly narrower agreement than that envisaged by the political declaration of the European Commission and the United Kingdom Government. To minimise the risks for firms and businesses the United Kingdom Government continues preparations (including the United Kingdom Government publishing further draft secondary legislation under powers provided in the EUWA) to ensure that there is a functioning statute book at the end of the transition period. As of the date of this Offering Circular, the Group is not aware of any material adverse change in the Group's business and operation caused by Brexit. However, due to the on-going political uncertainty as regards the structure of the future relationship between the United Kingdom and the European Union, the precise impact on the business of the Group is difficult to determine. As such, no assurance can be given that such matters would not have a material adverse effect on the Group's results of operations and financial condition and the Issuer's and the Guarantor's ability to perform their respective obligations under the Notes and Guarantee.

**The Group's manufacturing and sales activities may be adversely affected if there are failures in or inefficient management of its information technology systems**

The Group's information technology systems, such as the manufacturing execution system ("**MES**"), the enterprise resource planning ("**ERP**") system, the extended warehouse management ("**EWM**") system and the supplier relationship management ("**SRM**") system, form a key part of its procurement of raw materials and parts and components, logistics and transportation, production and quality control to sales and distribution operations. Any disruptions to its information technology systems will likely have a negative impact on its operations. The Group cannot guarantee that it will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology systems in the future. If serious damage or significant interruption occurs, the Group's operations may be disrupted and its financial condition and results of operations may be adversely affected. Furthermore, if the Group's operations are disrupted by the introduction of a new information technology system, including migration from an existing system, its financial condition and results of operation may be adversely affected.

**The Group may be unable to consummate or successfully integrate acquisitions and strategic alliances**

The Group may from time to time pursue acquisitions and strategic alliances that it believes will complement its current business by expanding into new geographic areas, diversifying its customer base and enabling it to specialise, expand or enhance technological capabilities. The Group may not be able to find suitable acquisition targets or partners with whom to form strategic alliances, and the failure to do so in a timely manner or at all may affect its ability to realise its growth objectives.

The Group completed the acquisition of LEVC in the United Kingdom in 2013. In 2017, the Group acquired 49.9 per cent. equity interests of Proton and 51.0 per cent. equity interests in Lotus. In September 2018, the Group completed its acquisition of Saxo Bank, a Danish fintech specialist provider of multi-asset

trading and investment. As its business grows, the Group may implement its acquisition plans from time to time. For the acquisition of Volvo, LEVC, Proton, Lotus, Saxo Bank and any future acquisitions and strategic alliances, there are risks and uncertainties related to these activities, including difficulties of integrating acquired operations, technology and products, diversion of its management's attention from other business concerns, potential unknown liabilities associated with an acquired company, undisclosed risks affecting an acquired company and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions could involve the incurrence of substantial additional indebtedness. The Group may not be able to successfully integrate any acquisitions that it undertakes or that such acquisitions will perform as planned or prove to be beneficial to its operations and cash flow. Each of these factors could have a material adverse effect on its business, results of operations and financial condition.

**The Group faces risks associated with its global operations and multi-level management**

The Group has subsidiaries at different levels, with different percentages of ownership and located in different countries. The Group's manufacturing, customer service and engineering facilities are located in America, Europe and Asia. The Group also sells its products to customers and purchase raw materials, parts, components and other supplies from suppliers located in many different countries around the world. The Group's international operations are subject to certain inherent risks, including but not limited to:

- inefficient control and management of the subsidiaries;
- exposure to local economic, political and labour conditions;
- changes in laws, regulations, trade or monetary or fiscal policy;
- exposure to fluctuations in interest rates, foreign currency exchange rates (including, for example, the possibility that one or more countries may leave the EU and revert to using local currencies) and changes in the rate of inflation;
- social plans that prohibit or increase the cost of certain restructuring actions;
- tariffs, quotas, customs and other import or export restrictions and other trade barriers;
- expropriation and nationalisation;
- difficulty of enforcing agreements, collecting receivables and protecting assets;
- reduced intellectual property protection;
- limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries;
- investment restrictions or requirements;
- export and import restrictions;
- violence and civil unrest; and
- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations.

Due to the global nature of its business, the Group may be required to allocate appropriate staffing to monitor its ongoing compliance matters. In addition, there is no assurance that the Group's internal system and related measures, guidelines and protocols will be effective to detect any misconduct or wrongdoing or similar activities of its directors, officers and employees in a timely manner at all times due to the size

of the Group as well as its global operations. Given the fact that the regulatory environment in which the Group operates is constantly evolving, the precaution measures it has taken to detect and prevent these activities may not be effective in all cases or improved in such ways as sufficient to address the requirements in the new regulatory environments, particularly as it expands into overseas jurisdictions. Due to the Group's increasing footprint in China and other markets, and the significance of its business relationships with automotive manufacturers worldwide as part of its global strategy, the Group's exposure to the risks described above may be greater in the future.

## RISKS RELATING TO THE AUTOMOBILE INDUSTRY

### The Group is facing increasing competition

Increasing consumer purchasing power in countries in which the Group has operations, particularly China, has resulted in significant growth in the demand for automobiles. Such growth in the automobile market has encouraged, and is likely to continue to encourage, foreign competitors, Sino-foreign equity joint ventures established in the PRC and new domestic auto companies to further expand their production capacity. In addition, continued consolidation in the industry is expected to create fewer but stronger competitors. The Group's major global competitors are Shanghai General Motors, FAW Group, Dongfeng Motor, Chang'an Motor, Mercedes, BMW and Audi. The Group's current market share and profit margin may be diluted or reduced if there are increasing competitions for vehicles or further price reductions caused by increased competition. The pricing, recognition and loyalty to the Group's brand of products and the financial and technical resources allocated to its products may be materially and adversely affected if competing automobile products, domestic or foreign, gain a competitive advantage. The Group's profitability may be materially and adversely affected if it fails to achieve high capacity utilisation rate of certain manufacturing lines and car models.

In addition, the automotive industry faces uncertainties due to the changing geopolitical circumstances and faltering global trading system, as well as disruptive technologies, such as the maturation of the sharing economy (Uber, Didi), artificial intelligence (Apple, Google) and specialty OEMs (Tesla). There is a growing need for the Group to invest in new and innovative materials, automation and emerging technologies to stay competitive.

### Volatility in demand in China and the rest of the world for automobiles could materially and adversely affect its results of operation

Demand for automobiles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect the Group's financial condition and results of operations. According to CAAM, in 2018 the vehicle sales in the PRC declined for the first time in decades, falling 2.8 per cent. compared to 2017. On 13 January 2020, CAAM released the national vehicle production and sales results for 2019. According to CAAM, the PRC automobile market continued to experience negative growth throughout the year ended 31 December 2019, and the national vehicle production and sales volume for the year ended 31 December 2019 was 25.7 million and 25.8 million units, down 7.5 per cent. and 8.2 per cent., respectively, as compared to 2018. The decline began as trade tensions between the U.S. and China grew, and dragged on amid the economic slowdown and tighter vehicle emissions standards, which were introduced in many areas last year.

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

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

The Group's operations are sensitive to changes in the government's policies relating to all aspects of the automobile industry. The Group is subject to various laws, rules and regulations in the countries where it has operations, in particular, the PRC imposed at both the national and regional levels laws, rules and regulations that regulate or affect the automobile manufacturing industry and automobile parts and components manufacturing industry, mainly including: (i) crash test requirements and other safety compliance standards in relation to automobile, auto parts and components; (ii) emission standards; (iii) maximum fuel consumption standards; (iv) automobile recall requirements; (v) noise, waste, discharge and other pollution controls relating to manufacturing of automobiles; and (vi) market entry requirements and minimum production requirements for automobile and automobile parts and components manufacturers. For example, in China, all models of automobiles manufactured must be submitted to, and approved and announced by, Ministry of Industry and Information Technology of the PRC (the "**MIIT**"). This approval process can be lengthy and may materially and adversely impact on its ability to introduce new products in a timely manner. Accordingly, any delay in the approval process can limit its flexibility to respond to market conditions or competition in a timely manner. According to the Notice on Further Improvement of the Subsidy Policies to Popularise the New-Energy Automobiles (關於進一步完善新能源汽車推廣應用財政補貼政策的通知) jointly promulgated by the NDRC, the MIIT, the MOF and the Ministry of Science and Technology of the PRC (the "**MOST**") on 26 March 2019, the subsidies granted to the purchasers of the new-energy automobiles decreased year by year as compared to 2017 and 2018. In addition, the Group is subject to various laws, rules and regulations overseas, where it has operations and plan to expand. If the Group fails to comply with such laws and regulations, it may result in fines, penalties or lawsuits, which may have a material adverse effect on its financial condition and results of operations.

**Volatility in fuel prices may materially and adversely affect demand for automobiles**

Fuel prices are inherently volatile and cyclical. Increases in fuel prices may have a material adverse impact on economies where the Group has significant presence and thereby result in (i) a slowdown for automobile demand; (ii) a decrease in demand from customers for purchasing automobiles due to increased costs in operating vehicles; (iii) changes to the needs of the Group's customers; and (iv) an increase in production costs due to the increase in costs of petrochemical products. If fuel prices increase or remain at high levels in the future, consumers may choose to use alternative transportation vehicles (such as subway and electric cars) which may materially and adversely affect the demand for the Group's products and which may have a negative impact on its sales and profitability.

**The Group's growth and profitability depend on the level of consumer confidence and spending in its major markets**

The Group's results of operations are sensitive to changes in overall economic and political conditions that affect consumer spending in its major markets. The passenger vehicle market, in particular, is very sensitive to broad economic changes and consumer purchases tend to decline during economic downturns. There are a number of factors that are beyond the Group's control, including interest rates, recession, inflation and deflation, energy costs and availability, consumer credit availability and terms, availability of consumer finance, tax rates and policy and unemployment trends influencing consumer confidence in spending. The domestic and international political environment, including military conflicts and political instability, may also affect consumer confidence in spending and may lead to a general reduction in the level of consumer spending which could in turn materially and adversely affect the Group's growth and profitability.

**The Group may be adversely affected by fluctuations in the global economy, a downturn in financial markets and/or changes in U.S. trade policies**

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC. On 6 August 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the

first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

The outlook for the world economy and financial markets remains uncertain. For example, on 29 March 2017, the United Kingdom notified the European Council of its intention to withdraw from the European Union in accordance with Article 50(2) of the Treaty on European Union. This event has resulted in a downgrade of the credit ratings of the United Kingdom. On 31 January 2020, the United Kingdom formally left the European Union. There is substantial uncertainty relating to Brexit or its impact on the economic conditions of other parts of the world. In addition, the United States announced a series of additional tariffs on imported goods from China in 2018. In May 2019, however, the United States President increased the tariffs from 10 per cent. to 25 per cent. on certain goods imported from China, and the Chinese government immediately retaliated by imposing further tariffs on certain U.S. goods. In November 2019, China and the United States have agreed to remove the additional tariffs imposed in phases. Although the United States President and and Chinese Vice Premier signed "phase one" trade deal in January 2020, the resulting trade policies or the terms of any renegotiated trade agreements and their impact to the Group's business is uncertain. Any further change in the U.S. global trade policy against China, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes may have an adverse effect on China's economy.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely to affect, purchasing power of the Group's customers or potential customers, which may lead to a decline in the general demand for its products and, in turn, impair its profitability. In addition, any further tightening of liquidity in the global financial markets may negatively affect the Group's liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, the Group's business, financial condition and results of operations may be negatively affected.

## RISKS RELATING TO FINANCIAL INFORMATION

### The Guarantor's accounts were audited in accordance with PRC GAAP which may be different from IFRS

The Guarantor's consolidated financial statements as at and for the years ended 31 December 2017 and 2018 and the Guarantor's consolidated financial information as at and for the nine months ended 30 September 2018 and 2019 were prepared in accordance with PRC GAAP. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See "*Differences Between PRC Accounting Standards and International Financial Reporting Standards*". There is no guarantee that the PRC GAAP will fully converge with IFRS or that there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisers for a full understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular.

### The Group published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on financial information other than that disclosed in this Offering Circular

From time to time, the Group issues corporate bonds and short-term financing bonds in the PRC. According to applicable PRC securities regulations, the Group is required to publish its periodic financial information to satisfy its continuing disclosure obligations relating to its corporate bonds and short-term financing bonds. The interim financial information published by the Group in the PRC is normally derived from its management accounts and is not audited or reviewed by independent auditors. Certain historical financials that are not included in this Offering Circular may not be directly comparable to the financials contained herein. As such, financial information published in the PRC by the Group should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information.

**The Guarantor's auditor has been administratively sanctioned by the China Securities Regulatory Commission and National Association of Financial Market Institutional Investors**

Beijing Xinghua, the Guarantor's independent auditor, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the China Securities Regulatory Commission (the "**CSRC**") and National Association of Financial Market Institutional Investors (the "**NAFMII**"). During the period in which Beijing Xinghua audited the Guarantor's consolidated financial statements included in this Offering Circular, Beijing Xinghua was administratively sanctioned by the CSRC and NAFMII for certain deficiencies in its audit work performed for companies other than the Guarantor. These sanctions include, but are not limited to, the following: (i) in November 2019, the CSRC fined Beijing Xinghua in the amount of RMB0.6 million for failure to detect certain false misstatements when performing the audit of the financial statements of Shangdong Xinlv Food Co. Ltd. (山東新綠食品股份有限公司) for the period from 1 January 2013 to 30 April 2015; (ii) in February 2019, two auditors of Beijing Xinghua were convicted of criminal liabilities for issuing false audit reports for Zhongao Holding Group Co., Ltd. (中澳控股集團有限公司); (iii) in December 2018, the CSRC Jiangxi Regulatory Bureau issued a warning letter to Beijing Xinghua in relation to deficiencies in the audit of the financial statements of Kunwu Jiuding Investment Holdings Co., Ltd. (昆吾九鼎投資控股股份有限公司) for the year ended 31 December 2017; (iv) in September 2018, the CSRC Hubei Regulatory Bureau issued a warning letter to Beijing Xinghua in relation to deficiencies in the audit of the financial statements of Zhijiang Jinrunyuan Construction and Investment Holding Co., Ltd. (枝江金潤源建設投資控股集團有限公司) for the year ended 31 December 2017; (v) in April 2018, the CSRC Zhejiang Regulatory Bureau issued a warning letter to Beijing Xinghua in relation to its lack of communication with predecessor auditors and inadequate procedures when performing the audit of the financial statements of Wuyang Construction Group Co., Ltd. (五洋建設集團股份有限公司) for the year ended 31 December 2015; (vi) in December 2016, Beijing Xinghua received a regulatory decision and a warning letter from the CSRC Tianjin Regulatory Bureau in relation to deficiencies in the audit of the financial statements of Tianjin Fengshengyang Medical and Technical Co., Ltd. (天津楓盛陽醫療器械技術股份有限公司) for the year ended 31 December 2015; (vii) in July 2016, the CSRC fined Beijing Xinghua in the amount of RMB9.7 million for insufficient diligence (including inaccurate disclosure in the financial statements) when performing the audit of the financial statements of Dandong Xingtai Electric Co., Ltd. (丹東欣泰電氣股份有限公司) for the years ended 31 December 2013 and 2014 and (viii) according to an announcement issued by NAFMII on 23 January 2020, Beijing Xinghua was found to have breached certain interbank market self-regulations with respect to the audit of the 2015 and 2016 financial results of Kangde Investment Group Co., Ltd. (康得投資集團有限公司) ("**Kangde Investment**"), a company which is not related to the Group. In the announcement, NAFMII indicated that Beijing Xinghua had (a) failed to obtain sufficient audit evidence on certain accounting items such as "monetary funds", (b) failed to identify the unusual situation of partial receipt without bank receipt and (c) failed to maintain professional suspicious on the unusual dealings with respect to "other receivables" and perform sufficient audit procedures. As a result, Beijing Xinghua was suspended by NAFMII from conducting business related to PRC onshore debt financing instruments regulated by NAFMII for nine months since 29 October 2019, and the relevant certified public accountants were given a serious warning or warning and deemed an inappropriate candidate for debt financing market for one or two years.

As confirmed by Beijing Xinghua, the abovementioned sanctions do not (i) disqualify Beijing Xinghua from participating in the offering of the Notes as auditors of the Group, (ii) have any impact on Beijing Xinghua's unqualified audit opinion for the Guarantor's consolidated financial statements as at and for the years ended 31 December 2017 and 2018; or (iii) have any impact on Beijing Xinghua's ability to provide services to the Guarantor and the Group. The companies involved in the administrative sanctions and regulatory actions above were all unrelated to the Group and the audit work performed for the Group is not affected by the above incidents and the audit reports included elsewhere in this Offering Circular remain valid and effective. The auditors who participated in the audit of the Group's historical financial statements were not the subject of, or involved in, the above administrative and regulatory actions. Beijing Xinghua has further confirmed that it has taken the required rectification measures for all the above matter cited. Beijing Xinghua also confirmed that its ability to provide comfort letters and the qualification of the auditors participating in this offering are not affected by such administrative and regulatory actions. There

can however be no assurance that Beijing Xinghua's involvement in such sanctions or any negative news about Beijing Xinghua would not affect investor confidence in companies and financial statements audited by it. Prospective investors should consider these factors prior to making any investment decision.

**Historical consolidated financial information of the Group may not be indicative of its current or future results of operations**

The historical financial information of the Guarantor included in this Offering Circular is not indicative of its future financial results and is sometimes adjusted or restated to address subsequent changes in accounting standards, accounting policies and/or applicable laws and regulations with retrospective impact on the Guarantor's financial reporting or to reflect the comments provided by the Guarantor's independent auditors during the course of their audit or review in subsequent financial periods. For example, the Guarantor's consolidated financial statements as at and for the year ended 31 December 2017 have been adjusted and restated to reflect certain accounting policy changes in accordance with Notice on the Revision of the Format for Issuing General Enterprise Financial Statements (Cai Kuai [2018] No. 15) which is newly promulgated on 15 June 2018. See Note IV.28 "Changes in Significant Accounting Policies and Estimates" to the Guarantor's consolidated financial statements as at and for the year ended 31 December 2018 included elsewhere in this Offering Circular. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its business.

**RISKS RELATING TO THE PRC**

**China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain**

The economy of the PRC experienced rapid growth in the past 30 years. There has however been a slowdown in the growth of the PRC's GDP since the second half of 2013. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 7.3 per cent. in 2014, and it further decreased to 6.7 per cent. in 2016 on a year-on-year basis before increasing slightly to 6.9 per cent. in 2017 on a year-on-year basis. In 2018, the annual growth rate of China's GDP dropped back to 6.6 per cent. on a year-on-year basis – the slowest pace in the nation's history since 1990. Further indication of the slowdown in the growth of China's economy is evidenced by press reports of a recent increase in bond defaults by PRC corporate issuers, which have added to market concerns that the historic rapid growth of the economy of the PRC may not be sustainable and that the future performance of China's economy may be uncertain. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. There is substantial uncertainty relating to China's ongoing trade dispute with the United States and the impact of Brexit. See "*Risks relating to the Automobile Industry – The Group may be adversely affected by fluctuations in the global economy, a downturn in financial markets and/or changes in U.S. trade policies*". Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

**Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC government could affect the Group's business and prospects**

The economy of the PRC differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets, deleveraging the economy by reducing borrowing levels and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business. The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in cities such as Wuhan and in the infrastructure construction demand in the PRC and other industries that the Group operates depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, such growth may also slow down, and the Group's business and prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Notes, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

**Uncertainty with respect to the PRC legal system could affect the Group**

The Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions can be cited for reference but do not have precedential value. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and existing laws and regulations may not cover all aspects of economic activities in the PRC. In particular, because many laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations can involve significant uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all and some of which may be enforced with a retroactive effect). As a result, the Group may not be aware of a violation of a policy or rule until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention. It may also be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of a judgement by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the Noteholders.

**Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Group and the Group's management**

Most of the members of the Group are incorporated in the PRC, and a substantial part of the Group's assets are located in the PRC. In addition, the Guarantor's directors, supervisors and members of its senior management reside within the PRC, and the assets of the Guarantor's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon the Guarantor's directors, supervisors and members of its senior management, including for matters arising under applicable securities laws.

A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, such as Japan, the United States and the United Kingdom. The Notes and the Transaction Documents are governed by and construed in accordance with English law and the Guarantor and the Issuer have irrevocably submitted to the exclusive jurisdiction of the Hong Kong courts in connection with any dispute or proceedings arising from or in connection with the Notes or any Transaction Document. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Additionally, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements under the PRC laws on recognition and enforcement of foreign judgments. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed in writing to submit to the exclusive jurisdiction of Hong Kong courts. In addition, on 18 January 2019, the Supreme People's Court of China (the "**SPC**") and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"). The New Arrangement extends the scope of judicial assistance, and the effective date shall be announced by SPC and Hong Kong after SPC issues the judicial interpretation and Hong Kong completes relevant procedures. However, there is still no certainty that a PRC court will enforce a judgment by a Hong Kong court or that parties will not have to relitigate the merits of the case before a PRC court. Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Guarantor or its directors, supervisors or members of its senior management in the PRC.

**Government control of currency conversion may adversely affect the value of investors' investments**

The Group's operating revenues are denominated in Renminbi, which is also its reporting currency. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including payments on the Notes. However, the PRC government may at its discretion restrict future access to foreign currencies for current account transactions. If this were to occur, the Group might not be able to make payments in foreign currencies, which may include payments to the Noteholders. On the other hand, foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of or the registration with the SAFE or its designated banks. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

**The payment of dividends by the Guarantor's subsidiaries and associates in the PRC is subject to restrictions under PRC laws**

PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, PRC laws require enterprises to set aside part of their net profit as statutory reserves before distributing the net profit for a current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Guarantor's operations and to service its indebtedness partly depends upon dividends received from its subsidiaries and associates, any legal restrictions on the availability and usage of dividend payments from the Guarantor's subsidiaries and associates may impact the Guarantor's ability to fund its operations and to service its indebtedness.

**The implementation of PRC employment regulations may increase labour costs in the PRC generally**

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, an employer is required to make a payment, to a fixed-term contract employee when the term of their employment contract expires, equal to the employee's monthly salary multiplied by the number of full years that the employee has worked for the employer, unless the employee does not agree to renew the contract on terms the same as or better than those in the current employment contract. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms. On 28 October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law (社會保險法), as amended on 29 December 2018. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees. On 21 March 2018, the Central Committee of CPC promulgated the Plan for Further Reforming the Party and State Administration Institutions (深化黨和國家機構改革方案). On 20 July 2018, the General Office of the Central Committee of CPC and the General Office of the State Council jointly promulgated the Plan for the Reform of the State and Local Tax Collection and Administration Systems (國稅地稅徵管體制改革方案). According to the aforesaid plan, the social insurance shall be collected by the tax authorities nationwide since 1 January 2019.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, the paid annual leave system shall be basically implemented by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Furthermore, under the PRC Labour Contract Law, not only must an employer compensate a terminated employee based on their length of service as described above, but in addition the employer may not be able to efficiently terminate non-fixed-term employment contracts without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's business, financial condition and results of operations.

As the interpretation and implementation of these laws and regulations are still evolving, there is no assurance that the Group's employment practice will at all times be deemed fully in compliance. If the Group is deemed in violation of such labour law and regulations, it could be subject to penalties, compensations to the employees and loss of reputation, and as a result the Group's business, financial condition and results of operations could be materially and adversely affected.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs are likely to increase. In such circumstances, its profit margin may decrease and its financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of raw materials required by the Group for conducting its business and the costs of labour as well. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

**There can be no assurance as to the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the Group's industry**

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources. Although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials which have not been prepared or independently verified by the Issuer, the Guarantor, the Managers, the Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar or any of its or their respective affiliates, employees, directors, agents, advisers or representatives. The Issuer, the Guarantor, the Managers, the Trustee, the Principal Paying Agent, Transfer Agent, the Registrar or any of its or their respective affiliates, employees, directors, agents, advisers or representatives therefore makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that such facts or statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

**If the Guarantor fails to complete the Cross-Border Security Registration in connection with the Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee**

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. The Guarantor, as a PRC-incorporated company providing a guarantee in respect of the obligations of its foreign incorporated subsidiary, is required to submit the Deed of Guarantee with SAFE for registration within 15 PRC Business Days (as defined in the Conditions) after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) and the relevant operational guidelines promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (collectively, the "**Cross-Border Security Provisions**"). The Guarantor has undertaken to use its best endeavours and intends to complete the registration of the Guarantee as soon as practicable after the Issue Date and in any event on or before the Registration Deadline (being the day falling 120 PRC Business Days after the Issue Date).

There is no assurance that the Guarantor will be able to complete the registration of the Deed of Guarantee with SAFE within the prescribed timeframe. Under the Conditions of the Notes, Noteholders may require the Issuer to redeem their Notes in the event that the Deed of Guarantee is not registered on or before the Registration Deadline.

Noteholders should note that before the requisite registration of the Deed of Guarantee is completed, it is uncertain whether the Guarantee given by the Guarantor can be enforced in practice. As provided by the Cross-Border Security Provisions, although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Deed of Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance. Prior to the performance or discharge of its obligations under the Deed of Guarantee, the Guarantor is also required to complete a verification process with the banks for each remittance in connection with the Deed of Guarantee.

The interpretation of the Cross-Border Security Provisions may involve significant uncertainty, which may adversely affect the practical enforceability of the Deed of Guarantee given by the Guarantor in the PRC. In addition, the administration of the Cross-Border Security Provisions may be subject to a certain degree of executive and policy discretion by the SAFE.

## RISKS RELATING TO THE NOTES AND THE GUARANTEE

### The Issuer is a newly established company and currently does not have operating activities or revenue, and payments with respect to the Notes are dependent upon the Issuer's future business, financial condition and results of operations and cash flow from other members of the Group

The Issuer is a newly established company and currently does not have any operating activities or revenue. The Issuer's ability to pay principal and interest on the Notes will depend upon its future business, financial condition and results of operations, which cannot be predicted. If the Issuer cannot make payments under the Notes with its own cash flows, its ability to make payments under the Notes will depend upon its receipt of timely remittance of funds from the Guarantor and/or other members of the Group. In the event that the Guarantor and/or other members of the Group do not provide such funds to the Issuer due to lack of available cash flows or other factors, the Issuer's ability to make payment under the Notes may be adversely affected.

### The Guarantor depends on distributions from its subsidiaries to meet its payment obligations, and provisions of applicable laws or contractual restrictions could limit the amount of such distributions

The Guarantor is a holding company and derives a substantial portion of its operating income from its subsidiaries. As a result, the Guarantor depends on distributions from its subsidiaries in order to meet its payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide the Guarantor with funds for its payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable laws, such as those limiting the legal sources of dividends, limit the ability of the Guarantor's subsidiaries to make payments or other distributions to it. The Guarantor and its respective subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Guarantor will have sufficient cash flows from its own operations and distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Guarantee. Although the Guarantor believes that it will be able to meet its obligations in respect of the Guarantee, any shortfall would have to be made up from other sources of cash, such as a sale of investments or any financing available to the Guarantor.

### The Notes and the Guarantee are unsecured obligations

The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Notes and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

In addition, the Issuer, the Guarantor and their respective subsidiaries are permitted to create certain Permitted Security Interest as defined in Condition 5.7 of the Terms and Conditions of the Notes. The Notes will be subordinated to such secured indebtedness.

**The Issuer and the Guarantor may not be able to meet their outstanding obligations under the Notes and the Guarantee**

The Issuer may (and at maturity, will) be required to redeem all of the Notes. In case of failure by Issuer to fulfil its payment obligations under the Notes, the Guarantor will also be required to pay on behalf of the Issuer under the Guarantee. If any of such events were to occur, the Issuer, or, as the case may be, the Guarantor, may not have sufficient cash on hand and may not be able to arrange financing in time, or on acceptable terms, or at all. The ability of the Issuer to redeem the Notes or the ability of the Guarantor to pay under the Guarantee may also be limited by the terms of other debt instruments. Failure to repay, purchase or redeem the Notes by the Issuer or, as the case may be, failure to pay by the Guarantor under the Guarantee, may constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's or the Guarantor's other indebtedness.

**If the Guarantor fails to complete the SAFE registration in connection with the Guarantee, there will be hurdles for cross-border payment under the Guarantee**

Under the Deed of Guarantee, the Guarantor will undertake to guarantee the due payment of all sums expressed to be payable by the Issuer due under the Notes and the Trust Deed.

The Guarantor is required by the Cross-border Security Regulations to register the Deed of Guarantee with SAFE within 15 PRC Business Days of the date of execution of the Deed of Guarantee (the "**SAFE Registration**"). Although the non-registration does not render the Deed of Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE Registration. Further, there will be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE Registration in connection with the Guarantee in order to effect such remittance. The Guarantor intends to register the Guarantee as soon as practicable and in any event before the Registration Deadline and in the opinion of the Guarantor's PRC legal advisers, there are no foreseeable legal obstacles to the completion of the such registration so long as all the required application documents have been duly and timely submitted to the SAFE and the SAFE has no doubt with the authenticity, commercial reasonableness, legal validity, performance propensity of the Deed of Guarantee. If the SAFE Registration is not completed on or before the Registration Deadline, each Noteholder will have the right to request the Issuer to redeem all of that Noteholder's Notes and will need to rely on the Issuer to source sufficient US dollar to fully discharge its obligations under the Notes and the Trust Deed. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee. However, there is no assurance that the SAFE Registration can be completed or that certificate of the SAFE Registration obtained by the Guarantor will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guarantee in the PRC.

**The Notes may not be a suitable investment for all investors**

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;

- understand the tax consequence of the purchase, ownership and disposition of the Notes; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Additionally, the investment activities of certain investors are subject to legal investment and regulations, or review or regulation by certain authorities.

**The Issuer or the Guarantor may not be able to raise the funds necessary to finance the purchase of Notes upon occurrence of a Change of Control or No Registration Event at the option of the holder**

Following the occurrence of a Change of Control or No Registration Event, Noteholders may require the Issuer to redeem their Notes. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption upon Change of Control or No Registration Event*". The source of funds for any such redemption would be the Issuer's or the Guarantor's available cash or third-party financing. However, there is no assurance that the Issuer or the Guarantor would have sufficient funds at that time to make the required redemption of the Notes. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

**Obligations of the Guarantor under the Notes are structurally subordinated to the current and future liabilities and obligations of the Guarantor's subsidiaries**

The obligations of the Guarantor under the Notes will be effectively subordinated to all existing and future obligations of its existing or future subsidiaries, and all claims of creditors of its existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of the Guarantor and those of the Guarantor's creditors, including the holders of the Notes. As a result, all of the existing and future liabilities of the Guarantor's subsidiaries, including any claims of trade creditors and preferred stockholders, will be effectively senior to the Notes. In addition, even if the Guarantor was a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Guarantor.

**The Notes will be represented by a Global Certificate and holders of a beneficial interest in the Global Certificates must rely on the procedures of the relevant Clearing System(s)**

The Notes will be represented by a Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream (a "**Clearing System**"). Except in the circumstances described in the Global Certificates, investors will not be entitled to receive definitive Notes. The Clearing System(s) will maintain records of the beneficial interests in the Global Certificates. While the Notes are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by a Global Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the Clearing System for distribution to their account holders.

A holder of a beneficial interest in the Global Certificates must rely on the procedures of the Clearing System(s) to receive payments under the Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates.

Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificates will not have a direct right under the Global Certificates to take enforcement action against the Issuer or the Guarantor in the event of a default under the Notes but will have to rely upon their rights under the Trust Deed.

**The insolvency laws of Hong Kong and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar**

As the Issuer and the Guarantor are incorporated under the laws of Hong Kong and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve Hong Kong or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

**The Issuer may issue additional Notes in the future**

The Issuer may, from time to time, and without prior consultation of the Noteholders create and issue further securities in accordance with the Terms and Conditions of the Notes (see "*Terms and Conditions of the Notes – Further Issues*"). There can be no assurance that such future issuance will not adversely affect the market price of the Notes.

**Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes**

The Terms and Conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all holders of the Notes including holders who did not attend and vote at the meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individual Noteholders.

**An active trading market for the Notes may not develop and the liquidity or price of the Notes may be volatile**

The Notes are a new issue of securities for which there is currently no trading market. There is no assurance that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes. If a market does develop, it may not be liquid and the Notes may trade at prices that may be higher or lower than the initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Group. One or more initial investors may subscribe for a material proportion of the aggregate principal amount of the Notes which may reduce the liquidity of the Notes in the secondary trading market and such investors may have certain influence on matters voted on by holders of the Notes. The Managers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

**The ratings of the Notes may be downgraded or withdrawn and may adversely affect the market price of the Notes**

The Notes are expected to be rated "BBB-" by S&P upon issuance. The ratings represent opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes. The ratings can be lowered or withdrawn at any time. No assurance can be given that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by an assigning rating agency. Any decline in the financial position of the Issuer, the Guarantor

or any of its subsidiaries may impair the ability of the Issuer or the Guarantor to make payments to the Noteholders under the Notes and/or result in the rating of the Notes being lowered, suspended or withdrawn entirely. If the rating initially assigned to the Notes is subsequently lowered or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Notes. Neither the Guarantor nor the Issuer is obliged to inform the holders of the Notes if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's and the Guarantor's ability to access debt capital markets.

**International financial markets and world economic conditions may adversely affect the market price of the Notes**

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for Chinese securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

**An investment in the Notes is subject to interest rate risk**

The PRC government has gradually liberalised the regulation of interest rates over the years. Further liberation may increase interest rate volatility. The Notes will carry a fixed interest rate. Consequently, the trading price of the Notes will vary with fluctuations in U.S. dollar interest rates.

**Modifications and waivers may be made in respect of the Terms and Conditions of the Notes, the Deed of Guarantee, the Agency Agreement and the Trust Deed by the Trustee or less than all of the holders of the Notes**

The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders, agree to any modification of the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Notes and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Notes and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or actual breach of the Notes, the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Notes and/or the Agency Agreement if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

**The Trustee may request that the Noteholders provide an indemnity and/or security and/or prefunding to its satisfaction**

In certain circumstances, the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security, and/or prefunding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured, and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security, and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

**Exchange rate risks and exchange controls may result in a Noteholder receiving less interest or principal than expected**

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Noteholder may receive less interest or principal than expected, or no interest or principal.

**Gains on the transfer of the Notes may be subject to income tax under PRC tax laws**

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC with its de facto management body located outside the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, shall only pay the income tax in Hong Kong (if any) on the gains derived from the transfer of the Notes if such gains are not connected with the Noteholder's establishment in the PRC.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

**A change in English law which governs the Notes may adversely affect holders of the Notes**

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes and any such change could materially adversely impact the value of any Notes affected by it.

**Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Notes would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes**

The Terms and Conditions of the Notes, the Guarantee and the Trust Deed are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed in writing to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

**The interpretation of the 2044 Circular involves significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes**

According to the 2044 Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium to long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 PRC Business Days after closing. The Guarantor completed the pre-issuance registration on 9 August 2019. However, it still has the obligation to make a post-issuance filing to the NDRC within 10 PRC Business Days following the closing of the issuance.

The 2044 Circular is silent on the legal consequences of non-compliance with the post-issuance filing requirements as mentioned above. In the worst case scenario, failure to complete the post-issuance filing may result in it being unlawful for the Guarantor or the Issuer to perform or comply with any of its obligations under the Notes. In addition, the administration of the 2044 Circular may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration approval with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

## USE OF PROCEEDS

The Issuer estimates that the total net proceeds from the offering of the Notes, after deducting underwriting commissions and other estimated expenses payable in connection with the offering of the Notes, will be approximately U.S.$ million. The Issuer intends to use the net proceeds from the offering of the Notes for the Group's domestic and overseas business development, and to refinance certain existing offshore indebtedness of the Group.

## CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the Group's capitalisation and indebtedness as of 31 December 2018 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering. The following table should be read in conjunction with the summary consolidated financial information and the audited consolidated financial statements and related notes included in this Offering Circular.

| | As at 31 December 2018 | | | |
|---|---|---|---|---|
| | Actual | | As adjusted | |
| | *(RMB'000)* | *(USD'000)* | *(RMB'000)* | *(USD'000)* |
| **Short-term debt** | | | | |
| Short-term loans | 35,093,092 | 4,909,704 | 35,093,092 | 4,909,704 |
| Long-term loans due within one year | 2,322,928 | 324,990 | 2,322,928 | 324,990 |
| Bonds payable due within one year | 1,499,822 | 209,833 | 1,499,822 | 209,833 |
| **Total short-term debt:** | 38,915,842 | 5,444,527 | 38,915,842 | 5,444,526 |
| **Long-term debt** | | | | |
| Long-term loans | 31,118,986 | 4,353,706 | 31,118,986 | 4,353,706 |
| Bonds payable | 19,830,414 | 2,774,377 | 19,830,414 | 2,774,377 |
| Notes to be issued[(1)] | – | – | | |
| **Total long-term debt** | 50,949,400 | 7,128,083 | | |
| **Total indebtedness[(2)]** | 89,865,242 | 12,572,610 | | |
| **Total equity** | 102,753,778 | 14,375,782 | 102,753,778 | 14,375,782 |
| **Total capitalisation[(3)]** | 192,619,020 | 26,948,392 | | |

*Notes:*

1. This amount represents the aggregate principal amount of the Notes to be issued.

2. Total indebtedness equals the sum of total short-term debt and total long-term debt.

3. Total capitalisation equals the sum of total indebtedness and total equity.

Since 31 December 2018, the Group has incurred additional indebtedness to satisfy its capital needs, including but not limited to (1) the RMB2.5 billion 3.49 per cent. 270-day super & short-term commercial paper issued by the Guarantor in January 2019; (2) the RMB3.5 billion 4.1 per cent. medium-term notes due 2022 issued by the Guarantor in April 2019 and (3) the RMB2.0 billion 3.78 per cent. corporate bonds issued by the Guarantor in January 2020. In November 2019, Geely issued US$500,000,000 senior perpetual capital securities. The Group will continue to seek external capital on favourable terms to fund its business operations and expansion and to optimise its debt structure.

Except as otherwise disclosed in the previous paragraph, there has been no material change in the Group's capitalisation or indebtedness since 31 December 2018.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:*

The U.S.$ per cent. guaranteed notes due (the **Notes**, which expression shall in these terms and conditions (these **Conditions**), unless the context otherwise requires, include any further securities issued pursuant to Condition 18 and forming a single series with the Notes) of Geely Finance (Hong Kong) Limited (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) to be dated on or about 2020 (the **Issue Date**) made between the Issuer, Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司) (the **Guarantor**) as guarantor of the Notes and DB Trustees (Hong Kong) Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the Noteholders (as defined below).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. A deed of guarantee dated the Issue Date has been entered into between the Guarantor and the Trustee (the **Deed of Guarantee**). An agency agreement dated on or about the Issue Date (as amended or supplemented from time to time, the **Agency Agreement**) has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Deutsche Bank AG, Hong Kong Branch as registrar (the **Registrar**), as transfer agent (the **Transfer Agent**) and as principal paying agent (the **Principal Paying Agent**) and any other agents named therein. The principal paying agent, the registrar, the transfer agent for the time being are referred to below respectively as the **Principal Paying Agent**, the **Registrar** and the **Transfer Agent** and together with any other agents appointed under the Agency Agreement as the **Agents**. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee and the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available to Noteholders at all reasonable times during normal business hours upon prior written request and satisfactory proof of holding from the specified office for the time being of the Principal Paying Agent (being at the date of issue of the Notes at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong).

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are issued in registered form in amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (referred to as the **principal amount** of a Note). A note certificate (each a **Certificate**) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar and at the registered office of the Issuer.

#### 1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, **Noteholder** and (in relation to a Note) **holder** means the person in whose name a Note is registered in the register of Noteholders.

*Upon issue, the Notes will be represented by a global certificate (the **Global Certificate**) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking, S.A. These conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions relating to the Notes in Global Form" in the Offering Circular.*

*Except in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.*

## 2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

### 2.1 Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

*Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

### 2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2.2, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

### 2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity and/or security and/or prefunding as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

### 2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal, premium or interest on that Note, (ii) after a Put Exercise Notice has been deposited in respect of the Notes pursuant to Condition 8.3, (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any record date (as defined in Condition 7.1).

### 2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

## 3. STATUS OF THE NOTES

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1) unsecured obligations of the Issuer and (subject as stated above) rank and will rank pari passu, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## 4. GUARANTEE

### 4.1 Guarantee

The payment of principal, premium and interest in respect of the Notes and all other moneys expressed to be payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Guarantee.

### 4.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1) unsecured obligations of the Guarantor and (subject to the provisions of Condition 5.1) rank and will rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## 5. COVENANTS

### 5.1 Negative Pledge

So long as any Note remains outstanding, neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) (other than Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, without at the same time or prior thereto securing the Notes with (A) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (B) such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

### 5.2 Registration

(i) The Guarantor undertakes that:

(A) it will file or cause to be filed the relevant information in connection with the Notes with the National Development and Reform Commission of the PRC or its local counterparts (the **NDRC**), within the prescribed timeframe after the Issue Date and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time (the **Post-issuance Filing**). For so long as any Note remains outstanding, the Guarantor shall comply with all applicable PRC laws and regulations in relation to the Post-issuance Filing. In addition, the Guarantor shall:

(a) within seven PRC Business Days after the submission of the Post-issuance Filing provide the Trustee with (x) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the submission of the Post-issuance Filing, and (y) a copy of the documents submitted in respect of the Post-issuance Filing; and

(b) give notice to the Noteholders (in accordance with Condition 14) confirming the completion of the Post-issuance Filing within five PRC Business Days after the documents referred to in subparagraph (a) above are delivered to the Trustee; and

(B) it will (x) file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its local branch (**SAFE**) the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) and its operational guidelines promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the **Cross-Border Security Registration**) (y) use its best endeavors to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and for so long as any Note remains outstanding, comply with all applicable PRC laws and regulations in relation to the Cross-Border Security Registration; and (z) before the Registration Deadline and within seven PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (A) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the registration of the Deed of Guarantee with SAFE in accordance with the Cross-Border Security Registration; and (B) a copy of the SAFE registration certificate or any other document issued by SAFE evidencing the completion of SAFE registration, each certified in English as a true and complete copy of the original signed by any Authorised Signatory of the Guarantor; (the items in (A), and (B) collectively the **Registration Documents**). In addition, within five PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Guarantor shall give notice to the Noteholders (in accordance with Condition 14) confirming the completion of the Cross-Border Security Registration.

(ii) The Trustee shall have no obligation or duty to monitor or ensure the Post-issuance Filing or the Cross-Border Security Registration on or before the Registration Deadline or to assist in any way with the Post-issuance Filing or the Cross-Border Security Registration or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Post-issuance Filing or the Cross-Border Security Registration and/or the Registration Documents or to give notice to the Noteholders confirming the completion of the Post-issuance Filing or the Cross-Border Security Registration, and shall not be liable to the Noteholders or any other person for not doing so.

**5.3 Issuer's Activities**

For so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of the Noteholders, the Issuer will not conduct any business or any activities other than the incurrence of indebtedness outside the PRC, including but not limited to the issue of the Notes and the lending of the proceeds thereof to any of the Guarantor's Subsidiaries and affiliates and any other activities reasonably incidental thereto.

**5.4 Financial Information**

For so long as any Note remains outstanding, the Guarantor will furnish the Trustee (A) within 180 days of the end of each Relevant Period, with a copy of the relevant Guarantor Audited Financial Reports prepared in accordance with the PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants), and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together in each case with a certificate signed by any Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and (B) within 120 days of the end of each Relevant Period, with a copy of the Guarantor Management Accounts prepared on a basis consistent with the Guarantor Audited Financial Reports, and if such statements shall be in the Chinese language,

together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together in each case with a certificate signed by any Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; provided that, in each case, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange outside the PRC, the Guarantor may furnish to the Trustee, as soon as they are available but in any event not more than 14 calendar days after any comparable annual and semi-annual financial reports of the Guarantor are filed with the exchange on which the Guarantor's capital stock is at such time listed for trading, a true and correct copy of any comparable annual and semi-annual financial report filed with such exchange (and if the same are not in the English language, an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together in each case with a certificate signed by any Authorised Signatory of the Guarantor certifying that such translation is complete and accurate to be provided within the time periods as described in (A) or, as the case may be, (B) above) in lieu of the reports identified in Conditions 5.4(A) and 5.4(B) above.

**5.5 Compliance Certificate**

For so long as any Note remains outstanding, the Guarantor shall provide to the Trustee a Compliance Certificate (on which the Trustee may rely as to such compliance) (i) within 14 days of a written request by the Trustee and (ii) at the same time as the provision of the relevant Guarantor Audited Financial Reports or any comparable annual financial report referred to in Condition 5.4 above.

**5.6 Ratings**

For long as any Note remains outstanding, the Issuer will maintain a rating on the Notes by at least one Rating Agency.

**5.7 Interpretation**

For the purposes of these Conditions:

**Authorised Signatory** means any director or any other officer of the Issuer or the Guarantor (as the case may be) who has been authorised by their respective board of directors to sign any certificate or document required in connection with the offering of the Notes on behalf of, and so as to bind, the Issuer or the Guarantor (as the case may be) and which the Issuer or the Guarantor (as the case may be) has notified in writing to the Trustee and the Agents as provided in the Agency Agreement;

**Compliance Certificate** means a certificate of each of the Issuer and the Guarantor (as the case may be) signed by any one of their respective authorised officers that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor (as the case may be), as at a date (the **Certification Date**) not more than five days before the date of the certificate:

(a) no Event of Default (as defined in Condition 11) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) each of the Issuer and the Guarantor (as the case may be) has complied with all its obligations under the Trust Deed, the Guarantee and the Notes, to which it is a party;

**Exchangeable Debt** means any indebtedness incurred outside the PRC which is in the form of or represented or evidenced by, bonds, notes, or other securities, and the terms of such indebtedness provide that the holders of such indebtedness shall have the right to exchange such indebtedness for shares of a company;

**Guarantor Audited Financial Reports** means the annual audited consolidated balance sheet, income statement, statement of cash flow and statement of changes in owners' equity of the Guarantor together with (if applicable) any statements, reports (including any auditors' reports) and notes attached to or intended to be read with any of them;

**Guarantor Management Accounts** means (i) the semi-annual unaudited and unreviewed consolidated balance sheet, income statement and statement of cash flow of the Guarantor and the notes, if any;

**Permitted Security Interest** means (1) Security Interest securing any present or future indebtedness in respect of Receivables Financings and (2) Security Interest securing Relevant Indebtedness in the aggregate principal amount not to exceed two per cent. of the consolidated total assets of the Guarantor at any one time outstanding; *provided that* the amount of any indebtedness in respect of Receivables Financings as described in item (1) shall be excluded from the calculation of the aggregate principal amount of Relevant Indebtedness in item (2) in this definition. For the purpose of this definition, the consolidated total assets of the Guarantor shall be determined by reference to the Guarantor's latest audited annual consolidated financial statements or its latest semi-annual consolidated financial statements;

**person** means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

**Potential Event of Default** means a continuing event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 11 become an Event of Default;

**PRC Business Day** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing;

**PRC GAAP** means the Accounting Standards for Business Enterprises in China and all applicable guidance, bulletins and other relevant accounting regulations issued thereafter, as amended from time to time;

**Rating Agency** means (1) Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P**), Moody's Investors Service, Inc. (**Moody's**) or Fitch Ratings Ltd. (**Fitch**) or their respective successors; or (2) if none of S&P, Moody's and Fitch shall make a rating of the Securities publicly available, the Issuer or the Guarantor shall select any other reputable credit rating agency of international standing;

**Receivables Financings** means any financing transaction or series of financing transactions that have been or may be entered into by the Guarantor or any of its Subsidiaries pursuant to which the Guarantor or the relevant Subsidiary may sell, convey or otherwise transfer to another person, or may grant a security interest in, any receivables or interests therein for credit or liquidity management purposes (including discounting or factoring transactions) in the ordinary course of business (whether such receivables are then existing or arising in the future) including without limitation, all security interests in goods financed thereby, the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization transactions involving such assets;

**Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) incurred outside the PRC, which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market but excluding any Exchangeable Debt and (ii) any guarantee or indemnity of any such indebtedness. For the avoidance of doubt, Relevant Indebtedness shall not include any indebtedness under any bilateral bank loan or syndicated bank loan (including any drawing down of any existing credit line or facility of the Guarantor or any of its Subsidiaries);

**Relevant Period** means (a) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of its financial year (being 31 December of that financial year); and (b) in relation to the Guarantor Management Accounts for a semi-annual period, each period of six months ending on the last day of its first half financial year (being 30 June of that financial year); and

a **Subsidiary** of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

## 6. INTEREST

### 6.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including at the rate of per cent. per annum, payable semi-annually in equal instalments in arrear on and in each year (each an **Interest Payment Date**). The first payment (representing a full six months' interest) (for the period from and including to but excluding ) shall be made on .

### 6.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation or surrender, payment of the principal or premium in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment in which event interest will continue to accrue as provided in the Trust Deed.

### 6.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six-month period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

## 7. PAYMENTS

### 7.1 Payments in respect of Notes

Payment of principal, premium and interest will be made by transfer to the registered account of the Noteholder. Payments of principal or premium (if any) and payments of interest due otherwise than on an Interest Payment Date will only be made against (provided that payment is made in full) surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the **record date**) being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition 7.1, a Noteholder's **registered account** means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the register of Noteholders at the close of business, in the case of principal, premium and interest due otherwise than on an Interest Payment Date, on the second Business Day (as defined below) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant record date, and a Noteholder's **registered address** means its address appearing on the register of Noteholders at that time.

*So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), each payment in respect of the Global Certificate will be made to the person shown as the Noteholder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where* ***Clearing System Business Day*** *means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

**7.2 Payments subject to Applicable Laws**

Payments in respect of principal, premium and interest on Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

**7.3 No commissions**

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 7.2.

**7.4 Payment on Business Days**

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal and premium or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent. Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day (subject to the foregoing proviso), if the Noteholder is late in surrendering its Certificate (if required to do so).

In these Conditions **Business Day** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in New York City, Beijing and Hong Kong and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

**7.5 Partial Payments**

If the amount of principal, premium or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal, premium or interest in fact paid.

**7.6 Agents**

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a principal paying agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be an Agent (which may be the Principal Paying Agent) having a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority;

(c) there will at all times a transfer agent; and

(d) there will at all times be a Registrar which will maintain the register of Noteholders in Hong Kong.

Notice of any termination or appointment and of any changes in specified offices shall be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

**8. REDEMPTION AND PURCHASE**

**8.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on (the **Maturity Date**).

**8.2 Redemption for Taxation Reasons**

If the Issuer satisfies the Trustee immediately before the giving of the Tax Redemption Notice (as defined below) that:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.2), or any change in, or amendment to, the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after either (i) the Issuer would be required to pay Additional Tax Amounts as provided or referred to in Condition 9.1 or (ii) (if the Guarantee is called) the Guarantor in making payment itself would be required to pay such Additional Tax Amounts; and

(b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders (the **Tax Redemption Notice**) in accordance with Condition 14 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued up to but excluding the date of redemption, provided that no such Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such Additional Tax Amounts, were a payment in respect of the Notes then due. Prior to the publication of any Tax Redemption Notice pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer or, as the case may be, an Authorised Signatory of the Guarantor stating that the requirement referred to in (a) above will apply and cannot be avoided by the Issuer

or, as the case may be, the Guarantor taking reasonable measures available to it and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders.

**8.3 Redemption upon Change of Control or No Registration Event**

Following the occurrence of a Change of Control or No Registration Event (each as defined below), the holder of each Note will have the right at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount together with accrued interest up to but excluding the Put Settlement Date. To exercise such right, the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption (in the form for the time being current) obtainable from the specified office of any Paying Agent (the **Put Exercise Notice**) together with the Certificate evidencing the Notes to be redeemed by not later than 30 days following a Change of Control or No Registration Event, as the case may be, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 14.

The **Put Settlement Date** shall be the fourteenth day or, if such day is not a Business Day, the next following Business Day (as defined in Condition 7.4) (in the case of a redemption for a Change of Control) or the fifth Business Day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date. If the Notes become due and repayable due to the occurrence of an Event of Default following the delivery of a Put Exercise Notice but prior to the occurrence of the relevant Put Settlement Date, such Put Exercise Notice shall be deemed to be void.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control or No Registration Event or any event which could lead to the occurrence of a Change of Control or No Registration Event has occurred. The Issuer, failing whom the Guarantor, shall give notice to Noteholders and the Trustee in accordance with Condition 14 by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Change of Control or No Registration Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 8 and shall give brief details of the Change of Control or No Registration Event.

For the purposes of this Condition 8.3:

**Affiliate** means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; or (b) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (a). For purposes of this definition, **control** (including, with correlative meanings, the terms **controlling**, **controlled by** and **under common control with**), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise;

a **Change of Control** occurs when (x) the Permitted Holders ceases to Control the Guarantor; or (y) the Guarantor ceases to Control the Issuer;

**Control** means (where applicable), with respect to a Person, (i) the ownership, acquisition or control of the Relevant Percentage of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove all or the majority of the members of the Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms **controlling** and **controlled** have meanings correlative to the foregoing;

a **No Registration Event** occurs when the Registration Condition is not complied with on or before the Registration Deadline;

**Permitted Holders** means any or all of the following:

(1) Mr. Li Shufu;

(2) any Affiliate of, or any Person acting in concert with, the Person specified in clause (1); and

(3) any Person both the capital stock and the voting power of which (or in the case of a trust, the beneficial interests in which) are owned 80 per cent. or more by one or more of the Persons specified in clauses (1) and (2);

**Person** includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity);

**Registration Deadline** means the day falling 120 PRC Business Days after the Issue Date;

**Relevant Percentage** means (i) in the case of Control of the Permitted Holders over the Guarantor, more than 50 per cent.; and (ii) in the case of Control of the Guarantor over the Issuer, 100 per cent;

**Registration Condition** means the receipt by the Trustee of the Registration Documents within 15 PRC Business Days after execution of the Deed of Guarantee and the publication of the notice to the Noteholders within five PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee;

**SAFE** means the State Administration of Foreign Exchange or its local branch; and

**voting rights** means the right generally to vote at a general meeting of shareholders of a specified person.

**8.4 Notices of Redemption**

If, in respect of any Note, both a Tax Redemption Notice and a Put Exercise Notice are given, the Put Exercise Notice shall prevail.

**8.5 Purchases**

The Issuer, the Guarantor or any of the Guarantor's other Subsidiaries (as defined in Condition 5.7) may at any time purchase Notes in any manner and at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries or the holding company of the Issuer or the Guarantor or any Subsidiary of such holding company, shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 11 and Condition 16.1.

**8.6 Cancellations**

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries or the holding company of the Issuer or the Guarantor or any Subsidiary of such holding company will forthwith be cancelled, and accordingly may not be held, reissued or resold.

**8.7 No verification by Trustee or Agents**

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

**9. TAXATION**

**9.1 Payment without Withholding**

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. Where such withholding or deduction is made by the Issuer or the Guarantor by or within the PRC at the rate of up to and including the aggregate rate applicable on (the **Applicable Rate**), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amount received by Noteholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction.

If the Issuer or the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within any Relevant Jurisdiction other than the PRC, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (the **Additional Tax Amount**) as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no Additional Tax Amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder (or to a third party on behalf of a holder) who is liable to the Taxes in respect of the Note by reason of his having some connection with such Relevant Jurisdiction other than the mere holding of the Note; or

(b) (in the case of payment of principal, premium or interest (other than interest due on an Interest Payment Date)) if the Certificate in respect of such Note is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to Additional Tax Amounts on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day (as defined in Condition 7).

**9.2 Interpretation**

In these Conditions:

(a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the an Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 14; and

(b) **Relevant Jurisdiction** means Hong Kong, the PRC or any political subdivision or any authority therein or thereof having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of any sums due in respect of the Notes or the Guarantee (as applicable).

**9.3 Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition or any additional amounts which may be payable under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

**9.4 No responsibility on Trustee and Agents for determinations**

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

**10. PRESCRIPTION**

Claims in respect of principal, premium (if any) and interest will become prescribed unless made within ten years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date, as defined in Condition 9.2.

**11. EVENTS OF DEFAULT**

**11.1 Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter (1/4) in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (the **Events of Default**):

(a) if default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them and, in the case of interest only, such default continues for a period of 10 consecutive days; or

(b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions, the Trust Deed or the Guarantee (other than where such default gives rise to a redemption pursuant to Condition 8.3) and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries becomes, or becomes capable of being declared, due and repayable prematurely by reason of an event of default or potential event of default (however described); (ii) the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment; or (iii) the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries fails to make any payment in respect of any amount payable under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person on the due date for payment; provided that no event described in this subparagraph 11.1(c) shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) through (iii) inclusive above which have occurred, amounts to at least U.S.$50,000,000 (or the equivalent thereof in any other currency); or

(d) if any order is made by any competent court or resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries, save in the case of any Significant Subsidiary, for (i) any solvent winding-up, liquidation or dissolution for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution; or (ii) any reorganisation whereby the business, undertaking and assets of such Significant Subsidiary are transferred to or otherwise vested in the Guarantor and/or another Subsidiary of the Guarantor; or

(e) if the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (save (i) in the case of any Significant Subsidiary, where the cessation is for the purposes of a solvent winding-up, dissolution, reconstruction, merger or consolidation for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution; or (ii) in the case of any Significant Subsidiary, (A) whereby the business, undertaking and assets of such Significant Subsidiary are transferred to or otherwise vested in the Guarantor and/or another Subsidiary of the Guarantor or (B) as a result of a disposal at Fair Market Value and the net proceeds from such disposal shall be transferred to or otherwise vested in the Guarantor or any of its Subsidiaries or the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, a material part of its debts (or any class of its debts which is material) as they fall due or is deemed unable to pay a material part of its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (A) any Security Interest (as defined in Condition 5.1), present or future, created or assumed by the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries is or becomes enforceable; and (i) proceedings are initiated against the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries in relation to all or any substantial part of the undertaking or assets of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries, or (ii) the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries (or their respective directors or shareholders) initiates or consents to any judicial proceedings relating to itself, under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a general moratorium in respect of all or any material part of its debts), or (iii) an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries or, as the case may be, in relation to all or any substantial part of the undertaking or assets of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries or (B) an encumbrancer takes possession of all or any part of the undertaking or assets of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries, or (C) a distress,

execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or any substantial part of the undertaking or assets of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries; and in each such case (other than the appointment of an administrator) is not discharged or stayed within 60 days; or

(g) if the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries makes a conveyance or general assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) in respect of all or any material part of the debts of the Guarantor or any of its Significant Subsidiaries; or

(h) if all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries is seized or otherwise expropriated by any person acting under the authority of any national, regional or local government; or

(i) if the Guarantee is or becomes unenforceable or invalid; or

(j) if any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Guarantee and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Guarantee and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(k) if it is unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Notes, the Guarantee or the Trust Deed; or

(l) if any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (d) to (h) of this Condition 11.1.

**11.2 Interpretation**

For the purposes of this Condition:

**Fair Market Value** means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by such seller.

**Significant Subsidiary** means any Subsidiary of the Issuer or the Guarantor (as the case may be) whose total amount of revenue or total assets or net profit (excluding intra-group items) represents 10 per cent. or more of the revenue or total assets or net profit of the Issuer or the Group (as the case may be) calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Issuer or the Group (as the case may be). A certificate signed by any Authorised Signatory of the Guarantor confirming that a Subsidiary is or is not, or was or was not, a Significant Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. The certificate must, if there is a dispute as to whether or not any Subsidiary is a Significant Subsidiary, be accompanied by a report by a nationally recognised firm of independent accountants addressed to the Issuer or the Guarantor (as the case may be) as to proper extraction and basis of the figures used by the Issuer or Guarantor (as the case may be) in determining its Significant Subsidiaries and mathematical accuracy of the calculation.

**Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money (including but not limited to bank loans and other borrowings) or any liability under or in respect of any acceptance or acceptance credit.

## 12. ENFORCEMENT

**12.1** The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Guarantee and the Notes, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Guarantee or the Notes unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

**12.2** No Noteholder shall be entitled to take any steps or action directly against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Guarantee or the Notes unless the Trustee, having become bound so to take any steps or action, fails to do so within a reasonable period and the failure shall be continuing.

## 13. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 14. NOTICES

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar or published in a leading newspaper having general circulation in Hong Kong or, if such publication shall not be practicable, in a daily newspaper with general circulation in Asia approved by the Trustee. It is expected that such publication will normally be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the seventh day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

*So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## 15. SUBSTITUTION

The Trustee may, without the consent of the Noteholders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of any previous substitute under this Condition 15) as the principal debtor under the Notes and the Trust Deed of the Guarantor or any of the Guarantor's other Subsidiaries subject to:

(a) except in the case of the substitution of the Guarantor, the Notes being unconditionally and irrevocably guaranteed by the Guarantor;

(b) the Trustee being satisfied that the interests of the Noteholders are not materially prejudiced by the substitution; and

(c) certain other conditions set out in the Trust Deed being complied with.

## 16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

### 16.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Guarantee. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the Agency Agreement or the Guarantee, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one quarter, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting and whether or not voting on such Extraordinary Resolution.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution; (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding (a **Written Resolution**); and (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Noteholders of not less than three-fourths in principal amount of the Notes outstanding (an **Electronic Consent**) shall in each case for all purposes be as valid and effective as an Extraordinary Resolution. A Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. A Written Resolution and/or Electronic Consent will be binding on all Noteholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

### 16.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the Guarantee, the Agency Agreement or the Notes, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

### 16.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the

consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

**16.4 Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

## 17. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

**17.1 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and or prefunded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (a) to evaluate its risk in any given circumstance by considering the worst-case scenario and (b) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

Notwithstanding anything to the contrary, the Notes, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms or the conditions of the Notes, the Trust Deed, the Guarantee and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal expenses), losses and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or in the event that no direction is given to the Trustee by the Noteholders.

The Trustee may rely, without liability to Noteholders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

The Trustee shall not be obliged to take any steps to ascertain whether a Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and/or the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the Notes and/or in the Trust Deed, the Guarantee and/or the Agency Agreement and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any winding-up, Change of Control, No Registration Event or any event which could give rise to a right on the part of the Issuer to redeem the Notes has occurred or may occur or monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Guarantee, the Agency Agreement or these Conditions.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

**17.2 Trustee Contracting with the Issuer and the Guarantor**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

**18. FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Noteholders to create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects save for their issue date and the first payment of interest thereon and the Post-issuance Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Notes constituted by the Trust Deed or any supplemental deed. Any further securities which are to form a single series with the outstanding Notes constituted by the Trust Deed or any supplemental deed shall, and any other further notes or securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

**19. CURRENCY INDEMNITY**

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer and the Guarantor (as applicable) under or in connection with the Notes, the Trust Deed, the Agency Agreement and/or the Guarantee, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Noteholder or the Trustee in respect of any sum expressed to be due to it from the Issuer or the Guarantor will only constitute a discharge to the Issuer or the Guarantor to the extent

of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement, the Issuer and the Guarantor will indemnify such recipient and the Trustee against any loss sustained by it as a result. In any event, the Issuer and the Guarantor will indemnify the recipient and the Trustee against the cost of making any such purchase. For the purposes of this Condition 19, it will be sufficient for the Noteholder or the Trustee, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Noteholder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, the Trust Deed, the Agency Agreement, the Guarantee or any other judgment or order.

## 20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

### 20.1 Governing Law

The Trust Deed, the Agency Agreement, the Guarantee and the Notes and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

### 20.2 Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy that may arise out of, in relation to or in connection with the Trust Deed, the Agency Agreement, the Notes or the Guarantee, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a **Dispute**) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes or the Guarantee (the **Proceedings**) may be brought in such courts.

Each of the Issuer and the Guarantor in the Trust Deed, and the Guarantor in the Guarantee, submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum to settle any Dispute.

### 20.3 Appointment of Process Agent

The Guarantor has, in the Trust Deed and the Guarantee, irrevocably and unconditionally appointed the Issuer at Unit 2204, 22/F, Lippo Centre, Tower 2, 89 Queensway, Hong Kong as its agent for service of process in Hong Kong in respect of any Proceedings.

If for any reason the Issuer shall cease to be such agent for service of process, the Guarantor shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the new agent's acceptance of that appointment within seven days of the Issuer ceasing to be such agent for service of process. The Guarantor agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

**20.4 Waiver of Immunity**

To the fullest extent permitted by law, each of the Issuer and the Guarantor has irrevocably and unconditionally:

(a) submitted to the jurisdiction of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf;

(b) submitted to the jurisdiction of the Hong Kong courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agreed to ensure that no claim is made on its behalf; and

(c) consented to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the Hong Kong courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation:

(i) relief by way of interim or final injunction or order for specific performance or recovery of any property;

(ii) attachment of its assets; and

(iii) enforcement or execution against and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use); and

(d) has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf.

**21. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

*The Global Certificate contains the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificate, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in paragraphs below.*

### ACCOUNTHOLDERS

For so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment made to the Relevant Nominee.

### CANCELLATION

Cancellation of any Note following its redemption or purchase by the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Certificate.

### PAYMENTS

Payments of principal, premium (if any) and interest in respect of Notes represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Each payment will be made to or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a day on which Euroclear and Clearstream are open for business.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

### NOTICES

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream (as the case may be) for communication by it to entitled Accountholders in substitution for notification as required by the Conditions of the Notes.

## REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, as appropriate, notifies the Issuer and the Guarantor that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system approved by the Trustee is not appointed by the Issuer and the Guarantor within 90 days after receiving such notice from Euroclear or Clearstream, as relevant. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

## TRANSFERS

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

## NOTEHOLDERS' REDEMPTION

For so long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, the Noteholder's redemption option in Condition 8.3 of the Conditions may be exercised by any holder of Notes giving notice to any Agent in accordance with the standard procedures of Euroclear or Clearstream (which may include notice being given on his instructions by Euroclear or Clearstream or any common depositary for them to any Agent by electronic means) of the principal amount of Notes in respect of which the option is exercised and presenting or procuring the presentation of the Global Certificate to such Agent for endorsement within the time limits specified in the Conditions.

# DESCRIPTION OF THE ISSUER

## OVERVIEW

The Issuer is an indirect and wholly-owned subsidiary of the Guarantor. The Issuer was incorporated in Hong Kong under the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) (company number: 2832136) on 23 May 2019. The Issuer's registered office is at Flat/RM 2204, 22/F, Lippo Centre Tower 2, 89 Queensway, Hong Kong.

## DIRECTORS AND OFFICERS

As at the date of this Offering Circular, the directors of the Issuer are Mr. Li Donghui and Mr. Zhang Quan. As at the date of this Offering Circular, the Issuer does not have any employees.

## SHARE CAPITAL

As at the date of this Offering Circular, the authorised share capital of the Issuer is HK$50,000.00 divided into 50,000 ordinary shares, all of which have been issued and HK$50,000.00 has been paid. The register of members of the Issuer is maintained at its registered office. None of the equity securities of the Issuer are listed or dealt in any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought as at the date of this Offering Circular.

## FINANCIAL INFORMATION

As of the date of this Offering Circular, the Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary and to file the audit report to the Companies Registry on an annual basis.

## LEGAL PROCEEDINGS

As of the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threaten action against it.

# DESCRIPTION OF THE GROUP

## OVERVIEW

The Group is a global automotive group. The Group offers a comprehensive product portfolio under its complementary brand portfolio, which mainly includes passenger vehicles under its two subsidiary groups: the Geely Auto Group and the Volvo Car Group. The Group operates many well-known international automotive brands including Geely Auto, Lynk & Co, Volvo Cars, Polestar, LEVC, Lotus, Yuan Cheng Auto and Terrafugia, with global operations spanning the automotive value chain from research, development and design to production, sales and servicing. The Guarantor has been recognised as a Fortune 500 company for the last eight consecutive years and was ranked No. 220 by Fortune Global in 2019, and Geely has been ranked by Fortune China among "China's Top 500 Companies" for the last 16 consecutive years and ranked by the CAAM as one of the "Top Ten Automobile Manufacturers" for the last 16 consecutive years. In 2017, the Guarantor was named by Forbes as one of the world's fastest growing car companies.

The Group has an established global footprint. As of 31 December 2019, the Group had manufacturing plants located in China, Belgium, the United Kingdom, Sweden and the United States and its sales network covered around 100 countries worldwide. For the years ended 31 December 2017, 2018 and 2019, the Group sold around 1.8 million, 2.2 million and 2.2 million vehicles worldwide, respectively. As of 31 December 2019, the Group has set up five research and development centres located in China, Sweden, the United Kingdom and Germany, respectively, and built up strong capacity to develop vehicles, engines, gearboxes and automotive electronics. The Group has also set up five design centres in Shanghai, Gothenburg, Coventry, California and Barcelona to create a global design platform.

Founded in 1986 and headquartered in Hangzhou, Zhejiang Province, the PRC, the Group entered into the automobile industry in 1997 and has accumulated rich experience in developing, manufacturing and selling passenger vehicles and automobile parts and components. Over the past few decades, the Group has evolved from a home-grown automobile company with one brand into a global company owning multiple brands. Having established itself firmly in the domestic market of China, the Group acquired Volvo in 2010, which has allowed access to Volvo's vast experience and technology knowhow. Since then, the Group's global presence and brand awareness have been further strengthened. In 2013, the Group acquired LTC and in July 2017 renamed it as LEVC. LEVC is the manufacturer of the iconic London taxi which represents a significant share of all taxis in London. The name change represents the Group's commitment to becoming a leading producer of new energy-focused urban commercial vehicles. With a new factory base at Coventry, the United Kingdom, LEVC aims to become a leader of lightweight vehicle and range extender powertrain technologies. In June 2017, the Group acquired a 49.9 per cent. equity interest in Proton as well as a 51.0 per cent. equity interest in British sports carmaker Lotus, thereby gaining platforms to expand into the Southeast Asian and luxury sports car markets. In November 2017, the Group completed the acquisition of a U.S. start-up, Terrafugia, a world-leader in flying-car technology. Furthering the expansion of its global reach, in June 2018 the Group made its investment in AB Volvo (publ), a Swedish leading commercial vehicles and industrial engineering group. The transaction made the Guarantor the largest shareholder and the second largest holder in voting rights of AB Volvo (publ) as of 31 December 2018. The Group and AB Volvo (publ) expect to benefit from a global trend to replace diesel-powered trucks with gas-powered trucks, of which AB Volvo (publ) is a leading manufacturer, to reduce emissions.

In 2016, 2017 and 2018 and for the nine months ended 30 September 2018 and 2019, the Group recorded operating income of RMB208,798.7 million, RMB278,264.6 million and RMB328,520.9 million, RMB235,492.5 million and RMB226,851.2 million, respectively, and recorded net profit of RMB11,711.5 million, RMB18,824.2 million and RMB20,267.6 million, RMB16,416.2 million and RMB10,560.6 million, respectively, for the same periods. The following table sets forth a breakdown of the Group's operating income and its absolute percentage of the Group's total operating income for the periods indicated:

| | Year ended 31 December | | | | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2017 | | 2018 | | 2019 | |
| | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total |
| | *(RMB in millions, except percentages)* | | | | | | | |
| **Manufacturing and sale of complete vehicles** | 196,185.3 | 94.0 | 266,950.4 | 95.9 | 315,186.9 | 95.9 | 221,893.4 | 97.8 |
| Geely series[1] | 55,921.6 | 26.8 | 98,230.8 | 35.3 | 124,183.1 | 37.8 | 80,923.1 | 35.7 |
| Volvo series[2] | 140,263.7 | 67.2 | 168,719.6 | 60.6 | 191,003.8 | 58.1 | 140,970.3 | 62.1 |
| **Parts and others**[3] | 12,613.4 | 6.0 | 11,314.2 | 4.1 | 13,334.0 | 4.1 | 4,957.8 | 2.2 |
| **Total** | **208,798.7** | **100.0** | **278,264.6** | **100.0** | **328,520.9** | **100.0** | **226,851.2** | **100.0** |

*Notes:*

1. Includes operating income generated from sales of complete vehicles by the Geely Auto Group.

2. Includes operating income generated from sales of complete vehicles by the Volvo Car Group.

3. Includes operating income generated from sales of complete vehicles by LEVC, Yuan Cheng Auto and Lotus, sales of automobile parts and components and other miscellaneous businesses.

The following table sets forth a breakdown of the Group's gross profit by business segment and its absolute percentage of the total gross profit for the periods indicated:

| | Year ended 31 December | | | | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2017 | | 2018 | | 2019 | |
| | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total |
| | *(RMB in millions, except percentages)* | | | | | | | |
| **Manufacturing and sale of complete vehicles** | 41,249.6 | 90.0 | 59,085.7 | 93.9 | 67,805.6 | 91.0 | 43,732.4 | 95.4 |
| Geely series[1] | 11,916.9 | 26.0 | 21,792.1 | 34.6 | 28,472.2 | 38.2 | 16,666.2 | 36.4 |
| Volvo series[2] | 29,332.7 | 64.0 | 37,293.6 | 59.3 | 39,333.4 | 52.8 | 27,066.2 | 59.0 |
| **Parts and others**[3] | 4,602.1 | 10.0 | 3,845.4 | 6.1 | 6,661.5 | 9.0 | 2,116.3 | 4.6 |
| **Total** | **45,851.7** | **100.0** | **62,931.1** | **100.0** | **74,467.1** | **100.0** | **45,848.7** | **100.0** |

*Notes:*

1. Includes gross profit generated from sales of complete vehicles by the Geely Auto Group.

2. Includes gross profit generated from sales of complete vehicles by the Volvo Car Group.

3. Includes gross profit generated from sales of complete vehicles by LEVC, Yuan Cheng Auto and Lotus, sales of automobile parts and components and other miscellaneous businesses.

## RECENT DEVELOPMENTS

The Group's September 2019 Financial Information indicates that its total operating income, operating profit and net profit for the nine months ended 30 September 2019 have experienced decreases compared to the nine months ended 30 September 2018, which was primarily due to the decline in vehicle sales resulting from automobile market's downturn in China. As at 30 September 2019, the Group's total liabilities increased as compared to the balance as at 31 December 2018. See "*Summary of Consolidated Financial Data and Other Data of the Guarantor*". Such financial information has not been subject to an audit and no reviewed opinion has been issued by Beijing Xinghua on such financial information and therefore should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or that a reviewed opinion has been issued. Such financial information as at and for the nine months ended 30 September 2019 should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2019.

Since 31 December 2018, the Group has incurred additional indebtedness to satisfy its capital needs, including but not limited to (1) the RMB2.5 billion 3.49 per cent. 270-day super & short-term commercial paper issued by the Guarantor in January 2019; (2) the RMB3.5 billion 4.1 per cent. medium-term notes due 2022 issued by the Guarantor in April 2019 and (3) the RMB2.0 billion 3.78 per cent. corporate bonds issued by the Guarantor in January 2020. In November 2019, Geely issued US$500,000,000 senior perpetual capital securities. The Group will continue to seek external capital on favourable terms to fund its business operations and expansion and to optimise its debt structure.

In February 2020, Geely announced that it is in preliminary discussions with Volvo regarding a Proposed Transaction. The intention would be to preserve the distinct identity of each of the brands Geely, Volvo, Lynk & Co and Polestar. It is intended that the combined business will be listed in both Hong Kong and Stockholm to enable it to access the capital markets. As of the date of this Offering Circular, no concrete timetable or detailed plans of the Proposed Transaction have been formed or announced.

## COMPETITIVE STRENGTHS

The Group believes that the following competitive strengths have contributed to its success, distinguished it from its competitors and positioned it favourably to take advantage of future growth opportunities:

### A Leading Global Automobile Group

The Group is one of the leading automakers in the world, focusing on manufacturing and sales of passenger vehicles, as well as automobile parts and components. The Guarantor has been recognised as a Fortune 500 company for eight consecutive years and was ranked No. 220 by Fortune Global in 2019, and Geely has been ranked by Fortune China among "China's Top 500 Companies" for 16 consecutive years and ranked by CAAM as one of the "Top Ten Automobile Manufacturers" in China for 16 consecutive years. In 2017, the Guarantor was named by Forbes as one of the world's fastest growing car companies.

"Geely Auto" brand has been recognised as one of China's most recognised brands and its trademark was accredited as a well-known trademark in the PRC by the Trademark Office of the State Administration for Industry & Commerce of the PRC. According to CAAM, the Geely Auto Group ranked first among all Chinese home-grown automobile brands in terms of passenger vehicle sales in 2019. Global awareness of the Group has strengthened since its acquisition in 2010 of Volvo, one of the world's best-known and most respected vehicle brands, and its acquisition in 2013 of LEVC, the iconic London taxi manufacturer. Founded in 1927, Volvo was a subsidiary of the AB Volvo Group until it was sold to Ford Motor Company in March 1999 and later the Group in 2010. Today, the Volvo Car Group is a global automotive brand focused on the design, engineering, manufacture, distribution and sale of premium passenger cars, as well as related parts and services. Volvo produces a range of premium cars, including sedans, wagons and SUVs. Volvo's long heritage is underpinned by a reputation for safety and technology as evidenced by industry-leading innovations such as the introduction of the three-point safety belt, the rear-facing child safety seat and the child booster cushion. In 2013, the Group entered the field of specialised taxi manufacturing through the acquisition of LEVC, which is known for producing taxis that are safe, reliable and durable. To develop this significant investment, LEVC opened a new plant in Coventry, the United Kingdom for producing the next generation London taxi. In November 2019, the first locally assembled TX4 was released in Thailand and in January 2020, LEVC launched its electric TX model in Tokyo, Japan. Furthermore, the Group expanded its fleet into the field of sports cars and the Southeast Asian market in 2017 by taking a majority equity interest in the British sports car brand Lotus and a 49.9 per cent. equity interest in its Malaysian parent company Proton. Also, in 2017, the Group entered the flying car field through the acquisition of Terrafugia, a world-leading company in flying car technology.

The Group has received notable recognition for its contribution from governments both in China and overseas. Government leaders have demonstrated strong government support by personally visiting the Group's factories. For example, when Chinese President Xi Jinping visited Europe in April 2014, he specifically visited Volvo's factory in Ghent, Belgium. In October 2015, Chinese President Xi Jinping and his wife Peng Liyuan, accompanied by Prince William and his wife Princess Kate, participated in the unveiling ceremony for the next generation zero-emission capable London taxi, namely, the TX series. In June 2017, Chinese Premier Li Keqiang and Belgian Prime Minister Charles Michel jointly visited the Geely-Volvo Innovation Display in Brussels, Belgium. Also in June 2017, Swedish Prime Minister Stefan Löfven and Gothenburg Mayor Ann-Sofie Hermansson visited the Group's headquarters in Hangzhou. In August 2018, the Malaysian Prime Minister visited the Group's headquarters in Hangzhou for the second time to attend the signing ceremony for the framework agreement to deepen the strategic cooperation between the Group and Proton in electrification and globalisation. In November 2019, the British Prime Minister visited LEVC's production plant at Antsy, Coventry, the first production plant in the United Kingdom dedicated to the manufacture of electric vehicles.

The Group provides a comprehensive product range and an optimised product portfolio for the evolving needs and preferences of its domestic and international customers. Its brands complement each other in terms of product strengths and customer base. The Group believes that the Geely Auto Group's established market position in China, the Volvo Car Group's strong market position in the global market and the Group's acquisitions of LEVC, Terrafugia Inc and Lotus and its investment in AB Volvo (publ) (a non-consolidated subsidiary) will provide it with a solid foundation to strengthen its market position in the global automobile industry.

**Strong Research and Development Capabilities**

The Group owns the world's leading intelligent safety technologies and intelligent systems, including: Adaptive Cruise Control system, 360 Surround View, Driver Alert Control system, Blind Spot Information system, Active High Beam Control system, Lane Keeping Aid, Volvo on Call car manager and the Autonomous Driving system. The Volvo Car Group's car safety technology has created a number of new world firsts, including its XC60, which was named 2017's overall safest car in the European New Car Assessment Programme (Euro NCAP) testing. The Group has invested heavily in technological innovation in the pursuit of more sustainable manufacturing technologies. For example, following through on its promise to take specific steps in pursuit of clean energy, the Group in 2015 invested in Carbon Recycling International ("**CRI**"), a world leader in developing technology to produce renewable methanol fuel from clean energy and recycled CO2 emissions for the production of renewable methanol cars. In April 2019, Yuan Cheng Auto launched the world's first M100 methanol fuel heavy truck. For more information, see "– Well Positioned to Benefit from Industry Trends in Emission Efficiency" below.

As at the date of the this Offering Circular, the Group has set up five research and development centres located in China, Sweden, the United Kingdom and Germany, respectively, namely (i) China Euro Vehicle Technology AB ("**CEVT**") in Gothenburg, Sweden; (ii) the Geely automobile research and development centre in Hangzhou, China; (iii) the LEVC research and development centre in Antsy Park, Coventry in the United Kingdom; (iv) the research and development centre in Raunheim, Germany and (v) the Hangzhou Bay flagship research and development center in Ningbo, China.

CEVT is a research and development centre for future c-segment cars which has been instrumental in developing Compact Modular Architecture ("**CMA**"), a new generation of scalable architecture on which the Group will be able to accommodate a wide variety of vehicle sizes and body styles. CEVT has engaged in the development of new car technologies with the aim to deliver advanced and cost-saving technologies and new vehicle models using the CMA platform. This platform has been used for both the production of Volvo and Geely brand products and the Group expects it to create significant economies of scale that will help it compete with other automobile companies in the breadth of models offered. The LEVC research and development centre launched its new zero-emission capable range of electric taxis ahead of London's "Zero-Emission Capable" regulation under which all new London taxis were required to have zero-emissions capability from 1 January 2018. For details of the research and development centres, see "– *Research and Development*". In addition, the Group has set up design centres in Shanghai, Gothenburg, Coventry, California and Barcelona to create a global design platform.

The Group's focus on research and development has allowed it to capture a wide range of business opportunities. The Group believes it is among the technology leaders in the automobile industry and is well positioned to capture future growth in this industry.

**Globally Diversified Sales and Production Footprint**

The Group has an established global footprint, which enables manufacturing and sales flexibility, efficiency and cost reduction. The Geely Auto Group is deeply rooted in China. As at the date of this Offering Circular, the Geely Auto Group has over 10 production bases and 949 dealer and agent outlets across the country covering 310 cities and 31 provinces and autonomous regions. As of 31 December 2019, the Geely Auto Group exported its products to 24 countries through 24 sales agents and over 300 sales and service outlets, and the Volvo Car Group sold cars in approximately 100 countries through approximately 2,400 dealers. Geely Auto Group has a presence in all first, second and third-tier cities, benefiting from the huge growth potential of the China market. The Geely Auto Group has also entered overseas markets with a focus on developing countries located in the Middle East, Eastern Europe, Central America, South America and Africa. The Volvo Car Group is based in Western Europe, the Americas and China, with a presence in Sweden, Norway, Denmark, Finland, the Netherlands, Belgium, France, Spain, Italy, Germany, Switzerland, Austria, Ireland, the United Kingdom, Greece, Portugal and so forth. In June 2018, the Volvo Car Group successfully opened its new assembly plant in Charleston, South Carolina, which is its first assembly plant established in the U.S., with the goals of saving costs and ensuring the flexibility of sales in the U.S. In September 2018, production of the new S60 sedans started in the new Charleston plant. For the years ended 31 December 2017, 2018 and 2019, the Group sold around 1.8 million, 2.2 million and 2.2 million vehicles worldwide, respectively. The Group believes its extensive global presence and strategically positioned distribution network will continue to contribute to its success in capturing growth opportunities arising within both domestic and overseas markets.

**Strategic Synergies between the Geely Auto Group and the Volvo Car Group**

The Group's growth path has mostly been upward, especially after its strategic acquisition of Volvo in 2010, which drew worldwide attention and made Geely a Chinese representative of expansion into the global market. Since the acquisition, the Group's global presence and its brand awareness have been further strengthened, which helped it consolidate its position as a global automobile manufacturer. Volvo and Geely continue to remain autonomous brands after the acquisition, but the Geely Auto Group and the Volvo Car Group have established a committee, led by Mr. Li Shufu, to promote synergies in areas including technologies, facilities, procurement and marketing.

- *Technologies:* This cooperation creates synergies that allow the Geely Auto Group to access the Volvo Car Group's vast experience and technology knowhow. For example, the Geely Auto Group has strengthened the safety and quality of its products by introducing the safety and quality management system from the Volvo Car Group. Several of the Volvo Car Group's original safety techniques have been applied to Geely brand products, such as Blind Spot Information System and Intelligent Driver Information System. With the benefit of the access to the Volvo Car Group's technology, the Geely Auto Group launched its first high-class models, which made great breakthroughs in design, safety and interior air quality management technology and which have been chosen as the diplomatic concierge car for the Ministry of Foreign Affairs. The Volvo Car Group inaugurated a new research and development centre in Shanghai in 2013. The facility strengthens the Volvo Car Group's local research and development capabilities and contributes to the automobile industry in China by developing local talent. This move establishes the Volvo Car Group as the only international premium car maker that has core vehicle research and development capabilities in China. In February 2013, Geely and Volvo jointly established CEVT which is instrumental in developing CMA. In December 2017, the Geely Auto Group and the Volvo Car Group established a new technology joint venture, GV Automobile Technology (Ningbo) Co. Ltd. (寧波時空方程技術有限公司), to share existing and future technology and provide economies of scale that will allow them to more rapidly develop next generation electrified vehicle technology. In October 2019, Geely and Volvo are considering merging their existing combustion engine operations into a stand-alone business in order to establish a new global supplier that will seek to develop next-generation combustion engines and hybrid powertrains.

- *Facilities:* The Volvo Car Group's engine factory at Zhangjiakou has been shared by the Geely Auto Group and the Geely Auto Group's Luqiao Plant produces the XC40 series for the Volvo Car Group. In July 2017, Geely, Volvo and the Guarantor signed a memorandum of understanding for cooperation on technology and sourcing through the new joint venture Lynk & Co, in which Geely holds a 50 per cent. equity interest, Volvo holds a 30 per cent. equity interest, and the Guarantor holds a 20 per cent. equity interest as at the date of this Offering Circular. Lynk & Co launched the Lynk & Co 01 model in November 2017 which has been manufactured by Luqiao plant. Separately, Polestar, the electric performance brand co-owned by Volvo and the Guarantor announced in April 2019 that it will build the fully electric Polestar 2 fastback in Luqiao by 2020. The XC40 series, Lynk & Co 01 and Polestar 2 are all based on the CMA co-developed by the Volvo Car Group and the Geely Auto Group.

- *Procurement:* The Volvo Car Group and the Geely Auto Group started joint procurement of components worldwide in 2013. The Geely Auto Group is building a long-term relationship with large international suppliers by virtue of the global supplier network of the Volvo Car Group and is upgrading its supplier network to an international level. The Volvo Car Group is simultaneously systematically optimising its purchase of components on the basis of maintaining quality, in order to achieve a healthier cost structure. By executing these initiatives the Group continues to improve its cost efficiency and further enhance its profitability.

- *Marketing:* Volvo has grown significantly as a European luxury brand, particularly in China. According to the CAAM, in 2018 the auto industry in China experienced its first decline in auto sales in over 20 years and in 2019, the sales volume declined further. Despite market headwinds, the Volvo Car Group sold 154,961 cars in 2019 in China, as compared to the sale of 41,989 units in 2012, achieving an annual growth of 18.7 per cent. compared to 2018. The result is an all-time record for the Volvo Car Group in China and the highest sales number it has ever reached in a single market. Leveraging Volvo's global high-end brand image, Geely successfully completed the brand upgrade and smoothly integrated with the international market.

The Group believes that it will continue to benefit from the synergies between the Geely Auto Group and the Volvo Car Group through shared knowhow, global production and distribution footprint, as well as enhanced cost and operational efficiency.

**Well Positioned to Benefit from Industry Trends in Emission Efficiency**

The global trend has been to tighten regulations on vehicle carbon emissions. The Group is dedicated to developing low-emission new energy vehicles in order to protect the environment and to remain competitive in the automobile industry. In July 2015, the Group invested in CRI, a leading global company in developing technology to produce renewable methanol fuel from clean energy and recycled CO2 emissions. In November 2015, the Group announced a major shift to alternative energy vehicles in order to focus on developing into a leading new energy vehicle producer. The Group is proactively leading the research into environmentally friendly technologies. For example:

- the Geely Auto Group began to manufacture a methanol automobile in Shanxi Province, China in December 2015. In February 2016, CRI's first batch of methanol cars was road-tested. In 2017, 2018 and 2019, the Geely Auto Group sold 25,266 units, 67,069 units and 206,393 units of new energy vehicle models, mainly "Emgrand EV", respectively, representing a year-on-year increase of 47 per cent., 165 per cent. and 208 per cent., respectively;

- the Volvo Car Group introduced its first plug-in hybrid diesel version vehicles in 2012, launched the Drive-E powertrain in 2013 and introduced plug-in hybrid twin engine petrol version vehicles in 2015. In July 2017, the Volvo Car Group announced comprehensive electrification strategy in which plug-in hybrids will be introduced across its entire range. In October 2017, Polestar became a standalone brand under the Volvo Car Group focusing on high performance electric cars. In January 2018, the first climate neutral manufacturing plant of Volvo switched to renewable heating. In 2019, the Volvo Car Group produced its first all-electric car, the XC40 Recharge. The Volvo Car Group intends to launch a new model of all-electric car every year over the next five years; and

- LEVC opened a new factory in Antsy, United Kingdom in March 2017, which is the first new energy vehicle production centre established in the United Kingdom in the last ten years and which possesses ten times the production capacity of the factory it replaced. In December 2017, LEVC launched TX5, the first zero-emission capable black cab in London. In January 2020, LEVC launched its electric TX model in Tokyo, Japan. "Yuan Cheng Auto" brand was officially launched in October 2016, with its first products being a pure electric light commercial vehicle and a city bus. In April 2019, Yuan Cheng Auto launched the world's first M100 methanol fuel heavy truck. In May 2019, Yuan Cheng Auto launched two new zero-emission buses.

The Group intends to promote the offering of gasoline-electric hybrid vehicles, plug-in range extended electric vehicles and electric vehicles. With a substantial investment in new technologies and innovations like powertrain, new energy and turbocharged engines over the past few years, the Group's products have become far more environmentally friendly and fuel-efficient. In 2017, the Group's EV300 was awarded the "China Annual Green Car" at the 8th Global New Energy Vehicle Forum. The Group will continue to offer more energy-efficient solutions to its customers such as plug-in range extended electric vehicles and hybrid electric vehicles, and high-performance turbocharged engines for more of its models, thus strengthening its product line and enhancing the competitiveness of its products.

**Strong Liquidity and Diversified Funding Sources**

The Group has been able to maintain strong cash flows and obtain multiple channels of financing. The Group actively explores diversified financing sources, including bank loans, equity and debt financing, and has established a receivables management system to conduct comprehensive credit assessment on its clients and frequently monitors of receivables. The Group also strategically manages its payables by focusing on cooperation with strategically selected suppliers in order to optimise its capital structure and to increase overall liquidity. As such, the Group has been able to record positive net operating cash flows while achieving stable growth in its operating income, operating profit and net profit in recent years. The Group is also able to maintain a strong liquidity position. As at 30 September 2019, the Group's total indebtedness (which comprises short-term borrowings, long-term loans due within one year, bonds payable due within one year, long-term loans and bonds payable) was RMB113,830.9 million, of which RMB42,196.3 million will due within one year, and its cash was RMB77,250.3 million, accounting for 20.5 per cent. of its total assets.

Furthermore, the Group has established cooperative relationships with, and received bank loans from, various PRC banks such as China Development Bank, The Export-Import Bank of China, Bank of China, China Construction Bank, as well as overseas financial institutions, which, in addition to securing access to low-cost financing, allow it to receive long-term loans. As of 30 September 2019, the Group had an aggregate credit facility of approximately RMB190.6 billion with an undrawn balance of RMB96.3 billion. The Group has a strong ability to raise funds from the capital markets. It has successfully completed a number of multibillion Renminbi financings in the domestic debt market through the issuance of corporate bonds, green bonds, medium-term notes, short-term commercial paper and senior notes, and has also successfully raised funds in equity market.

The Group monitors its key leverage ratios to maintain its financial stability. The Group believes its strong cash flow, multiple financing channels and the recognition and upgraded rating of its two core subsidiaries by the international rating agencies will enable it to expand steadily into its target markets and sustain long-term growth.

**Experienced and Dedicated Management Team with Global Vision**

The Group has a respected senior management team with global vision, extensive expertise and experience in the automobile industry, including automobile manufacturing and engineering, strong execution capabilities, and a commitment to operating efficiency. The industry experience and knowledge of the Group's senior management team have significantly contributed to the success of its operations. Mr. Li Shufu, the Group's founder and chairman, has over 30 years of experience in the automobile manufacturing industry. He was named as one of the "50 most influential persons during the past 50 years in China's automobile industry" (中國汽車工業50年50位傑出人物) in 2003 by China Automotive News (中國汽車報), one of the "most respected entrepreneurs" (最受尊敬企業家稱號) in 2010 by Huade Award (華德獎), and one of the "Top 10 economic persons of the new century" (新世紀10年十大經濟人物稱號) in 2011 by China Economic Net (中國經濟網). Mr. Li was awarded the Order of Leopold (利奧波德騎士勳章) in 2011 by Prince Philippe of Belgium for his contribution in operating Volvo. Mr. Li was awarded as one of the "25 most influential entrepreneurs in China in the 20th century" (20世紀影響中國的25位企業家) and ranked 34th of the "50 most influential business leaders in China" (中國最具影響力的50位商界領袖) in 2012 by Fortune Magazine. In 2017, Mr. Li was named as the "Person of the Year for 2016" (2016年度人物) by China Automotive Review. In November 2017, Mr. Li Shufu was jointly awarded the George A. Olah Memorial Outstanding Contribution Award by the Methanol Institute and the Loker Hydrocarbon Research Institute in the University of Southern California for the Group's work on promoting methanol vehicles.

The Group's senior management team members have extensive experience in finance, technological development and marketing and many of them had worked with reputable state-owned or global conglomerates before joining the Group. For example, Mr. An Conghui is the president of the Guarantor. He joined the Group in 1996 and was appointed as the president of the Guarantor in December 2011, where he was in charge of its business and operations. Mr. An has extensive professional knowledge and senior managerial experience in the automobile industry, particularly in the field of automobile engineering. Mr. Li Donghui is an executive vice president and chief financial officer of the Guarantor. Mr. Li had taken up senior roles, such as chief financial officer and general manager, in various companies including BMW Brilliance Automotive Ltd. (華晨寶馬汽車公司) and Danfoss (Tianjin) Limited (丹佛斯天津有限公司). The stability of the Group's management team is critical to its long-term development and the continued growth of its business.

**BUSINESS STRATEGIES**

The Group intends to consolidate and enhance its leading position in the automobile industry by pursuing the following key business strategies:

**To Continue Diversifying the Group's Brand Portfolio**

The Group is committed to becoming a global automotive company leveraging on its global brands and wide-range of product offerings. The Geely Auto Group primarily operated a well-known domestic automotive brand Geely Auto. In 2010, the Group acquired Volvo, a global luxury car brand, as a significant step to fulfil the Group's brand strategy. The Group plans to further offer the products under Geely Auto and Volvo Cars to achieve the synergy between the two brands. On 1 February 2016, the Group announced the establishment of Zhejiang Geely New Energy Commercial Vehicle Co., Ltd. ("**Geely New Energy Commercial Vehicle**"), which currently manages two brands, LEVC and Yuan Cheng Auto, as part of the Group's full offering of passenger and commercial vehicle offerings. Yuan Cheng Auto focuses on the development, manufacturing and distribution of clean energy vehicles, and LEVC plans to build on its manufacturing history to focus on the manufacturing of taxis of high quality and light commercial vehicles. In July 2017, Geely, Volvo and the Guarantor signed a memorandum of understanding for cooperation on technology and sourcing through the new joint venture Lynk & Co, in which Geely holds a 50 per cent. equity interest, Volvo holds a 30 per cent. equity interest, and the Guarantor holds 20 per cent. equity interest as at the date of this Offering Circular. Further, as of 28 September 2018, Polestar is no longer consolidated into the Volvo Car Group and will operate as a standalone electric performance car brand of the Group. The Group believes its core development goal can be achieved through the diversified brands under the Group with its capability to continue expanding its brand portfolio in future.

**To Further Enhance the Group's Capability in Research and Development**

With its belief of "Indigenous Innovation, Global Wisdom, Core Technology", the Group aims to seek technological innovations and breakthroughs in new product structuring, vehicle networking, new energy and new materials. The Group believes that this goal can be achieved through integration of its four sub-strategies, namely product platform strategy, safety first strategy, energy diversification strategy and intelligent technology strategy.

According to its product platform strategy, the Group plans to keep its position as a leading automobile company in the sedan market, and continue strengthening its position in the SUV market, whilst procure its entry into the MPV market, with the application of platforms including CMA platform, Pure electric Modular Architecture (PMA) platform, Scalable Product Architecture (SPA) platform, B-segment Modular Architecture (BMA) platform and CV platform. Under the safety first strategy, the Group has developed several models which have received 5+ star safety ratings from the China-New Car Assessment Program. Pursuant to its energy diversification strategy, the Group also focuses on developing its new energy power system through four technological pathways, namely the pure electric technology, the hybrid technology, the alternative fuels technology and the hydrogen fuel cell technology. The Group will continue focusing on its qualify and safety control with regard to the development and manufacture of automobiles. Furthermore, "intelligent connectivity" and "intelligent drive" will be the core technology development strategies of the Group in the next ten years.

**To Build Up a Well-established Talent Introduction and Training System**

The Group focuses on the combination of internally developed talent with talent brought in from elsewhere in the Chinese and international automotive sectors to form a diverse pool of skills and abilities. The Group attracts talent through multiple channels and creates effective incentive programs to align diverse interests. Following the Group's principles of "respect, achievement and happiness", it plans to offer its employees abundant training opportunities to build ties with their colleagues across the global network and to broaden their own professional horizons. The Group aims to focus on its talent introduction and training system and strive to build a team that is competent, efficient, qualified, energetic and internationally competitive.

**To Achieve the Group's Sustainable Development Goal of "Zero-Emissions"**

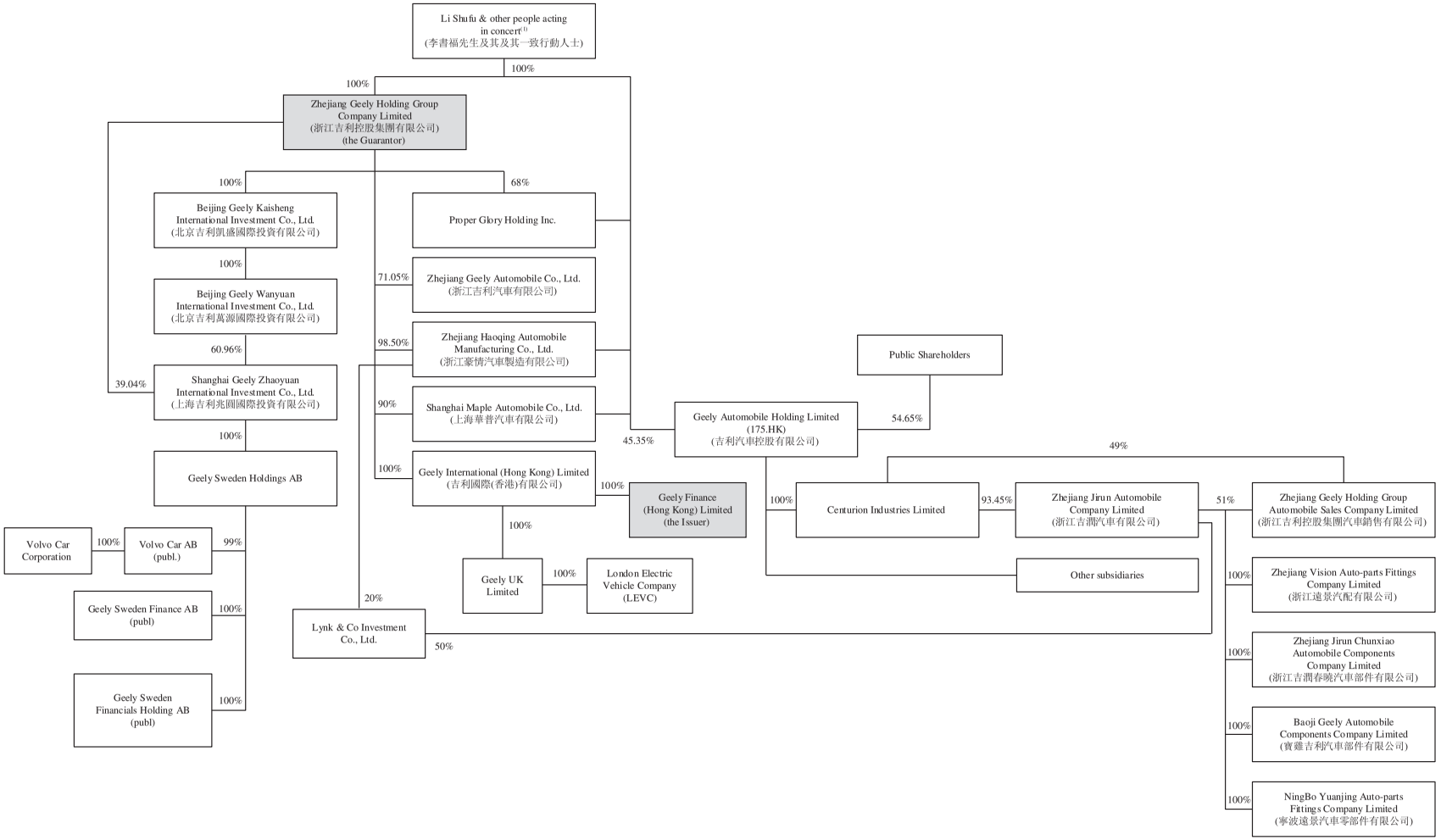
New energy vehicles are expected to be the future growth driver of the automobile industry. The Group plans to further implement its new energy development strategy, including actively exploring alternative fuels and developing new energy solutions. The Geely Auto Group plans to achieve a leading position in new energy vehicles through the research and development of hydrogen fuel and metal fuel vehicles that employ recent advances in intelligent and lightweight technologies. As the high-end automotive brand under the Geely Auto Group, Lynk & Co intends to develop all-electric versions of every future Geely vehicle model. In addition, the Group aims to release more energy-efficient vehicles, such as Volvo's plug-in extended range electric vehicles and hybrid electric vehicles, to the domestic and overseas markets, to further achieve its goal to replace all old models with more environmentally friendly and more energy-efficient models that are equipped with state-of-the-art powertrain technologies and new energy.

**To Expand the Group's International Presence**

The Group has built manufacturing plants, assembly plants, research and development centres and design centres in several major countries and regions, including China, the United States, Belgium, Sweden, the United Kingdom, Germany, India, Spain and Malaysia. As of 31 December 2019, the Group employed approximately 120,000 people globally and its products were sold in more than 100 countries. The Group intends to continue to expand the international presence of its automotive brands by leveraging its established overseas distribution network and broadening product offerings to further increase sales revenue. The Group believes that this strategy will help to expand its revenue base and increase its brand awareness globally.

## CORPORATE STRUCTURE

The following chart illustrates a simplified ownership and corporate structure of the Group as at 30 September 2019:




*Note:* As at 30 September 2019, Mr. Li Shufu and his son, Mr. Li Xingxing owned 91.075 per cent. and 8.925 per cent., respectively, of the Guarantor's issued share capital.

## HISTORY AND DEVELOPMENT

The following are certain key milestone events of the Group.

| | |
|---|---|
| 1986 | The predecessor of the Guarantor was established. |
| 1997 | The Group entered into the automobile industry. |
| 1998 | The Group's first car "Haoqing" commenced production. |
| 2001 | The Group obtained licence to produce automotive vehicles, becoming the first private automobile company in China. |
| 2003 | Zhejiang Geely Holding Group Company Limited (the Guarantor) was established. |
| 2005 | One of the Guarantor's subsidiaries, Geely Automobile Holding Limited, became the first Chinese automotive manufacturer to be listed on The Hong Kong Stock Exchange (HK: 0175). |
| 2006 | The Group established a joint venture with London Taxi International. |
| 2009 | The Group acquired the Australian transmission company Drivetrain Systems International (DSI) and established production in China. |
| 2010 | The Group acquired Volvo from Ford Motor Company. The transaction was completed on 2 August 2010. |
| 2012 | The Group was listed as a Fortune 500 company for the first time. |
| 2013 | In February 2013, the Group acquired 100 per cent. control of Manganese Bronze and its subsidiary, London Taxi International and its joint venture in Shanghai.<br><br>In March 2013, the Group established a joint venture with Kandi Electric Vehicles to develop a first-of-its-kind time-sharing electric vehicle rental programme in select cities in China. |
| 2014 | In February 2014, the Group acquired Emerald Automotive, a leader in the development of lightweight and range-extended electric vehicles.<br><br>In April 2014, the Group officially showcased the flagship GC9 sedan and announced its new brand positioning and official tie-up with the Chinese Olympic Swimming Team. The new brand mission is "Creating Refined Cars for Everybody". |

| | |
|---|---|
| 2015. . . . . | On 26 March 2015, the Group announced its £250 million investment to build a new state-of-the-art research, development and assembly facility for LTC to prepare for the introduction of the next generation London black cab. |
| 2016. . . . . | On 20 May 2016, the Group issued its first U.S.$400 million green bond, only the second ever issued in the automobile industry, for the further development of LTC.<br><br>On 20 October 2016, the Group launched the Lynk & Co brand, a new global car brand with an open application programming interface ("**API**"), personalised services, sharing possibilities and the first dedicated app stores in Gothenburg and Berlin.<br><br>On 5 November 2016, the Geely Auto Group announced its "20200 Strategy" which aims to increase sales volumes to two million by the year 2020. |
| 2017. . . . . | On 10 May 2017, the Group launched the "iNTEC" brand, which had a core concept of "humanised intelligent drive" and aimed to provide a better driving experience and higher safety.<br><br>On 23 June 2017, the Group signed an agreement to acquire a 49.9 per cent. equity interest in Malaysian automaker Proton and acquire a 51 per cent. equity interest in luxury sports car brand Lotus from DRB-HICOM Berhad of Malaysia.<br><br>On 13 July 2017, the Group renamed LTC to LEVC to support its global vision to become the urban commercial vehicle provider of choice.<br><br>On 13 November 2017, the Group entered into an agreement with Terrafugia Inc, a US-based company focused on the innovation, engineering and production of flying cars and future technologies, to acquire its operations and assets in their entirety. |
| 2018. . . . . | On 28 June 2018, the Group invested in AB Volvo (publ), a leading Swedish commercial vehicles and industrial engineering group, becoming its largest shareholder and second largest holder in voting rights.<br><br>On 5 July 2018, the Group established China Railway Gecent Technology Co., Ltd, in partnership with China Railway Investment Co., Ltd. and Tencent Holding Ltd. The newly established company develops and operates an integrated one-stop platform which provides WiFi connection, entertainment and leisure services, online catering and shopping, and other smart services to high-speed rail customers across China. |
| 2019. . . . . | On 28 March 2019, the Guarantor and the Daimler AG announced their plan to form a joint venture to own, operate and develop the Smart brand, a leading brand among small urban vehicles and premium-electrified vehicles. |

| | |
|---|---|
| | On 11 April 2019, Geely Auto Group launched its first pure electric brand Geometry and its first model Geometry A in Singapore.<br><br>On 13 April 2019, the Guarantor attended the signing ceremony with the 19th Asian Olympic Council and officially partnered with the 19th Asian Games to be held in Hangzhou in 2022.<br><br>On 3 July 2019, the Guarantor announced that it will cooperate with Baidu, Inc. in the fields of intelligent connectivity, smart mobility, smart home, e-commerce and in other areas related to AI technology.<br><br>On 7 October 2019, Volvo announced that the Guarantor and Volvo intend to merge their existing combustion engine operations into a stand-alone business in order to establish a new global supplier that will seek to develop next-generation combustion engines and hybrid powertrains.<br><br>On 11 November 2019, the first locally assembled TX4 was released in Thailand.<br><br>On 17 December 2019, Geely Sweden Holdings AB, a subsidiary of the Guarantor, entered into an agreement with Saxo Bank to establish a technology joint venture aiming to provide financial and regulatory solutions to financial institutions and investors in China. |
| 2020. . . . . | On 8 January 2020, the Guarantor and the Mercedes-Benz AG established a joint venture named Smart Automobile Co., Ltd. for operating and developing the Smart brand.<br><br>On 10 January 2020, LEVC launched its electric TX model in Tokyo, Japan. |

**AWARDS**

The following are certain major honours and awards the Group has received since its inception:

- the "Top 500 of Fortune World" for eight consecutive years from 2012 to 2019 by Fortune, and the only nominated private automobile corporation in the PRC in 2012;
- the "2019 Best Automobile Brand in China" by the world's leading consulting institution Interbrand;
- the "Top Ten Annual Outstanding Brands" by the CCTV National Outstanding Brands Ceremony in 2019;
- the "Quality Prize" by the Zhejiang Provincial Government in 2018;
- the "Top Ten Enterprise in International Investment" by the General Office of the Zhejiang Provincial Committee and the General Office of the People's Government of Zhejiang Province in 2018;
- the "World's Leading Enterprises in Intellectual Property" by the 5th China Intellectual Property Forum in 2018;

- the "Zhejiang Patent Golden Award" by the Zhejiang Provincial Administration for Market Regulation and the Zhejiang Private Enterprise Development Association in 2018;
- the "Famous Brand of Zhejiang Province" by the Zhejiang Bureau of Quality and Technical Supervision in 2017;
- the "Top 30 Enterprises in China Automobile Industry" by the China Machinery Industry Federation and CAAM in 2017;
- the "Executive Vice President of Units" by the Zhejiang Electric Vehicle Industry Association in 2017;
- the "China Trademark Golden Award" by the State Administration for Industry and Commerce of the PRC in 2017;
- the "Quality Prize" by the Zhejiang Provincial Government in 2017;
- the "Most Internationally Competitive Car Model Award" by Auto Business Review in 2017;
- the "China Auto Industry Award" ("Xuanyuan" Award) by Auto Business Review in 2016;
- the "China Auto Service Golden Wrench Award" by Sohu.com and Car service Magazine in 2014;
- the "Zhejiang Mechanical Engineering Mass Quality Activity Outstanding Corporation "in 2013-2014;
- the "China Credit Prize" in 2013 by the Automobile Manufacturing Summit & China Credit Prize Ceremony;
- the "Zhejiang Merchant Outstanding Corporation" in 2013 by the Zhejiang Economy Annual Event;
- the "Best Annual China Automobile Brand" in 2010 by the Seventh China Automobile General Evaluation Awards Ceremony in Zhengzhou held by China Mainstream Media Automobile Union;
- the "Innovative Corporation Prize" in 2010 by the "2010 Annual Sci-Tech Innovation Awards Ceremony" held by China Quality Evaluation Association;
- the "Top 500 of China Enterprise" for nine consecutive years from 2002 to 2010 by the China Enterprise Confederation and China Enterprise Directors Association;
- the "Top 500 of China Private Corporation" in 2010 by the All-China Federation of Industry & Commerce; and
- the "Top 100 of Environmental-Friendly Enterprise" for four consecutive years from 2007 to 2010 by China Entrepreneur Club.

## DESCRIPTION OF THE GROUP'S BUSINESS

### The Group's Brands and Products Portfolio

The Group is principally engaged in the research and development, design, manufacturing, marketing and distribution of passenger vehicles, commercial vehicles and automobile parts and components. The Group offers a comprehensive product portfolio under its complementary brand portfolio, which mainly includes passenger vehicles under its two major subsidiaries: the Geely Auto Group and the Volvo Car Group. The Group operates many well-known international automotive brands including Geely Auto, Lynk & Co, Volvo Cars, Polestar, LEVC, Lotus, Yuan Cheng Auto and Terrafugia with global operations spanning the automotive value chain, from research, development and design to production, sales and servicing. In addition to the manufacture of complete vehicles, the Group manufactures and distributes automobile parts and components.

The following table sets forth a breakdown of the Group's operating income by business segment and its absolute percentage of the total operating income for the periods indicated:

| | Year ended 31 December | | | | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2017 | | 2018 | | 2019 | |
| | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total |
| | *(RMB in millions, except percentages)* | | | | | | | |
| **Manufacturing and sale of complete vehicles** | 196,185.3 | 94.0 | 266,950.4 | 95.9 | 315,186.9 | 95.9 | 221,893.4 | 97.8 |
| Geely series[1] | 55,921.6 | 26.8 | 98,230.8 | 35.3 | 124,183.1 | 37.8 | 80,923.1 | 35.7 |
| Volvo series[2] | 140,263.7 | 67.2 | 168,719.6 | 60.6 | 191,003.8 | 58.1 | 140,970.3 | 62.1 |
| **Parts and others**[3] | 12,613.4 | 6.0 | 11,314.2 | 4.1 | 13,334.0 | 4.1 | 4,957.8 | 2.2 |
| **Total** | **208,798.7** | **100.0** | **278,264.6** | **100.0** | **328,520.9** | **100.0** | **226,851.2** | **100.0** |

*Notes:*

1. Includes operating income generated from sales of complete vehicles by the Geely Auto Group.

2. Includes operating income generated from sales of complete vehicles by the Volvo Car Group.

3. Includes operating income generated from sales of complete vehicles by LEVC, Yuan Cheng Auto and Lotus, sales of automobile parts and components and other miscellaneous businesses.

The Geely Auto Group currently mainly operates two brands: Geely Auto and Lynk & Co, a new joint-venture brand developed by the Geely Auto Group and the Volvo Car Group which targets strategically at the new generation of consumers. The Volvo Car Group currently operates Volvo Cars, one of the most well-known and respected brands in the world with sales in more than 100 countries and Polestar, a standalone electric performance car brand. The Geely New Energy Commercial Vehicle currently manages two brands: LEVC and Yuan Cheng Auto. In addition to the brands operated by the Geely Auto Group, the Volvo Car Group and managed by the Geely New Energy Commercial Vehicle, the Group owns other brands acquired through its global expansion, including the British sports car brand Lotus and the leader in flying-car technology Terrafugia.

A selection of the Group's major subsidiary groups and their respective principal vehicle models is set out below:

| Geely Auto Group | | | | Volvo Car Group | | | Geely New Energy Commercial Vehicle |
|---|---|---|---|---|---|---|---|
| **Sedan** | **Crossover SUV** | **SUV** | **New energy vehicle** | **Sedan** | **Estate/ Hatchback** | **SUV/ Crossover** | |
| Emgrand GL | Emgrand GS | Geely Boyue | Emgrand EV | S90 | V90 | XC90[3] | TX4 |
| New Vision | Geely Borui[1] | Vision X6 | Emgrand PHEV | S60 | V60 | XC60 | TX5[4] |
| New Emgrand | Lynk & Co 01[2] | Vision X3 | Borui GE | S60L | V40 | XC40 | |
| Binrui | | | Lynk & Co 01 | | | | |
| | Lynk & Co 02 | Emgrand GS | PHEV | | | | |
| Borui GE | Lynk & Co 03 | Vision S1 | Geometry A | | | | |
| | | Xingyue | | | | | |

*Notes:*

1. The Borui model won "The Best Domestic Mid-size Sedan" in 2017 at the "Best Car 2017 Ceremony" held by Auto Motor und Sport.

2. The Lynk & Co 01 model received a five-star rating in the C-NCAP crash test in 2018.

3. The XC90 model received the top emergency brake system rating by Euro NCAP in 2017.

4. TX5 is a zero-emission capable taxi model newly developed by LEVC and launched in the UK at the end of 2017 and across international markets in 2018.

## Manufacturing and Sale of Complete Vehicles – The Geely Auto Group

Headquartered in Hangzhou, Zhejiang Province, the Geely Auto Group entered the automobile industry in 1997 with its Geely Auto brand and is today the largest home-grown PRC automobile company in terms of passenger vehicle sales in 2019, according to information published by CAAM. In 2016, 2017 and 2018 and for the nine months ended 30 September 2019, operating income derived from the Geely Auto Group's vehicle sales amounted to RMB55,921.6 million, RMB98,230.8 million, RMB124,183.1 million and RMB80,923.1 million, respectively, which accounted for 26.8 per cent., 35.3 per cent., 37.8 per cent. and 35.7 per cent. of the Group's total operating income during the relevant periods.

### *Procurement*

The Geely Auto Group has a uniformed system of procurement to maximise its negotiating power and obtain favourable price and procurement agreement terms from suppliers. The Geely Auto Group has set up a tender and bid management office. The office is mainly responsible for establishing supplier, expert evaluation and pricing databases, evaluating bid evaluation team members, managing the bidding process and conducting post-bidding inspections. For special projects, the office will organise bidding activities together with the tender organisations.

The Geely Auto Group mainly procures three categories of raw materials, parts and components:

- Core parts and components: the Geely Auto Group develops, manufactures and sells core parts and components, including engines, gearboxes and electronic power steering gear.

- Steel: the Geely Auto Group procures steel from third-party suppliers in China. The Geely Auto Group has maintained good relationships with its steel suppliers and usually enters into one-year procurement agreements with them to ensure the stable supply of steel at reasonable cost.

- Other parts and components: the Geely Auto Group procures other parts and components including tyres, seats, bumpers, dashboards and seat belts from third-party suppliers.

The table below sets forth the Geely Auto Group's top five suppliers by transactional amount and the absolute percentage of the total transactional amount of each for the years or periods indicated:

| | Year ended 31 December | | | | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2017 | | 2018 | | 2019 | |
| | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total | Amount | Per cent. of total |
| | *(RMB in millions, except percentages)* | | | | | | | |
| Supplier 1 | 1,494.4 | 5.3 | 3,981.4 | 5.0 | 3,580.4 | 3.9 | 2,254.6 | 4.1 |
| Supplier 2 | 1,199.3 | 4.3 | 2,053.5 | 2.6 | 2,898.6 | 3.2 | 1,995.8 | 3.6 |
| Supplier 3 | 1,072.3 | 3.8 | 1,861.8 | 2.4 | 2,574.2 | 2.8 | 1,666.4 | 3.0 |
| Supplier 4 | 975.7 | 3.5 | 1,690.7 | 2.1 | 2,216.9 | 2.4 | 1,458.8 | 2.7 |
| Supplier 5 | 551.1 | 2.0 | 1,426.3 | 1.8 | 2,150.3 | 2.4 | 956.1 | 1.7 |
| **Total** | **5,292.9** | **18.8** | **11,013.8** | **13.9** | **13,414.4** | **14.7** | **8,331.7** | **15.2** |

The Geely Auto Group has cooperated with local governments to establish industrial parks at various locations near its manufacturing plants, such as Hangzhou Bay, which allows its suppliers to build their production facilities nearby, thus simplifying the logistics, shortening transportation distances and improving procurement efficiency. As of 31 December 2019, the Geely Auto Group has ten manufacturing plants located in Ningbo, Chunxiao, Jinan, Luqiao, Linhai, Xiangtan, Chengdu, Jinzhong and Baoji, respectively. The Geely Auto Group aims to enter into long-term strategic cooperation agreements with suppliers in order to obtain more favourable terms. This also provides an opportunity to expand the Geely Auto Group's business into the upstream of the industry value chain to help support its production.

The Geely Auto Group has adopted information technology to monitor the procurement of raw materials. For example, the Geely Auto Group has adopted the SRM information system in order to streamline the raw materials, parts and components procurement process, manage suppliers' performance and eliminate suppliers that fail to meet its standards. The Geely Auto Group has also adopted the ERP system and the EWM system to improve management efficiency and inventory levels.

***Production***

*Production processes*

The production processes generally include the following processes:

- *Stamping*. Steel plates are stamped into body parts of vehicles. Most of the stamping operation is completed at the Group's production facilities.

- *Welding*. Welding is a process whereby the vehicle bodies are formed by welding together the relevant vehicle body parts produced by the Group's stamping workshops and other stamped parts and accessories procured from the suppliers.

- *Painting*. All semi-finished components and external parts are treated on the surface and painted using advanced and automated processes.

- *Assembly*. All semi-finished components, external parts, tyres, engines and other standard outsourced parts are assembled to form the finished goods.

- *Testing and inspection*. Finished products are sent for testing and further adjustments and fine-tuning followed by comprehensive overall inspection.

- *Warehousing and dispatch*. Final products are delivered to the Group's sales agents' warehouses for storage.

*Production mode and capacity*

The Geely Auto Group adopts a centralised production mode. Under this mode, transportation costs are relatively lower because production plants are close to sales markets and sources of raw materials. In addition, as the needs of customers may vary in different regions, under this mode the Geely Auto Group can manufacture various automobile types based on regional differences. As of 31 December 2019, the Geely Auto Group had established ten production plants in ten cities in China. The table below sets forth the vehicle production capacity of the Geely Auto Group's existing production facilities as of 31 December 2018:

| Name | Usable Annual Production Capacity | Models |
|---|---|---|
| | *(Units Per Double Shift)* | |
| Luqiao plant | 150,000 | Geely Kingkong Series<br>Vision X3 |
| Ningbo/Cixi plant | 300,000 | New Emgrand<br>Vision S1<br>Emgrand EV |
| Chunxiao plant | 160,000 | Geely Borui<br>Geely Boyue |
| Xiangtan plant | 240,000 | Vision Series<br>Geely Panda |
| Jinan plant | 50,000 | Geely Panda |
| Chengdu plant | 130,000 | Vision SUV |
| Baoji plant | 200,000 | Geely Boyue |
| Linhai plant | 300,000 | Emgrand GL<br>Emgrand GS |
| Jinzhong plant | 180,000 | Emgrand GL |
| **Total** | **1,710,000** | |

Primary factors affecting production capacity utilisation rates include market demand, the ability to utilise newly expanded capacity and labour market conditions, such as statutory working hours and statutory holidays. The Geely Auto Group intends to continue to increase its production capacity by expanding existing production facilities, constructing new production facilities, further streamlining and integrating its production processes, and acquiring or building new manufacturing plants.

***Marketing, Branding and Sales***

*Marketing and Branding*

The Geely Auto Group has set up a strategic marketing department for market research and analysis, mainly responsible for both domestic and overseas automobile markets research and product analysis. Through its strategic marketing department, the Geely Auto Group understands market needs, predicts future industry trends and provides a basis for making decisions on new product developments.

The Geely Auto Group's marketing and sales subsidiaries covering domestic and overseas markets are in charge of formulating and coordinating overall sales and marketing activities. The Geely Auto Group's marketing and promotional strategy seeks to enhance its brand image and increase consumer awareness of its products in target markets. In addition to its efforts to create a unified brand and a consistent retail experience through a unified store layout and design in its dealer stores, the Geely Auto Group engages in different marketing activities to promote its brands. For example, the Geely Auto Group has adopted new marketing methods in second-and third-tier markets, such as vehicle television shopping, online shopping and vehicle supermarkets, and has created a "hand-to-hand" chain of stores nationally by providing vehicle services.

*Sales*

The Geely Auto Group sells its products through dealers and franchisees in the domestic and overseas market. As of 30 December 2019, the Geely Auto Group sold products through 949 dealer shops throughout China and exported its products to 24 countries through 24 sales agents and over 300 sales and service outlets.

The following table sets forth the Geely Auto Group's sales volumes for the periods indicated:

| | Year ended 31 December | | | Nine months ended 30 September | Year ended 31 December |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2019 |
| | *(units)* | *(units)* | *(units)* | *(units)* | *(units)* |
| Sales in the PRC | 744,072 | 1,235,873 | 1,473,305 | 934,626 | 1,332,552 |
| Overseas Sales | 21,779 | 11,243 | 27,533 | 23,484 | 29,008 |
| **Total** | **765,851** | **1,247,116** | **1,500,838** | **958,110** | **1,361,560** |

***Pricing and payment arrangements***

In determining the suggested retail price for its products, the Geely Auto Group typically takes into account the availability and pricing of comparable products in the market, its cost of goods or services and the positioning of the products and services in the target market. When launching new products, the Geely Auto Group will adjust the pricing of old products accordingly. Pricing for the products will be monitored regularly to ensure competitiveness.

For the domestic market, the Geely Auto Group generally requires advance cash payment before delivery. For certain dealers and franchises which are unable to make advance cash payments, the Geely Auto Group may accept bankers' acceptance with interests charged. For the overseas market, the Geely Auto Group sells its products to dealers and franchisees generally on open account. It offers credit terms to its dealers and franchisees on a case-by-case basis, depending on the location, the credibility and volume of purchases of, each dealer.

***After-sale Service System***

The Geely Auto Group is committed to providing excellent after-sale service to its end-user customers. The Geely Auto Group has developed vehicle repair and maintenance service centres in the rural areas of China, established a rescue management system, upgraded the repair consultation system, and implemented a quality information feedback mechanism in the market. Its commitment to after-sale service has contributed to its brand recognition, business growth, improved performance and enlarged end-user customer base. The Geely Auto Group's after-sales service has been awarded the title of "Golden Wrench" for the last nine consecutive years.

***Quality Control and Product Safety***

The Geely Auto Group has set up a quality management department for product quality control. As an essential member of the Quality Assurance Committee, the Geely Auto Group's quality management department is mainly responsible for quality strategic planning, quality system construction, management platform construction and quality control training.

The Geely Auto Group's quality system is designed to monitor the quality of the products from development to production. In addition, the Geely Auto Group has established a system to improve its quality satisfaction by investigating its customer's satisfaction through various means, including third-party surveys, online surveys, on-site interviews and telephone interviews. The Geely Auto Group has also promoted the informatisation and standardised quality management by establishing the Quality Net System ("**QNS**"), a quality control and management system.

The Geely Auto Group generally provides warranties on the quality of the products it sells to dealers according to applicable laws and regulations. Since 2004, the Geely Auto Group has established procedures and measures in respect of product recall according to PRC laws and regulations. For example, in October 2017, the Geely Auto Group recalled an aggregate of 187,657 units, including 163,960 units of GX7, 19,203 units of SX7 and 4,494 units of GX9 due to a risk of malfunction of the airbag. In January

2018, the Geely Auto Group recalled an aggregate of 40,068 units of Geely Borui manufactured between 1 April 2015 and 28 October 2016 to avert any possible future power steering failure. In January 2019, the Geely Auto Group recalled an aggregate of 42,216 units of Geely Vision and GC7 models manufactured between 7 Oct 2010 and 7 July 2012 and 47,441 units of EC7 models produced between 5 July 2011 and 31 May 2012 due to defective fuel pumps. See "*Risk Factors – The Group may be unable to maintain an effective quality control system at the Group's manufacturing facilities*."

The Geely Auto Group has been committed to improving product safety and quality. It has developed a comprehensive management system, Geely Total Safety Management, which is an evaluation system and takes all-round look into the safety management over a car's lifespan. The process begins with the initial planning for higher specification cars to research and development, then the rigorous production control phase and lastly, safety education and sales process.

**Manufacturing and Sale of Complete Vehicles – The Volvo Car Group**

The Group acquired Volvo in 2010, from which it not only inherits the Scandinavian heritage but also derives the majority of its total operating income. In 2016, 2017, 2018 and in the nine months ended 30 September 2019, operating income derived from the Volvo Car Group's vehicle sales amounted to RMB140,263.7 million, RMB168,719.6 million, RMB191,003.8 million and RMB140,970.3 million, respectively, which accounted for 67.2 per cent., 60.6 per cent., 58.1 per cent. and 62.1 per cent. of the Group's total operating income during the relevant periods.

***Procurement***

The Volvo's procurement department in Gothenburg is responsible for the Volvo Car Group's procurement. The Volvo Car Group purchases raw materials, parts and components from various suppliers on both a global and local basis to leverage the price advantages of different markets around the world. As long as global procurement is practicable, the Volvo Car Group will make its procurements on a global basis. The Volvo Car Group's procurements consist of productive procurement and non-productive procurement. Productive procurement means the procurement of automobile parts and components (excluding engines) and steel. Non-productive procurement means procurement of services, including hotel accommodation purchasing, ticket purchasing and logistics-related purchasing.

Since 2014, the Volvo Car Group and the Geely Auto Group have jointly purchased certain automobile parts and components across the world. The procurement department of the Volvo Car Group is generally responsible for technical assessments and the Geely Auto Group is responsible for negotiations, which substantially decreases the procurement cost for both of the Volvo Car Group and the Geely Auto Group.

***Production***

*Production mode and capacity*

Similar to the Geely Auto Group, the Volvo Car Group also adopts a centralised production mode for its various models which are categorised by model range (40, 60, and 90) as well as body type (Sedan (S), Wagon (V) and SUV (XC)). In addition, the Volvo Car Group also offers variants such as R-Design, Inscription, Cross Country and Excellence on certain models to cater for consumer demands in respect of driving experience, comfort and styling.

As of 31 December 2018, the Volvo Car Group has established eight vehicle production plants in Belgium, Sweden, Malaysia, China and the United States. In particular, the Volvo Car Group's first U.S. factory in South Carolina was fully established and put into operation in June 2018, further enhancing the Volvo Car Group's global footprint and production capability. In September 2018, production of the new S60 sedans started in the new South Carolina plant.

The table below sets forth the Volvo Car Group's vehicle production capacity of its existing production facilities as of 31 December 2018:

| Name | Usable Annual Vehicle Production Capacity | Usable Annual Engine Production Capacity | Models |
|---|---|---|---|
| | *(Units)* | *(Units)* | |
| Ghent Plant, Belgium | 275,000 | – | V40/V40CC, XC40, V60 only C-shop |
| Torslanda Plant, Sweden | 300,000 | – | XC90, V90/V90CC, XC60,V60 |
| Malaysia Plant | 10,000 | – | XC90, S90, XC60,V60, XC40 |
| Skövde Plant, Sweden | – | 600,000 | Gas and diesel engines |
| Charleston Plant, South Carolina, the United States | 150,000 | – | S60 |
| Zhangjiakou Plant, China | – | 300,000 | Gas engines |
| Chengdu Plant, China | 150,000 | – | XC60, S60L |
| Daqing Plant, China | 150,000 | – | S90/S90L |
| **Total** | **1,035,000** | **900,000** | |

### *Marketing, Branding and Sale*

*Marketing and Branding*

The Volvo Car Group maintains its brand positioning as a luxury brand. The Volvo Car Group has established the following strategies: (i) stay client-oriented consistently; (ii) commit to innovation and seize the opportunity of global economic development, especially China's economic development; and (iii) focus on China's market and Sweden's market, strengthen presence in European and US markets, and develop the Asian, African and Latin American markets.

*Sales*

The Volvo Car Group sells its vehicles through its wholly-owned sales companies in different regions through local dealers. As at 31 December 2018, the Volvo Car Group had 22 sales companies in Europe, four sales companies in the United States and eight sales companies in the Asia-Pacific region.

For the years ended 31 December 2017, 2018 and 2019, China continued to be Volvo Car Group's largest market by country, followed by the United States. The following table sets forth the Volvo Car Group's sales volume by market for the periods indicated:

| | Year ended 31 December | | | Nine months ended 30 September | Year ended 31 December |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2019 |
| | *(units)* | *(units)* | *(units)* | *(units)* | *(units)* |
| Sales in the PRC | 90,930 | 114,410 | 130,593 | 109,512 | 154,961[2] |
| Sales outside the PRC | 443,402 | 457,167 | 511,660 | 398,192 | 550,491 |
| Europe[1] | 290,925 | 298,948 | 318,235 | 247,956 | 341,200[3] |
| United States | 82,726 | 81,504 | 98,263 | 77,432 | 108,234[4] |
| Others | 69,751 | 76,715 | 95,162 | 72,804 | 101,057 |
| **Total** | **534,332** | **571,577** | **642,253** | **507,704** | **705,452** |

*Notes:*

(1) Representing the total number of vehicles sold in all countries in the Europe (including United Kingdom).

(2) SUV sales accounted for 59.7 per cent of total retail sales in China. Sales growth was mainly driven by the locally produced XC60, XC40 and S90, followed by the XC90.

(3) The sales were particularly strong in Germany with more than 50,000 cars sold.

(4) Breaking the 100,000 cars sold threshold for the first time since 2007.

*After-sale Service System*

The Volvo Car Group offers various types of after-sale services to customers such as preventive maintenance services, assistance services and IT services. The range and flexibility of its after-sale services mean that the solutions can be customised for each customer. In 2012, the Volvo Car Group established a parts and components redistribution centre in Beijing, which is the second parts and components redistribution centre it has established in China, following the first one in Shanghai. In the future, the Volvo Car Group will further improve its after-sale service to meet its growing customers' needs.

*Quality Control and Product Safety*

The Volvo Car Group aims to achieve three core values of quality, safety and environmental protection with regard to the development and manufacture of automobiles. It developed the world's leading technologies for promoting air quality inside an automobile, the Indoor Air Quality System and the Environmental Concept Car, which significantly filter road dust, pollen particles and other substances, and minimise the density of nitrogen dioxide and hydroxides inside the automobile.

**Parts and Others**

In addition to the manufacture of complete vehicles conducted through the Geely Auto Group and the Volvo Car Group, the Group also manufactures and sells passenger vehicles under the LEVC, Yuan Cheng Auto, Lotus and Terrafugia brands. Operations have also included production of automobile parts and components. In 2016, 2017 and 2018 and for the nine months ended 30 September 2019, operating income derived from the Group's parts and other businesses amounted to RMB12,613.4 million, RMB11,314.2 million, RMB13,334.0 million and RMB4,957.8 million, respectively, which accounted for 6.0 per cent., 4.1 per cent., 4.1 per cent. and 2.2 per cent. of the Group's total operating income during the relevant periods.

*Parts*

The Group offers a full range of engines, new small displacement engines and corresponding manual or automatic gearboxes. The core components, including engines, gearboxes and electronic power steering are mainly developed and produced by the Geely Auto Group. As of 31 December 2019, the Group's manufacturing of engines and parts is carried out through its six subsidiaries that specialise in the core components production. These subsidiaries are Hunan Luoyou Engine Co., Ltd. (湖南羅佑發動機部件有限公司), Zhejiang Geely Luoyou Engine Co., Ltd. (浙江吉利羅佑發動機有限公司), Zhejiang Fengrui Engine Co., Ltd. (浙江鋒銳發動機有限公司), Baoji Geely Engine Co., Ltd. (寶雞吉利發動機有限公司), Zhejiang Yili Engine Co., Ltd. (浙江義利汽車零部件有限公司) and Ningbo UMD Automatic Transmission Co., Ltd. (寧波上中下自動變速器有限公司). The Group continues to emphasise the development of automobile core components. The Group's 4G18CVVT engine, with a power of 57.2kw, is a world-class engine in terms of power. The Group's Z-series automatic transmission filled in a gap in Chinese automatic transmission technology, and won the first prize for Scientific and Technological Progress in the China Automobile Industry (中國汽車行業科技進步一等獎).

*Geely New Energy Commercial Vehicle*

Geely New Energy Commercial Vehicle is a new energy commercial vehicle company that manages two brands: LEVC and Yuan Cheng Auto. LEVC is the manufacturer of the iconic London taxi and is committed to becoming a leading producer of new energy-focused urban commercial vehicles. Yuan Cheng Auto has three core product lines: new energy-focused trucks, bus chassis and new energy powertrains. Yuan Cheng Auto launched its first core products in October 2016 including the E12 pure electric city bus and the E200 pure electric logistics vehicle. As at 31 December 2018, Geely New Energy Commercial Vehicle had established four production plants in China based in Yiwu, Nanchong, Jinzhong and Shangrao, respectively.

***Lotus***

In 2017, the Group acquired a 51.0 per cent equity interest in Lotus. Lotus is a British luxury sports car brand founded in 1952. Lotus Engineering, a subsidiary of Lotus, has helped develop some of the most iconic and famed performance sports cars.

***Terrafugia***

Terrafugia was founded in 2006 by five award-winning MIT graduates that had a vision and a passion for changing the way humans move around their environment. With Terrafugia now being part of the Group, the Group will continue to promote the development of Terrafugia's flying car plans with strengthened research and development efforts in the United States.

**RESEARCH AND DEVELOPMENT**

The Group places significant emphasis on research and development. As at the date of the this Offering Circular, the Group has set up five research and development centres located in China, Sweden, the United Kingdom and Germany, respectively, namely (i) CEVT in Gothenburg, Sweden; (ii) the Geely automobile research and development centre in Hangzhou, China; (iii) the LEVC research and development centre in Antsy Park, Coventry in the United Kingdom; (iv) the research and development centre in Raunheim, Germany and (v) the Hangzhou Bay flagship research and development center in Ningbo, China.

Established in Gothenburg, Sweden in 2013, CEVT is a research and development centre for future c-segment cars which has been instrumental in developing CMA, a new generation of scalable architecture on which the Group will be able to accommodate a wide variety of vehicle sizes and body styles. CEVT covers vital aspects of passenger car development – from architecture to powertrain and drive line components, to top hat engineering to a vehicle's exterior design. The first model based on CMA developed at CEVT was introduced in October 2016. CEVT has engaged in the development of new car technologies with the aim to deliver advanced and cost-saving technologies and new vehicle model using the CMA platform. This platform will be used for both the production of Volvo and Geely brand products and the Group expects it to create significant economies of scale that will help it compete with other automobile companies in the breadth of models offered.

The first phase of the Geely automobile research and development centre covers an area of 142,904.45 square metres, including the modelling centre, research and development building, vehicle trial production centre, powertrain test centre, vehicle test centre and staff living facilities. On 10 May 2017, the Group officially released the "iNTEC Humanised Intelligence Drive Technology", including high-efficiency power technology, people-based safety technology, intelligent driving technology, eco-friendly technology and smart connected car technology. The research and development centre has the largest and most advanced whole vehicle trial production centre. The centre passed the national laboratory CNAS system certification in April 2015. It has the most comprehensive self-driving test field in China. The technical parameters of road facilities meet local vehicle regulations and standards in China, the EU, North America, Pan-Europe and the Middle East.

The LEVC research and development centre launched its new zero-emission capable range of electric taxis ahead of London's "Zero-Emission Capable" regulation under which all new London taxis require zero-emissions capability from 1 January 2018. In addition, the Group has set up design centres in Barcelona, Gothenburg, California and Shanghai to create a global design platform.

The Group also invests in advanced research and development and collaborates with governmental and nongovernmental partners to enhance vehicle safety and security solutions. The Group's product development is driven by the cost of and availability of fuel, environment-related legislation and new technologies. Therefore, it focuses its research and development on reducing emissions and increasing energy efficiency, product and traffic safety, and transport solutions.

## INTELLECTUAL PROPERTY RIGHTS

Patents, trademarks, trade secrets and other intellectual property rights are crucial to the Group's continued success. The Group is committed to the development and protection of its intellectual property portfolio.

The Group has registered or is in the course of registering several trademarks, including its brands "Geely", and "Volvo", in various markets, including those where its products are principally sold. The Group has also obtained patent protection and is in the process of applying for patent protection for certain inventions. As of 30 September 2019, the Geely Auto Group alone had 17,276 registered patents.

In order to defend the intellectual property rights and the intellectual property rights that it is licensed to use, the Group implemented a set of internal intellectual property management procedures and all matters related to trademarks, patents and trade secrets are required to comply with such procedures. The Group monitors whether there is any infringement of its intellectual property rights by regularly reviewing industrial information and its competitors' product and technology offerings, as well as conducting patent and technology searches and other internet searches. In cases of infringement of its intellectual property rights by third parties, the Group may actively pursue legal action against such third parties. As of the date of this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings relating to the Group's intellectual properties, which could have a material adverse effect on the Group's businesses, results of operations and financial condition.

## COMPETITION

The industry in which the Group operates is characterised by intense competition among indigenous automobile companies and Sino-foreign joint venture automobile companies as well as international automobile companies. The Group considers its major domestic competitors to be other automobile companies in China with a national presence. The Group also competes across all of its product lines with Sino-foreign joint venture automobile companies as well as international automobile companies. Geely faces competition in the PRC from home-grown automobile manufacturers such as Shanghai General Motors, FAW Group, Dongfeng Motor, and Chang'an Motor. Volvo competes globally with luxury brands such as Mercedes, BMW and Audi.

However, the Group believes that it is able to compete on the basis of its reputation, extensive sales network, and continuous research and development efforts. The Group believes the entry barriers to its industry are substantial due to the significant amount of capital required to construct manufacturing facilities, high production volumes needed to bring down unit costs, significant technological know-how, research and development capabilities needed to develop high-end products and time and capital required to establish a sales network.

## ENVIRONMENTAL PROTECTION AND WORKPLACE SAFETY

### Safety and Environmental Protection Office

The Group has set up a safety and environmental protection office for production safety management, occupational health and environmental protection. The office is mainly responsible for establishing emergency management system regulations, making comprehensive emergency plans and coordinating and supervising emergency management offices of each subsidiary. The office aims to ensure manufacturing safety, production emission compliance with applicable PRC laws and regulations and employee occupational health.

**Environmental Protection**

The Group is subject to the environmental laws and regulations in jurisdictions where it has operations. These laws and regulations in general empower government authorities to impose fees for the discharge of waste, levy fines for offences, or order the closure of any manufacturing facilities that fail to comply with related laws and regulations. Under the relevant environmental laws and regulations, the construction, expansion and operation of the Group's production facilities are subject to certain environmental impact assessments, government inspections and other relevant government environmental approvals.

In addition, as the Group's production processes generate noise, waste water, gases and other industrial waste, the Group is also required to comply with applicable national and local environmental regulations. Any failure by the Group to control the use or to restrict adequately the discharge of hazardous substances could subject it to potentially significant monetary damages and fines, suspensions or closures of its business operations.

**Safety Management**

The Group is subject to various laws and regulations regarding labour, safety and work-related incidents. The Group's corporate safety requirements promote safe manufacturing practices at its manufacturing plants, and each plant also establishes its own safety rules to minimise site-specific employee hazards. The Group has established safety production management systems at its production sites and workplace. The Group has also established equipment safety operation guidelines, conducted regular equipment inspections, adopted advanced technologies and well-designed machinery and equipment, obtained certifications from various certification bodies and provided mandatory staff safety training to ensure the safety of its employees and reduce their exposure to safety risks.

## INSURANCE

The Group currently maintains commercial property insurance, employer's liability insurance, cash insurance, personal accident insurance, serious disease insurance and public liability insurance for major operational risks. The Group's insurance policies do not cover environmental damage arising from its operations or caused by natural disasters, such as floods. Accordingly, there may be circumstances in which the Group will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect its financial position and results of operations. Separately, the Group maintains and contributes to insurance coverage for its employees that is required by applicable local laws. For example, the Group has maintained and contributed pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance for its employees in the PRC.

## EMPLOYEES

As of 31 December 2019, the Group had approximately 120,000 employees, including approximately 60,000 employees of the Geely Auto Group and approximately 43,000 employees of the Volvo Car Group.

The Group views recruiting, training and retaining skilled employees as an important element of its business. The Group recruits employees from a number of sources, including certain universities, internal applicants, search firms, careers fairs, advertising and the internet. Candidates are reviewed internally and interviewed by a selection team. The Group offers training programs to its employees, which are designed to develop their skills to meet the Group's enterprise standards and customer requirements. For example, the Group has a retention program that includes individual development plans, merit wage adjustments and promotions. In addition, the Group has adopted employee incentive plans designed to attract, retain and incentivise employees with a view to encouraging the participants to commit to enhancing value for the Group and its shareholders as a whole. The Group's full-time employees also participate in various employee benefit plans including pension schemes, extended disability benefits and worker compensation.

As of the date of this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings in any labour dispute with the Group's employees, which could have a material adverse effect on the Group's businesses, results of operations and financial condition.

## REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

From time to time, the Group is subject to various legal actions and claims incidental to its business, including those arising out of alleged defects, breaches of contract, product warranties, intellectual property matters, and employment-related matters.

In addition, the Group is party to numerous administrative, legal and arbitration proceedings and claims that arise in the ordinary course of its business involving purported violations of contractual terms, regulations and laws, none of which are expected to have a material adverse effect on its business, results of operations and financial condition. As of the date of this Offering Circular, the Guarantor is not aware of any material pending or threatened litigation, arbitration, administrative proceeding or claim.

## DIRECTORS

The board of directors of the Guarantor is responsible and has general powers for the management and conduct of the Guarantor's business. The Guarantor's board of directors currently consists of four directors. The term of appointment of a director shall not exceed three years. Upon expiry of the term of appointment, a director may be re-elected. The following table sets forth certain information concerning the Guarantor's directors.

| Name | Age | Position |
|---|---|---|
| Mr. LI Shufu (李書福) | 57 | Chairman of the Board of Directors |
| Mr. YANG Jian (楊健) | 58 | Vice Chairman of the Board of Directors |
| Mr. AN Conghui (安聰慧) | 50 | Director and President |
| Mr. LI Donghui (李東輝) | 50 | Director, Executive Vice President and Chief Financial Officer |

**Mr. LI Shufu (李書福)**, aged 57, is the chairman of the board of directors of the Guarantor and is responsible for overall strategic planning, board leadership, corporate governance and formulation of the corporate policies. Mr. Li founded the Geely Auto Group in 1995 and the Group in 2003. Mr. Li is the Group's controlling shareholder. Mr. Li has almost 30 years of experience in the investment and management of the automobile manufacturing business. Mr. Li is a member of the Chinese People's Political Consultative Conference. Mr. Li was accredited as one of the "50 Most Influential Persons in China's Automobile Industry in the 50 years" in 2003 by China Automotive News (中國汽車報), "China's The Most Respected Entrepreneur" in 2010 by Huade Award Ceremony, "CCTV Chinese Business Person" in 2009, one of the "Top 10 Private Entrepreneurs" in 2004, "Business Person of the Year in Zhejiang" in 2004, one of the "Top 10 Leaders of Independent Innovation among China's Private Entrepreneurs" in 2006, and "Annual Person of the Year of People's Enterprise Social Responsibility" in 2014 by People.net. Mr. Li holds a master's degree in engineering from Yan Shan University (燕山大學).

**Mr. YANG Jian (楊健)**, aged 58, is the vice chairman of the board of directors of the Guarantor and is responsible for assisting the chairman in board leadership and corporate governance. Mr. Yang joined the Group in 1995 and has held various key positions, including product research and development, engineering and construction, manufacturing, quality improvement, marketing, after-sales service and operation and management in the PRC and overseas. Mr. Yang is a senior economist and a senior engineer in the PRC and holds an EMBA degree and graduated from Zhejiang Radio and Television University (浙江廣播電視大學) with a focus on production management.

**Mr. AN Conghui (安聰慧)**, aged 50, is a director and the president of the Guarantor and is responsible for managing the Group's operations and business. Mr. An joined the Group in 1996 and held various key positions, including chief engineering officer and general manager. Mr. An has extensive professional knowledge and senior managerial experience in the automobile industry, particularly in the field of automotive engineering. Mr. An was previously in charge of the operation under the "Emgrand" product brand following the Group's implementation of the multi-brand strategy and the Group's production of gearboxes, engines and drivetrain systems. Mr. An holds a master's degree in engineering management from Zhejiang University (浙江大學) and a diploma in contemporary accounting from the Hubei University of Economic and Management (湖北經濟管理學院).

**Mr. LI Donghui (李東輝)**, aged 50, is a director, an executive vice president and the chief financial officer of the Guarantor. Prior to joining the Group, Mr. Li had taken up senior roles, such as chief financial officer and general manager, in various companies including BMW Brilliance Automotive Ltd. (華晨寶馬汽車公司) and Danfoss (Tianjin) Limited (丹佛斯天津有限公司). He currently focuses on the management of the Group's operations. Mr. Li holds an MBA degree from Kelley School of Business at Indiana University.

## SUPERVISORS

The Guarantor's board of supervisors currently consists of two supervisors. The term of appointment of a supervisor shall not exceed three years. Upon expiry of the term of appointment, a supervisor may be re-elected. The following table sets forth information concerning the Guarantor's supervisors.

| Name | Age | Position |
|---|---|---|
| Mr. YE Weilie (葉維列) . . . . . | 57 | Supervisor |
| Mr. LI Xingxing (李星星) . . . . . | 35 | Supervisor |

**Mr. YE Weilie (葉維列)**, aged 57, is a supervisor of the Guarantor and serves as the general manager of Geely Automobile Parts Purchasing Ltd. Mr. Ye was appointed as the Guarantor's supervisor in 2012. He joined the Group in 2002, and was in charge of the Group's administrative and daily operations. Mr. Ye holds a bachelor's degree from the Zhejiang Gongshang University Hangzhou College of Commence.

**Mr. LI Xingxing (李星星)**, aged 35, is a supervisor of the Guarantor. Mr. Li is one of the Guarantor's minority shareholders and is the son of Mr. Li Shufu. He joined the Group in 2008, and was appointed as a supervisor in 2012. Mr. Li holds a bachelor's degree from the University of Essex.

## SENIOR MANAGEMENT

The following table sets forth information of the Guarantor's senior management:

| Name | Age | Position |
|---|---|---|
| Mr. AN Conghui (安聰慧) . . . . . | 50 | Director and President |
| Mr. LI Donghui (李東輝) . . . . . | 50 | Director, Executive Vice President and Chief Financial Officer |
| Ms. WEI Mei (魏梅) . . . . . | 51 | Vice President |

**Mr. AN Cong Hui (安聰慧).** See "– *Directors*".

**Mr. LI Donghui (李東輝).** See "– *Directors*".

**Ms. WEI Mei (魏梅)**, aged 51, is a vice president of the Guarantor and is responsible for human resources management. Before joining the Group in June 2011, Ms. Wei has served as the head of small appliances business department in Qingdao Haier Refrigerator Company Limited (海爾集團), human resources director of Beiqi Foton Motor Co., Ltd. (北汽福田公司) and vice chairman of Hangzhou Zhonggao Engine Company (杭州中高發動機公司). Ms. Wei is a senior economist and holds a Bachelor's Degree in Science and a master's degree in management from the Ocean University of China (中國海洋大學), and a doctoral degree in management from the Northwest A&F University.

## PRC REGULATIONS

*The following discussion summarizes the principal PRC laws, regulations, policies and administrative directives to which the Group is subject.*

### POLICIES AFFECTING THE PRC AUTOMOBILE INDUSTRY

The PRC government principally monitors the PRC automobile industry through the following authorities:

(1) the PRC State Administration for Market Regulation (the "**SAMR**");

(2) the MIIT;

(3) the Ministry of Ecology and Environment of the PRC (the "**MEE**"); and

(4) the Ministry of Commerce of the PRC (the "**MOFCOM**").

The above authorities have different functions, but they work collaboratively with each other to effectively monitor the PRC automobile industry. The NDRC is principally responsible for determining the policy of the PRC automobile industry and the long-term planning of the industry development. The MIIT is responsible for administering the PRC automobile industry. The SAMR specializes in products quality control. The MEE is responsible for limiting the level of emission of automobiles. The MOFCOM is responsible for the formulation of policies or regulations concerning automobile sales and the pertinent services nationwide.

On 21 May 2004, the NDRC promulgated the Policy on the Development of Automobile Industry (汽車產業發展政策) (the "**Policy**"), which became effective on the same day and was further amended by the NDRC and the MIIT on 15 August 2009. The Policy contains provisions relating to, among other things, the PRC automobile industry policies and aims, technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automobile consumption.

The plan on Adjusting and Revitalizing the Automobile Industry (汽車產業調整和振興規劃) (the "**Plan**") was promulgated by the General Office of the State Council and became effective on 20 March 2009. The Plan specified the main tasks for the adjustment and revitalization of the automobile industry from 2009 to 2011, which include, without limitation, fostering the automobile consumption market, supporting enterprises' independent innovation, and promoting new-energy automobiles, indigenous brands and auto product export. In order to fulfill those tasks, the Plan also provides a number of policies and measures including (1) reducing the purchase tax on passenger vehicles; (2) implementing a program for bringing automobiles to rural areas; (3) accelerating the retirement and upgrade of old and used cars; (4) revoking unreasonable restrictions on automobile purchase; (5) promoting and regulating the automobile consumption credit loans; (6) standardizing and promoting the development of the second-hand vehicle market; (7) accelerating the construction of the urban road transportation system; (8) improving the automobile enterprise reorganization policies; (9) increasing technology and innovation investments; (10) promoting the use of energy-efficient and new-energy automobiles; and (11) implementing and improving the Policy. The Medium-and Long-Term Plan on the Automobile Industry (汽車產業中長期發展規劃) (the "**Medium Plan**") was promulgated by the NDRC, the MIIT and the Ministry of Science and Technology of the PRC and became effective on 6 April 2017. The Medium Plan envisions China becoming a top automobile country in the world over the next ten years. In particular, the Plan aims to have several top ten new-energy automobile companies of the world by 2020, have several top ten automobile sellers of the world by 2025, and have several top ten automobile parts companies of the world by 2025. The Medium Plan designates the new-energy automobile, the smart internet of vehicle, and the energy-saving automobile as key areas to develop.

**Foreign Investment in Automobile Industry**

The Foreign Investment Law of the PRC (中華人民共和國外商投資法), which was passed by the National People's Congress in China (全國人民代表大會) (the "**NPC**") on 15 March 2019 and came into force on 1 January 2020, and the Implementation Rules of the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), which was promulgated by the State Council on 26 December 2019 and came into force on 1 January 2020 (collectively, the "**Foreign Investment Law**"), are formulated with the purpose of furthering opening up, actively promoting foreign investment, protecting the lawful rights and interests of foreign investment, standardizing the administration of foreign investment, promoting the formation of a new pattern of comprehensive opening up, and promoting the healthy development of the socialist market economy. The Foreign Investment Law stipulates investment promotion, investment protection, investment management and legal liabilities.

"Foreign investment" as mentioned in Foreign Investment Law refers to the investment activities carried out by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**foreign investors**") directly or indirectly within the territory of the PRC, including the following situations: (i) the foreign investor establishes an enterprise with foreign investment in the PRC alone or jointly with other investors; (ii) the foreign investor obtains shares, equity, property or other similar rights and interests of a domestic enterprise in the PRC; (iii) the foreign investor, separately or together with other investors, invests in new projects within the territory of the PRC; (iv) investment in other ways as prescribed by laws, administrative regulations or the State Council. The Foreign Investment Law implements a system of pre-entry national treatment plus a negative list for foreign investment. The pre-entry national treatment means the treatment given to the foreign investors and their investment at the stage of investment admission shall be no less favorable than that to domestic investors and investments; the negative list means the special administration measures that are adopted for the admission of foreign investment in specific areas. The Foreign Investment Law also implements (i) an information reporting system, which requires the foreign investors and the foreign-invested enterprises to submit the requisite information to the competent commerce authorities through the enterprise registration system and the enterprise credit information publicity system; and (ii) a security examination system for foreign investment to review the foreign investment that affects or may affect the national security. At present, the negative list that regulates investments in the PRC by foreign investors and foreign-invested enterprises is the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Edition) (外商投資准入特別管理措施(負面清單)(2019年版)) (the "**Negative List (2019)**"), which was jointly promulgated by the NDRC and the MOFCOM on 30 June 2019 and became effective on 30 July 2019. According to the Negative List (2019), except for specialty vehicles and new energy vehicles, (i) the proportion of shares Chinese shareholders hold in an automobile manufacturing enterprise shall be no less than 50%, and (ii) a foreign company may establish no more than two joint ventures producing the same category of vehicles in China. Further, the restriction on foreign capital share ratio of commercial vehicle manufacturing will be lifted in 2020, and the restriction on foreign capital share ratio of passenger vehicles and limits on foreign company from establishing more than two joint ventures manufacturing the same category of vehicles will be lifted in 2022 as well.

According to the Policy, in the case of a listed company that manufactures vehicles, specialty vehicles, agricultural transport vehicles or motorcycles, where any legal persons' shares in such listed company are offered, there must be one Chinese legal person shareholder whose shareholding is relatively controlling and is more than the sum of legal persons' shares held by foreign parties in such listed company after such offering. A foreign company may establish no more than two automobile manufacturing joint ventures in China that produce the same category of vehicles, but this restriction does not apply to those foreign companies cooperating with their respective Chinese joint venture partners to acquire other Chinese automobile manufacturing enterprises.

**Manufacturers' Qualification and Compulsory Authentication of Automobile Products**

Since 1 January 2001, the government authorities, from time to time, release the Public Notice of Automobile Vehicle Manufacturer and Products (車輛生產企業及產品公告) (the "**Public Notice**") to administer the new automobile vehicle products of manufacturers. The inclusion on the Public Notice is a prerequisite for automobile manufacturers to manufacture automobiles, including assembling complete built-ups, and for customers to register their automobiles to the public security authorities. The MIIT has been the authority in charge of the release of the Public Notice since August 2008. The automobile manufacturers listed in the Public Notice shall only manufacture and sell the vehicle models authorised by the Public Notice. Any manufacturers that produce or sell automobile products or vehicles not included in the Public Notice shall be subject to penalties. The Policy further provides that in order to be registered in the Public Notice, the automobile manufacturer must pass compliance tests of various safety standards, technical specifications and environmental protection requirements.

The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the "**GAQSIQ**") had been in charge of the administration of automobile product quality certifications until March 2018 and after that the SMAR takes over such responsibilities due to the State Council's institutional reform in 2018. According to the Administrative Rules for Compulsory Product Certification (強制性產品認證管理規定) issued by the GAQSIQ in 2009, automobile products, including imported vehicles, parts and components, are subject to compulsory certification tests conducted by government-designated certification agencies for compliance with various safety and technical standards and requirements. An automobile product may only be sold in China or imported into China after passing such authentication and receiving a China Compulsory Certification. This is commonly known as a 3C or CCC certification.

The PRC government may also remove automobile products from the Public Notice if the government determines that such automobile products no longer meet the relevant regulatory requirements. Such removal will deprive the relevant manufacturer of its right to continue to manufacture or sell the removed automobile products in China.

**Emissions and Pollution**

The PRC government has adopted various measures to establish a uniform supervision and administration system with respect to vehicle emissions, including an automobile product authentication procedure and a network of testing centres across China. The MEE from time to time publishes notices to inform the public of new vehicle models that comply with its regulatory emission standards. Automobile manufacturers are not allowed to produce or register any vehicle model or automobile product that has failed to comply with such regulatory emission standards. The MEE limits exhaust emission on the basis of China I, II, III, IV and V Standards. Different limits of exhaust emission and tests in such standards shall be applied to different types of vehicles.

Starting from 1 September 2003, the PRC government ceased to follow China I Standards and began to implement China II Standards. The PRC government began implementing China III Standards in selected cities such as in Beijing in December 2005 and in Guangzhou in September 2006, and the implementation has expanded to other places in China since 2008. The PRC government further implemented China IV Standards effective from 1 July 2011, and all compression ignition engines and automobiles produced, imported, sold and registered shall be in compliance with China IV Standards. China V Standards was then implemented by the PRC government in 2013 and became effective from 1 January 2018. The MEE further issued the Limit and Measurement Methods of Emission from Light Vehicles (China VI Standards) (輕型汽車污染物排放限值及測量方法(中國第六階段)) on 23 December 2016, pursuant to which China VI Standards will become effective on 1 July 2020 and will replace China V Standards. These emission standards will impose higher compliance expenditures on the PRC automobile manufacturers, including the research and development costs, to satisfy engine and vehicle design and engineering requirements.

**Automobile Sales and After Sales Services**

The sale of automobiles is subject to the Measures for Implementing the Administration of Automobile Sales (汽車銷售管理辦法) (the "**Automobile Sales Measures**"), which were promulgated on 5 April 2017 and came into force on 1 July 2017. The Automobile Sales Measures apply to activities in the automobile sales and related services within the territory of the PRC. The MOFCOM is responsible for the formulation of policies or regulations concerning automobile sales and the pertinent services nationwide. The Automobile suppliers and dealers shall perform record-filing of the basic information through the information system for the national automobile circulation operated by the MOFCOM within 90 days of the receipt date of business licences. Where there is any change to the information concerned, its update shall be made within 30 days upon the date of the change. Any automobile suppliers and dealers established prior to the implementation of these Measures shall perform record-filing as prescribed in the former paragraph within 90 days of the date of implementation of these Measures. Such suppliers and dealers shall, subject to the requirements of the MOFCOM, serve sale volume, types and other information through the information system for the national automobile circulation in a timely manner.

Furthermore, automobile suppliers and distributors in the China shall build up an integrated system for automobile sales and after-sales services, ensure the related auto accessory supply, provide timely and effective after-sales services, and strictly comply with regulations concerning, among others, 3R (i.e. "replace, repair and refund") and recall of household automobiles to protect consumers' legitimate rights and interests. The automobile suppliers shall announce to the public the vehicle models ceasing to be manufactured or sold in a timely manner, and ensure the accessories supply and the corresponding after-sales services for at least 10 years.

**Automobile Financing**

The China Banking Regulatory Commission (the "**CBRC**") promulgated a new set of Administrative Rules Governing Automobile Financing Companies (汽車金融公司管理辦法) on 24 January 2008, and established legal constraints on automobile financing companies to ensure their rapid development with effective risks control. The eligibility requirements and permitted business scope stress that automobile financing companies should demonstrate professionalism. It is emphasised that the principal capital contributor in establishing an automobile financing company shall be an enterprise that engages in producing or selling vehicles or non-banking financial institution. It also specified that at least one of the capital contributors shall have over five years' experience in automobile financing business management and risks control, or otherwise, a professional management team shall be introduced. In addition to providing automobile finance lease service (excluding sale and leaseback business), an automobile financing company is also permitted to engage in issuing financial bonds upon approval and interbank lending, which has widened the financing channels of an automobile financing company. In respect of risk control, an automobile financing company shall comply with the regulatory requirements, including that the balance of the credits shall be no more than 15 per cent. of its net capital if granted to a single borrower and shall be no more than 50 per cent. of its net capital if granted to a single group client.

The People's Bank of China (the "**PBOC**") and the CBIRC jointly promulgated the Administrative Measures on Automobile Loans (汽車貸款管理辦法) (the "**Loans Measures**") on 16 August 2004, and the PBOC further amended the Loans Measures on 13 October 2017, which became effective on 1 January 2018. The Loans Measures stipulate the conditions for a borrower to apply for personal, dealer and institutional automobile loans. The time limit (including extensions) on automobile loans shall not exceed five years. The time limit (including extensions) on automobile loans for second-hand automobiles shall not exceed three years. The time limit on automobile loans for dealers shall not exceed one year. In order to obtain the financing, an automobile dealer's balance sheet ratio, or asset liability ratio, which equals its indebtedness divided by its total assets, must not exceed 80 per cent., and it must have sufficient stable and lawful income or assets to repay both the principal and interest incurred on the loan. An automobile dealer will be subject to regular credit reviews and inspections, which will be conducted by the relevant commercial banks and financial institutions. However, the frequency of the reviews and inspections is not specified in the Loans Measures. Furthermore, the granting of auto loans shall be subject to a system of maximum percentage requirements, and the percentage of an auto loan amount granted by a lender to a borrower in the total price of the automobile purchased by the borrower shall not exceed such applicable maximum percentage requirement; such maximum percentage requirements shall be set separately by the PBOC and the CBRC in light of the development of the macro-economy and the industry and other actual conditions.

**Recall of Defective Automobiles**

The Administration Rules on Recalls of Defective Automotive Products (缺陷汽車產品召回管理條例) (the "**Recall Rules**") were promulgated by the State Council (國務院) on 22 October 2012 and became effective on 1 January 2013, and further revised on 2 March 2019 according to Decision of the State Council on Revising Certain Administrative Regulation (國務院關於修改部分行政法規的決定). The Recall Rules require the automobile manufacturer, upon learning of a potential defect in its automobile products, to forthwith investigate, analyse, and truthfully report the results to the product quality supervising department of the State Council. The Recall Rules also require the manufacturers to forthwith cease manufacturing, selling, or importing the defective automotive products and conduct a recall upon confirmation of a defect in its automobile products. To conduct a recall, the manufacturer shall formulate a recall plan as required by the product quality supervising department of the State Council, file the recall plan therewith for record, and implement the recall accordingly. When filing the recall plan for record, the manufacturer shall also inform the sellers concerned, who shall in turn cease the sales of the defective automobile product. The Rules also require the automobile seller to report defects in automobiles and automobile-related products to both the relevant automobile manufacturers and the PRC government authorities, and to fully cooperate with the automobile manufacturers in conducting automobile recalls and with the PRC government authorities in any investigations thereto.

The Implementing Measures for the Administrative Regulations on the Recall of Defective Auto Products (缺陷汽車產品召回管理條例實施辦法) (the "**Measures on Recall Regulations**") were promulgated by the GAQSIQ on 27 November 2015 and became effective on 1 January 2016. Under the Measures on Recall Regulations, automobile manufacturers shall formulate recall plans according to the provisions of the GAQSIQ, and file them with the GAQSIQ within five working days from the date of confirmation of a defect or from the date of receiving the recall order. In the meantime, automobile manufacturers shall timely and effectively notify relevant dealers of the recalls. Furthermore, automobile manufacturers shall submit recall reports to the GAQSIQ every three months from the date of implementation of a recall plan. Where the GAQSIQ has special requirements, automobile manufacturers shall submit recall reports as required. Automobile manufacturers shall submit a final recall report to the GAQSIQ within fifteen working days after implementing a recall plan.

**Repair, Replacement and Return Liability**

According to the Provisions on the Liabilities for the Repair, Replacement and Return of Household Automobile Products (家用汽車產品修理、更換、退貨責任規定) (the "**3R Provisions**"), which were promulgated by the GAQSIQ on 29 December 2012 and became effective on 1 October 2013, the dealer who distributes the household automobile products within the PRC bears the liabilities for repair, replacement and return of household automobile products (the "**Three Warranties**"). If the liabilities can be attributed to the manufacturers or other operators after the dealer has performed the Three Warranties obligations within its valid period, the dealer will be entitled to seek remedies from the responsible parties.

Manufacturers shall file for record and timely update the filings in case of any change thereto with the GAQSIQ the basic information about themselves, vehicle types, agreed sale and repair outlet information, product manual, Three Warranties certificate, repair and maintenance manual, Three Warranties dispute settlement, information about replacement or return of cars and other information relating to the Three Warranties of household automobile products.

The warranty period of household automobile products must not be less than three years or 60,000 kilometres in driving distance, whichever is reached first. The validity period of the Three Warranties of household automobile products will be no less than two years or 50,000 kilometres in driving distance, whichever is reached first. The warranty period of household automobile products and the validity period of the Three Warranties both commence from the date on which the vendor issues the purchase invoice. Within the validity period of the Three Warranties of a household automobile product, the consumer has the right to request the vendor to replace or return the product relying on the Three Warranties certificate and the purchase invoice, when the conditions of replacement or return under the 3R Provisions are met.

**Fuel-Efficient Automobiles & New-Energy Automobiles**

According to the Plan on Industry Development of Energy-Saving and New-Energy Automobiles (2012-2020) (節能與新能源汽車產業發展規劃(2012-2020年)), which was promulgated by the State Council on 28 June 2012 and became effective on the same day, the framework of the development of fuel-efficient automobiles and new-energy automobiles has been established. For the purpose of this plan, new-energy automobiles means automobiles adopting new types of power systems that are fully or mainly reliant on new types of energy. The new-energy automobiles referred to in this plan mainly include battery electric vehicles, plug-in range extended electric vehicles and fuel cell vehicles. Fuel-efficient automobiles mean vehicles with the internal-combustion engine as the main power system and with the comprehensive operating mode fuel consumption superior to the target values for the next stage. In this plan, the government, depending on a technical route, sets up long-term goals, in the term from 2012 to 2020, in connection with the fuel-efficient automobiles and new-energy automobiles for the automobile industry, which includes accelerating the industrialization, improving fuel utilization efficiency, promoting technological progress, easing contradiction between the demand and supply of key automobile parts and components and bettering the management system in the automobile industry. In order to achieve the above goals, the government determines to conduct more energy saving and new-energy automobile technology innovation projects, including without limitation to developing battery materials, lowering battery price and boosting the speed of fuel-efficient automobiles and new-energy automobiles, to strengthen the qualified automobile manufacturers' whole new-energy automobile production capacity and to promote charging facilities construction in cities. Mainly, the government further makes subsidy measures to offer financial support to the fuel-efficient automobiles and new-energy automobiles industry.

Pursuant to the Implementation Provisions for the Promotion of Fuel-Efficient Automobiles (Passenger Vehicles of 1.6 Liters and Below) under the "Project to Benefit People with Energy-Saving Products" ("節能產品惠民"工程節能汽車(1.6升及以下乘用車)推廣實施細則), which were jointly promulgated by the NDRC, the MIIT and the MOF on 26 May 2010 and became effective on 1 June 2010, the PRC government provides a subsidy of RMB3,000 for each fuel-efficient automobile that has a 1.6-liter or smaller engine. The NDRC, the MIIT and the MOF are responsible for determining and publishing the catalog of the fuel-efficient automobile models eligible for such subsidy (the "**Fuel-Efficient Automobiles Catalog**") and making amendments to the Fuel-Efficient Automobiles Catalog from time to time. On 7 September 2011, the NDRC, the MIIT and the MOF jointly promulgated the Notice on the Adjustment of Promotion and Subsidy Policy for Fuel-Efficient Automobiles (關於調整節能汽車推廣補貼政策的通知), which adjusted the integrated fuel consumption standards of the fuel-efficient automobile models eligible for such subsidy. The amount of subsidy remains RMB3,000 per automobile. To implement this notice, the NDRC, the MIIT and the MOF further amended the Fuel-Efficient Automobiles Catalogue and reduced the number of eligible fuel-efficient automobile models.

According to the Notice on Continuing to Promote the Application of New-Energy Automobiles (關於繼續開展新能源汽車推廣應用工作的通知), which was jointly promulgated by the MOF, the Ministry of Science and Technology of the PRC (the "**MOST**"), the MIIT and the NDRC on 13 September 2013 and became effective on the same day, the PRC government determines not only to provide diverse subsidies to consumers when buying new-energy automobiles, including battery electric automobiles, plug-in hybrid automobiles and fuel cell automobiles, but also to offer financial incentives to charging facilities construction in demonstration cities. The MOF, the MOST, the MIIT and the NDRC further jointly promulgated the Notice on Further Promoting the Application of New-Energy Automobiles (關於進一步做好新能源汽車推廣應用工作的通知) on 28 January 2014, and the Notice on Financial Support Policy re Promoting the Application of the New-Energy Automobiles from 2016 to 2020 (關於2016-2020年新能源汽車推廣應用財政支持政策的通知) on 22 April 2015 pursuant to the aforesaid notices, the PRC government shall continuously provide subsidies to customers who purchase the new-energy automobiles set forth in the Directory of Recommended Vehicle Models for Projects Promoting the Applications of New-Energy Automobiles until the end of 2020.

**Automobile Exports**

On 6 September 2012, the MOFCOM, the MIIT, the General Administration of Customs of the PRC, the GAQSIQ and the Certification and Accreditation Administration of the PRC (中國國家認證認可監督管理委員會) jointly promulgated the Notice on Further Regulating the Export Order of Automobile and Motorcycle Products (關於進一步規範汽車和摩托車產品出口秩序的通知) (the "**Export Order Notice**"), which became effective on the same day. According to the Export Order Notice, manufacturers applying for export qualifications should meet the following conditions: (1) automobile manufacturers shall be listed in the Public Notice released by the MIIT, and shall hold a valid 3C certification; (2) low-speed automobile manufacturers shall be listed in the Public Notice released by the MIIT; and (3) manufacturers of various products shall have the maintenance service capability compatible with the export volume. From 2013, the MOFCOM, the MIIT, the General Administration of Customs of the PRC, the GAQSIQ and the Certification and Accreditation Administration of the PRC shall apply categorized administration to the export delegation of manufacturers according to the examination of the overseas after-sales maintenance service outlets reported by manufacturers and the export scale of enterprises. A qualified enterprise shall submit the application to the competent local commerce authority. The MOFCOM shall, jointly with the MIIT, the General Administration of Customs, the GAQSIQ and the Certification and Accreditation Administration, publish and issue a List of Enterprises Qualified to Apply for Automobile or Motorcycle Export Licenses (符合申領汽車和摩托車出口許可證條件企業名單).

**POLICIES AFFECTING THE ISSUE OF THE NOTES**

The NDRC issued Circular 2044 on 14 September 2015, which came into effect on the same day.

Circular 2044 provides that, among others, (i) the issuance of foreign debts by enterprises shall be applied to the record-filing and the registration system instead of the quota review and approval system by the NDRC and (ii) the enterprises must make the registration of the foreign debts with the NDRC prior to the issuance of foreign debts (the "**NDRC Pre-issuance Registration**") and then report the particulars of such issuance to the NDRC within 10 PRC Business Days following the completion of such issuance (the "**NDRC Post-issuance Filing**"). The term "foreign debts" referred to in Circular 2044 means RMB-denominated or foreign currency-denominated debt instruments with a maturity of more than one year which are issued overseas by the domestic enterprises and their controlled overseas enterprises or branches and of which the principal and interest are repaid as agreed, including bonds issued overseas and long-and medium-term international commercial loans, etc..

The Guarantor has completed the NDRC Pre-issuance Registration in relation to the Notes by receiving the registration certificate dated 9 August 2019 from the NDRC with the validity of one year from the date thereof, according to which, the Guarantor's overseas subsidiary was allowed to issue offshore bonds up to U.S.$700 million. The Guarantor shall make the NDRC Post-issuance Filing within 10 PRC Business Days following the completion of the issuance of the Notes.

**CROSS-BORDER SECURITY REGULATIONS**

On 12 May 2014, the SAFE promulgated the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) and the relevant operational guidelines (collectively the "**Cross-border Security Regulations**"), which came into force on 1 June 2014. The Cross-border Security Regulations classify cross-border security into three types.

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owed by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owed by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security: any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall register (by submitting an application document package) the relevant security/guarantee with the SAFE within 15 PRC Business Days after its execution (or within 15 PRC Business Days after the date of any change to the security). Upon enforcement, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with the SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by an onshore entity in the PRC. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to the PRC laws.

On 26 January 2017, the SAFE promulgated the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知), which allows the funds under NBWD to be repatriated and used domestically. An offshore debtor may directly or indirectly repatriate the funds under NBWD and use them domestically by, among others, granting loans and making equity investment domestically.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. The Guarantor's obligations in respect of the Notes and the Trust Deed are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the Cross-border Security Regulations, executing the Deed of Guarantee does not require any pre-approval by the SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the SAFE for registration within 15 PRC Business Days after its execution (the "**Cross-Border Security Registration**"). The Cross-Border Security Registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee.

Under the Cross-border Security Regulations, the SAFE will go through a procedural review of the Guarantor's application for registration. Upon completion of the review, the SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the Cross-Border Security Registration. The Guarantor has been advised by its PRC legal advisers that there are no foreseeable legal obstacles to the completion of the Cross-Border Security Registration so long as all the required application documents have been duly and timely submitted to the SAFE and the SAFE has no doubt with the authenticity, commercial reasonableness, legal validity, performance propensity of the Deed of Guarantee.

Under the Cross-border Security Regulations:

- non-registration does not render the Guarantee of the Notes ineffective or invalid under the PRC law although the SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 PRC Business Days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor upon enforcement under the Deed of Guarantee) as domestic banks may require evidence of the Cross-Border Security Registration in order to effect such remittance, although this does not affect the validity of the Deed of Guarantee itself.

## DIFFERENCES BETWEEN PRC ACCOUNTING STANDARDS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements of the Guarantor as at and for the years ended 31 December 2017 and 2018 have been prepared in accordance with PRC GAAP. Other than the lease accounting standard, PRC GAAP have substantively converged with International Financial Reporting Standards. Accordingly, there are no other significant differences between the principal accounting policies adopted by the Guarantor and IFRS.

## EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable.

On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of the U.S. dollar. Under the policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by PBOC. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorised the China Foreign Exchange Trading Center, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 AM each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, PBOC announced that the floating band of Renminbi trading prices against the U.S. dollar in the interbank spot foreign currency exchange market would be increased from 0.3 per cent. to 0.5 per cent. from 21 May 2007.

On 15 March 2014, PBOC announced that since 17 March 2014, the floating band of inter-bank spot foreign exchange market trading price of RMB against U.S. dollar was further widened from 1 per cent. to 2 per cent. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. On 11 December 2015, China Foreign Exchange Trade System (the "**CFETS**"), published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective, and the CFETS currencies basket increased to 24 currencies since 1 January 2017 by including 11 new currencies. On 1 October 2016, the IMF included Renminbi in the basket of currencies that make up the SDR, along with the U.S. dollar, the euro, Japanese yen and the British Pound. The PRC government may adopt further reforms of its exchange rate system, including but not limited to promoting the opening of the capital account items in the future.

The following table sets forth the noon buying rates in Renminbi per U.S. dollar, as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

| | **Renminbi per U.S. Dollar Noon Buying Rate** | | | |
|---|---|---|---|---|
| **Period** | **Period End** | **Average[(1)]** | **Low** | **High** |
| | | *RMB per U.S.$1.00* | | |
| 2012 | 6.2301 | 6.2990 | 6.2221 | 6.3879 |
| 2013 | 6.0537 | 6.1412 | 6.0537 | 6.2438 |
| 2014 | 6.2046 | 6.1704 | 6.0402 | 6.2591 |
| 2015 | 6.4778 | 6.2869 | 6.1870 | 6.4896 |
| 2016 | 6.9430 | 6.6549 | 6.4480 | 6.9580 |
| 2017 | 6.5063 | 6.7350 | 6.4773 | 6.9575 |
| 2018 | 6.8755 | 6.6090 | 6.2649 | 6.9737 |
| 2019 | | | | |
| September | 7.1477 | 7.1137 | 7.0659 | 7.1786 |
| October | 7.0379 | 7.0961 | 7.0379 | 7.1473 |
| November | 7.0308 | 7.0199 | 6.9766 | 7.0389 |
| December | 6.9618 | 7.0137 | 6.9618 | 7.0609 |

| Period | Renminbi per U.S. Dollar Noon Buying Rate | | | |
|---|---|---|---|---|
| | Period End | Average[(1)] | Low | High |
| | | *RMB per U.S.$1.00* | | |
| 2020 | | | | |
| January | 6.9161 | 6.9184 | 6.8589 | 6.9749 |
| February (up to and including 7 February) | 7.0003 | 6.9921 | 6.9694 | 7.0208 |

*Note:*

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

# TAXATION

*The following summary of certain Hong Kong, PRC, United States and European Union tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of Hong Kong, PRC, United States and European Union tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.*

## HONG KONG

### Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

### Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong;

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

**Stamp Duty**

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

**PRC**

*The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "Taxation – PRC" section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.*

**EIT**

Pursuant to the Enterprise Income Tax Law of PRC (the "**EIT Law**") and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose actual management organs are within the territory of China shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay EIT at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the actual management organ of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to EIT at the rate of 25 per cent. in respect of its income sourced from both within and outside PRC. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been noticed or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident enterprise Noteholders will not be subject to withholding tax, income tax imposed by any tax authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and the PRC Individual Income Tax Law and their respective implementation regulations, any non-resident enterprise without an establishment within the PRC, or where its incomes have no actual connection to its establishment inside the PRC, and any non-resident individual shall pay EIT at the rate of 10 per cent. and individual income tax 20 per cent. respectively on the incomes sourced inside the PRC unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. Such income tax shall be withheld by the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the interest derived by the non-resident Noteholders would be considered as China-sourced and the Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC Noteholder. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to Noteholders so that Noteholders would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

Further, in the event that the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the capital gains derived by the non-resident Noteholder may be considered as China-sourced. Any non-PRC enterprise Noteholder and non-resident individual Noteholder may be subject to enterprise income tax and individual income tax at 10 per cent. and 20 per cent. respectively on the gains realised on the transfer of the Notes unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Notes if such capital gains are not connected with an office or establishment that the Noteholders have in the PRC and all the other relevant conditions are satisfied.

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantees by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10 per cent. on such payments of interest to non-PRC resident enterprise Noteholder and 20 per cent. for non-resident individual Noteholder as such payments of interest will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, which allows a lower rate of withholding tax, such lower rate may apply to qualified Noteholder. Repayment of the principal will not be subject to PRC withholding tax.

**VAT**

On 19 November 2017, the State Council promulgated the Interim Regulations on the Value-added Tax of the PRC (Revision 2017) (中華人民共和國增值税暫行條例(2017修訂)), according to which, the sales of services within the territory of the PRC was brought into the scope of the items which shall be subject to the VAT. Prior to that, for the purpose of the nationwide reform of the replacement of business tax with VAT, MOF and the State Administration of Taxation jointly issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業税改徵增值税試點的通知) (the "Circular 36") on 23 March 2016, which was amended on 1 July 2017, 1 January 2018 and 1 April 2019.

According to the above regulations, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "**loans**" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Guarantor, which thus shall be regarded as financial services subject to VAT. Further, given that the Guarantor is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. plus the related surcharges when receiving the interest payments under the Notes. Given that on behalf of the Issuer, the Guarantor pays interest income to Noteholders who are located outside of the PRC, the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT plus the related surcharges from the payment of interest income to Noteholders who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically VAT is unlikely to be applicable to the gains realised upon such transfer of Notes. However, VAT may be applicable if the seller or the buyer of the Notes is located in the PRC or is deemed a PRC resident. As Circular 36 and the laws and regulations pertaining to the replacement of business tax with VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Pursuant to the EIT Law and VAT regulations above, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor shall withhold EIT from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Guarantor shall withhold VAT plus the related surcharges from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC should such tax apply. However, in the event that the Guarantor is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Guarantor has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

**Stamp Duty**

No PRC stamp duty will be imposed on non-resident Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of the Noteholders is maintained outside the PRC.

## UNITED STATES' FOREIGN ACCOUNT TAX COMPLIANCE ACT TAX PROVISIONS

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "**foreign passthru payments**" are published in the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

## THE PROPOSED FINANCIAL TRANSACTIONS TAX (THE "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the securities are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with Barclays Bank PLC, Bank of China Limited, Singapore Branch, BNP Paribas, DBS Bank Ltd. and Standard Chartered Bank (together, the "**Managers**") dated (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Guarantor has agreed to guarantee and the Managers have severally and not jointly agreed with the Issuer and the Guarantor to subscribe for the principal amount of the Notes as set forth opposite their names in the following table.

| **Managers** | **Principal amount of the Notes** |
|---|---|
| | *(U.S.$)* |
| Barclays Bank PLC | |
| Bank of China Limited, Singapore Branch | |
| BNP Paribas | |
| DBS Bank Ltd. | |
| Standard Chartered Bank | |
| **Total** | |

The Managers are offering the Notes in accordance with the terms of the Subscription Agreement and subject to certain conditions contained in the Subscription Agreement, including, *inter alia*, the receipt by the Managers of documentation related to the issuance and sale of the Notes and legal opinions. The Subscription Agreement may be terminated by the Managers in certain circumstances at any time up to the time when the proceeds of the offering have been received and the Notes issued. The Subscription Agreement provides that the Issuer and the Guarantor will indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

The Issuer or, as the case may be, the Guarantor will pay the Managers' customary fees and commissions in connection with the offering and will reimburse the Managers for certain fees and expenses incurred in connection with the offering.

The Managers propose initially to offer the Notes at the Issue Price set forth on the cover page of this Offering Circular and for resale in transactions not requiring registration under the Securities Act pursuant to Regulations S.

If a jurisdiction requires that the issue of the Notes be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the issue of the Notes shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

### NEW ISSUE OF THE NOTES

The Notes are a new issuance of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. However, no assurance can be given as to the liquidity of any trading market for the Notes. A liquid or active public trading market for the Notes may not develop. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the performance of the Issuer and the Guarantor and other factors.

## PRICE STABILISATION AND SHORT POSITIONS

In connection with the offering, any Manager or any person acting on its behalf may, to the extent permitted by applicable laws and directives, engage in transactions that stabilise or otherwise affect the market price of the Notes. These transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes. If any Manager or its agent create a short position in the Notes in connection with the offering (i.e. if any Manager or its agent sells more Notes than are set forth on the cover page of this Offering Circular), that Manager or its agent may reduce that short position by purchasing Notes in the open market. In general, purchases of a Note for the purpose of stabilisation or to reduce a short position could cause the price of the Notes to be higher than it might be in the absence of such purchases. There is no assurance, however, that any Manager or its agent will undertake stabilisation action. Any stabilisation action may begin on or after the date adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time and must be brought to an end after a limited period.

Neither the Issuer, the Guarantor nor the Managers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer, the Guarantor nor the Managers make any representation that any Manager or its agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

## OTHER RELATIONSHIPS

Each of the Managers or its affiliates may purchase the Notes for its or their own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Notes or the securities of the Issuer, the Guarantor and their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchaser of the Notes). Each Manager and/or its affiliate(s) may purchase Notes and be allocated Notes for asset management and/or proprietary purposes, acting as investor for their own accounts and not with a view to distribution, and may in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantor or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associates from time to time. They have received, and may in the future receive, customary fees and commissions for these transactions. In addition to the transactions noted above, the Managers and their affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associates in the ordinary course of their business. In addition, the Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer or the Guarantor as beneficial owners, on behalf of clients or in the capacity of investment advisors.

## SELLING RESTRICTIONS TO THE OFFERING

### United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to any other exemption from the registration requirements of the Securities Act. Each Manager has represented that it has not offered or sold, and agrees that it will not offer or sell, any Notes and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it nor any of its affiliates (nor any person acting on behalf of such Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

### United Kingdom

Each Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### Hong Kong

Each Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (A) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (B) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### PRC

Each Manager has represented, warranted and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes, directly or indirectly, in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes, except as permitted by the securities laws of the People's Republic of China.

### Singapore

Each Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to

any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 2(1) of the SFA) or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

a. to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

b. where no consideration is or will be given for the transfer; or

c. where the transfer is by operation of law; or

d. as specified in Section 276(7) of the SFA; or

e. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the "**SFA**" is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## GENERAL INFORMATION

1. **Clearing System:** The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code and ISIN XS .

2. **Legal Entity Identifier:** the Legal Entity Identifier of the Issuer is 254900NA82QGYW26UQ06.

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes was authorised by the resolutions of the board of directors of the Issuer on 23 February 2020. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by the Shareholders' resolutions dated 23 February 2020 and the resolutions of the board of directors of the Guarantor dated 23 February 2020.

4. **NDRC Pre-issuance Registration:** Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the NDRC on 14 September 2015 which came into effect immediately, the Guarantor has registered the issuance of the Notes with the NDRC and has obtained a certificate from the NDRC on 9 August 2019 evidencing such registration which as at the date of this Offering Circular, remain in full force and effect.

5. **No Material Adverse Change:** There has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2018. There has been no material adverse change in the financial or trading position or prospects of the Issuer since the date of its incorporation.

6. **Litigation:** None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer, the Guarantor, as the case may be, believes are material in the context of the Notes nor are any of the Issuer, the Guarantor aware that any such material proceedings are pending or threatened.

7. **Available Documents:** Copies of the Guarantor's audited financial statements as at and for the years ended 31 December 2017 and 2018, the Trust Deed, the Agency Agreement, the Deed of Guarantee and the Articles of Association of each of the Issuer and the Guarantor are available to Noteholders at all reasonable times during normal business hours upon prior written request and the provision of proof of holding to the satisfaction of the relevant Principal Paying Agent from the specified office of the Principal Paying Agents at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, so long as any of the Notes are outstanding.

8. **Listing:** Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained herein. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group (as defined herein) or the Notes. There is currently no public market for the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of not less than S$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST.

   For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the global certificate evidencing the Notes is exchanged for Definitive Certificates.

   In the event that the Global Certificate evidencing the Notes is exchanged for Definitive Certificates, for so long as the Notes are listed on the SGX-ST, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore.

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# Zhejiang Geely Holding Group Co.,Ltd.

# Financial Year 2018 Auditor's Report

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# Auditor's Report

(2019)JingKuaiXingShenZiNo. 68000052

**To the Shareholders of Zhejiang Geely Holding Group Co.,Ltd.**

1.Opinion

We have audited the accompanying financial statements of Zhejiang Geely Holding Group Co.,Ltd. ("the Company") and its subsidiaries("the Group"), which comprise the consolidated and parent company's balance sheets as at December 31,2018, the consolidated and parent company's income statements, the consolidated and parent company's statement of cash flows and the consolidated and parent company's statements of changes in shareholders' equity for the year then ended and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Company as at December 31,2018 and their operating results and cash flows for the year then ended, which are in accordance with the Accounting Standards for Business Enterprises.

2.Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3.Responsibilities of the management and those charged with governance for the financial statements

The management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining such internal control as the management determines is necessary to enable the


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preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance in discharging their responsibilities for overseeing the company's financial reporting process.

4.Auditor's responsibilities for the audit of the financial statements

Our objects are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(3) Evaluate the appropriateness of accounting policies used and thereasona


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bleness of accounting estimates and related disclosures made by the management.

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

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Beijing Xinghua Certified Public Accountants (Special General Partnership)

Chinese Certified Public Accountant: 陈树华
Shuhua Chen

Chinese Certified Public Accountant: 朱佳明
Jiaming Zhu

Beijing China

Date of Report: April 29, 2019


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# Consolidated Balance Sheet

**December 31, 2018**

**Zhejiang Geely Holding Group Co.,Ltd.** **RMB Yuan**

| Item | Notes | 2018 | 2017 |
|---|---|---|---|
| **Non-current assets:** | | | |
| Debt investment | VI. 11 | 30,000,000.00 | |
| Available-for-sale financial assets | VI. 12 | | 4,515,998,114.10 |
| Other investment on debt | | | |
| Long-term receivables | VI. 13 | 3,388,675,264.74 | 3,906,827,721.23 |
| Long-term equity investment | VI. 14 | 14,981,375,397.42 | 5,610,123,461.57 |
| Other equity instruments investment | VI. 15 | 17,510,791,549.30 | |
| Other non-current financial assets | VI. 16 | 581,226,372.64 | |
| Investment property | | | |
| Fixed assets | VI. 17 | 70,586,767,868.13 | 55,742,394,025.68 |
| Construction-in-progress | VI. 18 | 8,789,454,677.61 | 14,691,151,929.93 |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Intangible assets | VI. 19 | 34,350,258,764.56 | 33,112,658,217.92 |
| Development expenditure | VI. 20 | 26,936,176,715.57 | 18,366,312,260.06 |
| Goodwill | VI. 21 | 722,977,806.77 | 657,704,584.65 |
| Long-term deferred expenses | VI. 22 | 173,045,597.34 | 123,663,257.26 |
| Deferred income tax assets | VI. 23 | 6,523,178,000.40 | 4,322,330,982.22 |
| Other non-current assets | VI. 24 | 1,208,135,575.29 | 1,827,391,272.75 |
| **Total non-current assets** | | **185,782,063,589.77** | **142,876,555,827.37** |
| **Current assets:** | | | |
| Cash at bank and on hand | VI. 1 | 67,340,143,959.02 | 54,268,662,867.06 |
| Financial assets held for trading | VI. 2 | 1,881,645,004.49 | |
| Derivative financial assets | VI. 3 | 773,721,386.00 | |
| Financial assets measured at fair values and changes accounted into current profit or losses | VI. 4 | | 3,166,788,180.62 |
| Bills and accounts receivable | VI. 5 | 29,491,507,878.27 | 31,576,055,685.02 |
| In which: bills receivable | | 22,614,809,596.99 | 24,709,770,776.91 |
| Accounts receivable | | 6,876,698,281.28 | 6,866,284,908.11 |
| Prepayments | VI. 6 | 2,617,428,048.93 | 2,195,233,014.55 |
| Other receivables | VI. 7 | 2,800,221,617.04 | 3,021,676,927.42 |
| In which: interest receivable | | 43,987,872.65 | 73,258,331.05 |
| Dividend receivable | | | |
| Inventories | VI. 8 | 37,181,568,501.59 | 33,556,265,785.86 |
| Contract assets | | | |
| Held-for-sale assets | | | 12,306,223.00 |
| Non-current assets due within one year | VI. 9 | 12,508,537.86 | 86,915,051.98 |
| Other current assets | VI. 10 | 5,550,500,576.69 | 5,645,110,164.86 |
| **Total current assets** | | **147,649,245,509.89** | **133,529,013,900.37** |
| **Total assets** | | **333,431,309,099.66** | **276,405,569,727.74** |

# Consolidated Balance Sheet (Continued)

December 31, 2018

Zhejiang Geely Holding Group Co.,Ltd. RMB Yuan

| Item | Notes | 2018 | 2017 |
|---|---|---|---|
| **Non-current liabilities:** | | | |
| Long-term loans | VI. 37 | 31,118,986,170.99 | 13,418,284,218.88 |
| Bonds payable | VI.38 | 19,830,413,954.11 | 15,363,624,180.76 |
| In which: preference shares | | | |
| Perpetual capital securities | | | |
| Long-term accounts payable | VI.39 | 1,258,145,290.20 | 2,001,292,630.00 |
| Provisions | VI.40 | 4,814,296,111.28 | 7,879,331,155.61 |
| Deferred income | VI.41 | 13,211,596,716.65 | 7,782,512,110.50 |
| Deferred income tax liabilities | VI.23 | 1,399,642,501.47 | 1,611,143,385.94 |
| Other non-current liabilities | VI.42 | 11,831,483,449.88 | 5,774,800,470.00 |
| **Total non-current liabilities** | | **83,464,564,194.58** | **53,830,988,151.69** |
| **Current liabilities:** | | | |
| Short-term loans | VI. 25 | 35,093,091,888.73 | 13,758,061,814.56 |
| Financial liabilities held for trading | VI. 26 | 6,604,733.21 | |
| Derivative financial liabilities | VI. 27 | 1,414,363,056.00 | |
| Financial liabilities measured at fair values and changes accounted into current profit or losses | VI. 28 | | 452,597,735.00 |
| Bills and accounts payable | VI. 29 | 55,538,625,694.39 | 51,570,357,961.00 |
| Advances from customers | VI. 30 | 5,782,147,119.03 | 8,911,129,265.48 |
| Contract liabilities | VI. 31 | 10,924,998,923.22 | |
| Employee benefits payable | VI. 32 | 6,330,638,229.21 | 6,449,701,354.48 |
| Taxes payable | VI. 33 | 5,458,377,670.48 | 5,363,619,059.04 |
| Other payables | VI. 34 | 5,622,995,858.38 | 13,061,577,059.47 |
| In which: interest payable | | 534,368,045.37 | 344,887,184.46 |
| Dividends payable | | 7,168,767.12 | 7,168,767.12 |
| Available-for-sale liabilities | | | |
| Non-current liabilities due within one year | VI. 35 | 8,884,896,250.02 | 10,973,057,708.53 |
| Other current liabilities | VI. 36 | 12,156,227,534.30 | 21,575,641,565.77 |
| **Total current liabilities** | | **147,212,966,956.97** | **132,115,743,523.33** |
| **Total liabilities** | | **230,677,531,151.55** | **185,946,731,675.02** |
| **Equity:** | | | |
| Share capital | VI. 43 | 930,000,000.00 | 930,000,000.00 |
| Other equity instruments | VI. 44 | 2,000,000,000.00 | 2,000,000,000.00 |
| In which: preference shares | | | |
| Perpetual capital securities | | 2,000,000,000.00 | 2,000,000,000.00 |
| Capital reserve | VI. 45 | 19,044,130,803.36 | 19,007,822,995.62 |
| Less: treasury shares | | | |
| Other comprehensive income | VI. 46 | -10,658,355,082.00 | 3,265,112,598.53 |
| Special reserve | | | |
| Surplus reserve | VI. 47 | 40,734,742.89 | 38,589,968.34 |
| Provision for general risks | | | |
| Undistributed profits | VI. 48 | 46,440,199,428.28 | 33,685,219,032.19 |
| Total shareholders' equity attributable to parent company | | 57,796,709,892.53 | 58,926,744,594.68 |
| Minority interests | | 44,957,068,055.58 | 31,532,093,458.04 |
| **Total equity** | | **102,753,777,948.11** | **90,458,838,052.72** |
| **Total equity and liabilities** | | **333,431,309,099.66** | **276,405,569,727.74** |

**Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.**

**Legal Representative: Li Shufu** **Chief Financial Officer: Li Donghui** **Finance Director: Dai Qing**

# Balance Sheet

**December 31, 2018**

**Zhejiang Geely Holding Group Co.,Ltd.** **RMB Yuan**

| Item | Notes | 2018 | 2017 |
|---|---|---|---|
| **Non-current assets:** | | | |
| Debt investment | | | |
| Available-for-sale financial assets | | | 463,355,600.00 |
| Other investment on debt | | | |
| Long-term receivables | | | |
| Long-term equity investment | XIII.2 | 29,983,704,137.74 | 13,702,885,254.50 |
| Other equity instruments investment | | 10,000,000.00 | |
| Other non-current financial assets | | 306,083,067.70 | |
| Investment property | | | |
| Fixed assets | | 192,253,756.23 | 210,935,680.55 |
| Construction-in-progress | | 1,164,457.95 | 1,528,290.10 |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Intangible assets | | 32,502,334.76 | 41,463,628.65 |
| Development expenditure | | 16,173,421.95 | 11,645,572.85 |
| Goodwill | | | |
| Long-term deferred expenses | | 16,517,785.87 | 14,976,476.33 |
| Deferred income tax assets | | | |
| Other non-current assets | | | |
| **Total non-current assets** | | **30,558,398,962.20** | **14,446,790,502.98** |
| **Current assets:** | | | |
| Cash at bank and on hand | | 827,037,155.78 | 21,481,327.49 |
| Financial assets held for trading | | | |
| Derivative financial assets | | | |
| Bills and accounts receivable | | 913,700.00 | |
| In which: bills receivable | | 913,700.00 | |
| Accounts receivable | | | |
| Prepayments | | 30,000.00 | |
| Other receivables | XIII.1 | 9,407,834,912.71 | 16,207,292,510.01 |
| In which: interest receivable | | 249,329,018.74 | 1,231,651,031.12 |
| Dividend receivable | | | |
| Inventories | | | |
| Contract assets | | | |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | | 11,434,265.35 | 7,076,667.13 |
| **Total current assets** | | **10,247,250,033.84** | **16,235,850,504.63** |
| **Total assets** | | **40,805,648,996.04** | **30,682,641,007.61** |

# Balance Sheet (Continued)

December 31, 2018

Zhejiang Geely Holding Group Co.,Ltd. RMB Yuan

| Item | Notes | 2018 | 2017 |
|---|---|---|---|
| **Non-current liabilities:** | | | |
| Long-term loans | | 3,099,980,000.00 | 2,160,000,000.00 |
| Bonds payable | | 3,236,047,169.82 | 2,698,922,465.76 |
| In which: preference shares | | | |
| Perpetual capital securities | | | |
| Long-term accounts payable | | | 250,000,000.00 |
| Provisions | | | |
| Deferred income | | | |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | 1,000,000,000.00 | |
| **Total non-current liabilities** | | **7,336,027,169.82** | **5,108,922,465.76** |
| **Current liabilities:** | | | |
| Short-term loans | | 7,313,160,000.00 | 5,660,000,000.00 |
| Financial liabilities held for trading | | | |
| Derivative financial liabilities | | | |
| Bills and accounts payable | | 727,392.90 | 49,000.00 |
| Advances from customers | | | |
| Contract liabilities | | | |
| Employee benefits payable | | 72,582,125.07 | 42,284,220.07 |
| Taxes payable | | 35,307,940.67 | 28,623,189.33 |
| Other payable | | 20,224,787,490.95 | 12,807,557,659.87 |
| In which: interest payable | | 316,314,377.70 | 331,372,516.64 |
| Dividends payable | | 7,168,767.12 | 7,168,767.12 |
| Available-for-sale liabilities | | | |
| Non-current liabilities due within one year | | 2,159,822,465.76 | 3,266,875,799.10 |
| Other current liabilities | | | |
| **Other current liabilities** | | **29,806,387,415.35** | **21,805,389,868.37** |
| **Total liabilities** | | **37,142,414,585.17** | **26,914,312,334.13** |
| **Equity** | | | |
| Share capital | | 930,000,000.00 | 930,000,000.00 |
| Other equity instruments | | 2,000,000,000.00 | 2,000,000,000.00 |
| In which: preference shares | | | |
| Perpetual capital securities | | 2,000,000,000.00 | 2,000,000,000.00 |
| Capital reserve | | 597,067,180.59 | 641,037,250.49 |
| Less: treasury shares | | | |
| Other comprehensive income | | -109,963.48 | -268,842.38 |
| Special reserve | | | |
| Surplus reserve | | | |
| Undistributed profits | | 136,277,193.76 | 197,560,265.37 |
| **Total equity** | | **3,663,234,410.87** | **3,768,328,673.48** |
| **Total equity and liabilities** | | **40,805,648,996.04** | **30,682,641,007.61** |

**Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.**

**Legal Representative: Li Shufu** **Chief Financial Officer: Li Donghui** **Finance Director: Dai Qing**

# Consolidated Income Statement

2018

Zhejiang Geely Holding Group Co.,Ltd. RMB Yuan

| Item | Notes | 2018 | 2017 |
|---|---|---|---|
| **I. Operating income** | VI. 49 | **328,520,879,523.17** | **278,264,593,706.98** |
| Less: operating costs | VI. 49 | 254,053,783,400.85 | 215,333,481,509.16 |
| Tax and surcharges | | 7,305,728,460.67 | 6,427,753,457.57 |
| Selling expenses | | 17,878,917,382.64 | 16,299,503,643.30 |
| General and administrative expenses | | 10,992,053,237.91 | 9,605,086,015.37 |
| Research and development expenses | | 9,328,489,637.40 | 8,609,534,712.44 |
| Financial expenses | VI. 50 | 1,813,847,859.91 | 1,444,268,110.45 |
| In which: interest expenses | | 2,152,653,292.25 | 1,621,283,471.71 |
| Interest income | | 889,113,505.32 | 660,820,215.36 |
| Asset impairment losses | VI. 51 | 428,877,705.91 | 195,959,012.81 |
| Credit impairment losses | VI. 52 | 9,498,996.11 | |
| Add: other income | VI. 53 | 2,891,997,779.97 | 2,489,180,524.97 |
| Investment income ("-" for losses) | VI. 54 | -42,144,435.01 | 11,026,795.78 |
| In which: investment yield from joint ventures and associates | | -225,960,818.08 | -282,937,264.98 |
| Net exposure hedging benefits | VI. 55 | -586,503,751.00 | |
| Gains from changes of the fair value ("-" for losses) | VI. 56 | -30,802,727.19 | 315,967,615.08 |
| Income from disposals of assets | VI. 57 | -2,900,129,441.53 | -260,427,691.43 |
| **II. Operating profit ("-" for losses)** | | **26,042,100,267.01** | **22,904,754,490.28** |
| Add: non-operating income | VI. 58 | 228,332,119.40 | 618,590,190.98 |
| Less: non-operating expenses | VI. 59 | 500,440,331.92 | 176,903,211.51 |
| **III. Profit before tax ("-" for losses)** | | **25,769,992,054.49** | **23,346,441,469.75** |
| Less: income tax expense | VI. 60 | 5,502,351,666.74 | 4,522,206,612.97 |
| **IV. Net profit ("-" for losses)** | | **20,267,640,387.75** | **18,824,234,856.78** |
| **1. Classification by operating continuity** | | **20,267,640,387.75** | **18,824,234,856.78** |
| (1) Sustained profit and loss | | 20,267,640,387.75 | 18,824,234,856.78 |
| (2) Discontinued operating profit and loss | | | |
| **2. Classification by ownership** | | **20,267,640,387.75** | **18,824,234,856.78** |
| (1) Profit or loss attributable to minority interests | | 7,241,570,399.22 | 6,521,864,200.96 |
| (2) Net profit attributable to owners of the parent | | 13,026,069,988.53 | 12,302,370,655.82 |
| **V. Other comprehensive income for the year, net of tax** | | **-13,897,752,601.94** | **4,096,785,222.06** |
| **Other comprehensive income attributable to parent net of tax** | | **-13,923,467,680.53** | **3,955,957,315.95** |
| **1. Other comprehensive income which can't be reclassified as losses and gains later** | | **-10,394,592,249.00** | **-246,960,969.47** |
| (1) Remeasure and set benefit plan changes in net assets or net liabilities | | | |
| (2) Shares of other comprehensive income which can't be reclassified as losses and gains by the investee under equity method | | -9,230,625,710.00 | 29,323,333.53 |
| (3) Changes in fair value of investments in other equity instruments | | | |
| (4) Changes in the fair value of the enterprise's own credit risk | | | |
| (5) Others | | -1,163,966,539.00 | -276,284,303.00 |
| **2. Other comprehensive income which will be reclassified as losses and gains later** | | **-3,528,875,431.53** | **4,202,918,285.42** |
| (1) Shares of other comprehensive income which will be reclassified as losses and gains later by the investee under equity method | | 158,878.90 | -12,900,359.01 |
| (2) Changes in fair value of other debt investments | | | |
| (3) Amount of financial assets re-classified into other comprehensive income | | -629,858,509.16 | 568,208,255.05 |
| (4) Provision for impairment of credit for investment of other debt investments | | | |
| (5) Changes in cash flow hedge recognized in other comprehensive income | | -2,300,537,397.00 | 2,673,223,098.00 |
| (6) Exchange differences arising from the translation of foreign currency financial statement | | -598,638,404.27 | 974,387,291.38 |
| **Other comprehensive income attributable to minority interests net of tax** | | **25,715,078.59** | **140,827,906.11** |
| **VI. Total comprehensive income** | | **6,369,887,785.81** | **22,921,020,078.84** |
| 1. Total comprehensive income attributable to parent | | -897,397,692.00 | 16,258,327,971.77 |
| 2.Total comprehensive income attributable to minority interests | | 7,267,285,477.81 | 6,662,692,107.07 |
| **VII. Earnings per share:** | | | |
| 1. Basic earnings per share | | | |
| 2. Diluted earnings per share | | | |

**Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.**

**Legal Representative: Li Shufu** **Chief Financial Officer: Li Donghui** **Finance Director: Dai Qing**

# Income Statement

2018

Zhejiang Geely Holding Group Co.,Ltd. RMB Yuan

| Item | Notes | 2018 | 2017 |
|---|---|---|---|
| **I. Operating income** | XIII. 3 | **260,024,972.16** | **475,200,519.27** |
| Less: operating costs | XIII. 3 | 21,917,598.06 | 50,786,374.94 |
| Tax and surcharges | | 1,718,771.67 | 4,927,353.61 |
| Selling expenses | | | |
| General and administrative expenses | | 445,003,634.76 | 287,720,807.82 |
| Research and development expenses | | | |
| Financial expenses | | 584,258,290.47 | 507,705,798.53 |
| In which: interest expenses | | 558,130,868.46 | 470,277,277.77 |
| Interest income | | 8,397,475.59 | 3,746,606.64 |
| Asset impairment losses | | | 2,970,700.61 |
| Credit impairment losses | | | |
| Add: other income | | 872,619,854.41 | 782,436,237.16 |
| Investment income ("-" for losses) | XIII. 4 | 32,473,396.15 | 347,967,666.45 |
| In which: investment yield from joint ventures and associates | | -18,923,157.32 | -149,450,571.45 |
| Net exposure hedging benefits | | | |
| Gains from changes of the fair value ("-" for losses) | | | |
| Income from disposals of assets | | 251,551.85 | 17,228.30 |
| **II. Operting profit ("-" for losses)** | | **112,471,479.61** | **751,510,615.67** |
| Add: non-operating income | | 2,588,407.60 | 2,244,929.07 |
| Less: non-operating expenses | | 58,747,455.30 | 11,980,669.62 |
| **III. Profit before tax ("-" for losses)** | | **56,312,431.91** | **741,774,875.12** |
| Less: income tax expense | | 35,695,503.52 | 26,651,786.38 |
| **IV. Net profit ("-" for losses)** | | **20,616,928.39** | **715,123,088.74** |
| 1 Sustained profit and loss | | 20,616,928.39 | 715,123,088.74 |
| 2. Discontinued operating profit and loss | | | |
| **V. Other comprehensive income for the year, net of tax** | | **158,878.90** | **-1,168,018,842.38** |
| **1. Other comprehensive income which can't be reclassified as losses and gains later** | | | |
| (1) ther comprehensive income for the year, net of tax Remeasure and set benefit plan changes in net assets or net liabilities | | | |
| (2) Shares of other comprehensive income which can't be reclassified as losses and gains by the investee under equity method | | | |
| (3) Changes in fair value of investments in other equity instruments | | | |
| (4) Changes in the fair value of the enterprise's own credit risk | | | |
| **2. Other comprehensive income which will be reclassified as losses and gains later** | | **158,878.90** | **-1,168,018,842.38** |
| (1) Shares of other comprehensive income which will be reclassified as losses and gains later by the investee under equity method | | 158,878.90 | -268,842.38 |
| (2) Changes in fair value of other debt investments | | | -1,167,750,000.00 |
| (3) Amount of financial assets re-classified into other comprehensive income | | | |
| (4) Provision for impairment of credit for investment of other debt investments | | | |
| (5) Changes in cash flow hedge recognized in other comprehensive income | | | |
| (6) Exchange differences arising from the translation of foreign currency financial statement | | | |
| **VI. Total comprehensive income** | | **20,775,807.29** | **-452,895,753.64** |

**Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.**

**Legal Representative: Li Shufu** **Chief Financial Officer: Li Donghui** **Finance Director: Dai Qing**

# Consolidated Statement of Cash Flows

2018

Zhejiang Geely Holding Group Co.,Ltd. RMB Yuan

| Item | Notes | 2018 | 2017 |
|---|---|---|---|
| **I. CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Cash received from sale of goods or rendering of services | | 356,346,254,688.46 | 297,625,242,439.84 |
| Refund of tax and levies | | 1,746,214,745.04 | 638,987,611.28 |
| Cash received for other operating activities | | 10,335,106,233.52 | 6,425,218,289.65 |
| **Cash inflow from operations** | | **368,427,575,667.02** | **304,689,448,340.77** |
| Cash paid for purchasing goods or receiving services | | 250,321,443,124.34 | 200,354,488,527.17 |
| Cash paid to and on behalf of employees | | 32,560,802,921.29 | 29,016,333,979.73 |
| Various taxes paid | | 26,729,838,522.00 | 20,014,875,317.36 |
| Other cash paid related to operating activities | | 15,669,137,684.73 | 12,264,464,610.36 |
| **Cash outflow from operations** | | **325,281,222,252.36** | **261,650,162,434.62** |
| **Net cash flows from operating activities** | | **43,146,353,414.66** | **43,039,285,906.15** |
| **II. CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Cash received from disinvestment | | 4,065,512,402.00 | 5,307,175,290.48 |
| Cash received from investment yield | | 420,430,844.34 | 339,675,927.91 |
| Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets | | 207,872,445.34 | 288,937,605.29 |
| Net cash received from disposal of subsidiaries and other operation entities | | 9,750,000.00 | -413,189,891.16 |
| Cash received related to investment activities | | 1,019,820,042.69 | 6,815,773,379.00 |
| **Cash inflow from investment activities** | | **5,723,385,734.37** | **12,338,372,311.52** |
| Cash paid for purchasing fixed assets, intangible assets and other long-term assets | | 42,755,816,121.07 | 37,106,044,659.12 |
| Cash paid for acquiring investments | | 37,675,262,746.52 | 5,350,094,809.23 |
| Net cash amount paid from acquiring subsidiaries and other operation entities | | 3,209,116.09 | 198,516.28 |
| Cash paid for other related investment activities | | 4,921,588,350.52 | 2,428,400,306.82 |
| **Cash outflow from investment activities** | | **85,355,876,334.20** | **44,884,738,291.45** |
| **Net cash flows from investment activities** | | **-79,632,490,599.83** | **-32,546,365,979.93** |
| **III. CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Cash received from accepting investment | | 8,067,015,084.13 | 3,078,049,207.00 |
| Cash received from borrowings | | 54,698,537,819.56 | 15,932,129,765.96 |
| Cash received from issuing bonds | | 6,673,829,580.43 | 3,898,396,552.00 |
| Cash received related to other financing activities | | 16,989,624,840.00 | 16,413,095,133.00 |
| **Cash inflow from financing activities** | | **86,429,007,324.12** | **39,321,670,657.96** |
| Cash paid for repaying debts | | 19,759,839,497.65 | 18,021,196,116.64 |
| Cash paid for distributing dividends, profits or paying interests | | 4,167,963,433.27 | 2,813,448,523.43 |
| Cash paid related to other financing activities | | 14,653,372,049.99 | 10,186,149,654.82 |
| **Cash outflow from financing activities** | | **38,581,174,980.91** | **31,020,794,294.89** |
| **Net cash flows from financing activities** | | **47,847,832,343.21** | **8,300,876,363.07** |
| **IV. Effect of exchange rate fluctuations on cash held** | | **-177,107,213.54** | **448,394,015.13** |
| **V. Net increase/(decrease) in cash and cash equivalents** | | **11,184,587,944.50** | **19,242,190,304.42** |
| Add: cash and cash equivalents at beginning of period | | 75,523,178,093.06 | 56,280,987,788.64 |
| **VI. Cash and cash equivalents at end of period** | | **86,707,766,037.56** | **75,523,178,093.06** |

**Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.**

**Legal Representative: Li Shufu** **Chief Financial Officer: Li Donghui** **Finance Director: Dai Qing**

# Statement of Cash Flows

2018

Zhejiang Geely Holding Group Co.,Ltd. RMB Yuan

| Item | Notes | 2018 | 2017 |
|---|---|---|---|
| I. CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from sale of goods or rendering of services | | 1,229,061,530.82 | 46,656,553.07 |
| Refund of tax and levies | | 5,599.43 | 55,807.60 |
| Cash received for other operating activities | | 80,556,079,891.24 | 60,683,707,127.40 |
| **Cash inflow from operations** | | **81,785,147,021.49** | **60,730,419,488.07** |
| Cash paid for purchasing goods or receiving services | | 9,889,987.97 | |
| Cash paid to and on behalf of employees | | 215,779,080.85 | 166,883,991.89 |
| Various taxes paid | | 40,547,916.24 | 23,336,040.25 |
| Other cash paid related to operating activities | | 66,370,915,619.04 | 53,572,200,785.45 |
| **Cash outflow from operations** | | **66,637,132,604.10** | **53,762,420,817.59** |
| **Net cash flows from operating activities** | | **15,148,014,417.39** | **6,967,998,670.48** |
| II. CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Cash received from disinvestment | | 351,768,460.00 | 993,100,000.00 |
| Cash received from investment yield | | 55,820,457.90 | 513,500,000.00 |
| Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets | | 29,854,488.20 | 751,523.00 |
| Net cash received from disposal of subsidiaries and other operation entities | | | |
| Cash received related to investment activities | | | |
| **Cash inflow from investment activities** | | **437,443,406.10** | **1,507,351,523.00** |
| Cash paid for purchasing fixed assets, intangible assets and other long-term assets | | 72,902,115.79 | 61,689,538.62 |
| Cash paid for acquiring investments | | 16,594,197,013.74 | 6,016,705,454.00 |
| Net cash inflow through disposal of subsidiaries and other business entities | | | |
| Cash paid for other related investment activities | | 386,971,400.00 | 460,262,704.00 |
| **Cash outflow from investment activities** | | **17,054,070,529.53** | **6,538,657,696.62** |
| **Net cash flows from investment activities** | | **-16,616,627,123.43** | **-5,031,306,173.62** |
| III. CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Cash received from capital contribution | | | 100,000,000.00 |
| Cash received from borrowings | | 10,041,500,000.01 | 8,487,800,000.00 |
| Cash received from issuing bonds | | | |
| Cash received related to other financing activities | | 2,994,000,000.00 | |
| **Cash inflow from financing activities** | | **13,035,500,000.01** | **8,587,800,000.00** |
| Cash paid for repaying debts | | 10,019,119,709.01 | 9,901,011,000.00 |
| Cash paid for distributing dividends, profits or paying interests | | 741,298,129.22 | 623,431,582.98 |
| Cash paid related to other financing activities | | | 21,127,776.34 |
| **Cash outflow from financing activities** | | **10,760,417,838.23** | **10,545,570,359.32** |
| **Net cash flows from financing activities** | | **2,275,082,161.78** | **-1,957,770,359.32** |
| **IV. Effect of exchange rate fluctuations on cash held** | | **72.55** | **2,126.72** |
| **V. Net increase/(decrease) in cash and cash equivalents** | | **806,469,528.29** | **-21,075,735.74** |
| Add: cash and cash equivalents at beginning of period | | 21,481,327.49 | 42,557,063.23 |
| **VI. Cash and cash equivalents at end of period** | | **827,950,855.78** | **21,481,327.49** |

Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.

Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance director: Dai Qing

# Consolidated Statement of Changes in Shareholders' Equity

Zhejiang Geely Holding Group Co., Ltd. 2018 RMB Yuan

| Item | Current period | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' equity attributable to parent company's shareholders | | | | | | | | | | | Minority interests | Total shareholders' equity |
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Provision for general risks | Undistributed profits | | |
| | | Preferred shares | Perpetual capital securities | Others | | | | | | | | | |
| I. At 31st December 2017 | 930,000,000.00 | | 2,000,000,000.00 | | 19,007,812,995.62 | | 3,265,112,598.53 | | 38,589,968.34 | | 33,685,219,032.19 | 31,532,093,458.04 | 90,458,838,052.72 |
| Add: changes in accounting policy | | | | | | | | | | | -22,188,180.20 | -10,807,467.52 | -32,995,647.72 |
| Correction of previous errors | | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Opening balance of the year | 930,000,000.00 | | 2,000,000,000.00 | | 19,007,812,995.62 | | 3,265,112,598.53 | | 38,589,968.34 | | 33,663,030,851.99 | 31,521,285,990.52 | 90,425,842,405.00 |
| III. Increase/decrease of changes in amount of current period ("-" for decrease) | | | | | 36,307,807.74 | | -13,923,467,680.53 | | 2,144,774.55 | | 12,777,168,576.29 | 13,435,782,065.06 | 12,327,935,543.11 |
| 1. Total comprehensive income | | | | | | | -13,923,467,680.53 | | | | 13,026,069,988.53 | 7,267,285,477.81 | 6,369,887,785.81 |
| 2. Capital invested and decreased by shareholders | | | | | 36,307,807.74 | | | | | | -29,108,058.00 | 7,220,614,382.92 | 7,227,814,132.66 |
| (1) Ordinary shares invested by shareholders | | | | | | | | | | | | 7,200,217,230.04 | 7,200,217,230.04 |
| (2) Capital invested by other equity instrument holders | | | | | | | | | | | | | |
| (3) Amount paid for shares credited into shareholders' equity | | | | | 19,489,044.33 | | | | | | | 27,802,982.67 | 47,292,027.00 |
| (4) Others | | | | | 16,818,763.41 | | | | | | -29,108,058.00 | -7,405,829.79 | -19,695,124.38 |
| 3. Profit distribution | | | | | | | | | 2,144,774.55 | | -180,013,219.33 | -1,053,721,250.02 | -1,231,589,694.80 |
| (1) Surplus reserve withdrawal | | | | | | | | | 2,144,774.55 | | -2,144,774.55 | | |
| (2) Withdrawal of provision for general risks | | | | | | | | | | | | | |
| (3) Distribution to shareholders | | | | | | | | | | | -129,591,026.00 | -1,060,065,616.33 | -1,189,656,642.33 |
| (4) Others | | | | | | | | | | | -48,277,418.78 | 6,344,366.31 | -41,933,052.47 |
| 4. Transfer between shareholders' equity | | | | | | | | | | | -39,780,134.91 | 1,603,454.35 | -38,176,680.56 |
| (1) Capital reserve transfer to share capital | | | | | | | | | | | | | |
| (2) Surplus reserve transfer to share capital | | | | | | | | | | | | | |
| (3) Loss made up by surplus reserve | | | | | | | | | | | | | |
| (4) Change of setting benefit plan transfered to retained income | | | | | | | | | | | | | |
| (5) Others | | | | | | | | | | | -39,780,134.91 | 1,603,454.35 | -38,176,680.56 |
| 5. Special reserve | | | | | | | | | | | | | |
| (1) Withdrawal during the year | | | | | | | | | | | | | |
| (2) Usage during the year | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | |
| IV. At 31st December 2018 | 930,000,000.00 | | 2,000,000,000.00 | | 19,044,120,803.36 | | -10,658,355,082.00 | | 40,734,742.89 | | 46,440,199,428.28 | 44,957,068,055.58 | 182,753,777,948.11 |

Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.

Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance Director: Dai Qing

## Consolidated Statement of Changes in Shareholders' Equity (Continued)

Zhejiang Geely Holding Group Co.,Ltd. 2018 RMB Yuan

| Item | Previous period | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' equity attributable to parent company's shareholders | | | | | | | | | | | Minority interests | Total shareholders' equity |
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Provision for general risks | Undistributed profits | | |
| | | Preferred shares | Perpetual capital securities | Others | | | | | | | | | |
| I. At 31st December 2016 | 830,000,000.00 | | 2,000,000,000.00 | | 17,340,057,289.95 | | -690,844,717.42 | | | | 21,491,603,658.73 | 21,549,657,566.77 | 62,520,473,798.03 |
| Add: changes in accounting policy | | | | | | | | | | | | | |
| Correction of previous errors | | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Opening balance of the year | 830,000,000.00 | | 2,000,000,000.00 | | 17,340,057,289.95 | | -690,844,717.42 | | | | 21,491,603,658.73 | 21,549,657,566.77 | 62,520,473,798.03 |
| III. Increase/decrease of changes in amount of current period ("-" for decrease) | 100,000,000.00 | | | | 1,667,765,705.67 | | 3,955,957,315.95 | | 38,589,968.34 | | 12,193,615,373.46 | 9,982,435,891.27 | 27,938,364,254.69 |
| 1. Total comprehensive income | | | | | | | 3,955,957,315.95 | | | | 12,302,370,655.82 | 6,662,692,107.07 | 22,921,020,078.84 |
| 2. Capital invested and decreased by shareholders | 100,000,000.00 | | | | 1,667,765,705.67 | | | | 38,589,968.34 | | -70,616,966.00 | 3,915,267,222.85 | 5,651,005,930.86 |
| (1) Ordinary shares invested by shareholders | 100,000,000.00 | | | | | | | | | | | 383,298,060.10 | 483,298,060.10 |
| (2) Capital invested by other equity instrument holders | | | | | -15,259,655.00 | | | | | | | | -15,259,655.00 |
| (3) Amount paid for shares credited into shareholders' equity | | | | | 140,727,820.03 | | | | | | | 191,334,348.55 | 332,062,168.58 |
| (4) Others | | | | | 1,542,297,540.64 | | | | 38,589,968.34 | | -70,616,966.00 | 3,340,634,814.20 | 4,850,905,357.18 |
| 3. Profit distribution | | | | | | | | | | | -134,444,358.00 | -600,099,547.71 | -734,543,905.71 |
| (1) Surplus reserve withdrawal | | | | | | | | | | | | | |
| (2) Withdrawal of provision for general risks | | | | | | | | | | | | | |
| (3) Distribution to shareholders | | | | | | | | | | | -81,900,000.00 | -600,099,547.71 | -681,999,547.71 |
| (4) Others | | | | | | | | | | | -52,544,358.00 | | -52,544,358.00 |
| 4. Transfer between shareholders' equity | | | | | | | | | | | 3,365,767.13 | 4,576,109.06 | 7,941,876.19 |
| (1) Capital reserve transfer to share capital | | | | | | | | | | | | | |
| (2) Surplus reserve transfer to share capital | | | | | | | | | | | | | |
| (3) Loss made up by surplus reserve | | | | | | | | | | | | | |
| (4) Change of setting benefit plan transfered to retained income | | | | | | | | | | | | | |
| (5) Others | | | | | | | | | | | 3,365,767.13 | 4,576,109.06 | 7,941,876.19 |
| 5. Special reserve | | | | | | | | | | | | | |
| (1) Withdrawal during the year | | | | | | | | | | | | | |
| (2) Usage during the year | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | 92,940,274.51 | | 92,940,274.51 |
| IV. At 31st December 2017 | 930,000,000.00 | | 2,000,000,000.00 | | 19,007,822,995.62 | | 3,265,112,598.53 | | 38,589,968.34 | | 33,685,219,032.19 | 31,532,093,458.04 | 90,458,838,052.72 |

Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.

Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance Director: Dai Qing

# Statement of Changes in Shareholders' Equity

Zhejiang Geely Holding Group Co.,Ltd. 2018 RMB Yuan

| Item | Current period | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profits | Total shareholders' equity |
| | | Preferred shares | Perpetual capital securities | Others | | | | | | | |
| I. At 31st December 2017 | 930,000,000.00 | | 2,000,000,000.00 | | 641,037,250.49 | | -268,842.38 | | | 197,560,265.37 | 3,768,328,673.48 |
| Add: changes in accounting policy | | | | | | | | | | | |
| Correction of previous error | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance of the year | 930,000,000.00 | | 2,000,000,000.00 | | 641,037,250.49 | | -268,842.38 | | | 197,560,265.37 | 3,768,328,673.48 |
| III. Increase/decrease of changes in amount of current period ("-" for decrease) | | | | | -43,970,069.90 | | 158,878.90 | | | -61,283,071.61 | -105,094,262.61 |
| 1. Total comprehensive income | | | | | | | 158,878.90 | | | 20,616,928.39 | 20,775,807.29 |
| 2. Capital invested and decreased by shareholders | | | | | -43,970,069.90 | | | | | | -43,970,069.90 |
| (1) Ordinary shares invested by shareholders | | | | | | | | | | | |
| (2) Capital invested by other equity instrument holders | | | | | | | | | | | |
| (3) Amount paid for shares credited into shareholder's equity | | | | | | | | | | | |
| (4) Others | | | | | -43,970,069.90 | | | | | | -43,970,069.90 |
| 3. Profit distribution | | | | | | | | | | -81,900,000.00 | -81,900,000.00 |
| (1) Surplus reserve withdrawal | | | | | | | | | | | |
| (2) Distribution to shareholders | | | | | | | | | | -81,900,000.00 | -81,900,000.00 |
| (3) Others | | | | | | | | | | | |
| 4. Transfer between Shareholders' equity | | | | | | | | | | | |
| (1) Capital reserve transfer to Share capital | | | | | | | | | | | |
| (2) Surplus reserve transfer to Share capital | | | | | | | | | | | |
| (3) Loss made up by surplus reserve | | | | | | | | | | | |
| (4) Change of setting benefit plan transfered to retained income | | | | | | | | | | | |
| (5) Others | | | | | | | | | | | |
| 5. Special reserve | | | | | | | | | | | |
| (1) Withdrawal during the year | | | | | | | | | | | |
| (2) Usage during the year | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | |
| IV. At 31st December 2018 | 930,000,000.00 | | 2,000,000,000.00 | | 597,067,180.59 | | -109,963.48 | | | 136,277,193.76 | 3,663,234,410.87 |

Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.

Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance Director: Dai Qing

# Statement of Changes in Shareholders' Equity

Zhejiang Geely Holding Group Co.,Ltd. 2018 RMB Yuan

| Item | Previous period | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profits | Total shareholders' equity |
| | | Preferred shares | Perpetual capital securities | Others | | | | | | | |
| I. At 31st December 2016 | 830,000,000.00 | | 2,000,000,000.00 | | 637,324,239.05 | | 1,167,750,000.00 | | | -528,603,097.88 | 4,106,471,141.17 |
| Add: changes in accounting policy | | | | | | | | | | | |
| Correction of previous error | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance of the year | 830,000,000.00 | | 2,000,000,000.00 | | 637,324,239.05 | | 1,167,750,000.00 | | | -528,603,097.88 | 4,106,471,141.17 |
| III. Increase/decrease of changes in amount of current period ("-" for decrease) | 100,000,000.00 | | | | 3,713,011.44 | | -1,168,018,842.38 | | | 726,163,363.25 | -338,142,467.69 |
| 1. Total comprehensive income | | | | | | | -1,168,018,842.38 | | | 715,123,088.74 | -452,895,753.64 |
| 2. Capital invested and decreased by shareholders | 100,000,000.00 | | | | 3,713,011.44 | | | | | | 103,713,011.44 |
| (1) Ordinary shares invested by shareholders | 100,000,000.00 | | | | | | | | | | 100,000,000.00 |
| (2) Capital invested by other equity instrument holders | | | | | | | | | | | |
| (3) Amount paid for shares credited into shareholder's equity | | | | | | | | | | | |
| (4) Others | | | | | 3,713,011.44 | | | | | | 3,713,011.44 |
| 3. Profit distribution | | | | | | | | | | -81,900,000.00 | -81,900,000.00 |
| (1) Surplus reserve withdrawal | | | | | | | | | | | |
| (2) Distribution to shareholders | | | | | | | | | | -81,900,000.00 | -81,900,000.00 |
| (3) Others | | | | | | | | | | | |
| 4. Transfer between Shareholders' equity | | | | | | | | | | | |
| (1) Capital reserve transfer to Share capital | | | | | | | | | | | |
| (2) Surplus reserve transfer to Share capital | | | | | | | | | | | |
| (3) Loss made up by surplus reserve | | | | | | | | | | | |
| (4) Change of setting benefit plan transfered to retained income | | | | | | | | | | | |
| (5) Others | | | | | | | | | | | |
| 5. Special reserve | | | | | | | | | | | |
| (1) Withdrawal during the year | | | | | | | | | | | |
| (2) Usage during the year | | | | | | | | | | | |
| 6. Others | | | | | | | | | | 92,940,274.51 | 92,940,274.51 |
| IV. At 31st December 2017 | 930,000,000.00 | | 2,000,000,000.00 | | 641,037,250.49 | | -268,842.38 | | | 197,560,265.37 | 3,768,328,673.48 |

Notes on Page 16 to Page 128 are an Integral Part of the Financial Statements.

Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance Director: Dai Qing

# Notes to the Financial Statements of Financial Year 2018

## Zhejiang Geely Holding Group Co.,Ltd.

**(All amounts shall be in RMB/yuan)**

### I. Basic situation of the company

Funded by natural persons Li Shufu and Li Xubing jointly and registered in Zhejiang Administration of Industry and Commerce on March 24, 2003 (Registration No.: 330000000011822), Zhejiang Geely Holding Group Co.,Ltd. (hereinafter referred to as "the Company") owns the Business License of Enterprise. In March 2007, Li Xubing transferred his 17.3% of the Company's shares with the total amount of 143.59 million yuan to Li Shufu and his 10% of the Company's shares with the total amount of 83 million yuan to Li Xingxing. On November 27, 2015, the Company issued a unified social credit code 91330000747735638J of business license. In the year of 2017, the Company has changed registered capital from 830 million yuan to 930 million yuan, and issued a new Business License of Enterprise on January 3, 2017. The increasement of paid-up capital has been fully paid by shareholder Li Shufu. The current shareholders of the Company are Li Shufu who invests 847 million yuan, accounting for 91.08% of the registered capital and Li Xingxing who invests 83 million yuan, accounting for 8.92% of the registered capital. Share capital of the Company is 930 million yuan.

The operating period of the Company is 30 years and its legal representative is Li Shufu. The main operation and business scope of the Company and its subsidiaries (hereinafter referred to as "the Group") includes: automobile manufacture and sales, industrial investment, investment in mechanical and electrical products, education, real estate investment, investment management, asset management, business administration, technology development of automobile and auto parts, car design, car model design, operating import and export business.

The ultimate controller of the Company is Li Shufu.

The financial statements thereto of the Group were approved by the Group Board on April 29, 2019.

### II. The scope of consolidated financial statements for this year

Current period consolidation includes 20 1st tier subsidiaries, and adds 3 new subsidiaries, reduces 1 subsidiaries, net adds 2 subsidiaries within the period, See Note VIII. "Interest in Other Entities" for detail.

### III. Preparation basis of the financial statements

#### 1. Preparation basis

The financial statements in accordance with "Accounting Standard for Business Enterprises, announced by the Ministry of Finance, "Application Guidelines on Accounting Standards for Enterprises", "Interpretations of Accounting Standards for Enterprises" and other relevant provisions (generally referred as "Accounting Standards for Enterprises").

The accounting of the Group is on the accrual basis. Except for certain financial instruments, the financial statements are generally measured on the historical cost basis. In case of impairment of assets, the corresponding impairment provision shall be recognized in accordance with the relevant provisions.

#### 2. Going concern

The Company has no cause of significant events or situations of doubt which affect the going concern assumption for the following 12 months since this reporting date.

## IV. Interpretations of important accounting policies and estimates

### 1. Statement on compliance with "Accounting Standards for Enterprises"

The financial statements of the Group prepared comply with the requirements of "Accounting Standards for Enterprises", and reflect the consolidated and the Group's financial position on December 31, 2018 and the consolidated and the Group's operating result and cash flows during 2018 authentically and completely.

### 2. Accounting period

The accounting year of the Group is based on the calendar year, namely from January 1 to December 31 each year.

### 3. Functional currency

As RMB is the currency of the main economic environment where the Group and its domestic subsidiaries engage in their business, they adopt RMB as the functional currency for book-keeping. The overseas subsidiaries of the Group adopt Hong Kong dollar, Swedish krona, Ruble, Euro and US dollar as their bookkeeping functional currency according to the main economic environment where they engage in their business. The book-keeping functional currency of the Group is RMB during the preparation of the financial statements.

### 4. Enterprise consolidation under common control and not under common control

(1) Enterprise consolidation under common control

Enterprise consolidation under common control means the consolidated enterprises are ultimately and permanently subject to the same party or parties before the consolidation. The consolidation date refers to the day when the combining party actually obtains the control over the combined party.

For the assets and liabilities obtained from enterprise consolidation under common control, their value shall be measured as the book value on the final controller's consolidated financial statements of shareholders' equity of the combined party on the combination date. If the accounting policies of the acquiree are different from the acquirer's, the financial statements of the acquiree shall be adjusted to be in accordance with the accounting policies of the acquirer, and the adjusted book value shall be confirmed as book value.

The difference between the book value of net assets the combining party obtains and the book value of consolidation consideration paid (or the total face value of issued shares) it pays is used to adjust the capital reserve (share premium). If the capital reserve is not enough, retained earnings will be adjusted accordingly.

Various direct expenses, including audit, assessment and legal services arising from enterprise consolidation of the combing party shall be recognized in profits and losses when incurred.

The service charge and commission of issuing equity securities are used to adjust the premium on securities, if the premium on securities is not enough to be written off, retained earnings will be adjusted accordingly.

The equity obtained from the combined party under common control through several transactions and eventually formed enterprise consolidation under common control shall be treated as follows: if it's a "package transaction," each and every transaction shall be accounted as a trade of obtaining controlling right.

If it's not a "package transaction," the share of book value on the final controller's consolidated financial statements of shareholders' equity of the combined party on the business combination date shall be regarded as initial investment cost of long-term equity investment.

The difference between initial investment cost of long-term equity investment and sum of book value of long-term equity investment before consolidation and book value of new shares price on the business combination date shall be used to adjust capital reserve (capital premium or share premium) ;

if the capital reserve (capital premium or share premium) is not enough to be written off, it shall be used to adjust retained earnings.

Other comprehensive income of equity investment recognized through the calculation based on equity method or by being taken as financial instrument shall not be accounted temporarily, until the investment is disposed, then it shall be accounted according to the same basis that the investees directly dispose of relevant assets or liabilities.

Shareholders' equity recognized due to changes of other shareholders' equity except net profit and loss, other comprehensive income and profits allocation of the investees shall not be accounted temporarily, until the investment is disposed, it shall be carried forward into current profits and losses. Among them, if the equity left after disposal is accounted based on equity method or cost method, other comprehensive income and other shareholders' equity shall be carried forward into current profits and losses in ratio; if the equity left after disposal is accounted based on the recognition of financial instruments and measurement standard, all other comprehensive income and other shareholders' equity shall be carried forward.

See details of the accounting method for consolidation financial statements in Note IV. 5.

(2) Enterprise consolidation not under common control

Enterprise consolidation not under common control means the consolidated enterprises aren't ultimately subject to the same party or parties before the consolidation.

For enterprise consolidation not under common control, the consolidation costs include the fair value of assets paid for gaining the control right over the acquiree at the acquisition date, liabilities incurring, and the difference between fair value and book value shall be recognized in profits and losses.

The acquirer shall allocate consolidation costs at the acquisition date, and confirm the fair value of the acquired identifiable assets, liabilities and contingent liabilities.

In case of the consolidation costs larger than the difference of the fair value share of identifiable net assets of the acquiree gained during consolidation, it shall be recognized as goodwill; in case of the consolidation costs smaller than the fair value share of identifiable net assets of the acquiree gained during consolidation after check and confirmation, the difference shall be recognized in profit or loss for current period.

Other assets (except intangible assets) obtained by the acquirer during consolidation (not limited to the assets that have been confirmed by the acquirer), and the economic benefits are likely to enter into the company and the fair value can be measured reliably, then they shall be measured separately and in accordance with the fair value; if the fair value of intangible assets can be measured reliably, and they are measured as intangible assets and in accordance with the fair value; Other liabilities (except contingent liabilities) obtained by the acquirer during consolidation, and performing relevant obligation might lead to the outflow of economic benefits and the fair value can be measured reliably, then they shall be measured separately and in accordance with the fair value; if the fair value of contingent liabilities can be measured reliably, and they are measured as liabilities and in accordance with the fair value.

The intangible assets that belong to the acquiree and are not identified in the financial statement, shall be fully identified and judged, and they shall be recognized as intangible assets if they cater for one of the following conditions: (1) originates from contractual rights or other legal rights; (2) it can be separated or divided from the acquire, and can be sold, transferred, licensed, leased or exchanged alone or in conjunction with the relevant contracts, assets and liabilities.

Deductible temporary differences the acquirer obtains from the acquiree can't be confirmed due to inconformity with the confirmation conditions of the deferred income tax assets. If new or further

information showing the related situation at the acquisition date has existed within 12 months after that is obtained and the expected acquiree gains economic benefits from deductible temporary differences at the acquisition date, the relevant deferred income tax assets can be confirmed and goodwill can be reduced. If goodwill isn't enough, the difference is recognized as the current profits and losses; except the above-mentioned case, the recognition of deferred income tax assets related to enterprise consolidation shall be recorded into the current profits and losses.

For enterprise consolidation not under common control, audit, legal services, assessment, consulting and other intermediary costs and management costs arising from enterprise consolidation shall be recognized in profits and losses when incurred. The transaction costs of issuing equity or debt securities of the acquirer as the consolidation consideration shall be recorded into their initially recognized amount.

As for enterprise consolidation under different control realized by multiple separate transactions, if they belong to "a package transaction", and each and every transaction shall be accounted as a trade of obtaining controlling right; if they don't belong to "a package transaction", in the individual financial statements, the book value of the acquiree's equity investment prior to the acquisition date and the new investment costs at the acquisition date constitute the initial costs of the investment as calculation based on cost method; if the acquiree's equity prior to the acquisition date involves other comprehensive income based on equity method, the investment and its related other comprehensive income shall be dealt with on the basis of the accounting method of dealing with the related assets or liabilities directly by the acquiree. Shareholders' equity of the acquiree recognized due to changes of other shareholders' equity except net profit and loss, other comprehensive income and profits allocation of the Investees shall be carried forward into the current profits and losses when it is disposed. Among them, if the equity left after disposal is accounted based on equity method or cost method, other comprehensive income and other shareholders' equity shall be carried forward into current profits and losses in ratio; if the equity left after disposal is accounted based on the recognition of financial instruments and measurement standard, all other comprehensive income and other shareholders' equity shall be carried forward.

See details of the accounting method for consolidation financial statements in Note IV. 5.

The fair value of the acquiree's equity investment (accounted based on the recognition of financial instruments and measurement standard) prior to the acquisition date and the new investment costs at the acquisition date constitute the initial costs of the investment based on cost method, the difference between the fair value and the book value of the original equity, and the accumulated fair value changes, which is originally recorded into the other comprehensive income, are all transferred to the profit and loss of the current period as calculation based on cost method.

(3) The judgment criteria for multiple transactions as a package transaction

The judgment criteria of the company for determining multiple of transactions as a package transaction, as follows:

1) These transactions were made at the same time or under the influence of mutual influence.

2) These transactions shall achieve a complete business result as a whole.

3) The occurrence of a transaction depends on the occurrence of at least one other transaction.

4) When a transaction is considered alone, it is not economical, but it is economical when considering other transactions.

**5. Methods of preparing for consolidated financial statements**

(1) Principle of determining the extent of consolidated financial statements

The consolidation scope of consolidated financial statements shall be determined on the basis of control. Control refers to the Group has the right to manage the investees and enjoy variable returns

through participation in their related activities and has the power to influence the amount of returns by virtue of its control over the investees. The consolidation scope includes the Group and all its subsidiaries. Subsidiaries mean enterprises or entities under the control of the Group.

In case of any change in the relevant factors subject to the above-mentioned control due to the change in the related facts and circumstances, the Group will evaluate the scope again.

(2) Methods of preparing for consolidated financial statements

The Group begins to include a subsidiary in its consolidation scope since the day when the Group obtains the subsidiary's net assets and the actual control over the subsidiary's production, management and decision-making and stops to include a subsidiary in its consolidation scope since it loses its actual control over the subsidiary. As for a subsidiary at the Group's disposal, the operating results and cash flow prior to the disposal date have been included in the consolidated income statement and the consolidated cash flow statement properly; the beginning balance on the consolidated balance sheet of the subsidiary at the Group's current disposal shall not be adjusted. As for a new subsidiary in enterprise consolidation under different control, its operating results and cash flow after the acquisition date have been included in the consolidated income statement and the consolidated cash flow statement properly and its beginning balance and contrast balance on the consolidated financial statements shall not be adjusted. As for a new subsidiary in enterprise consolidation under the same control, its operating results and cash flow from the beginning of the current consolidation to the consolidation date have been included in the consolidated income statement and the consolidated cash flow statement properly and its contrast balance on the financial statements shall be adjusted.

If the accounting policies or periods of subsidiaries and the Group differ during the preparation of the consolidated financial statements, the financial statements of subsidiaries shall be adjusted, if necessary, in accordance with the accounting policies and period of the Group. As for a subsidiary obtained in enterprise consolidation under different control, its financial statements shall be adjusted on the basis of the fair value of identifiable net assets at the acquisition date.

All major balances, transactions and unrealized profits of the Group shall be offset during the preparation of consolidated financial statements.

Part of the shareholders' equity and current net profits and losses of a subsidiary not attributable to the Group are listed and shown separately under the item of shareholders' equity and net profits of consolidated financial statements as equity, profits and losses of minority shareholders. The current profits and losses of a subsidiary attributable to the share of minor shareholders' equity are shown and listed under the item of "minority interests" of consolidated Income Statement. If losses of a minority shareholders share exceed shares they enjoy in the beginning shareholders' equity of the subsidiary, equity of minority shareholders shall be offset.

If the Group loses its control over the original subsidiaries due to disposal of some equity investments or other reasons, the remaining equity shall be re-measured in accordance with the fair value at the date of losing control. The differences between the sum of the consideration from entity disposal and fair value of remaining equity and shares of net assets shall be recorded into the current returns on investments. The other comprehensive income related to the equity investment of the original subsidiaries shall be dealt with in accordance with the accounting method of dealing with the related assets or liabilities directly by the acquiree at the date of losing control (i.e., except changes in net liabilities or assets due to the newly measured and designated benefit plan by the original subsidiaries, others shall all be recorded into the current returns on investment). After that, the remaining equity of this part shall be adopted for follow-up measurement according to the relevant provisions of "Accounting Standard for Business Enterprises No. 2 - Long-term Equity Investment" or "Accounting

Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" and other standards. See Note IV, 10"Financial Instruments" and Note IV, 12"Long-term Equity Investment" for details.

As for the Group's losing control over a subsidiary due to disposal of its equity investment through multiple separate transactions, whether various separate transactions belong to a package transaction needs further judgment. If terms, conditions and economic impact of various transactions of dealing with the subsidiary's equity investment meet the following one or more cases, it's generally shown the various transactions shall be dealt with according to a package transaction: A. these transactions are concluded simultaneously or considering the impact on each other; B. these transactions can reach a complete commercial result as a whole; C. the occurrence of one transaction depends on that of other one or more transactions; D. an individual transaction is economic when it's taken into consideration with other transactions. If these transactions don't belong to a package transaction, each one shall be accordingly and respectively dealt with on the basis of the applicable accounting principles of "partial disposal of the subsidiary's long-term equity investment in the condition of the Group's maintaining control over them" and "the Group's losing control over the original subsidiary due to disposal of part of equity investment or other reasons" (see the previous paragraph for details).

As for the Group's losing control over a subsidiary due to disposal of its equity investment through various transactions which belong to a package transaction, they shall be dealt with according to a transaction of dealing with a subsidiary and losing the control over it; However, before the Group loses its control, the difference of shares of the net assets the Group enjoys in the subsidiary related to disposal price and investment each time shall be recognized as other comprehensive income of consolidated financial statements and recorded into the current profits and losses at the date of losing control.

**6. Goodwill**

Goodwill resulting from the consolidation of enterprises is separately presented in the consolidated financial statements and is measured according to the amount after deducting the accumulated impairment provision from the cost. Goodwill acquired in a business combination shall be tested for impairment at least at each financial year-end.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, there may be an indication that a related asset group or set of asset groups may be impaired. That is, from the date of purchase, the book value of goodwill shall be apportioned in a reasonable way to the asset group or a set of asset groups that can benefit from the synergistic effect of enterprise consolidation. If the recoverable amount of the asset group or a set of asset groups containing apportioned goodwill is lower than its book value, an impairment loss on goodwill shall be recognized. The amount of impairment loss firstly deducted from the book value of the goodwill apportioned to the asset group or combination of asset groups, and then according to the proportion of the book value of other assets other than goodwill in the asset group or a set of asset groups, the book value of other assets is deducted proportionally. The recoverable amount is the higher of the net amount of the fair value of the asset deducts the disposal expenses or the present value of the expected future cash flow of the asset.

Goodwill impairment loss shall be recorded into the current profit and loss when it occurs, and an impairment loss on goodwill is not be reversed in the subsequent accounting period.

**7. Accounting methods of joint venture arrangements and classifications and joint operation**

Joint Venture arrangements refer to arrangements jointly controlled by two or more parties. In accordance with the rights and duties of the Group in joint venture arrangements, it divides them into joint operation and joint venture. The joint operation refers to a joint arrangement in which the Group

enjoys its related assets and undertakes its related liabilities. The joint venture refers to a joint arrangement in which the Group only enjoys the rights of its net assets.

The Group's investment in the joint venture is calculated according to equity method and dealt with according to the accounting policies in Note IV, 12 (3) B "Long-term Equity Investment Accounted Based on Equity Method".

As for the joint operation, the Group as a joint party shall confirm: its individual assets and liabilities; joint assets and liabilities according to its share; incomes from shares of the joint operation; incomes from production sales of the joint operation according to its share; its individual expenses; expenses of the joint operation according to its share.

If the Group as a joint party invests or sells assets (don't constitute the business, the same below) or acquires assets through the joint operation, it only confirms the part of other parties in the joint operation of the profits and losses due to the transaction. If the impairment of the assets has been occurred, which is in accordance with "Accounting Standard for Business Enterprises No. 8 - Impairment of Assets", the Group shall recognize such losses in full as for its investment in and sales of assets through the joint operation; as for the Group's acquisition of assets through the joint operation, it shall recognize such losses according to the share.

**8. Criterion for determining cash and cash equivalents**

The cash and cash equivalents of the Group include cash on hand, deposits which can be used for payment at any time, its cash with a short term (generally three months from the acquisition date to the maturity date), strong liquidity and easy change into known amount and investment with a low risk of value change.

**9. Foreign currency business and foreign currency statement conversion**

(1) Conversion methods of foreign currency transactions

When foreign currency transactions of the Group are initially recognized, it adopts spot exchange rate at the transaction date for conversion of foreign currency amount into functional currency. However, the foreign currency exchange business and transactions related to it of the Group shall be converted into functional currency amount according to the actual exchange rate.

(2) Conversion methods of foreign currency monetary items and non-momentary items

At the balance sheet date, foreign currency monetary items shall be converted according to the spot exchange rate of the date. All exchange differences of such a conversion shall be recorded into the current profits and losses except: a. those caused by foreign currency special loans related to the construction of assets meeting capitalization conditions which shall be dealt with in the principle of capitalization of the loans costs; b. those caused by changes in other book balances except for the amortization costs of the available-for-sale foreign currency monetary items which shall be recorded into other comprehensive income.

Foreign currency non-monetary items measured by historical cost shall still be measured by the functional currency converted according to the spot exchange rate at the transaction date. Foreign currency non-monetary items measured by fair value shall be converted according to the spot exchange rate determined by the fair value. The differences between the functional currency amount and the original one after the conversion shall be recorded into the current profits and losses or recognized as other comprehensive income as changes of fair value (including changes of exchange rate).

Foreign currency non-monetary items measured by historical cost shall still be measured by the functional currency amount converted according to the spot exchange rate at the transaction date. Foreign currency non-monetary items measured by fair value shall be converted according to the spot exchange rate determined by the fair value. The differences between the functional currency amount

and the original one after the conversion shall be recorded into the current profits and losses or recognized as other comprehensive income as changes of fair value (including changes of exchange rate).

(3) Conversion methods of foreign currency financial statements

During the preparation of consolidated financial statements related to overseas operation, exchange differences arising from exchange rate changes of foreign currency monetary items constituting net investment of the overseas operation substantially shall be recognized as "exchange differences of foreign currency financial statements" and recorded into other comprehensive income; the overseas operation situation shall be recorded into current profits and losses.

Foreign currency financial statements of overseas operation shall be converted into RMB according to the following methods: items of assets and liabilities of the balance sheet shall be converted according to the spot exchange rate at the balance sheet date; items of shareholders' equity except the item of "undistributed profits" shall be converted according to the spot exchange rate when incurred. Items of income and expenses in the income statement shall be converted according to the spot exchange rate at the transaction date. Undistributed profits at the beginning of the year are those at the end of last year after conversion; undistributed profits at the end of last year shall be calculated and shown according to profits distributed to various items after the conversion; the difference between items of assets and liabilities and items of shareholders' equity after conversion shall be recognized as exchange differences of foreign currency financial statements and recorded into other comprehensive income. When the Group deals with the overseas operation and loses its control, exchange differences of foreign currency financial statements listed under the item of shareholders' equity and related to the overseas operation, all or part of them according to the proportion of dealing with the overseas operation, shall be recorded into the current profits and losses.

Foreign currency cash flow and cash flow of overseas subsidiaries shall be converted according to the spot exchange rate at the cash flow date. Cash fluctuant amounts due to exchange rate changes shall be separately listed and shown in the cash flow statement as an adjustable item.

Amounts at the beginning of the year and the actual amounts of previous year shall be shown according to those of the converted financial statements of previous year.

If the Company loses its control over the overseas operation due to disposal of its total shareholders' equity of the overseas operation or disposal of part of the equity investment or other reasons, all exchange differences of foreign currency financial statements related to the overseas operation and equities attributable to the parent company's shareholder under the item of shareholders' equity of the balance sheet shall be recorded into the current profits and losses.

When the Company holds a decreasing overseas operation ratio due to disposal of part of equity investment or other reasons but doesn't lose its control over it, exchange differences of foreign currency financial statements related to the disposal part of the overseas operation shall be equities attributable to minority shareholders and not be recorded into the current profits and losses. During the disposal of part of equity of an associated enterprise or a joint venture in the overseas operation, exchange differences of foreign currency financial statements related to the overseas operation shall be recorded into the current profits and losses according to the disposal ratio of the overseas operation.

**10. Financial instruments**

If the Group recognizes financial assets or liabilities as a party of the financial instrument contract, they shall be measured by fair value at the time of initial recognition.

For the accounting recognition and termination of financial assets bought and sold in common ways, the assets to be received and liabilities to be borne shall be recognized on the trading day, or the assets

to be sold shall be terminated on the trading day.

As for those financial assets or liabilities which are measured by fair value and their changes are recorded into the current profits and losses, their related transaction costs shall be recorded into the profits and losses directly. As for other financial assets or liabilities, their related transaction costs shall be recorded into the initially recognized amount. When the Group initially recognizes receivables that do not contain material financing elements or do not take into account the financing elements in contracts within one year in accordance with "Accounting Standards for Business Enterprises no. 14 - Revenue (" revenue criteria "), the initial measurement shall be made according to the transaction price defined by the revenue criteria.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period, using the effective interest rate.

The effective interest rate refers to the rate that exactly discounts estimated future cash flow of the financial asset or financial liability in the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. When calculating the effective interest rate, an enterprise shall estimate future cash flows considering all contractual terms of the financial asset or financial liability (including prepayment, call and similar options)but shall not consider future credit losses.

The amortized cost of financial assets or liabilities is formed by deducting the repaid principal from the initial recognized amount of the financial assets or liabilities, adding or subtracting the difference between the initial recognized amount and the amount at maturity by using the effective interest rate method, and then deducting the accumulated loss provision (only applicable to financial assets).

(1) Classification of financial assets

After initial recognition, the Group will measure different types of financial assets measured by amortized cost, fair value with changes recorded into other comprehensive income, or fair value with changes recorded into the current profits and losses for subsequent measurement.

Contract terms for financial assets stipulate that cash flow at a specific date is only for the principal and on the basis of the outstanding principal amount of the payment of interest, the goal of the Group's business model of managing the financial assets is to collect the cash flow from the contract, the Group classifies this financial asset as amortized cost. Such financial assets mainly include monetary capital, bills receivable and accounts receivable, other receivables and lender's rights investment, etc.

Contract terms for financial assets stipulate that cash flow at a specific date is only for the principal and on the basis of the outstanding principal amount of the payment of interest, the goal of the Group's business model of managing the financial assets is to collect the cash flow from the contract and sale financial assets, the Group classifies this financial asset as fair value with changes recorded into other comprehensive income. If the term of such financial assets is more than one year from the date of acquisition, it shall be listed as other lender's rights investment; if it is due within one year (including one year) from the date of balance sheet, it shall be listed as non-current liabilities due within one year; where the time limit of acquisition is within one year (including one year), it shall be listed as other current assets.

Financial assets measured at fair value with changes recorded into the current profits and losses include financial assets classified as fair value with changes recorded into the current profits and losses and financial assets designated as fair value with changes recorded into the current profits and losses, which are listed in the trading financial assets. Other non-current financial assets that are due (or have no fixed term) for more than one year from the balance sheet date and are expected to be held

for more than one year.

① Financial assets that cannot be classified as financial assets measured at amortized cost and financial assets measured at fair value with changes recorded into other comprehensive income shall be classified as financial assets measured at fair value with changes recorded into the current profits and losses.

② On initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Group shall irrevocably designate as financial assets measured as fair value with changes recorded into the current profits and losses.

On initial recognition, the group shall, on the basis of a single financial asset, irrevocably designate the non-tradable equity instrument investments other than those confirmed or valued in the merger of enterprises not under the same control as fair value with changes recorded into other comprehensive income. Such financial assets are listed as investments in other equity instruments.

A financial asset shall be classified as held for trading if one of the following conditions is met:

① The financial asset is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.

② The financial asset is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking.

③ The financial asset or financial liability is a derivative, except for a derivative that is a designated and effective hedging instrument whose fair value cannot be reliably measured.

1) Financial assets measured by amortized cost

The financial asset measured by amortized cost adopts the effective interest rate method, and the subsequent measurement is made according to the amortized cost. The profit or loss generated when impairment occurs or the recognition is terminated shall be recorded into the current profit and loss.

The group recognizes interest income from financial assets measured at amortized costs in accordance with the effective interest rate method. Except in the following cases, the Group shall calculate and determine the interest income based on the book balance of the financial assets multiplied by the actual interest rate.

2) Financial assets measured by fair value with changes recorded into other comprehensive income

classified as impairment loss or gain related to financial assets measured by fair value with changes recorded into other comprehensive income, the interest income and exchange profit and loss calculated by the effective interest rate method are recorded into the current profit and loss, in addition, the changes in the fair value of the financial asset are recorded into other comprehensive income. The amount of the financial asset recorded into the profit and loss of each period is equal to the amount recorded into the profit and loss of each period as measured by the amortized cost. When the financial asset is terminated for recognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income into current profit and loss.

After investment in non-tradable equity instruments are designated as financial assets measured by fair value with changes recorded into other comprehensive income, changes in the fair value of these financial assets are confirmed in other comprehensive income. When the financial asset is terminated for recognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income into retained earnings. During the period when the Group holds such investment in non-tradable equity instrument, the right of the Group to collect dividends has been established, the economic benefits related to dividends are likely to enter into the group and can be measured reliably, the dividend income shall be recognized and recorded into the current profits and losses.

3) Financial assets measured by fair value with changes recorded into the current profits and losses

Financial assets which are measured by fair value with changes recorded into the current profits and losses shall be recognized by fair value change. Gains or losses arising from changes in fair value and dividends and interest income related to the financial assets shall be recorded into the current profits and losses.

(2) Impairment of financial instruments

The financial assets measured at amortized cost and financial assets measured by fair value with changes recorded into other comprehensive income conduct impairment accounting and are recognized as loss provisions on the basis of expected credit loss.

Lease receivables/financing lease receivable/operating lease receivable, formed by income trading rules for all contract assets and accounts receivable, and by specified transaction of "Accounting Standards for Enterprises no. 21-Leases", recognize loss provisions according to the amount which equivalents to the expected credit loss in the whole duration.

For other financial instruments, except the financial assets purchased or originated with credit impairment, the Group shall evaluate the credit risk changes of the relevant financial instruments since the initial recognition on each balance sheet date. If the credit risk of the financial instrument has increased significantly since the initial confirmation, the Group shall measure its loss provision according to the amount which equivalents to the expected credit loss of the financial instrument in the whole duration; if the credit risk of the financial instrument has not increased significantly since the initial confirmation, the Group shall measure its loss provision according to the amount which equivalents to the expected credit loss of the financial instrument within the next 12 months. The increase or return amount of credit loss reserve shall be recognized as impairment loss or gain in the current profits and losses, except for financial assets measured by fair value with changes recorded into other comprehensive income. For financial assets measured by fair value with changes recorded into other comprehensive income, the Group shall recognize credit loss provision in other comprehensive income and include impairment loss or gain into current profits and losses without reducing the book value of the financial assets listed in the balance sheet.

In the previous accounting period, the Group has measured the loss reserve according to the amount which equivalents to the expected credit loss in the whole duration of the financial instrument. However, on the balance sheet date of the current period, the financial instrument is no longer in the situation where the credit risk has increased significantly since the initial recognition. On the balance sheet date of the current period, the Group shall measure its loss provision of financial instruments according to the amount which equivalents to the expected credit loss of the financial instrument within the next 12 months. The recovered amount of the loss provision shall be recorded in the current profit and loss as impairment gain.

① Credit risk increased significantly

The Group uses the available reasonable and valid forward-looking information to determine whether the credit risk of financial instruments has increased significantly since the initial recognition, by comparing the risk of default of financial instruments on the balance sheet date with the risk of default on the initial recognition date.

The Group takes the following factors into consideration when evaluating whether the credit risk is significantly increased:

1) Whether there are significant changes in the internal price indicators caused by credit risk changes.
2) If an existing financial instrument is originated or issued as a new financial instrument on the balance sheet date, whether the interest rate or other terms of the financial instrument have changed significantly (such as more stringent contract terms, increased collateral or guaranty or

higher yield rate, etc.).

3) Whether the external market indicators of the credit risk of the same financial instrument or similar financial instrument with the same expected duration have changed significantly. These indicators include credit spreads, the price of credit default swaps on borrowers, the length and extent to which the fair value of a financial asset is less than its amortized cost, and other market information about the borrower (such as price movements in the borrower's debt instruments or equity instruments).
4) Whether the external credit rating of financial instruments has changed significantly.
5) Whether the actual or expected internal credit rating of the borrower is downgraded.
6) Whether an adverse change in the business, financial or economic situation results in a significant change in the ability of the borrower to meet its obligations.
7) Whether the actual or expected operating results of the borrower have changed significantly.
8) Whether the credit risk of other financial instruments issued by the same borrower increases significantly.
9) Whether there has been a significant adverse change in the regulatory, economic or technical environment of the borrower.
10) Whether there has been a significant change in the value of the collateral used as collateral for the debt or in the quality of the collateral or credit enhancement provided by a third party. These changes are expected to reduce the borrower's financial incentive to repay the debt within the contractual period or affect the probability of default.
11) Whether there is a significant change in the economic motivation that is expected to reduce the borrower's repayment within the contracted term.
12) Whether there is any change in the expectation of the loan contract, including the anticipated release or amendment of contractual obligations that may result from the breach of the contract, the granting of an interest-free period, a jump in interest rates, the demand for additional collateral or guaranty, or other changes in the contractual framework of the financial instrument.
13) Whether the borrower's expected performance and repayment behavior have changed significantly.
14) Whether the Group's credit management methods for financial instruments have changed.

No matter whether the credit risk increases significantly after the above assessment, when the payment of the financial instrument contract has been overdue for more than (including) 30 days, it indicates that the credit risk of the financial instrument has increased significantly.

On the balance sheet date, the Group assumes that the credit risk of a financial instrument has not increased significantly since the initial recognition, if the Group judges that the instrument has only a low credit risk. If the financial instrument has a low credit risk, the borrowers fulfill their obligations of the contractual cash flow ability is very strong in the short term, and even the economic situation and business environment in a long term change adversely but not necessarily reduce the ability to carry out contractual cash of borrowers, then the financial instruments is considered as lower credit risk.

② Objective evidence that a financial assets is impaired

One or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated. Objective evidence that a financial asset is impaired includes the following events:

1) Significant financial difficulty of the issuer or obligor.
2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments.

3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, will not grant a concession to the borrower.
4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations.
5) The financial difficulties of the lender or borrower cause the active market of the financial asset to disappear.
6) Purchase or originate a financial asset with substantial discount reflects a credit loss.

③ Recognition of expected credit losses

The Group determines the credit loss of other receivables on the basis of individual assets, and determines the credit loss of related financial instruments on the basis of the combination of receivables by using the impairment matrix. Based on the characteristics of common risks, the Group divides financial instruments into different groups. Common credit risk characteristics adopted by the Group include: type of financial instrument, credit risk rating, type of collateral, initial confirmation date, remaining contract term, industry of borrower, geographical location of borrower, value of collateral relative to financial assets, etc.

The Group shall determine the expected credit losses of the relevant financial instruments according to the following methods:

1) For financial assets, the credit loss refers to the present value of the difference between the contract cash flow to be collected by the Group and the expected cash flow to be collected.
2) For other receivables, the credit loss refers to the present value of the difference between the contract cash flow to be collected by the Group and the expected cash flow to be collected.
3) For a financial asset whose credit impairment has occurred on the balance sheet date but not purchased or originated, the credit loss refers to the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original effective interest rate.

The factors reflected by the Group's method of measuring the expected credit losses of financial instruments include: the unbiased probabilistic weighted average amount determined by evaluating a series of possible results; time value of money; reasonable and evidence-based information about past events, current conditions, and projections of future economic conditions that can be obtained on the balance sheet date without unnecessary additional cost or effort.

④ Write-downs financial assets

When the group no longer reasonably expects that the cash flow of the financial asset contract can be fully or partially recovered, the book balance of the financial asset shall be directly written down. Such write-downs constitute a termination of recognition of the relevant financial asset.

(3) Transfer for financial assets

Financial assets that meet one of the following conditions shall be terminated for recognition:

① The contractual right to receive the cash flow of the financial asset terminates.
② The financial asset has been transferred and almost all the risks and rewards in the ownership of the financial asset have been transferred to the transferee.
③ The financial asset has been transferred. Although the Group has neither transferred nor retained nearly all the risks and rewards in the ownership of the financial asset, it has not retained the control over the financial asset.

If the Group has neither transferred nor retained nearly all the risks and rewards in the ownership of the financial asset, it has not retained the control over the financial asset, it shall continue to recognize the transferred financial asset according to its continuous involvement in the transferred financial asset, and correspondingly recognize as relevant liabilities. The Group shall measure relevant liabilities according to the following methods:

1) Transferred financial asset measured at the amortized cost, the book value of the relevant liabilities is equal to the book value of continuous involvement in the transferred financial asset minus the right measured at the amortized cost the Group reserved (if the Group for the transfer of a financial asset reserves the right related) and add obligations of the Group (if the Group for the transfer of a financial asset to undertake the obligations) of the amortized cost, the relevant liability is not designated as financial liabilities measured by fair value with their changes recognized into the current profits and losses.

2) Transferred financial asset measured at fair value, the book value of the relevant liabilities is equal to the book value of continuous involvement in the transferred financial asset minus the right measured at the fair value the Group reserved (if the Group for the transfer of a financial asset reserves the right related) and add obligations of the Group (if the Group for the transfer of a financial asset to undertake the obligations) of the fair value, the fair value of the rights and obligations is measured by the independent foundation.

If the overall transfer of financial assets meets the recognition criteria of termination, the difference between the book value of the transferred financial assets on the date of the termination of recognition and the consideration received due to the transfer of financial assets and the accumulated amount of the fair value changes originally included in other comprehensive income corresponding to the termination of recognition shall be recorded into the current profits and losses. If the financial asset transferred by the Group is a non-tradable equity instrument investment which is measured at financial assets measured by fair value with changes recorded into other comprehensive Income, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

If part of financial assets transfer satisfies the above statements of terminating recognition, the book value of the transferred financial assets shall be apportioned based on the fair value of terminating recognition and not yet terminating recognition, and the difference between the sum of consideration received due to the transfer and accumulated amount of changes of recorded fair value of other comprehensive income that should be apportioned to the part of terminating recognition and the above book value apportioned shall be accounted as current profits and losses. If the financial asset transferred by the Group is a non-tradable equity instrument investment which is measured at financial assets measured by fair value with changes recorded into other comprehensive Income, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

If the overall transfer of financial assets fails to meet the conditions for the termination of recognition, the Group shall continue to recognize the overall transfer of financial assets and recognize the consideration received as financial liabilities.

(4) Classification of financial liabilities and equity instruments

The Group classifies the financial instrument or its components as a financial liability or equity instrument at the time of initial recognition in accordance with the issued terms of the contract of the financial instrument and the economic substance reflected therein, but not only in legal form, and combines with the definition of the financial liabilities and equity instruments.

① Classification and measurement of financial liabilities

Financial liabilities are divided into financial assets and financial liabilities which are measured by fair value with changes recorded into the current profits and losses at the initial recognition.

1) Financial liabilities measured by fair value with changes recorded into the current profits and losses

Financial liabilities measured by fair value with changes recorded into the current profits and losses

involves trading financial liabilities (including derivative instruments of financial liabilities) and designated financial liabilities measured by fair value with changes recorded into the current profits and losses. In addition to the separate listing of derivative financial liabilities, the financial liabilities measured by fair value with changes recorded into the current profits and losses are listed as trading financial liabilities.

Financial liabilities shall be classified as held for trading if one of the following condition is met:

The purpose of undertaking relevant financial liabilities is mainly for short-term buybacks.

Relevant financial liabilities are part of a centrally managed portfolio of identifiable financial instruments at the time of initial recognition, and there is an objective evidence of a short-term profit model in near term.

Related financial liabilities belongs to derivative instruments, except derivatives that meet the definition of financial security contracts and derivatives that are designated as effective hedging instruments.

Financial liabilities satisfy one of the following conditions can be designated as financial liabilities measured by fair value with changes recorded into the current profits and losses: (1) This designation eliminates or significantly reduces accounting mismatches; (2) According to the risk management or investment strategy stated in the formal written documents of the Group, management and evaluation of financial liability portfolio or financial assets and financial liability portfolio on the basis of fair value, these shall be reported to the key management of the Group; (3) Qualified hybrid contracts containing embedded derivatives.

The fair value is adopted for the subsequent measurement of transactional financial liabilities, and the gains or losses resulting from the changes in the fair value and the dividends or interest expenses related to such financial liabilities are recorded in the current profits and losses.

For financial liabilities measured by fair value with changes recorded into the current profits and losses which are designated, the changes in fair value caused by the Group's credit risk shall be recorded in other comprehensive income, and other changes in fair value shall be recorded in the current profits and losses. When the financial liabilities are terminated for recognition, the accumulated change of fair value caused by the change of its own credit risk recorded in other comprehensive income shall be transferred to retained earnings. Dividends or interest expenses related to such financial liabilities are recorded in the current profits and losses. If above impact of the change in the credit risk cause or expand the accounting mismatch in the profits and losses, the Group will record all the gains or losses (including the amount affected by the change in credit risk) of such financial liabilities into the current profit and loss.

2) Other financial liabilities

Financial liabilities other than financial liabilities formed by the transfer of financial assets that do not meet the conditions for the termination of recognition or continue to involve in the transferred financial assets, financial guarantee contracts and loan commitments are classified as financial liabilities measured at amortized cost. Other financial liabilities shall be follow-up measured based on amortization cost according to actual interest rate method, gains or losses from terminal recognition or amortization shall be recorded into current profits and losses.

The Group shall recalculate the book value of the financial liabilities according to amortized cost which are not terminated, however, the contractual cash flow is changed under the circumstance of that Group modifies or renegotiates the contract with the counterparty, and record the relevant gains or losses into the current profits and losses. Recalculating the book value of the financial liability, the Group shall renegotiate or modify cash flow contract according to original effective interest rate of the financial liabilities. For all costs or expenses arising from the modification or renegotiation of the

contract, the Group shall adjust the book value of the modified financial liabilities and amortize them over the remaining term.

① Terminating recognition of financial liabilities

Financial liabilities or part of financial liabilities shall be recognized terminally only when all or part of present obligation of financial liabilities have been relieved. The Group (Debtor) and Debtee enter an agreement that taking over new financial liabilities instead of present liabilities, and if any essence of the contract terms of original financial liabilities is different from that of the present ones, the recognition of present financial liabilities shall be terminated and original financial liabilities are to be confirmed concurrently.

The difference between the book value confirmed terminally, if termination of all or part of financial liabilities are recognized, and the consideration paid (including roll-out non-cash-producing assets or new financial liabilities taken) shall be recorded into current profits and losses.

② Equity instruments

Equity instrument refers to the contract providing the residual equity of the Group after deduction of all liabilities from assets. The Group issues (including refinances), repurchase, sell or cancel equity instruments as the response to the change of equity. The Group doesn't recognize the change of fair value of equity instruments. Trade cost related to equity transaction shall be deducted from the equity.

The group treats distribution of equity instrument holders as profit distribution, and issued stock dividends shall not affect the total equity of shareholders.

(5) Derivatives and embedded derivatives

Derivatives, including interest rate swap contracts, forward foreign exchange contracts, foreign exchange options contracts, exchange rate swap contracts and power futures contracts. Derivative instruments are initially measured at fair value on the signing date of relevant contracts and are subsequently measured at fair value.

For the hybrid contract formed by the embedded derivative instrument and the main contract, if the main contract belongs to financial assets, the Group will not split the embedded derivative instrument from the hybrid contract, but apply the accounting standards on the classification of financial assets as a hybrid contract.

If the main contract contained in the hybrid contract does not belong to financial asset but still meets the following conditions, the Group will split the embedded derivative instruments from the hybrid contract and treat it as a separate derivative instrument.

1) The economic characteristics and risks of embedded derivatives are not closely related to the economic characteristics and risks of the main contract.
2) An individual instrument with the same terms as an embedded derivative complies with the definition of a derivative.
3) The hybrid contract is not measured by fair value with changes recorded into the current profits and losses.

Where an embedded derivative instrument is split from a hybrid contract, the Group shall account for the main contract of the hybrid contract in accordance with the applicable accounting standards. If the Group is unable to reliably measure the fair value of the embedded derivative instrument according to the terms and conditions of the embedded derivative instrument, the fair value of the embedded derivative instrument shall be determined according to the difference between the fair value of the hybrid contract and the fair value of the main contract. After using the above method, if the fair value of the embedded derivative instrument still cannot be measured separately on the acquisition date or the subsequent balance sheet date, the Group will designate the hybrid contract as a financial instrument measured by fair value with changes recorded into the current profits and losses.

(6) Offsetting financial assets and financial liabilities

The amount of financial assets and financial liabilities offset against each other shall be itemized and shown in the balance sheet when the Group has the legal right to offset the recognized financial assets and financial liabilities and are permitted to use the right for now, in the meantime, the Group plans to make a net settlement of or concurrently realize the financial assets and clear off the financial liabilities. Otherwise, financial assets and financial liabilities are to be itemized and shown in the balance sheet separately, not to be offset against each other.

(7) Hedging accounting

In order to avoid certain risks, the Group hedges certain financial instruments as hedging instruments. Satisfying hedging condition, the Group adopts the hedging accounting method to deal with issues. The hedging of the Group includes the hedging of cash flow and the hedging of net investment in overseas operations. The Group treats the hedging of confirmed commitment of foreign exchange risk as cash flow hedging.

At the beginning of the hedging, the Group shall record the relationship between the hedging instruments and the hedged items, as well as the objectives of risk management and the strategies of different hedging transactions. In addition, the Group will continuously evaluate the effectiveness of the hedge at the beginning of hedging, and check whether the hedge is highly effective during the designated accounting period of the hedge relationship.

When the maturity period is longer than 12 months, the fair value of the hedging instruments will be defined as non-current assets or liabilities. When the maturity period is within 12 months, the fair value of the hedging instruments is defined as current assets or liabilities.

① A cash flow hedging

If a derivative instrument is designated as a cash flow hedge, the change of fair value belongs to the effective hedging part is included in other comprehensive income, while the invalid hedging part is included in the current profits and losses.

If the hedging of the expected transaction causes the Group to subsequently recognize a financial asset or financial liability, the amount originally included in other comprehensive income will be transferred out during the same period when the asset or liability affects the profit and loss of the enterprise and will be recorded in the current profits and losses; If the Group expects that all or part of the net loss directly recognized in other comprehensive income cannot be covered in the future accounting period, the part that cannot be covered will be transferred out and recorded into the current profits and losses.

If the hedging of the expected transaction causes the group to subsequently recognize a non-financial asset or non-financial liability, the gains or losses already included in other comprehensive income will be transferred out and recorded in the initial cost of the non-financial asset or non-financial liability. If all or part of the net loss directly recognized in other comprehensive income cannot be offset in the future accounting period, the part that cannot be offset shall be transferred out and recorded into the current profits and losses.

In addition to the above circumstances, the amount originally included in other comprehensive income shall be transferred out during the same period when the expected hedged transaction affects the profit and loss, and shall be recorded in the current profits and losses.

When the Group cancels the designation of the hedging relationship, the expiration or sold of hedging instrument, the termination of contract, the hedge accounting conditions have been exercised or no longer meet, the Group shall terminate use of the hedge accounting. When the hedge accounting terminates, the accumulated gains or losses that have been recorded in other comprehensive income will be recorded in the profits and losses when the expected transaction occurs, and the losses and

gains will be recorded in the profits and losses after the transfer out from other comprehensive income. If the transaction is not expected to occur, the accumulated gains or losses recorded in other comprehensive income will be immediately transferred out and recorded in the current profits and losses.

② Net investment hedging of overseas operation

The hedging method of net investment in overseas operation is similar to that of cash flow hedging. Among the gains or losses of the hedging instrument, the part belonging to the effective hedging is recorded in other comprehensive gains, while the gains or losses of the ineffective hedging part are recorded in the current profits and losses.

Gains and losses that have been recorded in other comprehensive income shall be transferred out of other comprehensive income and recorded in current profits and losses in the disposal of overseas operations.

**11. Inventory**

(1) Classification of inventory

Inventory mainly includes raw material, materials in transit, self-made semi-finished goods and goods in process, commodity stocks, goods in transit, rotation materials (including low-priced and perishable articles, packages), processed goods, developers, and others.

(2) Inventory valuation method of obtaining and delivering

Inventory obtained shall be valuated at actual cost. Inventory cost includes purchasing cost, processed cost and other costs. Evaluation shall be under the moving weighted average method when using or delivering inventories.

(3) Recognition of net realizable value of and inventory devaluation provision

Net realizable value refers to, in daily business, the amount left after estimated costs to be incurred upon completion, estimated selling expenses and related taxes are subtracted from estimated selling price of inventory. When confirming the net realizable value of inventory, the proof obtained as the basis, the purpose of obtaining inventory and the impact on the events after the balance sheet date shall be taken into consideration.

Inventory shall be valued based on the lower of cost and net realizable value at the balance sheet date. Inventory devaluation provision is to be made when its net realizable value is lower than cost. Inventory devaluation provision is normally to be made based on the difference between the cost of single inventory item and its net realizable value. For the inventory with large quantity and low unit price, depreciation provision is to be reversed according to inventory type; the inventory, which is related to the products made and sold in the same region, has the same or similar final use or purpose, and is hard to be valued separately from other items, can be combined and calculated into inventory devaluation provision.

After the reverse of inventory devaluation provision, if the factor that influences written-down inventory value is gone, the difference between inventory net realizable value and its book value within the amount of calculated inventory depreciation provision can be reversed and recorded into current profits and losses.

(4) Perpetual inventory system is adopted.

(5) Amortization method of low-priced and perishable articles and packages

Low-priced and perishable articles and packages are amortized by one-time write-off method. The packaging used for turnover shall be recorded into the cost according to the estimated times of use.

**12. Long-term equity investment**

(1) The basis of recognition of right to control and significant influence on Investees

Joint control refers to the Group jointly controls an arrangement according to relevant agreement and

relevant activities of the arrangement shall be decided after all parties sharing controlling right enter an agreement. Significant influence refers to the right of participating in decision-making on the financial and operating policies of the Investees, but not the control or joint control with other parties over the formulation of those policies. In determining whether it is possible to exercise control over or exert significant influence on the Investees unit, it has taken into account the potential voting rights factors such as the current convertible corporate bonds of the Investees unit and the current executable warrants held by the investor and other parties.

(2) Recognition of investment cost

For the long-term equity investment obtained from enterprise consolidation under common control, the share of book value on the final controller's consolidated financial statements of shareholders' equity of the combined party on the combination date shall be regarded as initial investment cost of long-term equity investment. The difference among initial investment cost of long-term equity investment, paid cash, transferred non-cash-producing assets and the book value of debts shall be used to adjust capital reserve; if the capital reserve is not enough to be written off, it shall be used to adjust retained earnings. For the consolidation price is the issue of equity securities, the share of book value on the final controller's consolidated financial statements of shareholders' equity of the combined party on the business combination date shall be regarded as initial investment cost of long-term equity investment, and the face value sum of the shares issued. The difference between initial investment cost of long-term equity investment and face value sum of shares issued shall be used to adjust capital reserve; if the capital reserve is not enough to be written off, it shall be used to adjust retained earnings.

For the long-term equity investment obtained from enterprise consolidation not under the same control. The equity obtained from the merged party not under the same control through several transactions and eventually formed enterprise consolidation under the same control shall be responded as follows: if it's a "package transaction," each and every transaction shall be accounted as a trade of obtaining controlling right. If it's not a "package transaction," the sum of book value of initial equity investment of purchased party and new investment cost shall be regarded as initial investment of long-term equity investment based on cost method. The initial equity calculated based on equity method, other relevant comprehensive incomes is not to be accounted temporarily. For the initial equity investment that can be available-for-sale financial assets, the difference between the initial equity investment's fair value and its book value, and the accumulative fair value of other initial comprehensive income shall be recorded as current profits and losses.

Expenses for enterprise consolidation of the combining party or the purchaser, including auditing charge, law services fee, evaluation and consultation charge and other relevant management expenses, shall be recorded into current profits and losses when occurs.

Other equity investments except the long-term equity investment formed by enterprise consolidation shall be initially measured according to cost. For the additional investments that can have significant influence on or implement control but not yet to constitute control the Investees, long-term equity investment cost shall be the sum of the fair value of initial equity investment and new investment cost that confirmed according to "Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instrument."

(3) Follow-up measurement and recognition method of profits and losses

① The long-term equity investment accounted based on cost method

The Company's financial statements adopt the cost method to calculate the long-term equity investment in subsidiaries. A subsidiary is an Investees that the Company can control.

When accounting based on cost method, long-term equity investment shall be valued according to

initial investment cost, and the cost of investing on the adjustment of long-term equity investment shall be added or taken back. Current profits are to be recognized according to the cash dividends or profits announced and delivered by the authorized Investees.

② The long-term equity investment accounted based on equity method

The Group adopts the equity method to calculate the investment of joint ventures and joint ventures. A joint venture is an investment entity to which the Group has a significant influence on it, and an equity joint venture is an equity joint venture in which the Group has rights only to the net assets of the arrangement.

When accounting based on equity method, initial investment cost of long-term equity investment shall not be adjusted when it is more than the share of fair value of the authorized Investees' net identifiable assets in investing; if initial investment cost is less than the share of fair value of the authorized Investees' net identifiable assets in investing, the difference shall be recorded into current profits and losses, and in the meantime, the cost of long-term equity investment shall be adjusted.

When calculating based on equity method, investment profit and other comprehensive income shall be recognized respectively according and the book value of long-term equity investment shall be adjusted at the same time according to the share realized by the entitled or shared Investees; the book value of long-term equity investment shall be relatively increased according to the entitled part of the announced and delivered profit or cash dividends of the Investees; for the other changes of shareholders' equity of the Investees except net profit and loss, other comprehensive income and dividends, the book value of long-term equity investment shall be adjusted and recorded into capital surplus. When recognizing the share of net profit and loss entitled to the Investees, based on fair value of various identifiable assets when obtaining investment, the net profit of the Investees shall be recognized after being adjusted. If accounting policy and accounting period adopted by the Investees is different with that of the Group, the Investees' financial statements shall be adjusted according to the Group's accounting policy and accounting period so as to recognize the profit of investment and other comprehensive income. For the transaction occurred between the Group, associated enterprises and joint ventures, if the invested or sold assets are not a business, the unrealized profit and loss of internal trading shall be offset according the part belonging to the Group based on the calculation according the entitled ratio, and investment profit and loss shall be recognized after the above practice. However, if the unrealized internal trading loss occurred between the Group and the Investees belongs to impairment loss of the transferred assets, it shall not be offset.

When recognizing net loss shared to the Investees, the book value of long-term equity investment and other net-investment long-term equity over the Investees, if exists, shall be reduced to zero. Besides, if the Group shall undertake the extra losses of the Investees, the expected liabilities shall be recognized based on the expected undertaken obligation and recorded into current investment loss. If the Investees has net profit in the future, the Group shall recover and recognize earnings-sharing amount after which makes up the unconfirmed losses-undertaking amount.

(4) Dealing with long-term equity investment

When disposing the long-term equity investment, the difference between the book value of the equity disposed of and actual disposal amount shall be recorded into current profits and losses.

**13. Held for sale, and termination of the business**

And satisfy the following conditions of non-current assets (including financial assets and deferred income tax assets) or to the disposition of the group shall be recognized as held for sale: the non-current assets or to the disposition of the group must be under the current conditions only according to the sale of such non-current assets or to the disposition of the group's usual terms can be immediately sold; The company and its subsidiaries have disposed of the non-current assets or to the

disposition of the group to make a decision, such as shareholder approval is required, shall have obtained a shareholders' meeting or relevant authority approval; The company and its subsidiaries have signed an irrevocable transfer agreement with the assignee; The transfer will be completed within a year.

Assets held for sale include single item assets and group disposal. In certain cases, the group disposal includes obtaining from the merger of enterprises such as goodwill.

Hold non-current assets for sale and held for sale in the disposal of group assets depreciation or amortization, according to the book value and the net amount after the fair value minus the disposal expenses to measure what is low, and presenting as "divided into assets held for sale".

A non-current asset or to the disposition of the group was classified as held for sale, but later no longer meet the recognition criteria of assets held for sale, the enterprise should stop will be classified as held for sale, and in accordance with the following two amounts which is lower in the measurement:

(1) The book value of asset or disposition group before classified as held for sale, according to the assumption that in the absence of classified as held for sale due to confirmed adjusted amount of the depreciation, amortization and impairment ;

(2) Decided not to sell the day of the recycle amount.

Termination of business is to meet one of the following conditions which have been dealing with or be classified as held for sale, in operating and preparing its financial statements to distinguish separate components:

(1) Represent the part of an independent main business or a main business area;

(2) This is part of the disposal plan of an independent business or a main business area;

(3) The part is only the subsidiary which is obtained for resale.

**14. Fixed assets**

(1) Recognition of fixed assets

Fixed assets of the Company refer to tangible assets held for the purposes of production of goods, service provision, rental or operation and management with a service life of over one accounting year. Fixed assets can only be recognized when its relevant economic profit is likely to enter into the Group and its cost can be measured reliably. Considering the influence of expected retirement expenses, fixed assets shall be initially measured based on cost.

(2) Various depreciation methods of fixed assets

Depreciation withdrawal of fixed assets shall be taken within useful life based on straight-line method from the second month of reaching the working condition. The depreciation period, expected net salvage value, and annual depreciation rate are as follows:

| Category | Depreciation period (year) | Salvage value rate (%) | Annual depreciation rate (%) |
|---|---|---|---|
| Houses and buildings | 14.5-50 | 0-10 | 1.80-6.90 |
| Machinery equipments | 3-30 | 0-10 | 3.00-33.33 |
| Transport equipments | 4-10 | 0-10 | 9.00-25.00 |
| Moulds and gauges | 3-7 | 0-10 | 12.86-33.33 |
| Electronic and office equipments | 3-10 | 0-10 | 9.00-33.33 |
| Other equipments | 3-5 | 0-10 | 18.00-33.33 |

Expected net salvage value refers to the amount that the Group obtained by deducting expected disposal expenses from the disposal of the following asset with supposing that the expected service

life of fixed asset is due and is in the expected condition of ending its service life.

The depreciation of the leased assets shall be calculated in accordance with the policy of its own fixed assets. Where the ownership of the leased asset can be reasonably determined upon the expiration of the lease term, the depreciation shall be calculated and carried out within the service life of the leased asset; where the ownership of the leased asset cannot be reasonably determined upon the expiration of the lease term, the depreciation shall be calculated and carried out within the shorter period between the lease term and the service life of the leased asset.

(3) Impairment test and impairment provision of fixed assets

See Note VI, 20 "Long-Term Asset Impairment" for details of impairment test and impairment provision of fixed assets.

(4) Other instruction

The follow-up expenditure related to fixed assets, if its economic profit related to the fixed assets is likely to enter into the Group and measured reliably based on its cost, shall be recorded into fixed assets cost and the book value of the part replaced shall be terminated to be recognized. Besides, the other follow-up expenditure shall be recorded into current profits and losses when occurs.

The fixed asset shall be terminated to be recognized if it is in the disposal condition or can't produce economic profit when used or disposed of in advance. The amount of the incomes of selling, transferring, scraping or damaging the fixed asset deducted from its book value and relevant taxes shall be recorded into current profits and losses.

The Group rechecks the fixed assets' useful life, expected net salvage value and depreciation method before the end of the year, and any changes, if exists, is to be disposed of as changes of accounting estimate.

**15. Construction in progress**

Construction in progress cost is confirmed based on actual construction expenditure, including the expenditure during construction, capitalized loans cost before reaching the working condition, and other relevant expenses. Construction in progress shall be carried forward as fixed asset after reaching the working condition.

See details of impairment test and impairment provision of construction in progress in Note IV, 20"Long-term asset impairment."

**16. Loans cost**

Loans cost includes loan interest, amortization of depreciation or premium, auxiliary expenses and exchange differences caused by foreign currency loans etc. For loans cost of purchase, building or production of assets that can directly belong to those assets meeting capitalization condition, it's capitalized after the asset expenses have occurred, loans cost has occurred, and the purchase and building or production activities to make the assets reach working or selling conditions have begun; when the assets purchased and built meeting capitalization condition have reached working or selling conditions, capitalization ends. Other loans cost is recognized as expenses when occurs.

The actual current interest expenses incurred by proper loan, is capitalized by deducting unused interests income of loan funds deposited into the bank, or the amount of returns on investment obtained from temporary investment; ordinary loans is determined for capitalization amount by multiplying weighted mean of asset expenses exceeding special loans part among accumulated asset expenses by capitalization rate of ordinary loans occupied. The capitalization rate is calculated and decided according to weighted average interest rate of ordinary loans.

During capitalization period, all exchange differences of professional foreign currency loans shall be capitalized; exchange differences of common foreign currency loans shall be recorded into current profits and losses.

Assets meeting capitalization conditions, refer to assets like the fixed assets, investment real estate and inventory etc. that reach the estimated working or selling conditions through a considerable long period of purchase and building or production activities.

If the assets meeting capitalization conditions in the process of purchase and building or production have been informally interrupted, and the interruption interval is more than 3 months, the capitalization of the loans cost is suspended until purchase and building or production activities of the assets restart.

**17. Intangible assets**

Intangible assets refer to the identifiable non-monetary assets without physical substance owned or controlled by the Group. Including software system, proprietary technology, land use right, non-patented technology, patent right, trademark right, dealer network and others.

Intangible assets are to be initially measured based on cost. The expenditure related to intangible assets, if relative economic profit is likely to enter into the Group and can be measured based on its cost reliably, shall be recorded into intangible assets cost. Besides, the expenditure of other items shall be accounted as current profits and losses when occur.

The land-use right obtained is normally accounted as intangible assets. The expenditure of land-use right and construction cost of buildings related to factory buildings and other buildings developed and constructed voluntarily shall be accounted as intangible assets and fixed assets separately. For purchased houses and buildings, relevant prices shall be allocated between land-use right and buildings, if it is hard to be allocated reasonably, all of them shall be regarded as fixed assets.

When intangible assets with limited service life reaches the working condition, the amount that expected net salvage value and accumulated amount of withdrew impairment provision deducted from its original value shall be averagely amortized based on straight-line method within its expected service life. The intangible assets with uncertain service life shall be not amortized.

At the end of the period, service life of intangible assets with limited service life and amortization method shall be rechecked, and any changes, if exists, shall be accounted as changes of accounting estimate. Besides, useful life of intangible assets with uncertainty shall also be rechecked, if any proof shows that the intangible assets can bring foreseen economic profit to the enterprise, its useful life shall be estimated and it shall be amortized according to amortization method of intangible assets with limited service life.

See Note IV, 20 "Long-term asset impairment" for details of impairment test and provision of intangible assets recognition.

**18. Research and development expenditure**

Expenditure of the Group's research and development items is divided into expenditure in research period and expenditure in development period.

The expenditure in research period shall be recorded into current profits and losses when occur.

The expenditure in development period shall be recognized as intangible assets if meets all following terms, and shall be recorded as current profits and losses otherwise:

A. Complete the intangible assets to make it usable or tradable and available technically;
B. Possess the intention of completing and using or selling the intangible assets;
C. The method that intangible assets produce economic profit includes it can be proved that the products produced from intangible assets have market or intangible assets have its own market, if intangible assets are used in the interior, it can be proved its usefulness;
D. Have enough technical, financial resources and other resources support, to finish the development of the intangible assets, and have the ability to use or sell the intangible assets;

E. Expenses belonging to expenses of the intangible assets in development period can be measured reliably.

The expenditure that cannot be distinguished as the one in research period or development period, if the situation exists, shall be recorded into current profits and losses.

Expenditures at the capitalized stage of development are shown on the balance sheet as development expenditures, which are converted into intangible assets from the date the project reaches its intended purpose.

**19. Long-term deferred expenses**

Long-term deferred and prepaid refers to all actual expenses with apportionment period of more than one year apportioned by reporting period and later periods. Long-term deferred and prepaid expenses shall be apportioned on straight-line basis in expected benefit period.

**20. Long-term assets impairment**

At the balance sheet date, the Group determines whether there is any sign of impairment of fixed assets, construction in process, intangible assets with limited service life, long-term equity investment to subsidiaries, joint ventures, associated enterprises, goodwill and other non-current non-financial assets. If any, their recoverable amount shall be estimated and undergo impairment tests. Goodwill, intangible assets with uncertain service life and intangible assets have not been put into use shall undergo impairment tests each year whether there is any sign of impairment or not.

In the event that the impairment test results show that the recoverable amount of assets is lower than their book value, impairment provision shall be withdrawn according to the difference and recorded into impairment loss. The recoverable amount refers to the higher one of the net amount of the fair value of the assets subtracted from the disposal expenses and the present value of expected future cash flow of the assets. The fair value of the assets is determined according to the price in the sales agreement in even bargain; assets which exist in the sales agreement but do not exist in active asset market, the fair value shall be determined according to price offered by the buyer of the assets; assets which do not exist in sales agreement but exist in active asset market, their fair value shall be estimated according to the best information available. The disposal expenses include legal expenses relevant to asset disposal, relevant taxes and fees, cartage and direct expenses that enable the asset to be sold. The present value of expected future cash flow of assets shall be determined according to the amount of expected future cash flow of assets incurred during the continuous use or final disposal of assets after being discounted according to an appropriate discount rate. Impairment provision for assets shall be measured and recognized according to the individual asset. If it is difficult to estimate the recoverable amount of the individual asset, the recoverable amount of the asset group shall be determined according to the asset group that contains such asset. The asset group refers to the smallest asset group that can generate independent cash inflow.

When impairment test is carried out, the book value of goodwill shown separately in the financial statements shall be apportioned to asset groups or combination of asset groups which gain benefit from the synergy effect of enterprise consolidation expectedly. If the test results show that recoverable amount of asset groups or combination of asset groups with apportioned goodwill is lower than the book value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall offset the book value of goodwill apportioned to asset groups or combination of asset groups, and offset the book value of other assets according to the proportion of the book value of asset groups or combination of asset groups exclusive of goodwill.

Once the said asset impairment loss is recognized, it shall not be reversed in later period.

**21. Employee benefits**

Employee benefits of the Group mainly include short-term employee benefits, post-employment

welfare, dismiss welfare and other long-term employee welfare. Among them:

The short-term employee benefits include wages, bonuses, allowances and subsidies, employee welfare expenses, medical insurance premiums, maternity insurance premiums, work-related injury insurance premiums, housing fund, labor union expenditure and employee education expenses, non-monetary welfare and so on. The Group recognizes the actual short-term employee benefits paid to employees during the accounting period when they work for the Group as liabilities and records them into the current profits and losses or related asset costs. The non-monetary welfare shall be measured according to fair value.

Post-employment welfare mainly includes the defined contribution plan which mainly includes the basic endowment insurance, unemployment insurance and annuity and so on. The corresponding payable amount shall be recorded into the relevant asset costs or current profits and losses when incurred.

In case of the termination of the labor relationship with the employee before contract term expires, or proposals to give compensation to encourage employees to accept redundancy voluntarily, when the Group cannot unilaterally withdraw dismiss welfare it offers due to the cancellation of labor relationship or the layoff proposal, and when the Group recognizes the costs related to the restructuring of payment of dismiss welfare, whichever is early, employee salary liabilities arising from dismiss welfare shall be recognized and recorded into the current profits and losses. However, if dismiss welfare cannot be paid in full within twelve months after the annual reporting period as expected, it shall be dealt with as other long-term employee salaries.

The principle to deal with dismiss welfare is also applied to internal retirement plan for employee. The Group records wages and social insurance charges to be paid to the retired employees from the day they stop serving until the normal retirement date into current profits and losses (dismiss welfare), provide that they meet the recognition conditions of estimated liabilities.

Other long-term employee welfare the Group offers to its employees shall be dealt with according to the defined contribution plan if they meet the same, otherwise they shall be dealt with according to the defined benefit plan.

**22. Share-based payments**

Share payment of the Group is a transaction in which equity instruments are granted or liabilities determined on the basis of equity instruments for the purpose of obtaining services provided by employees. The group's share payment is cash-settled share payment.

Share payments settled in cash shall be measured in accordance with the fair value of the liabilities assumed by the Group on the basis of shares. The fair value of the liabilities shall be re-measured on each balance sheet date and settlement date before the settlement of the relevant liabilities, and the changes shall be recorded in the profits and losses of the current period.

**23. Provision**

Obligations related to contingencies shall be recognized as provisions when they meet the following conditions simultaneously: (1) the obligation is a current one assumed by the Group; (2) performing the obligation might lead to the outflow of economic benefits; (3) the amount of the obligation can be measured reliably.

At the balance sheet date, considering risks related to contingencies, uncertainties, time value of money and other factors, accrued liabilities shall be measured according to the best estimate of the expenditure necessary to perform relevant current obligations.

Should all or part of the expenditure needed to settle accrued liabilities is expected to be compensated by the third party, the amount of compensation shall be recognized solely as assets provided that the amount of compensation may well be received. In addition, the recognized amount of compensation

shall not exceed the book value of estimated liabilities.

(1) Loss contract

Loss contract refers to the contract of which costs are in excess of the expected economic benefits inevitably when contractual obligations are fulfilled. Where an executory contract becomes loss contract, and obligations in such loss contract meet recognition conditions of the said estimated liabilities, the different between contractual estimated loss and the recognized impairment loss (if any) of contractual subject assets shall be recognized as accrued liabilities.

(2) Restructuring obligations

As for a detailed and formal restructuring plan that has been officially announced, if recognition conditions of the said accrued liabilities has been met, the amount of accrued liabilities shall be recognized according to the direct expenditure associated with the restructuring. As for restructuring obligations with part of the business sold, obligations associated with the restructuring shall be reorganized after the Group undertakes to sell part of the business, (namely, to sign a binding sales agreement).

**24. Income**

The Group's income mainly comes from the following business types:

(1) Income from selling goods

(2) Service income

In fulfilling its performance obligations under the contract, the Group recognizes revenue at the transaction price apportioned to the performance obligation when the customer acquires control over the relevant goods or services. Performance obligations refer to the commitment of the Group to transfer goods or services to customers in the contract, which can clearly distinguish between goods and services. Transaction price refers to the amount of consideration that the Group expects to be entitled to collect as a result of the transfer of goods or services to its customers, but does not include the amount collected on behalf of third parties and the amount that the Group expects to refund to its customers.

When the Group fulfills its performance obligations under the contract, that is, when the customer acquires control over the relevant goods or services, recognition of revenue in accordance with the transaction price apportioned to the performance obligation. Performance obligation refers to the Group's promise to transfer a good or service (or a bundle of goods or services) that is distinct.

Transaction price refers to the amount of consideration that the Group expects to be entitled to collect as a result of the transfer of goods or services to its customers, but does not include the amount collected on behalf of third parties and the amount that the Group expects to refund to its customers.

If one of the following criteria is met:, it belongs to the performance obligation fulfilled within a certain period of time, and the Group recognizes revenue within a period of time in accordance with the progress of performance: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the customer is able to control the good which is made in progress of the period of Group's performance. (3) The commodities produced in the course of the Group's performance are irreplaceable and the Group has the right to collect payments for the part of performance that has been completed so far during the entire contract period. Otherwise, the Group recognizes revenue at the point when the customer obtains control of the relevant goods or services.

Contract assets refer to the Group's right to receive consideration for the transfer of goods or services to the customers, which depends on factors other than the passage of time. The Group's unconditional (i.e., depending only on the passage of time) right to collect consideration from customers is presented separately as receivables.

Contract liabilities refer to the obligations of the Group to transfer goods or services to the customers when the Group has received or receivable consideration from the customers.

Contract assets and contract liabilities of the related contracts are presented on a net basis.

Cost of contract acquisition:

The incremental costs incurred for the acquisition of the contract (i.e. costs that will not occur without the acquisition of the contract) are expect to be recovery, the Group recognizes them as an asset and amortizes them on the same basis as the recognition of revenue from goods or services related to the asset, and are recorded in current profit and loss. Other expenditures incurred by the Group in order to obtain the contract shall be recorded into the current profits and losses at the time of occurrence, except those clearly borne by the customers.

Cost of performance of the contract:

The cost incurred by the Group for the performance of the contract could be recognized as an asset when it does not fall within the scope of other enterprise accounting standards except revenue standards and meets the following conditions at the same time: (1) the cost is directly related to a current or expected contract; (2) the cost increases the Group's future resources for fulfilling performance obligations; (3) the cost is expected to be recovered. The above-mentioned assets shall be amortized on the same basis as the revenue of goods or services related to the assets, and shall be recorded in current profit and loss.

**25. Government grants**

(1) Government grants refer to monetary or non-monetary assets the Group receives from the government for free. Government grants include government grants related to assets and government grants related to income.

1) The judgments and accounting methods of government grants related to assets

The government grants pertinent to assets mean the government assets that are obtained by enterprises used for purchase, construction or forming the long-term assets by other ways.

Government grants related to assets shall be offset to the book value of the assets concerned or recognized as deferred income. Government grants which are related to assets and recognized as deferred income shall be distributed and included in profits and losses according to rational and systematic methods within the useful lives of the relevant assets. Government grants measured based on the nominal amounts and shall be recorded into the current profits and losses directly.

Relevant assets are sold, transferred, abandoned or damaged before their expected useful life, the relevant undistributed balance of deferred income is transferred into the current profit and losses of disposal of assets.

2) The judgments and accounting methods of government grants related to income

If the government grants related to income are used as compensation for relevant future expenses or losses of later periods, they shall be recognized as deferred income and be recorded into the current profits and losses when recognizing relevant expenses or losses.

If the government grants are used as compensation for related costs or losses having occurred, they shall be directly recorded into current profits and losses.

When the government grants include the related parts of the assets and income simultaneously, then it is necessary to distinguish the different parts of the government grants and apply accounting methods respectively; when it is difficult to distinguish them, then the whole is classified as the government subsidy related to the income.

According to the essence of economic activities, government grants related to the daily activities of the Group are supposed to be recorded into other income or offset the cost concerned. Government grants not related to the daily activities of the Group are recorded in non-operating income.

(2) The accounting methods of policy-related preferential loan discount

The Government appropriates the discount interest funds to the lending banks, and the lending banks provide loans to the Group at preferential policy interest rates, and the entry value of the loans is based on the actual amount of received loans, and the related loans costs are calculated according to the principal of the loans and the preferential policy interest rates.

The Government appropriates the discount interest funds to the Group directly, and the corresponding discounts will be used to offset the related loans costs.

Government grants are recognized and measured in accordance with the actual amount of funds received. Only when there is conclusive evidence that the subsidy is appropriated according to a fixed quota standard and there is conclusive evidence that it meets the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, it can be recognized and measured according to the amount receivable.

If the recognized government subsidy needs to be returned, the Group shall conduct accounting treatment at the time when it needs to be returned, that is, to adjust the related assets' book value respectively, which was offset at the time of initial confirmation.

**26. Deferred income tax assets/ deferred income tax liabilities**

(1) The current income tax expenses

Current income tax liabilities (or assets) formed currently or before shall be calculated in accordance with the tax law which specifies the amount of income tax expected to be paid (or returned) at the balance sheet date. The amount of taxable income used to calculate current income tax expenses shall be calculated after the pre-tax accounting profit of current year is adjusted according to the relevant provisions of the tax law.

(2) Deferred income tax assets and deferred income tax liabilities

As for the difference between the book value and its tax basis of assets and liabilities of certain projects, and the temporary differences arising from the difference between the book value of the project which hasn't been recognized as an asset or liability but its tax basis can be determined in accordance with the provisions of the tax law, the liability method of balance statement is adopted to recognize deferred income tax assets and deferred income tax liabilities.

As for taxable temporary differences related to initial recognition of goodwill and the initial recognition of assets or liabilities arising from transactions that are not related to enterprise consolidation and do not affect the accounting profit and taxable income (or deductible losses), related deferred tax liabilities shall not be recognized. In addition, as for the temporary differences of the investment of subsidiaries, associated enterprises and joint ventures, if the Group is able to control the reversal time of the temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future, related deferred tax liabilities shall not be recognized as well. In addition to the above exceptions, the Group recognizes all other deferred income tax liabilities arising from taxable temporary differences.

As for taxable temporary differences related to the initial recognition of assets or liabilities arising from transactions that are not related to enterprise consolidation and do not affect the accounting profit and taxable income (or deductible losses), related deferred tax assets shall not be recognized. In addition, as for deductible temporary differences of the investment of subsidiaries, associated enterprises and joint ventures, if the temporary differences are not likely to be reversed in the foreseeable future or it is not likely to get taxable income to offset the deductible temporary differences in the future, related deferred tax assets shall not be recognized. In addition to the above exceptions, the Group recognizes deferred income tax assets arising from other deductible temporary differences according to taxable income which can offset deductible temporary differences, and the

amount of taxable income shall be likely to be obtained.

As for deductible losses and tax credits which can be transferred to the future years, the corresponding deferred income tax assets shall be recognized according to future taxable income which can be used for deducting deductible losses and tax credits, and the amount of future taxable income shall be likely to be obtained.

According to the tax law, at the balance statement date, deferred income tax assets and deferred income tax liabilities shall be calculated in accordance with the applicable tax rate, which is related to the period that related assets is expected to be recovered and related liabilities is expected to be settled.

The book value of deferred income tax assets shall be rechecked at the balance sheet date. If it is unlikely to obtain sufficient taxable income to offset profits of deferred income tax assets in the future, deferred income tax assets shall be reduced. When sufficient taxable income it is probably to be obtained, the reduced amount shall be reversed.

(3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

Except the current income tax and deferred income tax, has been recognized as other comprehensive income and been directly recorded into shareholders' equity arising from the transactions and matters, shall be recorded into other comprehensive income and shareholders' equity, and the book value of the adjusted goodwill of deferred income tax resulting from the merger of enterprises, the current income tax and deferred income tax shall be recorded into current profits and losses.

(4) Income tax offset

When the Croup has a statutory right of net settlement and intends to obtain assets and settle liabilities through net settlement at the same time, current income tax assets and current income tax liabilities of the Group shall be presented as net amount after being offset.

When the Group has a statutory right to settle current income tax assets and current income tax liabilities at a net figure, and deferred tax assets and deferred income tax liabilities are tax from the same subject of tax payment and are collected by the same taxation department, or related to different subjects of tax payment, but in every future important reversal period of deferred income tax assets and liabilities, subject of tax payment involved intend to settle current income tax assets and liabilities at a net figure or obtain the assets and settle liabilities at the same time, deferred income tax assets and deferred income tax liabilities of the Croup shall be presented as net amount after being offset.

**27. Leases**

Financial lease refers to the lease that transfers substantially all the risks and returns of asset ownership. Its ownership may or may not be transferred ultimately. Operating lease refers to the lease except financial lease.

(1) As the lessee, the Group records operating lease business

Rental expenses of operating lease during all the periods of the tenancy shall be included in the relevant asset costs or current profits and losses on straight-line basis. The initial direct expenses shall be recorded into the current profits and losses. Contingent rental should be recorded into the current profits and losses.

(2) As the lessor, the Group records operating lease business

Rental income from operating lease during all the periods of the tenancy is recognized as current profits and losses on straight-line basis. Material amounts of initial direct costs shall be capitalized when used and shall be recorded into the profits and losses according to recognition rental income by stages throughout the tenancy; other immaterial amounts of initial direct costs shall be recorded into the current profits and losses when incurred. Contingent rental shall be recorded into the current

profits and losses.

(3) As the lessee, the Group records financial lease business

In the inception of the tenancy, the lower of the fair value of leased assets and the present value of the minimum lease payments on the starting day of the tenancy shall be the entry value of leased assets. The minimum lease payments shall be the entry value of long-term payables and the difference between the present value of the minimum lease payments and fair value of leased assets shall be unrecognized financial charges. In addition, costs arising from the lease negotiations and the signing of a lease contract shall be recorded into the initial direct costs of the leasing project and included in the leased asset value. The balance of difference of minimum lease payments and unrecognized financial charges shall be presented as long-term liabilities and long-term liabilities due within one year respectively.

During the tenancy, unrecognized financial charges shall be recognized as current financial charges by effective interest rate method. Contingent rental shall be recorded into the current profits and losses.

(4) As the lessor, the Group records financial leases business

In the inception of the tenancy, the sum of the minimum lease payments and the initial direct costs on the inception of the tenancy shall be the entry value of financial lease receivables and the unguaranteed residual value shall be recorded; the difference between the sum of minimum lease payments, the initial direct costs and the unguaranteed residual and the sum of their present value shall be recognized as unrealized financial profits. The balance of difference of financial lease receivables and unrealized financial profits shall be presented as long-term credit and long-term credit due within one year.

During the tenancy, unrealized financial profits shall be recognized as current financial income by effective interest rate method. Contingent rental shall be recorded into current profits and losses.

**28. Changes in significant accounting policies and estimates**

(1) Changes in significant accounting policies

The Group has implemented the following revisions of the Accounting Standards for Enterprises promulgated by the Ministry of Finance in 2017 and 2018: Accounting Standards for Enterprises No. 14 - Income (Caikuai [2017]No.22) (hereinafter referred to as "New Income Standards"), Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Caikuai [2017]No.7), Accounting Standards for Enterprises No. 37 - Presentation of Financial Instruments (Caikuai [2017]No.14) (hereinafter referred to as "New Financial Instruments Standards"), and the Circular on Issuing the Revised format of Finance Statements for General Company for 2018 (Caikuai [2018]No.15) since January 1, 2018.

1) The impact of implementing the circular on issuing the revised format of finance statements for general company for 2018 (Caikuai [2018]No.15) on the Group

The Group has implemented the Circular on issuing the revised format of Finance Statements for General Company for 2018 promulgated by the Ministry of Finance on June 15, 2018 (Caikuai [2018] No.15, hereinafter referred to as "Accounting Document No.15" for the preparation of financial statements for 2018. The statement items of balance statement and profit statement have been revised in Accounting Document No.15." Bills and accounts receivable", "bills and accounts payable" and "research and development expenses" have been added, and the list of items for "other receivables", "fixed assets", "construction in process or project under construction", "other payables", "long-term payables" and "management expenses" has been revised. The items of "bills receivable", "accounts receivable", "dividends receivable", "interest receivable", "liquidation of fixed assets", "engineering materials", "bills payable", "accounts payable", "interest payable", "dividends payable" and "special accounts payable" have been removed, and the items of "interest expenses" and "interest income"

have been added under the item of "financial expenses". The items listed in the profit statement have been adjusted. For the changes of the items presented above, the Group adopts the retrospective adjustment method for accounting treatment, and makes retrospective adjustment on the comparative data of the previous year.

2) New income standards

The Group has implemented Accounting Standards for Enterprises No. 14 - Income, revised by the Ministry of Finance in 2017 since January 1, 2018. New Income Standards introduce a five-step approach for income recognition and measurement, and add more guidelines for specific transactions (or events). For detailed accounting policies for income recognition and measurement, see Bills IV, (24) (Income recognition). New Income Standards require that the cumulative impact of the first implementation of the standard shall be adjusted to the retained earnings and other related items in the financial statements at the beginning of the first implementation year (i.e. January 1, 2018), and the information of the comparable period shall not be adjusted.

In implementing New Income Standards, the Group only adjusts the cumulative impact of contracts which have not been completed on the first execution date.

3) New financial instruments standards

The Group has implemented the revised Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets, Accounting Standards for Enterprises No. 24 - Hedging Accounting and Accounting Standards for Enterprises No. 37 - Presentation of Financial Instruments (hereinafter referred to as "New Financial Instruments Standards") since January 1, 2018.

In terms of classification and measurement of financial assets, the new financial instrument standards require financial assets to be classified into three categories, including "financial assets measured at amortized cost", "financial assets measured at fair value with changes recorded into other comprehensive income" and "financial assets measured at fair value with changes recorded into the current profits and losses" based on their contractual cash flow characteristics and business model which the Group adopts to manage such financial assets. The classification of loans and receivables, held-to-maturity investment and available-for-sale financial assets in the original financial instrument standards is abolished.

Equity instrument investment is generally classified as fair value with changes recorded into the current profits and losses, and non-tradable equity instrument investment is also allowed to be designated as financial assets measured at fair value with changes recorded into other comprehensive income. However, the designation is irrevocable, and the accumulated fair value changes originally recorded in other comprehensive income shall not be carried over into current profits and losses at the time of disposal.

In terms of impairment, the requirements of impairment under New Financial Instruments Standards are applicable for financial assets measured at amortized cost, financial assets measured at fair value with changes recorded into other comprehensive income, lease receivables, contract assets, and specific non-withdrawn loan commitments and financial guarantee contracts. New financial instrument standards require that the anticipated credit loss model shall be used to confirm the credit loss reserve in place of the original credit loss model. The new impairment model uses a three-stage model, according to whether the credit risk of the related projects has increased significantly since the initial recognition, the credit loss reserve shall be calculated according to the expected credit loss within 12 months or the expected credit loss for the whole life period. All contract assets and accounts receivable formed by income trading rules recognize loss provisions according to the amount which equivalents to the expected credit loss in the whole duration.

In terms of the inconsistencies between confirmation and measurement of financial instruments before January 1, 2018 with the requirements of the New Financial Instruments Standards, the Group has made retrospective adjustments in accordance with the requirements of the New Financial Instruments Standards. The Group will not make any adjustments in respect of inconsistencies between the previous comparative financial statements data and the requirements of the New Financial Instruments Standards. The difference between the original book value of financial instruments and the new book value on the date of implementation of the New Financial Instrument Standards is recorded in the retained earnings or other comprehensive income of January 1, 2018.

On January 1, 2018, in term of bills receivable, accounts receivable and contract assets, the Group adopts a simplified method to measure expected credit losses in accordance with the requirements of the New Financial Instruments Standards, i.e. loss provision is measured according to the amount equivalent to the anticipated credit loss during the whole life period. In term of other financial assets measured at amortized cost, the Group adopt three-stage model to measure expected credit losses, according to whether the credit risk of the related projects has increased significantly since the initial recognition, the credit loss provision shall be prepared to be calculated according to the expected credit loss within 12 months or the expected credit loss for the whole life period.

The main impacts of the implementation of the new financial standards on the balance -sheet-related items at the beginning of this year are listed below.

| Former financial instrument standards | | New financial instrument standards | |
|---|---|---|---|
| Item | Book value | Item | Book value |
| Available-for-sale financial assets | 4,515,998,114.10 | Financial assets held for trading | 255,559,700.00 |
| | | Other non-current financial assets | 732,165,088.80 |
| | | Other equity instruments investment | 3,528,273,325.30 |
| Financial assets measured at fair values and changes accounted into current profit or losses | 3,166,788,180.62 | Financial assets held for trading | 2,237,763,267.62 |
| | | Derivative financial assets | 929,024,913.00 |
| Financial liabilities measured at fair value with changes recorded into the current profits and losses | 452,597,735.00 | Derivative financial liabilities | 452,597,735.00 |

(2) Changes in significant accounting estimates.

Significant accounting estimates in this accounting period have not changed.

**29. Significant accounting judgment and estimates**

Due to the inherent uncertainty of business activities, while applying accounting policies, the Group must make judgments, estimates and assumptions over the book value of items in the financial statements that cannot be measured accurately. These judgment, estimates and assumptions are based on the past experience of the management of the Group and other relevant factors. However, the

actual results arising from the uncertainty of the estimates might be different from the current estimates of the management of the Group.

The said judgment, estimates and assumptions shall be reviewed regularly by Group on the basis of continuing operations. In the event that the changes in accounting estimates only affect the current period, their influence number shall be recognized in the current period of the changes; in the event that the changes in accounting estimates affect both the current period of the changes and the future, their influence number shall be recognized in the current period of the changes and the future.

At the balance statement date, key assumption and uncertainties which will affect materially the book value of assets or liabilities in accounting estimates are as follows:

(1) The useful life of fixed assets and intangible assets

The Group reviews the service life of fixed assets and intangible assets at least at the end of each year as mentioned in Note IV.14 and Note IV.17.

(2) Residual value risk

The Group faces residual value risk because of the signing of sales contracts with repurchase agreements or residual value guarantee clause. Residual risk will be reflected differently in the consolidated financial statements according to the degree of risk held by the Group. If the major risks in vehicle ownership remain in the Group, the relevant vehicles are recorded on the balance sheet as assets leased from operating leases. The accumulated depreciation of these vehicles will reduce the original value of the vehicle until its residual value, which is the expected recoverable amount of the asset at the end of the lease period. Depreciation shall be calculated and confirmed in accordance with the straight line method during the lease period. If the vehicle sales contract is attached with residual value guarantee clause, and the main risk has been transferred, the recognition of the asset should be terminated, expected recoverable amount of the assets in future period shall be recognized as a provision. The Group will pay constant attention and adjust its forecast of the expected recoverable amount of each such asset when it is recovered in future period, which is based on the latest auction price of used cars and future price fluctuations due to changes in the anticipated market environment, market incentive plans, vehicle quality data and repair costs. The situation of high inventory and low demand in the automotive industry may have a negative impact on the prices of new and used cars.

(3) Deferred income tax assets

The Group and its subsidiaries or other forms of business organizations around the world shall, according to the differences between the accounting and tax bases, calculate deferred income tax assets to the limit of taxable income that may be available in the future to offset deductible losses and deductible temporary differences. The confirmation of deferred income tax assets is based on the prediction of future taxable income and the period during which deferred income tax assets will be returned. These assumptions have taken into account future business results and the impact of reversal of temporary differences in taxable income. The measurement of deferred income tax assets is uncertain, as it may be affected by some factors, such as the change of future business environment and tax law. The Group evaluates the situation of reversal of deferred income tax assets on each balance statement date. If necessary, the amount of deferred income tax assets will be revised and this situation will affect the profits and losses.

(4) Product warranty

Based on the historical experience and quality assurance period, the Group estimates the cost of product quality assurance for the sold vehicles and draws a product warranty. Product warranty includes contractual guarantees, warranty activities (recall and repurchase) and goodwill guarantees

(the guarantees are provided to consumers according to the policies of the Group and industry practices, which are other than contractual guarantees and maintenance activities, in order to maintain a good relationship with consumers)

The improvement of product quality shown by historical data has been reflected in the forecasting process of the above three product warranty as a forecasting parameter.

When the compensation obtained from the supplier can be basically determined, the product warranty shall be offset accordingly.

(5) Provision for decline in value of inventories

The net realizable value of a single inventory item is estimated as the result that estimated selling price subtracts the estimated cost, the distribution cost and the related tax fees until the time of completion,. The difference between the cost of inventory and its net realizable value is calculated as a provision for decline in value of inventories, as mentioned in Note IV.11.

(6) Legal proceedings

The legal proceedings faced by subsidiaries of the Group involve different legal cases in multiple jurisdictions, including but not limited to contract disputes, insufficient supply of goods or services, product liability, patents or other infringements. Due to the complexity of the case and legal provisions involved, it is difficult for the Group to infer the final results. The Group maintains the close cooperation with professional legal advisers and relevant experts. Once the loss is likely to occur and the amount can be measured reliably, the Group will provision liabilities accordingly. If these conditions are not met at the same time, the Group will disclose as contingent liabilities.

(7) Tax treatment

According to accounting standards, the Group regularly evaluates tax risks. If such losses are likely to occur and the amount of losses can be reliably measured, the Group will provision corresponding liabilities. If these conditions are not met at the same time, the Group will disclose as contingent liabilities.

## V. Taxes

### 1. Item and rate of taxation

| Item of taxation | The specific tax rates |
|---|---|
| Value added tax | The output tax should be calculated according to 3%, 5%, 6%, 11%, 13%, 17%, or 22% of the tax rate as taxable income before 1 May, 2018. The output tax should be calculated according to 3%, 5%, 6%, 10%, 16%, or 22% of the tax rate as taxable income after 1 May, 2018.The value added tax should be calculated according to the sum after deducting the current deductible input tax. The export tax rebate rates are 15%, 16% and 17%. |
| Consumption tax | Product sales revenue should be calculated according to 1%, 3% , 5% , 9% or 10% of the tax rate. |
| City maintenance and construction tax | According to 1% , 5% or 7% of the turnover tax. |
| Enterprise income tax | According to 15%, 18%, 20%, 22%, 25% or 33% of the taxable income. |
| Education surtax | The education surtax and the local education surtax should be calculated according to 3%, 2% or 1% of the taxable turnover tax. |

| Item of taxation | The specific tax rates |
|---|---|
| Land value increment tax | The four level super rate progressive tax rates are applied. The appreciation value is not more than 50% of the deducted item amount, the tax rate is 30%; the appreciation value exceeds the deducted item amount 50% not more than 100% part, the tax rate is 40%; the appreciation value exceeds the deducted item amount 100% not more than 200% part, the tax rate is 50%; the appreciation value amount exceeds the deducted item amount 200% part, the tax rate is 60%. |
| Housing property tax | Price-based taxation is calculated according to 1.2% of the 70% to 90% of the original value; rent-based taxation is calculated according to 12% of the rent. |

Note: VAT and income tax of overseas subsidiaries shall be paid according to local tax law.

**2. Tax benefits**

(1) According to the General Office of Zhejiang Provincial People's Government "Some Opinions on Further Reducing the Burden of Enterprises and Enhancing the Competitiveness of Enterprises" (Zhezhengbanfa [2018] No.99), the company enjoy 100% reduction of land use tax in 2018.

(2) Hunan Geely Automobile Parts Co.,Ltd. acquired the certification of high-tech enterprises on September 5, 2017. The certificate number is GR201743000521, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(3)Hunan Luoyou Engine Parts Co.,Ltd. (a subsidiary of Hunan Geely Automobile Parts Co.,Ltd.) acquired the certification of high-tech enterprises on October 28, 2015. The certificate number is GF201643000140, and the qualification validity period is 3-years. After review in 2018, it acquired the certification of high-tech enterprises and the certificate number is GR201843000945 with 3-years validity. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(4) Zhejiang Ruhoo Automobile Co.,Ltd. acquired the certification of high-tech enterprises on November 21, 2016. The certificate number is GR201633000066, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(5) Zhejiang Geely Automobile Research Institute Co.,Ltd. (a subsidiary of Zhejiang Ruhoo Automobile Co.,Ltd.) acquired the certification of high-tech enterprises on October 27, 2014. The certificate number is GR201433001192, and the qualification validity period is 3-years. After review in 2017, it acquired the certification of high-tech enterprises and the certificate number is GR201733001587 with 3-years validity. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(6) Ningbo Geely Luoyou Engine Parts and Component and Co.,Ltd. acquired the certification of high-tech enterprises on November 29, 2017. The certificate number is GR201733100656, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(7) Zhejiang Fulin Guorun Automobile Parts and Components Co.,Ltd. acquired the certification of high-tech enterprises on November 13, 2017. The certificate number is GR201733001100, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(8) Zhejiang Qianjiang Lithium Technology Co.,Ltd. (a subsidiary of Zhejiang Qianjiang Motorcycle Co.,Ltd.) acquired the certification of high-tech enterprises on November 21, 2016. The certificate number is GR201633001844, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(9) Zhejiang E-zone Intelligent Electric Co.,Ltd. (a subsidiary of Zhejiang Qianjiang Motorcycle

Co.,Ltd.) acquired the certification of high-tech enterprises on November 13, 2017. The certificate number is GR201733003284, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(10)Hangzhou Geely Evun Technology Co.,Ltd. acquired the certification of high-tech enterprises on November 13, 2017. The certificate number is GR2017330021974, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(11) Ningbo Geely Automobile Reserch & Development Co.,Ltd. acquired the certification of high-tech enterprises on November 29, 2017. The certificate number is GR201733100522, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(12) Zhejiang Fengrui Engine Co.,Ltd. acquired the certification of high-tech enterprises on November 13, 2017. The certificate number is GR201733003469 and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(13) Zhejiang Jirun Automobile Co.,Ltd. was recognized as high-tech enterprise in 2011. After review in 2014, it acquired the the certification of high-tech enterprises and the certificate number is GR201533100424 with 3-years validity on September 25, 2014. After review in 2017, it acquired the the certification of high-tech enterprises and the certificate number is GR201733100278 with 3-years validity on November 29, 2017. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(14) Jinan Geely Automobile Co.,Ltd. (a subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) acquired the certification of high-tech enterprises on October 30, 2014. The certificate number is GF201437000001, and the qualification validity period is 3-years. After review in 2017, it acquired the the certification of high-tech enterprises and the certificate number is GR201737001630 with 3-years validity on December 28, 2017. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(15) Zhejiang Jirun Chunxiao Automobile Parts Co.,Ltd. (a subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) acquired the certification of high-tech enterprises on December 1, 2016. The certificate number is GR201633100405, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(16) Shanxi Geely Automobile Parts Co.,Ltd. (a subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) acquired the certification of high-tech enterprises on November 21, 2018. The certificate number is GR201814000116, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(17) Ningbo Vision Automobile Parts & Components Co.,Ltd. (a subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) acquired the certification of high-tech enterprises on November 27, 2018. The certificate number is GR201833100311, and the qualification validity period is 3-years. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(18) Jinan Geely Automobile Parts Co.,Ltd. (a sub-subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) acquired the certification of high-tech enterprises in 2013. The certificate number is GR201337000338, and the qualification validity period is 3-years. After review in 2016, it acquired the the certification of high-tech enterprises and the certificate number is GR201637000933 with 3-years validity on December 28, 2017. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(19) Ningbo Shangzhongxia Automatic Transmission Co.,Ltd. (a sub-subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) acquired the certification of high-tech enterprises on November 27, 2018. The certificate number is GR201833100149, and the qualification validity period is 3-years. Accordingly,

the enterprise income tax is levied at a reduced rate of 15% in 2018.

(20) According to the "Confirmation of Encouraging Industrial Projects in Western China" (Chengfagaiwushenpihan [2016] No.125) issued by Sichuan Development and Reform Commission on April 11, 2016, Chengdu Gaoyuan Automobile Industrial Co.,Ltd. (a subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) conforms to the requirement of the document of Guofa [2014] No.15, becoming an encouraging industry projects company in western region. Accordingly, the enterprise income tax is levied at a reduced rate of 15% in 2018.

(21) According to the "Notice on Tax Policy Issues Concerning Deeply Implementing the Strategy of Western Development" (Caishui[2011]No.58), in order to implement the spirit of the Central Committee of the Party and the State Council on the in-depth implementation of the Western Development Strategy and to further support the Western Development, enterprise income tax is levied at a reduced rate of 15% for enterprises in encouragement industries located in the western region from January 1, 2011 to December 31, 2020,. Accordingly, Geely Sichuan Commercial Vehicle Co.,Ltd.'s enterprise income tax is levied at a reduced rate of 15% in 2018.

(22) Baoji Geely Automobile Parts Co.,Ltd. (a subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) is recoginized by State Tax Administration of Baoji High-tech Industrial Development Zone as an encouraging industry projects company in western region. According to "Notice on Tax Policy Issues Concerning Deeply Implementing the Strategy of Western Development" (Caishui[2011]No.58), Baoji Geely Automobile Parts Co.,Ltd. 's enterprise income tax is levied at a reduced rate of 15% in 2018.

(23) Geely Motors LLC and Geely Ukraine LLC (a sub-subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) can adopt 20% as enterprise income tax rate in accordance with local relevant laws and regulations.

(24) Borisov Engine Plant Geely Limited Liability Company (the subsidiary of Zhejiang Jirun Automobile Co.,Ltd.) can adopt 18% as enterprise income tax rate in accordance with local relevant laws and regulations. According to local preferential policies for free trade zones, income tax exemption for 10 years from the company's earnings date.

(25) In 2018, the taxable income of Wenling Hannuo Mechanical and Electrical Technology Co.,Ltd. (the subsidiary of Zhejiang Qianjiang Motorcycle Co.,Ltd.) is less than 500,000 yuan, which meets the requirements of small and micro-profit enterprises. Accordingly, enterprise income tax is recorded 50% into taxable income, and the enterprise income tax rate is levied at a reduced rate of 20% in 2018.

(26) According to "Notice on Issue of Policies to Further Encourage the Development of Software Industry and Integrated Circuit Industry" (Guofa[2011] No.4), issued by the State Council, and "Notice on Value Added Tax Policy for Software Products" (Caishui[2011]No.100) issued by the Ministry of Finance and State Administration of Taxation, Hangzhou Geely Evun Technology Co.,Ltd. can enjoy the tax preferential policy if the actual VAT tax burden for sale of self-developed, self-manufactured and self-sold software products exceeds 3%, and the excess part of VAT shall be refunded.

## VI. Notes to items of consolidated financial statements

Unless otherwise especially specified, all amounts below should be RMB/yuan. No indication of Opening balance, all should be closing balance.

### 1. Cash at bank and on hand

| Item | Closing balance | Opening balance |
|---|---|---|
| Cash | 2,013,560.12 | 1,619,716.07 |
| Bank deposit | 63,081,881,168.29 | 52,769,928,126.56 |
| Other cash at bank and on hand | 4,256,249,230.61 | 1,497,115,024.43 |
| **Total** | 67,340,143,959.02 | 54,268,662,867.06 |

Note: Limited Closing Balance is RMB 3,247,187,518.45 yuan.

### 2. Financial assets held for trading

| Item | Closing balance | Opening balance |
|---|---|---|
| Financial assets measured at fair values and changes accounted into current profit or losses | | |
| Including: investment of debt instruments | 7,748,246.91 | |
| Equity instrument investment | 216,555,950.00 | |
| Commercial paper (Note1) | 1,653,850,800.00 | |
| Others | 3,490,007.58 | |
| **Total** | 1,881,645,004.49 | |

Note: see details of the opening balance in Note VI.4 "Financial Assets Measured at Fair Values and Changes Accounted into Current Profit or Losses".

**Note 1:** The Group subsidiaries of Shanghai Geely Zhaoyuan International Investment Co.,Ltd. (hereinafter referred to as: Geely Zhaoyuan) hold Commercial Papers RMB 1,653,850,800.00 yuan (Year 2017: RMB 2,196,944,800.00 yuan, see Note VI.4) at the year end of 2018. The commercial paper amounting to RMB 836,102,957.00 yuan (Year 2017: RMB 1,580,564,189.00 yuan) will mature within 3 months, and commercial paper amounting to RMB 817,747,843.00 yuan (Year 2017: RMB 616,380,611.00 yuan) will mature over 3 months.

### 3. Derivative financial assets

| Item | Closing balance | Opening balance |
|---|---|---|
| Hedging instrument | 640,804,009.00 | |
| Including: cash flows hedging instrument (Note 1) | 593,764,231.00 | |
| Hedging instruments for net assets from net foreign investments(Note 2) | 47,039,778.00 | |
| Interest swap instrument | 77,733,038.00 | |
| Electricity futures (Note 3) | 55,184,339.00 | |
| **Total** | 773,721,386.00 | |

Note: see details of the opening balance in Note VI.4 "Financial assets measured at fair values and

changes accounted into current profit or losses".

**Note 1:** At the balance sheet date, Geely Zhaoyuan owns the foreign exchange forward contract and options with positive fair values (foreign exchange forward contract and options with negative fair values, see Note VI.27 "Derivative Financial liabilities"), which was designated to be the highly effective hedging instruments to manage the exposure to the exchange rate risk related to the expected foreign currency sales and purchases in 2018.

As of the balance sheet date, the loss arising from the changes of cash flows hedging instrument fair value recorded in other comprehensive income (after tax) is 2,300,537,397.00 yuan (Year 2017, after tax gain is RMB 2,747,565,214.00 yuan), which is expected to be transferred gradually to the income statement within 48 months (Year 2017, 48 months) after the balance sheet date.

The articles in the foreign exchange forward contract and options signed by Geely Zhaoyuan are consistent with the articles of predicted transaction. The concrete information is as follows:

Foreign exchange forward contract:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 2,351,156,017.00 | Within 1 month | 101,024,316.00 |
| 3,518,020,741.00 | 1 to 3 months | 122,910,713.00 |
| 10,675,613,532.00 | 3 to 12 months | 366,421,826.00 |
| 7,969,178,811.00 | 1 to 5 years | 188,873,938.00 |

Foreign exchange options contact:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 512,103,677.00 | Within 1 month | 1,019,941.00 |
| 763,252,219.00 | 1 to 3 months | 2,387,435.00 |

Note①: Nominal amount is currency amount of the subject in the contract, and it is presented in RMB converted according to the spot exchange rate with RMB on December 31,2018. For those foreign exchange forward and option contracts, whose maturity dates are 1-5 years, the fair value see Note VI.24 "Other Non-current Assets".

**Note 2:** Geely Zhaoyuan uses the exchange rate swap contract to reduce the exposure to the exchange rate risk of net investment in overseas operations. The concrete information is listed as follows:

Exchange rate swap contract:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 6,858,193,239.00 | Within 1 month | 30,529,253.00 |
| 1,769,872,265.00 | 1 to 3 months | 15,990,990.00 |
| 34,498,232.00 | 1 to 5 years | 6,505,577.00 |

Exchange rate option contract:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 132,554,657.00 | 1 to 3 months | 92,754.00 |
| 132,954,520.00 | 3 to 12 months | 426,781.00 |

Note①: Nominal amount is currency amount of the subject in the contract, and it is presented in RMB converted according to the spot exchange rate with RMB on December 31,2018.For those exchange rate swap contract and option contract, whose maturity dates are 1 to 5 years, the fair

value see Note VI.24 "Other Non-current Assets".

**Note 3:** At the balance sheet date, Geely Zhaoyuan owns the following electricity forward contract with a positive fair value.

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 310,991.00 | 1 to 3 months | 663,209.00 |
| 23,869,196.00 | 3 to 12 months | 54,521,130.00 |
| 11,985,155.00 | 1 to 5 years | 30,058,677.00 |

Note①: For those electricity forward contracts whose maturity dates are 1-5 years, the fair value see Note VI.24"Other non-current assets".

**4. Financial assets measured at fair values and changes accounted into current profit or losses**

| Item | Closing balance | Opening balance |
|---|---|---|
| 1. Financial assets held for trading | | 7,679,000.00 |
| Including: investment of debt instruments | | 7,679,000.00 |
| 2. Financial assets measured at fair values and changes accounted into current profit or losses | | 33,139,467.62 |
| Including: investment of debt instruments | | 33,139,467.62 |
| 3. Commercial paper | | 2,196,944,800.00 |
| 4. Hedging instrument | | 915,309,739.00 |
| Including: cash flows hedging instrument | | 862,719,995.00 |
| Hedging instruments for net assets from net foreign investments | | 52,589,744.00 |
| 5. Electricity futures | | 13,715,174.00 |
| **Total** | | 3,166,788,180.62 |

**5. Bills and accounts receivable**

**（1）Total item list**

| Item | Closing balance | Opening balance |
|---|---|---|
| Bills receivable | 22,614,809,596.99 | 24,709,770,776.91 |
| Accounts receivable | 6,876,698,281.28 | 6,866,284,908.11 |
| **Total** | 29,491,507,878.27 | 31,576,055,685.02 |

**（2）Bills receivable**

① Bills receivable classification

| Item | Closing balance | Opening balance |
|---|---|---|

| | | |
|---|---|---|
| Bank's acceptance bills | 22,403,773,116.99 | 24,709,770,776.91 |
| Trade acceptance | 211,036,480.00 | |
| **Total** | 22,614,809,596.99 | 24,709,770,776.91 |

② Pledged bills receivable at the year end.

The amount of pledged bills receivable is 7,500,000.00 yuan at the end of current year.

③ Endorsed or discounted are not due on the balance sheet date

The amount of bills receivable which have been endorsed or discounted at the end of the period and have not yet expired on the balance sheet date is 262,586,019.86 yuan.

**（3）Accounts receivable**

① The aging analysis of accounts receivable is as follows:

| Account age | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | Book balance | | Provision for bad debts |
| | Amount | Percentage (%) | | Amount | Percentage (%) | |
| Within 1 year | 6,167,089,666.61 | 80.74 | 81,799,764.88 | 6,013,742,675.20 | 79.69 | 81,321,719.93 |
| 1 to 2 years | 395,033,250.21 | 5.17 | 21,009,204.57 | 399,221,851.67 | 5.29 | 15,965,468.53 |
| 2 to 3 years | 254,215,301.95 | 3.33 | 12,653,322.55 | 278,105,111.31 | 3.69 | 7,393,516.17 |
| More than 3 years | 821,657,961.46 | 10.76 | 645,835,606.95 | 855,478,093.43 | 11.33 | 575,582,118.87 |
| **Total** | 7,637,996,180.23 | 100.00 | 761,297,898.95 | 7,546,547,731.61 | 100.00 | 680,262,823.50 |

②Changes in provision for bad debt of accounts receivable

| Closing balance for last year | Adjustment amount for the first implementation of the New Financial Instruments Standards | Opening balance | Amount increased in current period | | Amount decreased in current period | | Closing balance |
|---|---|---|---|---|---|---|---|
| | | | Recognition | Others | Reversal | Write-off | |
| 680,262,823.50 | 13,041,461.14 | 693,304,284.64 | 91,598,655.37 | | 13,132,020.96 | 10,473,020.10 | 761,297,898.95 |

**6. Prepayment**

(1) The aging analysis of prepayment is as follows:

| Account age | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Amount | Percentage (%) | Provision for bad debts | Amount | Percentage (%) | Provision for bad debts |
| Within 1 year | 2,028,970,672.80 | 77.51 | 12,366.75 | 1,416,254,850.10 | 64.50 | 2,941.22 |
| 1 to 2 years | 571,366,018.60 | 21.83 | 3,862.02 | 678,085,074.35 | 30.88 | 3,740.85 |
| 2 to 3 years | 7,000,864.24 | 0.27 | 9,133.39 | 91,379,597.79 | 4.16 | 73,396.51 |
| More than 3 years | 10,264,860.55 | 0.39 | 149,005.10 | 10,146,125.72 | 0.46 | 552,554.83 |
| **Total** | 2,617,602,416.19 | 100.00 | 174,367.26 | 2,195,865,647.96 | 100.00 | 632,633.41 |

（2）Changes in provision for bad debt of prepayment

| Opening balance | Current year recognition | Current year de-recognition | | Closing balance |
|---|---|---|---|---|
| | | Reversal | Write-off | |
| 632,633.41 | 5,645.88 | 463,912.03 | | 174,367.26 |

**7. Other receivables**

**（1）Total item list**

| Item | Closing balance | Opening balance |
|---|---|---|
| Interest receivable | 43,987,872.65 | 73,258,331.05 |
| Dividend receivable | | |
| Other receivables | 2,756,233,744.39 | 2,948,418,596.37 |
| **Total** | 2,800,221,617.04 | 3,021,676,927.42 |

**（2）Interest receivable**

① Classification of interest receivable

| Item | Closing balance | Opening balance |
|---|---|---|
| Deposit and loans interest | 43,987,872.65 | 73,258,331.05 |
| **Total** | 43,987,872.65 | 73,258,331.05 |

② Important overdue interest

The Group has no significant overdue interest at the end of period

**（3）Other receivables**

① Other receivables disclosed by account age

| Account age | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | Book balance | | Provision for bad debts |
| | Amount | Percentage (%) | | Amount | Percentage (%) | |
| Within 1 year | 1,696,486,924.14 | 57.34 | 524,607.62 | 1,943,579,899.41 | 64.74 | 443,065.44 |
| 1 to 2 years | 918,788,135.12 | 31.05 | 149,208,187.95 | 635,875,419.65 | 21.18 | 27,920,730.00 |
| 2 to 3 years | 249,031,586.48 | 8.42 | 9,360,249.55 | 319,289,030.28 | 10.63 | 2,750,293.38 |
| More than 3 years | 94,521,704.80 | 3.19 | 43,501,561.03 | 103,715,220.33 | 3.45 | 22,926,884.48 |
| **Total** | 2,958,828,350.54 | 100.00 | 202,594,606.15 | 3,002,459,569.67 | 100.00 | 54,040,973.30 |

② Changes in provision for bad debt of other receivables

| Opening balance | Amount increased in current period | | Amount decreased in current period | | Closing balance |
|---|---|---|---|---|---|
| | Recognition | Others | Reversal | Write-off | |
| 54,040,973.30 | 149,873,158.76 | | 1,278,240.00 | 41,285.91 | 202,594,606.15 |

**8. Inventories**

(1) Classification of Inventory

| Item | Closing balance | | |
|---|---|---|---|
| | Book balance | Devaluation provision | Book value |
| Raw material | 2,674,125,865.11 | 36,896,741.60 | 2,637,229,123.51 |
| Work-in-progress | 4,165,343,177.57 | 893,750.06 | 4,164,449,427.51 |
| Commodity stocks | 20,424,005,252.60 | 511,283,871.38 | 19,912,721,381.22 |
| Revolving material | 5,429,943.74 | 2,636,699.63 | 2,793,244.11 |
| Consigned processing material | 31,015,869.09 | 806,567.01 | 30,209,302.08 |
| Research and development project | 2,656,099,134.84 | 2,659,902.82 | 2,653,439,232.02 |
| Material in transit | 7,373,012,860.54 | | 7,373,012,860.54 |
| Goods in transit | 410,377,391.16 | 2,663,460.56 | 407,713,930.60 |
| **Total** | 37,739,409,494.65 | 557,840,993.06 | 37,181,568,501.59 |

(Continue)

| Item | Opening balance | | |
|---|---|---|---|
| | Book balance | Depreciation provision | Book value |
| Raw materials | 1,871,153,814.47 | 21,251,585.93 | 1,849,902,228.54 |
| Work-in-progress | 3,923,558,527.66 | 2,609,476.17 | 3,920,949,051.49 |
| Commodity stocks | 18,470,489,557.30 | 347,091,675.70 | 18,123,397,881.60 |

| | | | |
|---|---|---|---|
| Revolving materials | 6,600,655.46 | 2,636,699.63 | 3,963,955.83 |
| Consigned processing materials | 28,159,570.75 | 1,422,030.17 | 26,737,540.58 |
| Research and development project | 3,449,274,074.34 | 2,783,401.89 | 3,446,490,672.45 |
| Materials in transit | 6,054,912,580.51 | 6,025,343.00 | 6,048,887,237.51 |
| Goods in transit | 137,732,279.13 | 1,795,061.27 | 135,937,217.86 |
| **Total** | 33,941,881,059.62 | 385,615,273.76 | 33,556,265,785.86 |

Note: The amount of inventory, which is used for financing mortgage is RMB 239,233,005.00 yuan (Year 2017: RMB 247,334,178.00 yuan) at the end of 2018.

(2) Provision for decline in value of inventories

| Item | Opening balance | Amount increased in current period | | Amount decreased in current period | | Closing balance |
|---|---|---|---|---|---|---|
| | | Recognition | Others | Reverse | Resell | |
| Raw materials | 21,251,585.93 | 17,458,618.34 | | 1,296,495.05 | 516,967.62 | 36,896,741.60 |
| Work-in-progress | 2,609,476.17 | | | 954,899.33 | 760,826.78 | 893,750.06 |
| Commodity stocks | 347,091,675.70 | 197,631,415.44 | | 18,665,508.97 | 14,773,710.79 | 511,283,871.38 |
| Revolving materials | 2,636,699.63 | | | | | 2,636,699.63 |
| Consigned processing material | 1,422,030.17 | | | | 615,463.16 | 806,567.01 |
| Research and development project | 2,783,401.89 | 415,363.16 | | | 538,862.23 | 2,659,902.82 |
| Materials in transit | 6,025,343.00 | | | 6,025,343.00 | | |
| Goods in transit | 1,795,061.27 | 868,399.29 | | | | 2,663,460.56 |
| **Total** | 385,615,273.76 | 216,373,796.23 | | 26,942,246.35 | 17,205,830.58 | 557,840,993.06 |

## 9. Non-current assets due within one year

| Item | Closing balance | Opening balance |
|---|---|---|
| Long-term receivables due within 1 year | 12,728,068.48 | 90,100,476.93 |
| Unrealized financing income | -219,530.62 | -3,185,424.95 |
| **Total** | 12,508,537.86 | 86,915,051.98 |

## 10. Other current assets

| Item | Closing balance | Opening balance |
|---|---|---|
| Value added tax retained and input VAT for deduction | 3,548,805,434.19 | 4,135,219,182.95 |
| Withholding personal income tax | 2,411,929.44 | 2,407,802.28 |
| Withholding corporate income tax | 90,109,273.55 | 60,868,896.27 |

| | | |
|---|---|---|
| Amortization cost | 1,647,579,840.86 | 1,359,144,196.09 |
| Bank financing products | 205,179,828.85 | |
| Others | 56,414,269.80 | 87,470,087.27 |
| **Total** | 5,550,500,576.69 | 5,645,110,164.86 |

**11. Debt investment**

| Item | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | Devaluation provision | Book value | Book balance | Devaluation provision | Book value |
| Long-term loans | 30,000,000.00 | | 30,000,000.00 | | | |
| **Total** | 30,000,000.00 | | 30,000,000.00 | | | |

**12. Available-for-sale financial assets**

| Items | Closing balance of fair vale | Opening balance of fair vale |
|---|---|---|
| Available-for-sale equity instruments | | 4,543,050,394.31 |
| Including: measured according to cost method | | 1,681,425,436.31 |
| measured according to fair value | | 2,861,624,958.00 |
| Less: provision of bad debt of financial assets held for sale | | 27,052,280.21 |
| **Total** | | 4,515,998,114.10 |

**13. Long-term receivables**

(1) Long-term receivables situation

| Item | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book value | Provision for bad debt | Net book value | Book value | Provision for bad debt | Net book value |
| Financing lease receivables | 3,157,817,462.46 | 12,822,719.69 | 3,144,994,742.77 | 3,563,597,108.92 | | 3,563,597,108.92 |
| Instalment payment for providing labor services | 105,280,638.00 | | 105,280,638.00 | 94,519,566.00 | | 94,519,566.00 |
| Other long-term receivables | 138,399,883.97 | | 138,399,883.97 | 211,726,556.87 | 18,525,938.90 | 193,200,617.97 |
| Instalment payment for offering goods | | | | 70,601,665.39 | 17,489,498.98 | 53,112,166.41 |
| Retention Money | | | | 2,398,261.93 | | 2,398,261.93 |
| **Total** | 3,401,497,984.43 | 12,822,719.69 | 3,388,675,264.74 | 3,942,843,159.11 | 36,015,437.88 | 3,906,827,721.23 |

(2) Changes in provision for bad debt of long-term receivables

| Opening balance | Current year recognition | Current year de-recognition | | Closing balance |
|---|---|---|---|---|
| | | Reversal | Write-off | |
| 36,015,437.88 | 12,822,719.69 | 17,489,498.98 | 18,525,938.90 | 12,822,719.69 |

## 14. Long-term equity investment

| Investees | Opening balance | Opening balance of provision for impairment | Movement during the year | | | |
|---|---|---|---|---|---|---|
| | | | Increase | Decrease | Profit and loss recognized under equity method | Other comprehensive income changes |
| I. Joint venture | | | | | | |
| V2 Plug-In Hybrid Vehicle Partnership HB | 205,629,815.00 | | | | 313,724,859.00 | |
| Volvofinans Bank AB | 1,839,027,287.00 | | | | 121,197,354.00 | |
| Obrist Technologies GmbH (Note) | 42,094,764.00 | | | | -1,037,016.18 | |
| Genius Auto Finance Co.,Ltd. | 735,649,493.59 | | 880,000,000.00 | | 173,322,085.76 | |
| Wenling Jirui Automobile Manufacture Co.,Ltd. | 819,489.26 | | | | -1,476.55 | |
| Wenling Xinhe Guaranty Co.,Ltd. Associated company | 30,732,109.49 | | | | 1,444,129.76 | |
| Beijing Feiyue Liangjing Culture Communication Co.,Ltd. | 500,000.00 | 500,000.00 | | | | |
| Geely Financials Denmark A/S | | | 5,185,793,311.00 | | 377,501,003.00 | |
| Others | 28,886,575.00 | | 407,800,476.65 | | -399,872,985.65 | |
| Subtotal | 2,883,339,533.34 | 500,000.00 | 6,473,593,787.65 | | 586,277,953.14 | |
| II. Associates | | | | | | |
| Mando (Ningbo) Automotive Components R&D Center Parts Co.,Ltd. | 261,869,447.18 | | | | 11,366,080.08 | |
| Closed Joint Stock Company BELGEE | 113,184,790.84 | | 95,257,372.78 | | -71,314,663.50 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Zhejiang Geely Aixin Automatic Transmission Co.,Ltd. | | | 97,521,840.00 | | -2,561,402.22 | |
| Proton Holdings Berhad | 961,455,758.56 | | | | -663,156,359.00 | |
| Lotus Finance Limited | 363,168.00 | | | | | |
| Drb-Hicom Geely Sd.Bfd. | | | 2,461.00 | | | |
| Shandong Hengyuan New Energy Technology Co.,Ltd. | 24,342,446.81 | | | | -7,333,365.72 | |
| Hunan Jiangnan Automobile Manufacturing Co.,Ltd. | 12,500,000.00 | | | | | |
| Shanghai Jijin Electrical and Mechanical Equipment Co.,Ltd. | | | 10,000,000.00 | | 8,333,794.20 | |
| Corun Hybrid Technology Co.,Ltd. | 819,706,733.29 | | | | 712,289.35 | |
| Zhejiang Hengyuan new energy technology Co.,Ltd | 82,467,521.05 | | | | -35,326,953.12 | |
| Geely YinJian investment Co.,Ltd. | 307,835.69 | | | 308,517.80 | 682.11 | |
| Zhejiang Yinji Auto Spare Parts Co.,Ltd. | 23,860,422.02 | | | | -383,361.01 | |
| China Railway Gecent Technology Co.,Ltd. | | | 3,513,964,575.33 | | -10,279,794.87 | |
| Hangzhou Lianchuangyongyuan Equity Investment Partnership Enterprise (LP) | 99,882,495.90 | | | | 1,346,704.39 | |
| Zhejiang Oulian Venture Capital Co.,Ltd. | 117,613,386.61 | | | | -21,841,002.03 | |
| Zhejiang Qianjiang Robot Co.,Ltd. | 65,975,324.54 | | | | -12,575,833.93 | |
| Global Intelligent Power Technologies Co.,Ltd. | 113,881,679.60 | | | | -12,140,432.62 | |
| Foshan Corun Intelligent Manufacturing Co.,Ltd. | 800,145.14 | | 12,000,000.00 | | -3,346,935.57 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Others | 29,072,773.00 | | | 1,127,823.00 | 1,536,925.00 | |
| Subtotal | 2,727,283,928.23 | | 3,728,746,249.11 | 1,436,340.80 | -816,963,628.46 | |
| **Total** | 5,610,623,461.57 | 500,000.00 | 10,202,340,036.76 | 1,436,340.80 | -230,685,675.32 | |

(Continued)

| Investees | Increase and decrease the year | | | | Closing balance | Closing balance of Depreciation reserves impairment provision at the end of year |
|---|---|---|---|---|---|---|
| | Other equities changes | Cash, dividends or profits issued | Provision for impairment | Others | | |
| I. Joint venture | | | | | | |
| V2 Plug-In Hybrid Vehicle Partnership HB | -11,909,961.00 | 356,566,510.00 | | | 150,878,203.00 | |
| Volvofinans Bank AB | -36,249,787.00 | 182,169,881.00 | | | 1,741,804,973.00 | |
| Obrist Technologies GmbH (Note) | | | 6,926,147.82 | | 41,057,747.82 | 6,926,147.82 |
| Genius Auto Finance Co.,Ltd. | | | | | 1,788,971,579.35 | |
| Wenling Jirui Automobile Manufacture Co.,Ltd. | | | | | 818,012.71 | |
| Wenling Xinhe Guaranty Co.,Ltd. | | | | -914,924.22 | 31,261,315.03 | |
| Beijing Feiyue Liangjing Culture Communication Co.,Ltd. | | | | | 500,000.00 | 500,000.00 |
| Geely Financials Denmark A/S | | | | | 5,563,294,314.00 | |
| Others | | | | | 36,814,066.00 | |
| Subtotal | -48,159,748.00 | 538,736,391.00 | 6,926,147.82 | -914,924.22 | 9,355,400,210.91 | 7,426,147.82 |

| | | | | | | |
|---|---|---|---|---|---|---|
| II. Associates | | | | | | |
| Mando (Ningbo) Automotive Components R&D Center Parts Co.,Ltd. | | | | | 273,235,527.26 | |
| Closed Joint Stock Company BELGEE | | | | | 137,127,500.12 | |
| Zhejiang Geely Aixin Automatic Transmission Co.,Ltd. | | | | | 94,960,437.78 | |
| Proton Holdings Berhad | | | | | 298,299,399.56 | |
| Lotus Finance Limited | | | | | 363,168.00 | |
| Drb-Hicom Geely Sd.Bfd. | | | | | 2,461.00 | |
| Shandong Hengyuan New Energy Technology Co.,Ltd. | | | | | 17,009,081.09 | |
| Hunan Jiangnan Automobile Manufacturing Co.,Ltd. | | | | | 12,500,000.00 | |
| Shanghai Jijin Electrical and Mechanical Equipment Co.,Ltd. | | | | | 18,333,794.20 | |
| Corun Hybrid Technology Co.,Ltd. | 158,878.90 | | | | 820,577,901.54 | |
| Zhejiang Hengyuan new energy technology Co.,Ltd | | | | | 47,140,567.93 | |
| Geely YinJian investment Co.,Ltd. | | | | | | |
| Zhejiang Yinji Auto Spare Parts Co.,Ltd. | | | | | 23,477,061.01 | |
| China Railway Gecent Technology Co.,Ltd. | | | | | 3,503,684,780.46 | |
| Hangzhou Lianchuangyongyuan Equity Investment Partnership Enterprise (LP) | | | | | 101,229,200.29 | |
| Zhejiang Oulian Venture Capital Co.,Ltd. | | | | | 95,772,384.58 | |
| Zhejiang Qianjiang Robot Co.,Ltd. | | | | | 53,399,490.61 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Global Intelligent Power Technologies Co.,Ltd. | -4,387,752.65 | | | | 97,353,494.33 | |
| Foshan Corun Intelligent Manufacturing Co.,Ltd. | | | | | 9,453,209.57 | |
| Others | | | | | 29,481,875.00 | |
| Subtotal | -4,228,873.75 | | | | 5,633,401,334.33 | |
| **Total** | -52,388,621.75 | 538,736,391.00 | 6,926,147.82 | -914,924.22 | 14,988,801,545.24 | 7,426,147.82 |

Note: The subsidiary Weirui Electric Vehicle Technology (Suzhou) Co.,Ltd. has obtained the approval of the Suzhou Industrial Zone administrative examination and approval bureau for the confirmation letter of cancellation of overseas investment in Obrist Technologies GmbH on August 13, 2018, and conducted cancellation procedures in accordance with the confirmation letter.

According to the Share Transfer Agreement which was officially announced on February 18, 2019, 50% of shares of Obrist Technologies GmbH held by Weirui Electric Vehicle Technology (Suzhou) Co.,Ltd. was transferred to Obrist&CoOG with 4.50 million Euro transfer consideration, which was converted to RMB 34,131,600.00 at the exchange rate of the transaction cash date. The investment cost for Obrist Technologies GmbH of Weirui Electric Vehicle Technology (Suzhou) Co.,Ltd. is 40,149,391.84 yuan, book balance is 41,057,747.82yaun, and the amount of provision for impairment of the difference between book balance and disposal price in this year is 6,926,147.82 yuan.

## 15. Other equity instruments investment

| Item | Closing balance | Opening balance |
|---|---|---|
| Financial assets measured at fair values and changes accounted into other comprehensive income | 17,510,791,549.30 | |
| **Total** | 17,510,791,549.30 | |

## 16. Other non-current financial assets

| Item | Closing balance | Opening balance |
|---|---|---|
| Shanxi Automobile Development Research Center Co.,Ltd. | 500,000.00 | |
| Zhejiang Automobile Vocational and Technical College | 30,875,000.00 | |
| Chengdu Xindadi Automobile Co.,Ltd. | 44,980,000.00 | |
| Taizhou Geely Automobile Industry Co.,Ltd. | 2,000,000.00 | |
| Ningbo Fuli Battery Material Technology Co.,Ltd. | 8,000,000.00 | |
| Jinan Jidao Automobile Parts Co.,Ltd. | 2,160,000.00 | |
| Zhejiang Limin Industrial Co.,Ltd. | 4,832,850.00 | |
| Zhejiang Yinzhili Automobile Heat Exchange System Co.,Ltd. | 4,050,000.00 | |
| Zhejiang Jijitai Automobile Interior Co.,Ltd. | 3,420,000.00 | |
| Guoqi (Beijing) Automotive Lightweight Technology Research Institute Co.,Ltd. | 3,000,000.00 | |
| Zhongfalian Investment Co.,Ltd. | 10,500,000.00 | |
| Zhejiang Modern Capital and Industry Institute | 30,000.00 | |
| Zhejiang Faurecia limin Automobile Interior and Exterior Decoration System Co.,Ltd. | 6,120,000.00 | |
| Carbon Recycling Int'l Ehf. | 90,930,766.38 | |
| Wuhan Digital Design and Manufacturing Innovation Center Co.,Ltd. | 10,009,433.96 | |
| Shanghai Xiaoi Robot Technology Co.,Ltd | 180,492,867.36 | |
| Shandong Jingu Auto Parts Co.,Ltd. | 35,000,000.00 | |
| Others | 141,928,500.00 | |
| Faurecia Emissions Control Technologies (Ningbo) Co.,Ltd. | 896,954.94 | |
| Nanchong Chuanhua Green Huilian Logistics Co.,Ltd. | 1,500,000.00 | |
| **Total** | 581,226,372.64 | |

## 17. Fixed assets

| Item | Closing balance | Opening balance |
|---|---|---|
| Fixed assets | 70,580,157,364.71 | 55,730,662,088.70 |
| Disposal of fixed assets | 6,610,503.42 | 11,731,936.98 |
| **Total** | 70,586,767,868.13 | 55,742,394,025.68 |

**Fixed assets situation**

| Item | Houses and Buildings | Machinery equipments | Transport equipments | Moulds and Gauges | Electronic and Office equipments | Other equipments | Total |
|---|---|---|---|---|---|---|---|
| 1. Acquisition cost | | | | | | | |
| 1) Opening balance | 24,653,105,199.99 | 83,386,104,151.33 | 2,397,712,067.16 | 1,982,643,409.92 | 1,256,391,611.98 | 104,026,520.95 | 113,779,982,961.33 |
| 2) Increased | 7,095,398,146.84 | 17,504,763,646.75 | 1,828,609,409.79 | 868,914,773.28 | 526,172,511.30 | 58,829,971.75 | 27,882,688,459.71 |
| ① New purchase | 2,311,304,095.44 | 11,124,763,393.63 | 1,887,881,816.34 | 510,809,187.41 | 422,387,929.39 | 58,829,971.75 | 16,315,976,393.96 |
| ② Transfer from construction-in-process | 4,957,026,669.40 | 8,058,143,180.80 | 12,803,565.21 | 358,105,585.87 | 104,007,786.91 | | 13,490,086,788.19 |
| ③Translation reserve | -172,932,618.00 | -1,678,142,927.68 | -72,075,971.76 | | -223,205.00 | | -1,923,374,722.44 |
| 3) Decreased | 718,631,691.50 | 9,073,659,866.30 | 1,627,875,810.03 | 50,094,592.59 | 48,319,853.52 | 6,407,617.81 | 11,524,989,431.75 |
| Disposal or retirement | 718,631,691.50 | 9,073,659,866.30 | 1,627,875,810.03 | 50,094,592.59 | 48,319,853.52 | 6,407,617.81 | 11,524,989,431.75 |
| 4) Closing balance | 31,029,871,655.33 | 91,817,207,931.78 | 2,598,445,666.92 | 2,801,463,590.61 | 1,734,244,269.76 | 156,448,874.89 | 130,137,681,989.29 |
| 2.Accumulated depreciation | | | | | | | |
| 1) Opening balance | 8,315,431,198.63 | 48,220,571,788.06 | 67,511,720.22 | 873,115,528.66 | 420,041,403.45 | 45,456,527.62 | 57,942,128,166.64 |

| Item | Houses and Buildings | Machinery equipments | Transport equipments | Moulds and Gauges | Electronic and Office equipments | Other equipments | Total |
|---|---|---|---|---|---|---|---|
| 2) Increased | 802,993,301.09 | 5,220,615,440.98 | 549,332,239.04 | 269,750,393.29 | 125,140,591.87 | 11,289,926.05 | 6,979,121,892.32 |
| ① Depreciation | 901,133,986.09 | 6,255,484,293.12 | 559,571,442.32 | 269,750,393.29 | 125,140,591.87 | 11,289,926.05 | 8,122,370,632.74 |
| ② Translation reserve | -98,140,685.00 | -1,034,868,852.14 | -10,239,203.28 | | | | -1,143,248,740.42 |
| 3) Decreased | 264,970,005.00 | 4,821,510,397.95 | 302,368,956.78 | 32,756,235.21 | 23,336,082.00 | 1,027,861.85 | 5,445,969,538.79 |
| Disposal or retirement | 264,970,005.00 | 4,821,510,397.95 | 302,368,956.78 | 32,756,235.21 | 23,336,082.00 | 1,027,861.85 | 5,445,969,538.79 |
| 4) Closing balance | 8,853,454,494.72 | 48,619,676,831.09 | 314,475,002.48 | 1,110,109,686.74 | 521,845,913.32 | 55,718,591.82 | 59,475,280,520.17 |
| 3. Provision for impairment loss | | | | | | | |
| 1) Opening balance | | 98,034,062.18 | 109,042.97 | 8,630,552.95 | 197,374.36 | 221,673.53 | 107,192,705.99 |
| 2) Increased | 402,715.31 | 40,422,815.62 | 475,529.10 | 5,855,273.98 | 396,686.38 | | 47,553,020.39 |
| Depreciation | 402,715.31 | 40,422,815.62 | 475,529.10 | 5,855,273.98 | 396,686.38 | | 47,553,020.39 |
| 3) Decreased | 230,734.82 | 71,958,970.62 | 191,783.28 | 97,039.80 | 23,093.45 | | 72,501,621.97 |
| Disposal or retirement | 230,734.82 | 71,958,970.62 | 191,783.28 | 97,039.80 | 23,093.45 | | 72,501,621.97 |
| 4) Closing balance | 171,980.49 | 66,497,907.18 | 392,788.79 | 14,388,787.13 | 570,967.29 | 221,673.53 | 82,244,104.41 |
| 4. Residual book value | | | | | | | |
| 1) Closing balance of book value | 16,337,674,001.36 | 35,067,498,301.09 | 2,330,091,303.97 | 1,100,897,328.31 | 836,152,834.17 | 58,348,319.80 | 55,730,662,088.70 |
| 2) Opening balance of book value | 22,176,245,180.12 | 43,131,033,193.51 | 2,283,577,875.65 | 1,676,965,116.74 | 1,211,827,389.15 | 100,508,609.54 | 70,580,157,364.71 |

## 18. Construction-in-progress

| Items | Closing balance | Opening balance |
|---|---|---|
| Construction-in-process | 8,789,454,677.61 | 14,691,151,929.93 |
| Construction materials | | |
| **Total** | 8,789,454,677.61 | 14,691,151,929.93 |

Construction-in-process situation

| Items | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Building and structures | 294,700,670.30 | | 294,700,670.30 | 847,454,973.68 | | 847,454,973.68 |
| Constructions | 1,867,592,097.48 | | 1,867,592,097.48 | 2,630,591,122.41 | | 2,630,591,122.41 |
| Equipments | 2,033,902,738.98 | | 2,033,902,738.98 | 4,333,732,654.42 | | 4,333,732,654.42 |
| Moulds and measuring tools | 2,540,255.67 | | 2,540,255.67 | 32,222,801.88 | | 32,222,801.88 |
| Domestic and overseas projects of Geely Zhaoyuan | 4,587,139,055.00 | | 4,587,139,055.00 | 6,835,327,736.00 | | 6,835,327,736.00 |
| Stay installed softwares | 3,579,860.18 | | 3,579,860.18 | 11,822,641.54 | | 11,822,641.54 |
| **Total** | 8,789,454,677.61 | | 8,789,454,677.61 | 14,691,151,929.93 | | 14,691,151,929.93 |

## 19. Intangible assets

| Item | Opening balance | Increased | Decreased | Translation reserve | Closing balance |
|---|---|---|---|---|---|
| 1. Acquisition cost | 55,586,466,393.78 | 12,137,958,331.07 | 3,229,476,701.49 | -1,065,859,382.09 | 63,429,088,641.27 |
| Software systems | 3,020,454,521.97 | 766,644,469.64 | 67,670,263.54 | -79,265,089.00 | 3,640,163,639.07 |

| Item | Opening balance | Increased | Decreased | Translation reserve | Closing balance |
|---|---|---|---|---|---|
| Proprietary technology | 4,235,131,261.08 | 3,181,457,780.04 | 62,620,890.32 | | 7,353,968,150.80 |
| Land use rights | 4,843,793,974.01 | 2,713,490,167.22 | 1,400,415,761.24 | | 6,156,868,379.99 |
| Non-Patents technology | 27,936,963,201.01 | 5,149,486,796.56 | 1,590,324,703.01 | -645,913,769.09 | 30,850,211,525.47 |
| Patent rights | 2,349,684,617.01 | | 42,450,000.00 | | 2,307,234,617.01 |
| Trademark rights | 3,096,791,645.79 | | 21,094,523.38 | -88,691,403.00 | 2,987,005,719.41 |
| Dealer network | 632,106,393.00 | | | -10,217,076.00 | 621,889,317.00 |
| Others | 9,471,540,779.91 | 326,879,117.61 | 44,900,560.00 | -241,772,045.00 | 9,511,747,292.52 |
| 2. Accumulated amortization | 22,298,476,280.33 | 7,446,735,125.33 | 300,858,448.57 | -523,651,126.00 | 28,920,701,831.09 |
| Software systems | 1,676,436,873.91 | 247,604,329.97 | 22,834,903.47 | -44,439,275.00 | 1,856,767,025.41 |
| Proprietary technology | 750,084,964.11 | 1,271,115,358.18 | 51,624,763.60 | | 1,969,575,558.69 |
| Land use rights | 352,690,011.92 | 176,680,943.79 | 55,368,528.47 | | 474,002,427.24 |
| Non-Patents technology | 12,014,551,927.73 | 5,366,559,712.51 | 123,692,117.34 | -280,966,539.00 | 16,976,452,983.90 |
| Patent rights | 90,080,449.03 | 1,016,000.04 | 40,195,416.69 | | 50,901,032.38 |
| Trademark rights | 93,464,159.44 | 257,475.80 | | 121,500.00 | 93,843,135.24 |
| Dealer network | 156,267,132.00 | 20,671,751.00 | | -2,463,593.00 | 174,475,290.00 |
| Others | 7,164,900,762.19 | 362,829,554.04 | 7,142,719.00 | -195,903,219.00 | 7,324,684,378.23 |
| 3. Total provision for impairment loss | 175,331,895.53 | | 17,203,849.91 | | 158,128,045.62 |

| Item | Opening balance | Increased | Decreased | Translation reserve | Closing balance |
|---|---|---|---|---|---|
| Software systems | | | | | |
| Proprietary technology | 158,128,045.62 | | | | 158,128,045.62 |
| Land use rights | | | | | |
| Non-Patents technology | 17,203,849.91 | | 17,203,849.91 | | |
| Patent rights | | | | | |
| Trademark rights | | | | | |
| Dealer network | | | | | |
| Others | | | | | |
| 4. Total net book value | 33,112,658,217.92 | | | | 34,350,258,764.56 |
| Software systems | 1,344,017,648.06 | | | | 1,783,396,613.66 |
| Proprietary technology | 3,326,918,251.35 | | | | 5,226,264,546.49 |
| Land use rights | 4,491,103,962.09 | | | | 5,682,865,952.75 |
| Non-Patents technology | 15,905,207,423.37 | | | | 13,873,758,541.57 |
| Patent rights | 2,259,604,167.98 | | | | 2,256,333,584.63 |
| Trademark rights | 3,003,327,486.35 | | | | 2,893,162,584.17 |
| Dealer network | 475,839,261.00 | | | | 447,414,027.00 |
| Others | 2,306,640,017.72 | | | | 2,187,062,914.29 |

## 20. Development expenditure

| Item | Opening balance | Increase during the year | Decrease during the year | | Translation reserve | Closing balance |
|---|---|---|---|---|---|---|
| | | | Transferred into current profit and loss | Recognized as Intangible assets | | |
| Research costs | 1,657,451.06 | 4,350,344,148.70 | 4,352,001,599.76 | | | |
| Development costs | 18,364,654,809.00 | 16,682,698,329.83 | 4,976,488,037.64 | 3,011,544,096.62 | -123,144,289.00 | 26,936,176,715.57 |
| **Total** | 18,366,312,260.06 | 21,033,042,478.53 | 9,328,489,637.40 | 3,011,544,096.62 | -123,144,289.00 | 26,936,176,715.57 |

## 21. Goodwill

| Item | Closing balance | Opening balance |
|---|---|---|
| Opening balance | 657,704,584.65 | 399,898,449.19 |
| Increased value through business combination | 76,602,697.00 | 257,806,135.46 |
| Others | -11,329,474.88 | |
| Closing balance | 722,977,806.77 | 657,704,584.65 |

## 22. Long-term deferred expenses

| Item | Opening balance | Increase during the year | Amortization during the year | Other decrease | Closing balance |
|---|---|---|---|---|---|
| Fix and repair costs | 40,245,883.98 | 31,826,093.41 | 16,154,382.21 | 248,717.95 | 55,668,877.23 |
| Outsouring fee | 16,648,109.55 | | 16,648,109.55 | | |
| Land leasing payable in advance | 23,941,610.00 | | 114,186.00 | 13,465,868.00 | 10,361,556.00 |
| Service fee | 11,172,900.35 | 128,214,741.18 | 55,362,110.31 | | 84,025,531.22 |
| Others | 31,654,753.38 | 24,398,483.40 | 30,884,125.01 | 2,179,478.88 | 22,989,632.89 |
| Total | 123,663,257.26 | 184,439,317.99 | 119,162,913.08 | 15,894,064.83 | 173,045,597.34 |

## 23. Deferred income tax assets/deferred income tax liabilities

(1) Listed deferred income tax assets without offset

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Deductible temporary difference | deferred income tax assets | Deductible temporary difference | deferred income tax assets |
| Loss on accrued assets devaluation | 527,112,610.72 | 119,208,112.65 | 387,180,944.84 | 49,791,298.97 |
| Deductible losses | 11,268,691,564.22 | 3,028,078,430.72 | 5,475,145,509.65 | 1,395,962,477.00 |
| Defined-benefit pension plan liability | 1,049,208,241.34 | 313,976,883.21 | 1,209,740,511.27 | 335,176,843.67 |
| Accrued expenses | 9,231,988,027.24 | 2,311,113,115.54 | 9,459,564,392.77 | 2,421,352,213.54 |
| Product quality guarantee | 3,641,531,610.07 | 948,101,635.32 | 2,417,080,941.35 | 631,211,100.85 |
| Government grants | 1,416,355,501.15 | 212,453,325.18 | 1,418,738,625.48 | 213,694,575.18 |
| The accumulated amortization difference between accounting and tax of intangible assets | 2,184,600,001.35 | 340,076,395.69 | 739,688,076.72 | 113,581,545.31 |
| The difference between accounting and tax of employee benefit payable | 6,688,068.42 | 2,056,801.98 | 6,311,438.46 | 1,504,382.33 |
| Inventory | 81,820,867.04 | 22,751,922.28 | 138,510,787.94 | 36,096,900.19 |

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Deductible temporary difference | deferred income tax assets | Deductible temporary difference | deferred income tax assets |
| Fixed assets | -345,386,621.29 | -75,564,591.25 | -7,213,143.31 | -5,458,115.48 |
| Unrealized financing income | 296,222,772.40 | 74,055,693.10 | 219,340,824.04 | 54,835,206.01 |
| Unrealized profits in internal transactions | 145,333,059.75 | 34,701,562.02 | 9,057,714.44 | 2,264,428.62 |
| Others | -2,313,832,149.94 | -807,831,286.04 | -3,396,810,348.17 | -927,681,873.97 |
| **Total** | 27,190,333,552.47 | 6,523,178,000.40 | 18,076,336,275.48 | 4,322,330,982.22 |

(2) Listed deferred income tax liabilities without offset

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Deductible temporary difference | deferred income tax liabilities | Deductible temporary difference | deferred income tax liabilities |
| Depreciation of fixed assets and amortization of intangible assets | 24,124,615,478.15 | 5,208,000,794.35 | 24,209,902,056.00 | 5,379,988,701.00 |
| Deductible losses | -15,463,095,315.71 | -3,185,401,819.99 | -16,479,016,028.00 | -3,625,965,955.00 |
| Pension plan liabilities | -4,871,672,812.76 | -1,003,678,302.20 | -3,645,060,617.00 | -801,912,400.00 |
| Losses and gains of fair value variance of available-for-sale financial assets | 104,465,947.12 | 26,116,486.78 | 138,137,500.00 | 34,534,375.00 |
| Others | 1,402,496,488.03 | 354,605,342.53 | 3,020,798,172.76 | 624,498,664.94 |
| **Total** | 5,296,809,784.83 | 1,399,642,501.47 | 7,244,761,083.76 | 1,611,143,385.94 |

(3) List of deferred income tax assets without recognition

| Item | Closing balance | Opening balance |
|---|---|---|
| Deductible temporary differences | 939,109,244.16 | 410,193,069.98 |
| Deductible losses | 630,132,508.05 | 1,547,639,673.06 |
| **Total** | 1,569,241,752.21 | 1,957,832,743.04 |

**24. Other non-current assets**

| Item | Closing balance | Opening balance |
|---|---|---|
| Prepayment for construction, equipment and land | 591,514,078.29 | 536,335,802.67 |
| Pension plan assets | 258,955,323.00 | 218,638,174.00 |
| Long-term lease deposit | 17,534,259.00 | 5,534,984.00 |
| Development expenses in advance | | 37,424,844.08 |
| Refund of tax and levies | 99,049,732.00 | 51,069,425.00 |

| | | |
|---|---|---|
| Long-term financial instrument | 241,082,183.00 | 978,388,043.00 |
| In which: exchange rate hedging instruments (Note VI.3) | 198,609,678.00 | 966,642,412.00 |
| Interest rate swap instruments (1) | 12,413,828.00 | 2,673,207.00 |
| Electricity futures (Note VI.3) | 30,058,677.00 | 9,072,424.00 |
| **Total** | 1,208,135,575.29 | 1,827,391,272.75 |

(1) At the balance sheet date, Geely Zhaoyuan owns the interest rate swap contract with a positive fair value. The Group thinks that the hedging is highly effective.

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 4,515,588,955.00 | 1 to 5 years | 12,413,828.00 |

Note①: Nominal amount is currency amount of the subject in the contract, and it is presented in RMB converted according to the spot exchange rate with RMB on December 31, 2018.

**25. Short-term loans**

(1) Classification of short-term loans

| Item | Closing balance | Opening balance |
|---|---|---|
| Pledged loans (Note) | 2,633,724,775.43 | |
| Mortgage loans | 311,131,485.00 | 241,853,453.00 |
| Guarantee loans | 11,795,256,938.30 | 6,200,927,820.56 |
| Credit loans | 20,352,978,690.00 | 7,315,280,541.00 |
| **Total** | 35,093,091,888.73 | 13,758,061,814.56 |

Note: Pledged loans

The bank loans are made by Beichen Automobile (Shanghai) Co.,Ltd. with its own certificates of deposit as pledged.

(2) The Group has not any overdue short-term loans without payable at the end of current year.

**26. Financial liabilities held for trading**

| Item | Closing balance | Opening balance |
|---|---|---|
| Forward foreign exchange | 6,604,733.21 | |
| **Total** | 6,604,733.21 | |

**27. Derivative financial liabilities**

| Item | Closing balance | Opening balance |
|---|---|---|
| Hedging instruments | 1,412,955,811.00 | |
| Including: cash flows hedging instruments (Note 1) | 1,317,611,569.00 | |
| Hedging instruments for net assets from net foreign investments (Note 2) | 95,344,242.00 | |
| Interest rate swap instruments | 44,446.00 | |
| Electricity futures (Note 3) | 1,362,799.00 | |
| **Total** | 1,414,363,056.00 | |

Note: see details of the opening balance in Note VI.28 "Financial Liabilities Measured at Fair Values and Changes Accounted into Current Profit or Losses".

**Note 1**: At the balance sheet date, Geely Zhaoyuan owns the foreign exchange forward contract and option contract with negative fair values (foreign exchange forward contract and option contract with positive values, see Note VI, 3), which was designated to be the highly effective hedging instruments to manage the exposure to the foreign exchange rate risk related to the expected foreign currency sales and purchases in 2018. The Group thinks that the hedging is highly effective. The Group buys foreign exchange forward contract and option contract to avoid the foreign exchange risk. The articles in the foreign exchange forward contract and the option contract signed by the Group are consistent with the articles of predicted transaction. The main contents are as follows:

Foreign exchange forward contract

| Nominal amount (Note①) RMB | Maturity date | Fair value RMB |
|---|---|---|
| 2,757,371,206.00 | Within 1 month | -139,277,546.00 |
| 5,040,778,024.00 | 1 to 3 months | -285,872,651.00 |
| 14,853,187,677.00 | 3 to 12 months | -886,420,835.00 |
| 24,800,301,897.00 | 1 to 5 years | -1,237,140,890.00 |

Foreign exchange option contract

| Nominal amount (Note①) RMB | Maturity date | Fair value RMB |
|---|---|---|
| 741,349,250.00 | Within 1 month | -598,846.00 |
| 760,882,261.00 | 1 to 3 months | -5,441,691.00 |

Note①: Nominal amount is currency amount of the subject in the contract, and it is presented in RMB converted according to the spot exchange rate with RMB on December 31, 2018. For those foreign exchange forward and option contracts, whose maturity dates are 1-5 years, the fair value see Note VI, 42 "Other Non-current Assets".

**Note 2:** Geely Zhaoyuan uses the exchange rate swap contract and exchange rate option contract to reduce exposure to the exchange rate risk of net investment in overseas operations. The concrete information is listed as follows:

Exchange rate swap contract

| Nominal amount (Note①) RMB | Maturity date | Fair value RMB |
|---|---|---|
| 6,016,826,785.00 | Within 1 month | -67,482,287.00 |
| 4,685,993,582.00 | 1 to 3 months | -26,415,940.00 |

Exchange rate swap contract

| Nominal amount (Note①) RMB | Maturity date | Fair value RMB |
|---|---|---|
| 644,528,200.00 | Within 1 month | -869,811.00 |
| 137,549,968.00 | 1 to 3 months | -197,637.00 |
| 137,549,968.00 | 3 to 12 months | -378,567.00 |

Note①: Nominal amount is currency amount of the subject in the contract, and it is presented in RMB converted according to the spot exchange rate with RMB on December 31, 2018.

**Note 3:** At the balance sheet date, Geely Zhaoyuan owns the following electricity forward contract with negative fair values.

| Nominal amount (Note①) RMB | Maturity date | Fair value RMB |
|---|---|---|
| 1,048,436.00 | 3 to 12 months | -1,362,799.00 |
| 1,337,892.00 | 1 to 5 years | -238,105.00 |

Note①: The positive amounts represent buying hedges. To hedge against the electricity price fluctuation, Geely Zhaoyuan buys and sells hedges in the open market. The positive nominal amount means the net long position of the contracts and the negative nominal amounts represent the net short position of the contracts. For those electricity forward contracts, whose maturity dates are 1 to 5 years, the fair value, see Note VI.42 "Other Non-current Assets".

**28. Financial liabilities measured at fair values and changes accounted into current profit or losses**

| Item | Closing balance | Opening balance |
|---|---|---|
| Hedging instruments | | 449,478,447.00 |
| Including: cash flow hedging instruments (Note 1) | | 387,831,952.00 |
| Fair value hedging instruments (Note 2) | | 61,646,495.00 |
| Electricity forwards contract (Note 3) | | 3,119,288.00 |
| **Total** | | 452,597,735.00 |

**29. Bills and accounts payable**

**（1）Total item list**

| Item | Closing balance | Opening balance |
|---|---|---|
| Bills payable | 13,408,629,748.98 | 9,709,904,853.31 |
| Accounts payable | 42,129,995,945.41 | 41,860,453,107.69 |
| **Total** | 55,538,625,694.39 | 51,570,357,961.00 |

**（2）Bills payable**

| Item | Closing balance | Opening balance |
|---|---|---|
| Bank's acceptance bill | 13,408,629,748.98 | 9,709,904,853.31 |
| **Total** | 13,408,629,748.98 | 9,709,904,853.31 |

Note: No unpayable bills payable due in at the end of current year.

**（3）Accounts payable**

① Book account age list

| Aging | Closing balance | Opening balance |
|---|---|---|
| Within 1 year | 41,366,721,892.31 | 40,938,068,485.29 |
| 1 to 2 years | 447,039,120.02 | 283,563,359.93 |
| 2 to 3 years | 6,034,190.53 | 344,023,308.71 |
| More than 3 years | 310,200,742.55 | 294,797,953.76 |
| **Total** | 42,129,995,945.41 | 41,860,453,107.69 |

Note: The closing balance of accounts payable shall not be accounted in amount of shareholders with 5% (including 5%) shares of our Group; The unpaid amount of other related parties shall be

accounted in the closing balance of accounts payable in attachment Note IX.6 (2).

② Item list

| Item | Closing balance | Opening balance |
|---|---|---|
| Payment of material | 42,129,995,945.41 | 41,860,453,107.69 |
| **Total** | 42,129,995,945.41 | 41,860,453,107.69 |

**30. Advances from customers**

(1) Account age list

| Book account age | Closing balance | Opening balance |
|---|---|---|
| Within 1 year | 5,778,641,778.99 | 8,851,063,028.56 |
| 1 to 2 years | 2,612,782.51 | 54,601,654.12 |
| 2 to 3 years | 430,017.60 | 4,842,668.27 |
| More than 3 years | 462,539.93 | 621,914.53 |
| **Total** | 5,782,147,119.03 | 8,911,129,265.48 |

(2) Item list

| Item | Closing balance | Opening balance |
|---|---|---|
| Products transaction payment | 5,771,741,877.41 | 8,909,722,966.41 |
| Others | 10,405,241.62 | 1,406,299.07 |
| **Total** | 5,782,147,119.03 | 8,911,129,265.48 |

**31. Contract liabilities**

| Item | Closing balance | Opening balance |
|---|---|---|
| Accessory obligation of sales | 8,563,604,912.74 | |
| Optional value-added service plan | 2,735,842,980.93 | |
| Contractual deferred earnings with contractual obligations | 188,365,004.33 | |
| Advances on sales | 3,062,861,793.13 | |
| Less: contract liabilities included in other non-current liabilities | 3,625,675,767.91 | |
| **Total** | 10,924,998,923.22 | |

**32. Employee benefits payable**

(1) Employee benefits payable shown as follows:

| Item | Closing balance | Opening balance |
|---|---|---|
| I. Short-term employee benefits payable | 5,088,806,244.59 | 5,171,425,492.54 |
| II. Post-employment welfare – defined contribution plan | 1,238,225,348.24 | 1,276,556,587.53 |
| III. Termination Benefit | 3,606,636.38 | 1,719,274.41 |
| **Total** | 6,330,638,229.21 | 6,449,701,354.48 |

(2) Short-term employee benefits payable shown as follows:

| Item | Closing balance | Opening balance |
|---|---|---|
| 1. Salaries, wages, allowance and bonus | 4,799,698,063.80 | 4,837,792,379.19 |
| 2. Employee Benefits | 36,162,648.77 | 91,246,410.78 |
| 3. Insurance premium | 162,691,746.14 | 161,851,778.49 |
| Including: medical insurance | 26,219,098.53 | 26,083,730.91 |
| Work-Related Injury Insurances | 40,470,498.78 | 40,261,552.04 |
| Maternity insurance | 96,002,148.83 | 95,506,495.54 |
| 4. Housing fund | 40,453,242.99 | 37,008,385.45 |
| 5. Labor union expenditure and personnel education | 27,002,210.91 | 31,589,793.64 |
| 6. Short-term compensated absences | | |
| 7. Short-term profit share plan | | |
| 8. Staff incentive and welfare fund | 22,798,331.98 | 11,936,744.99 |
| **Total** | 5,088,806,244.59 | 5,171,425,492.54 |

(3) Defined contribution plan shown as follows:

| Item | Closing balance | Opening balance |
|---|---|---|
| 1. Endowment insurance | 846,211,905.99 | 862,649,868.84 |
| 2. Unempolyment insurance | 392,013,442.25 | 413,906,718.69 |
| **Total** | 1,238,225,348.24 | 1,276,556,587.53 |

(4) Termination benefit

| Item | Closing balance | Opening balance |
|---|---|---|
| Compensation for the lifting of labor relations | 3,606,636.38 | 1,719,274.41 |
| **Total** | 3,606,636.38 | 1,719,274.41 |

**33. Taxes payable**

| Item | Closing balance | Opening balance |
|---|---|---|
| VAT | 953,082,833.21 | 1,780,704,114.57 |
| Consumption tax | 1,269,889,165.11 | 1,330,223,904.30 |
| Corporate income tax | 2,821,811,427.16 | 1,791,057,720.13 |
| Personal income tax | 51,538,012.54 | 91,760,040.90 |
| City maintenance and construction tax | 59,407,824.32 | 106,746,976.72 |
| Educational surtax | 42,391,274.16 | 79,032,277.88 |
| Land value increment tax | 7,766,017.69 | 5,826,526.31 |
| Housing property tax | 42,127,520.83 | 32,372,617.26 |
| Tenure tax | 49,831,378.01 | 37,419,007.49 |
| Stamp duty | 22,620,435.32 | 34,272,764.31 |

| | | |
|---|---|---|
| Other tax | 137,911,782.13 | 74,203,109.17 |
| **Total** | 5,458,377,670.48 | 5,363,619,059.04 |

**34. Other payables**

**(1) Total item list**

| Item | Closing balance | Opening balance |
|---|---|---|
| Interest payable | 534,368,045.37 | 344,887,184.46 |
| Dividends payable | 7,168,767.12 | 7,168,767.12 |
| Other payables | 5,081,459,045.89 | 12,709,521,107.89 |
| **Total** | 5,622,995,858.38 | 13,061,577,059.47 |

**(2) Interest payable**

| Item | Closing balance | Opening balance |
|---|---|---|
| Loan interest | 392,256,915.57 | 166,135,078.70 |
| Corporate bond interest | 142,111,129.80 | 178,752,105.76 |
| **Total** | 534,368,045.37 | 344,887,184.46 |

**(3) Dividends payable**

| Item | Closing balance | Opening balance |
|---|---|---|
| Perpetual capital securities which are equity instruments | 7,168,767.12 | 7,168,767.12 |
| **Total** | 7,168,767.12 | 7,168,767.12 |

**(4) Other payables**

① Account age list

| Account age | Closing balance | Opening balance |
|---|---|---|
| Within 1 year | 3,708,095,651.64 | 9,723,062,328.61 |
| 1 to 2 years | 713,791,687.40 | 1,195,971,893.78 |
| 2 to 3 years | 201,402,424.73 | 139,621,007.91 |
| More than 3 years | 458,169,282.12 | 1,650,865,877.59 |
| **Total** | 5,081,459,045.89 | 12,709,521,107.89 |

Note: Other payables to shareholders owning more than 5% (including 5%) of the Group's shares are not included in the Closing balance of other payables; for details of arrears of other related parties in the closing balance among other payables, please see Note IX.6 (2).

② Items listed

| Item | Closing balance | Opening balance |
|---|---|---|
| Current account and Temporary loans | 4,092,551,190.63 | 10,573,803,064.83 |
| Deposits, etc | 896,220,688.04 | 1,088,022,971.38 |

| Item | Closing balance | Opening balance |
|---|---|---|
| Others | 92,687,167.22 | 1,047,695,071.68 |
| **Total** | 5,081,459,045.89 | 12,709,521,107.89 |

**35. Non-current liabilities due within one year**

| Item | Closing balance | Opening balance |
|---|---|---|
| Long-term loans due within one year | 2,322,928,188.26 | 3,523,531,813.14 |
| Bonds payable due within one year | 1,499,822,465.76 | 2,996,875,799.10 |
| Long-term accounts payable due within one year | 12,264,445.00 | 23,745,190.00 |
| Provisions due within one year | 5,049,881,151.00 | 4,428,904,906.29 |
| **Total** | 8,884,896,250.02 | 10,973,057,708.53 |

**36. Other current liabilities**

| Item | Closing balance | Opening balance |
|---|---|---|
| Withheld expenses | 9,333,297,345.34 | 16,558,223,531.77 |
| After-sales repurchase obligations | 2,822,930,188.96 | 5,017,418,034.00 |
| **Total** | 12,156,227,534.30 | 21,575,641,565.77 |

**37. Long-term loans**

| Item | Closing balance | Opening balance |
|---|---|---|
| Mortgaged loans | 3,449,336.11 | 44,152,059.02 |
| Guaranteed loans | 4,662,367,348.14 | 3,251,536,717.00 |
| Credit loans | 28,776,097,675.00 | 13,646,127,256.00 |
| Less: long-term loans due within one year | 2,322,928,188.26 | 3,523,531,813.14 |
| **Total** | 31,118,986,170.99 | 13,418,284,218.88 |

**38. Bonds payable**

| Item | Closing balance | Opening balance |
|---|---|---|
| 13 Geely Corporate Bond | 1,200,000,000.00 | 1,200,000,000.00 |
| 15 Geely Corporate Bond 01 | 41,000,000.00 | |
| 16 Geely MTN001 | | 1,498,922,465.76 |
| 18 Geely MTN002 | 1,995,047,169.82 | |
| 500 MEUR fixed rate exchangeable bond matured in 5 years (Note1) | 3,922,714,687.00 | 3,848,144,722.00 |
| 3 billion Swedish Krona fixed rate with floating rate layers exchangeable bond matured in 5.25 years (Note 2) | 2,295,535,200.00 | 2,365,010,345.00 |

| Item | Closing balance | Opening balance |
|---|---|---|
| 500 MEUR exchangeable bond matured in 7.2 years (Note 3) | 3,924,820,552.00 | 3,882,772,495.00 |
| Green Bond | 2,693,166,759.00 | 2,568,774,153.00 |
| 250 MUSD exchangeable bond matured in 3 years (Note 4) | 1,710,307,290.00 | |
| 300 MUSD fixed rate senior bond matured in 5 years (Note 5) | 2,047,822,296.29 | |
| **Total** | 19,830,413,954.11 | 15,363,624,180.76 |

**Note 1**: Geely Zhaoyuan issued 500 million Euro (equivalent to about RMB 3.6 billion yuan) fixed rate exchangeable bond matured in 5 years in May 2016. This exchangeable e bond is listed under Euro MTF list on the Luxembourg Stock Exchange.

**Note 2**: Geely Zhaoyuan issued 3 billion Swedish Krona (equivalent to about RMB 2.3 billion yuan) fixed rate with floating rate layers exchangeable bond matured in 5.25 years in November 2016. This convertible bond is listed under Euro MTF list on the Luxembourg Stock Exchange.

**Note 3:** Geely Zhaoyuan issued 500 million Euro (equivalent to about RMB 3.9 billion yuan) fixed rate exchangeable bond matured in 7.2 years in November 2017.

**Note 4**: Geely Zhaoyuan issued US$250 million (equivalent to about RMB 17 billion yuan) fixed rate exchangeable bond matured in 3 years in November 2018.

**Note 5**: In January 2018, Geely Automobile Holdings Co.,Ltd. (0175, HK) issued US$300 million bonds，raising the net proceeds of around US$297,296,000. It matures in 2023. Interest has been paid semi-annually since July 23, 2018.

## 39. Long-term accounts payable

| Item | Closing balance | Opening balance |
|---|---|---|
| Account payable for financing lease (Note 1) | 47,568,085.00 | 41,101,826.00 |
| Loans for long-term projects | 300,000,000.00 | 250,000,000.00 |
| Excess loss of long-term equity investment(Note 2) | 79,151,618.00 | 128,425,574.00 |
| Sales with buyback obligation (Note 3) | 764,538,414.20 | 908,219,316.00 |
| Others | 79,151,618.00 | 697,291,104.00 |
| Less: payable due within one year (See Note VII.35) | 12,264,445.00 | 23,745,190.00 |
| **Total** | 1,258,145,290.20 | 2,001,292,630.00 |

**Note 1**: Account payable for financing lease is as follows:

| Period | Closing balance | Opening balance |
|---|---|---|
| The 1st year subsequent to the balance sheet | 8,312,234.00 | 6,982,429.00 |
| The 2nd to 5th year subsequent to the balance sheet | 33,248,937.00 | 27,929,717.00 |
| The 6th year subsequent to the balance sheet date | 8,312,234.00 | 6,982,430.00 |
| Total minimum payment for lease | 49,873,405.00 | 41,894,576.00 |
| Less: financing charges unrecognized | 2,305,320.00 | 792,750.00 |
| Accounts payable for financing lease | 47,568,085.00 | 41,101,826.00 |

**Note 2**: The excessive loss of long-term equity investment attributes to the equity-holding of Zenuity

AB of Geely Zhaoyuan , and the sustained loss of Zenutiy AB.

**Note 3**: Part of the sales of the Geely Zhaoyuan has a repurchase agreement:1) the difference between sales price and present value of agreed repurchase price is recognized as deferred income. It is recognized as income in each period based on effective interest method before buyback.2) The present value of promised buyback price is recognized as liability.

**40. Provisions**

| Item | Closing balance | Opening balance |
|---|---|---|
| Produce warranty and estimated service cost (Note) | 4,808,952,386.48 | 7,853,214,749.00 |
| Others | 5,343,724.80 | 26,116,406.61 |
| **Total** | 4,814,296,111.28 | 7,879,331,155.61 |

Note: product warranty and estimated service cost have been deducted from the provisions due within 1 year (see Note VI.35).

**41. Deferred income**

| Item | Closing balance | Opening balance |
|---|---|---|
| Governmental compensation for relocation and Research and development subsidies | 13,208,921,723.93 | 7,776,774,480.08 |
| Others | 2,674,992.72 | 5,737,630.42 |
| **Total** | 13,211,596,716.65 | 7,782,512,110.50 |

**42. Other non-current liabilities**

| Item | Closing balance | Opening balance |
|---|---|---|
| Long-term derivative financial liabilities | 1,259,213,929.00 | 176,727,066.00 |
| In which: other financial instruments except interest rate swap instruments (see Note VI.27) | 238,105.00 | 162,759,384.00 |
| Interest rate swap instruments | | 13,967,682.00 |
| Exchange rate hedging instruments (see Note VI.27) | 1,258,975,824.00 | |
| Pension liabilities and corresponding social insurance premiums | 6,480,128,777.34 | 5,172,704,834.00 |
| Single performance obligations recognized by contract for over one year | 3,625,675,767.91 | |
| Others | 466,464,975.63 | 425,368,570.00 |
| **Total** | 11,831,483,449.88 | 5,774,800,470.00 |

**43. Share capital**

| Shareholder's name | Opening balance | | Increase during the year | Decrease during the year | Closing balance | |
|---|---|---|---|---|---|---|
| | Amount of equity | Percentage % | | | Amount of equity | Percentage % |
| Li Shufu | 847,000,000.00 | 91.08 | | | 847,000,000.00 | 91.08 |
| Li Xingxing | 83,000,000.00 | 8.92 | | | 83,000,000.00 | 8.92 |
| **Total** | 930,000,000.00 | 100.00 | | | 930,000,000.00 | 100.00 |

**44. Other equity instruments**

| Item | Closing balance | Opening balance |
|---|---|---|
| Perpetual capital securities | 2,000,000,000.00 | 2,000,000,000.00 |
| **Total** | 2,000,000,000.00 | 2,000,000,000.00 |

**45. Capital reserve**

| Item | Opening balance | Increased | Decreased | Closing balance |
|---|---|---|---|---|
| Capital premium | 8,345,635,987.32 | | | 8,345,635,987.32 |
| Other capital reserve | 10,662,187,008.30 | 67,933,343.53 | 31,625,535.79 | 10,698,494,816.04 |
| **Total** | 19,007,822,995.62 | 67,933,343.53 | 31,625,535.79 | 19,044,130,803.36 |

## 46. Other comprehensive income

| Item | Opening balance | Amount accruing in current the year | | | | | Closing balance |
|---|---|---|---|---|---|---|---|
| | | Amount incurred before income tax in current year | Less: current loss and income transferred from other comprehensive income in previous period | Less: income tax expenses | After-tax amount attributable to the parent company | After-tax amount attributable to minor shareholders | |
| I. Other comprehensive income which will not be re-classified into the profits and losses | -158,384,559.47 | -10,709,114,027.00 | | -306,696,932.00 | -10,394,592,249.00 | -7,824,846.00 | -10,552,976,808.47 |
| Including: share under the equity method enjoyed in other comprehensive income not classified into the profits and losses of the invested entity | 29,323,333.53 | -9,230,625,710.00 | | | -9,230,625,710.00 | | -9,201,302,376.47 |
| Actuarial gains and losses reclassification (pensions) | -187,707,893.00 | -1,478,488,317.00 | | -306,696,932.00 | -1,163,966,539.00 | -7,824,846.00 | -1,351,674,432.00 |
| II. Other comprehensive income that will be re-classified into profits and losses. | 3,423,497,158.00 | -4,115,286,079.94 | | -619,950,573.00 | -3,528,875,431.53 | 33,539,924.59 | -105,378,273.53 |
| Including: share under the equity method enjoyed in other comprehensive income not classified into the profits and losses of the invested entity | -12,900,359.01 | 158,878.90 | | | 158,878.90 | | -12,741,480.11 |
| Amount of financial assets re-classified into other comprehensive income | 1,735,958,255.05 | -629,858,509.16 | | | -629,858,509.16 | | 1,106,099,745.89 |
| Changes in cash flow hedge recognized in other comprehensive income | 585,780,992.00 | -2,919,995,156.00 | | -619,457,759.00 | -2,300,537,397.00 | | -1,714,756,405.00 |
| Translation differences of financial statements of foreign currency | 1,114,658,269.96 | -565,591,293.68 | | -492,814.00 | -598,638,404.27 | 33,539,924.59 | 516,019,865.69 |
| **Other comprehensive income in total** | 3,265,112,598.53 | -14,824,400,106.94 | | -926,647,505.00 | -13,923,467,680.53 | 25,715,078.59 | -10,658,355,082.00 |

**47. Surplus reserve**

| Item | Opening balance | Increased | Decreased | Closing balance |
|---|---|---|---|---|
| Statutory surplus reserve | 38,589,968.34 | 2,144,774.55 | | 40,734,742.89 |
| **Total** | 38,589,968.34 | 2,144,774.55 | | 40,734,742.89 |

**48. Undistributed profits**

| Item | Closing balance | Opening balance |
|---|---|---|
| Undistributed profits at the beginning of current year | 33,685,219,032.19 | 21,491,603,658.73 |
| Add: the modification of accounting policies | -22,188,180.20 | |
| Undistributed profits at the beginning of the period after retrospective adjustment | 33,663,030,851.99 | 21,491,603,658.73 |
| Add: current net profit attributable to the parent company's shareholders in this period | 13,026,069,988.53 | 12,302,370,655.82 |
| Less: dividend of perpetual capital securities | 81,900,000.00 | 81,900,000.00 |
| Less: dividend preferred of subsidiaries (Note 1) | 47,691,026.00 | 52,544,358.00 |
| Less: drawing surplus reserve (Note 2) | 2,144,774.55 | |
| Less: staff and worker' bonus and welfare funds (Note 3) | 14,666,528.78 | |
| Less: others (Note 4) | 102,499,082.91 | -25,689,075.64 |
| Undistributed profits at the end of the year | 46,440,199,428.28 | 33,685,219,032.19 |

**Note 1:** Volvo Car AB (subsidiary of Geely Zhaoyuan) allocated 63 million kronor (equivalent 47,691,026.00yuan) dividend to its preferred shareholders (Year 2017: 65 million kronor (equivalent 52,544,358.00yuan ));

**Note 2:** The Group subsidiary of Zhejiang Qianjiang Motorcycle Co.,Ltd. drew surplus reserve 2,144,774.55yuan;

**Note 3:** Sub-subsidiaries drew staff and worker' bonus and welfare funds 14,666,528.78yuan in accordance with the resolution of the board of directors;

**Note 4:** The not-exercised stock option of Geely Automobile Holdings Ltd. (0175.HK) increased undistributed profits by1,123,972.68yuan (Year 2017: 3,365,767.13 yuan);

Volvo Car AB (subsidiary of Geely Zhaoyuan) recognized the part of the change of undistributed profits for its minority shareholders, which holds 1% of its shares in the current year, and related amount is 33,610,890.00 yuan; the disposal of 5% shares of Denmark AS by Volvo Car AB (subsidiary of Geely Zhaoyuan) reduced undistributed profits by 29,108,058.00 yuan; other events reduced undistributed profits by 40,904,107.59 yuan.

**49. Operating income and operating costs**

(1) Operating income and operating costs

| Item | Amount incurred in current year | |
|---|---|---|
| | Operating income | Operating costs |
| Main operations | 321,950,461,932.71 | 250,567,484,914.66 |
| Other operations | 6,570,417,590.46 | 3,486,298,486.19 |

| | | |
|---|---|---|
| **Total** | 328,520,879,523.17 | 254,053,783,400.85 |

(Continued)

| Item | Amount incurred in previous year | |
|---|---|---|
| | Operating income | Operating costs |
| Main operations | 273,346,970,562.74 | 212,731,887,514.91 |
| Other operations | 4,917,623,144.24 | 2,601,593,994.25 |
| **Total** | 278,264,593,706.98 | 215,333,481,509.16 |

(2) The main operating income is classified based on items

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| **Main operating income** | 321,950,461,932.71 | 273,346,970,562.74 |
| Including: vehicle sales | 293,704,109,274.17 | 249,428,527,148.68 |
| Parts and materials sales | 25,040,193,233.98 | 21,159,600,485.08 |
| Others | 3,206,159,424.56 | 2,758,842,928.98 |
| **Main operating costs** | 250,567,484,914.66 | 212,731,887,514.91 |
| Including: vehicle sales | 224,893,171,991.19 | 190,939,945,789.83 |
| Parts and materials sales | 22,861,446,606.37 | 19,370,692,418.15 |
| Others | 2,812,866,317.10 | 2,421,249,306.93 |

## 50. Financial expenses

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Interest expenses | 2,152,653,292.25 | 1,621,283,471.71 |
| Less: Interest income | 889,113,505.32 | 660,820,215.36 |
| Bank charge and others | 658,085,546.92 | 181,482,264.17 |
| Gain or loss on foreign exchange | -107,777,473.94 | 302,322,589.93 |
| **Total** | 1,813,847,859.91 | 1,444,268,110.45 |

## 51. Asset impairment losses

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Losses of bad debts | 212,437,511.62 | -94,140,355.65 |
| Losses of Inventory depreciation | 189,431,549.88 | 79,964,593.75 |
| Impairment loss of long-term equity investment | 6,926,147.82 | 500,000.00 |
| Impairment loss of fixed assets | 20,082,496.59 | 36,836,679.87 |

| | | |
|---|---|---|
| Impairment loss of intangible assets | | 172,636,365.91 |
| Others | | 161,728.93 |
| **Total** | 428,877,705.91 | 195,959,012.81 |

**52. Credit impairment losses**

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Losses of bills and accounts receivable | 26,539,867.88 | |
| Losses of other receivables | 442,981.33 | |
| Losses of prepayment | 5,645.88 | |
| Losses of long-term receivable | -17,489,498.98 | |
| **Total** | 9,498,996.11 | |

**53. Other income**

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Government grants | 2,891,997,779.97 | 2,489,180,524.97 |
| **Total** | 2,891,997,779.97 | 2,489,180,524.97 |

**54. Investment income**

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Long-term equity investment Income (losses) under equity method | -225,961,818.08 | -282,937,264.98 |
| The profits declared to distribute by Investees entities accounted by cost method | 394,339.00 | 1,171,853.07 |
| Returns from disposal of other equity instruments | 20,142,102.81 | |
| Returns from disposal of other non-current financial assets | 166,090,561.93 | |
| Returns from disposal of available-for-sale financial instruments | | 253,573,024.63 |
| Returns from holding financial assets measured at fair values and changes accounted into current profit or losses | -4,037,500.00 | |
| Returns from holding bank financial products | 6,094,213.98 | 580,920.55 |
| Returns from holding financial assets held for trading | 1,322,778.70 | |
| Returns from disposals of long-term equity investments | 2,146,090.59 | 38,638,262.51 |
| Others | -8,335,203.94 | |
| **Total** | -42,144,435.01 | 11,026,795.78 |

## 55. Net exposure hedging benefits

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Net exposure hedging benefits | -586,503,751.00 | |
| **Total** | -586,503,751.00 | |

## 56. Gains from the changes of the fair value

| Source of gains from the changes of the fair value | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Financial assets measured at fair values and changes accounted into current profit or losses | | 276,479,600.08 |
| Benefit from fair value changes of derivative financial instruments | 12,677,337.47 | |
| Benefit from fair value changes of financial assets held for trading | -34,824,470.00 | |
| Benefit from fair value changes of financial liabilities held for trading | -6,564,422.66 | |
| Fair value changes of electricity futures contract | -1,578,814.00 | -3,908,180.00 |
| Fair value changes of commercial papers | -512,358.00 | 39,707,443.00 |
| Interest swap instruments | | 3,688,752.00 |
| **Total** | -30,802,727.19 | 315,967,615.08 |

## 57. Income from disposals of assets

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| The gains or losses from disposals of fixed assets, construction-in-process, productive biological assets and intangible assets which are not classified as held-for-sale assets | | |
| In which: income from fixed assets disposals | -2,900,129,441.53 | -365,651,096.67 |
| Income from construction-in-process disposals | | 105,223,405.24 |
| **Total** | -2,900,129,441.53 | -260,427,691.43 |

## 58. Non-operating income

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Total gain from non-current assets disposals | 288,084.60 | 1,203,894.91 |
| Incomes from penalty, fines, indemnity | 46,829,111.62 | 12,208,603.79 |
| Government grants | 3,361,201.10 | 442,595,182.61 |
| The gain from wastage disposals | 1,039,450.40 | |
| Not required payments | 8,313,225.20 | 9,718,101.79 |

| | | |
|---|---|---|
| Others | 168,501,046.48 | 152,864,407.88 |
| **Total** | 228,332,119.40 | 618,590,190.98 |

**59. Non-operating expenses**

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Losses from non-current assets disposal | 157,918,080.11 | 79,729,442.72 |
| Abnormal losses | 4,090,067.78 | 570,991.15 |
| Donation expenditures | 228,171,021.16 | 19,442,584.55 |
| Expenditures from overdue fines, compensation, penalty and fines | 96,198,075.26 | 3,926,753.79 |
| Others | 14,063,087.61 | 73,233,439.30 |
| **Total** | 500,440,331.92 | 176,903,211.51 |

**60. Income tax expenses**

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Current income tax expenses | 7,001,135,264.79 | 5,685,620,295.79 |
| Deferred income tax expenses | -1,498,783,598.05 | -1,163,413,682.82 |
| **Total** | 5,502,351,666.74 | 4,522,206,612.97 |

**61. Other comprehensive income**

For details, see Note VI.46.

**62. Supplementary information of cash flows statement**

(1) Supplementary information of cash flows statement

| Supplementary materials | Amount of current year | Amount of previous year |
|---|---|---|
| **1. Reconciliation of net profit to cash flows from operating activities:** | | |
| Net profit | 20,267,640,387.75 | 18,824,234,856.78 |
| Add: provision for impairment of assets | 438,376,702.02 | 195,959,012.81 |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets | 8,122,370,632.74 | 7,237,380,100.22 |
| Amortization of intangible assets | 7,446,735,125.33 | 5,218,933,730.05 |
| Amortization of long-term deferred expenses | 119,162,913.08 | 50,867,744.07 |
| Losses from the disposals of fixed assets, intangible assets and other long-term assets ("-" for income) | 2,900,129,441.53 | 260,427,691.43 |
| Losses from the scrapping of fixed assets ("-" for income) | 157,629,995.51 | 78,525,547.81 |
| Losses from the fair value change ("-" for income) | 30,802,727.19 | -315,967,615.08 |
| Financial expenses ("-" for income) | 2,081,061,017.02 | 1,554,468,110.45 |
| Losses from investment ("-" for income) | 42,144,435.01 | -11,026,795.78 |
| Decrease of deferred income tax assets ("-" for increase) | -2,200,847,018.18 | -1,001,603,220.13 |
| Increase of deferred income tax liabilities ("-" for decrease) | -211,500,884.47 | 683,186,916.34 |

| Supplementary materials | Amount of current year | Amount of previous year |
|---|---|---|
| Decrease in inventories ("-" for increase) | -3,625,302,715.73 | -11,929,637,676.01 |
| Decrease of business item receivable ("-" for increase) | 3,372,690,080.84 | -1,398,703,055.06 |
| Increase of business item payable ("-" for decrease) | 4,205,260,575.02 | 23,592,240,558.25 |
| Others | | |
| Net cash flows from operating activities | 43,146,353,414.66 | 43,039,285,906.15 |
| **2. Major investment and financing activities that do not involve cash receipts and payments:** | | |
| Amount of endorsement transfer received from sales and services | | |
| Debts transferred into capital | | |
| Convertible bonds due within one year | | |
| Fixed assets acquired under financial leases | | |
| **3. Net increase in cash and cash equivalents:** | | |
| Year-end cash balance | 64,092,956,440.57 | 53,767,180,335.01 |
| Less: Opening cash balance | 53,767,180,335.01 | 47,588,591,611.73 |
| Add: Ending balance of cash equivalents | 22,614,809,596.99 | 21,755,997,758.05 |
| Less: Opening balance of cash equivalents | 21,755,997,758.05 | 8,692,396,176.90 |
| Net increase amount of cash & cash equivalents | 11,184,587,944.50 | 19,242,190,304.42 |

(2) Composition of cash and cash equivalents

| Item | Amount of current year | Amount of previous year |
|---|---|---|
| I. Cash | 64,092,956,440.57 | 53,767,180,335.01 |
| Including: cash on hand | 2,013,560.12 | 1,619,716.07 |
| Deposits in bank that can be used for payment at any time | 63,081,881,168.29 | 52,268,445,594.51 |
| Other cash at bank and on hand that can be used for payment at any time | 1,009,061,712.16 | 1,497,115,024.43 |
| Deposits in central bank that can be used for payment | | |
| Deposits in other banks | | |
| Loans in the other banks | | |
| II. Cash equivalents | 22,614,809,596.99 | 21,755,997,758.05 |
| Including: bond investment due within three months | | |
| III. Closing balance of cash & cash equivalents | 86,707,766,037.56 | 75,523,178,093.06 |

## VII. Changes of consolidation scope

### 1. Disposal of subsidiaries

Once subsidiaries disposition of losing control

| Subsidiaries Name | Equity disposal price | Equity disposal ratio (%) | Equity disposal manner | Time of losing control | The determination of losing control | The residual equity ratio of losing control (%) | The book value of residual equity of losing control | Fair value of residual equity of losing control | The gain or loss of residual equity based on fair value measurement | The determination of fair value and the main assumptions of residual equity of losing control |
|---|---|---|---|---|---|---|---|---|---|---|
| Beijing Yihang Wanyuan International Investment Co.,Ltd. | | | Cancellation | | | | | | | |

### 2. Other reasons result in changes of consolidation scope

Entities within the scope of consolidated financial statements during reporting period

| Company type | Company name | Registered capital (ten thousand yuan) | Shareholding percentage (%) | Reasons for changes |
|---|---|---|---|---|
| Subsidiary | Geely Changxing New Energy Automobile Co.,Ltd. | 30,000.00 | 90.00 | Newly established |
| Subsidiary | Zhejiang Zhongjian Investment Co.,Ltd. | 30,000.00 | 100.00 | Newly established |
| Subsidiary | Zhejiang Geely Automobile Industry Co.,Ltd. | 50,000.00 | 100.00 | Newly established |

**VIII. Interest in other entities**

1. Interest in subsidiaries

(1) The Group structure

① Holding subsidiaries in the scope of consolidation

| Subsidiary name | Main business area | Domicile | Nature of business | Shareholding ratio (%) | | Acquisition method |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Beijing Geely Kaisheng International Investment Co.,Ltd. | Beijing | Beijing | Investment | 100.00 | | Found |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | Taizhou | Taizhou | Manufacture | 98.50 | | Found |
| Zhejiang Geely Automobile Co.,Ltd. | Ningbo | Ningbo | Manufacture | 71.05 | | Found |
| Shanghai Maple Automobile Co.,Ltd. | Shanghai | Shanghai | Manufacture | 90.00 | | Found |
| Jining Fulin Auto Parts Co.,Ltd. (Note1) | Jining | Jining | Manufacture | 90.00 | 7.11 | Found |
| Geely International (US) Co.,Ltd. | USA | USA | R&D | 100.00 | | Found |
| Hangzhou Geely Evun Technology Co.,Ltd. | Hangzhou | Hangzhou | R&D | 100.00 | | Found |
| Zhejiang Geely Business Service Co.,Ltd. | Hangzhou | Hangzhou | Service | 100.00 | | Found |
| Proper Glory Holding Inc (Note 2) | BVI | BVI | Investment | 100.00 | | Found |
| Shanghai Meihuan Trading Co.,Ltd. (Note 3) | Shanghai | Shanghai | Marketing | 90.00 | 9.85 | Found |
| Geely International (Hong Kong) Co.,Ltd. | HongKong | HongKong | Investment | 100.00 | | Found |
| Weirui Electric Vehicle Technology (Suzhou) Co.,Ltd. | Suzhou | Suzhou | Manufacture | 100.00 | | Found |

| Subsidiary name | Main business area | Domicile | Nature of business | Shareholding ratio (%) | | Acquisition method |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Zhejiang Geely New Energy Commercial Vehicle Co.,Ltd. | Hangzhou | Hangzhou | R&D | 100.00 | | Found |
| Easy-insure Insurance Agency Co.,Ltd. | Hangzhou | Hangzhou | Insurance | 100.00 | | Found |
| Ningbo Yijie Equity Iinvestments and Fund Management Partnership (LP) | Ningbo | Ningbo | Investment | 70.00 | | Found |
| Zhejiang Qianjiang Motorcycle Co.,Ltd. | Wenling | Wenling | Manufacture | 29.77 | | Enterprise Consolidation not under common control |
| Geely Changxing New Energy Automobile Co.,Ltd. | Changxing | Changxing | Manufacture | 90.00 | | Found |
| Zhejiang Zhongjian Investment Co.,Ltd. | Hangzhou | Hangzhou | Investment | 100.00 | | Found |
| Zhejiang Geely Automobile Industry Co.,Ltd. | Ningbo | Ningbo | Management | 100.00 | | Found |
| Beichen Automobile (Shanghai) Co.,Ltd. (Note 4) | Shanghai | Shanghai | Manufacture | 50.00 | 50.00 | Found |

Note 1: The Company holds 90% equity of Jining Fulin Auto Parts Co.,Ltd. The shareholding percentage of the subsidiary, Zhejiang Geely Automobile, is 10%, and the direct and indirect holding as well as the proportion of voting rights of the company is 97.11%.

Note 2: According to the "Shareholding Entrustment Agreement," the BVI Geely Group Limited will entrust the company with the equity of the Proper Glory Holding Inc.

Note 3: The Company holds 90% of the equity of Shanghai Meihuan Trading Co.,Ltd., and the subsidiary, Zhejiang Haoqing Automobile Manufacture Co.,Ltd., holds 10% of the equity of it, and the direct and indirect holding as well as the proportion of voting rights of the company is 99.85%.

Note 4: The Company holds 50% of the equity of Beichen Automobile (Shanghai) Co.,Ltd., and the subsidiary, Volvo Automobile (China) Investment Co.,Ltd., holds 50% of the equity of it, and the direct and indirect holding as well as the proportion of voting rights of the company is 100.00%.

② The scope of consolidated statements and the shareholding percentage of the main holding subsidiaries

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| Geely International (Hong Kong) Co.,Ltd | Dawn Raise International Co.,Ltd. | Investment | BVI | 50,000 dollars | 100.00 | Yes |
| | Geely UK Limited | Investment | UK | 30 million pounds | 100.00 | Yes |
| | Geely Research and Development UK | R&D | UK | 10 million pounds | 100.00 | Yes |
| | Hangzhou Jiqiao Automobile Technology Co.,Ltd. | R&D | Hangzhou | 20 million dollars | 100.00 | Yes |
| | Lotus Advance Technologies Sdn.Bhd. | Investment | Malaysia | 365.580474 million pounds | 51.00 | Yes |
| | Size-up Investment Co.,Ltd. | Investment | BVI | 100 dollars | 100.00 | Yes |
| Zhejiang Geely Automobile Co.,Ltd. | Jinan Ruhoo Automobile Parts Co.,Ltd. | Manufacture | Jinan | 1,000 | 100.00 | Yes |
| | Ningbo Geely Automobile Research & Development Co.,Ltd. | R&D | Ningbo | 3,000 | 100.00 | Yes |
| | Ningbo Economic and Technological Development Zone Jihao Property services Co.,Ltd. | Real Estate Service | Ningbo | 20 | 100.00 | Yes |
| | Ningbo Huali Real Estate Co.,Ltd. | Real Estate Development | Ningbo | 2,100 | 100.00 | Yes |
| | CHINA-EURO VEHICLE TECHNOLOGY AB | R&D | Sweden | 85 million dollars | 100.00 | Yes |
| | Ningbo Lijing Real Estate Co.,Ltd. | Real Estate Development | Ningbo | 2,100 | 100.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | Guizhou Geely New Energy Automobile Co.,Ltd. | Manufacture | Guiyang | 80,000 | 100.00 | Yes |
| | Shenzhen Geely Automobile Sale Co.,Ltd. | Marketing | Shenzheng | 5,000 | 100.00 | Yes |
| | Xiamen Geely Automobile Sale Co.,Ltd. | Marketing | Xiamen | 1,000 | 100.00 | Yes |
| | Hangzhou Geely New Energy Automobile Sale Co.,Ltd. | Marketing | Hangzhou | 1,000 | 100.00 | Yes |
| | Hangzhou Geely Auto Parts Co.,Ltd | Manufacture | Hangzhou | 20,000 | 100.00 | Yes |
| | Taizhou Geely Luoyou Engine Co.,Ltd. | Marketing | Taizhou | 5,000 | 100.00 | Yes |
| | Yuyao Jirun Auto Parts Co.,Ltd | Manufacture | Yuyao | 20,000 | 100.00 | Yes |
| | Guiyang Geely Engine Co.,Ltd. | Manufacture | Guiyang | 33,846 | 100.00 | Yes |
| | Beijing Geely New Energy Automobile Sale Co.,Ltd. | Marketing | Beijing | 1,000 | 100.00 | Yes |
| | Guangzhou Geely New Energy Automobile Sale Co.,Ltd. | Marketing | Guangzhou | 1,000 | 100.00 | Yes |
| | Tianjin Geely Dihao New Energy Automobile Sale Co.,Ltd. | Marketing | Tianjin | 1,000 | 100.00 | Yes |
| | Yiwu Geely Engine Co.,Ltd. | Manufacture | Yiwu | 5,000 | 100.00 | Yes |
| | Zhejiang Jirun Meishan Geely Auto Parts Co.,Ltd | Manufacture | Ningbo | 40,000 | 100.00 | Yes |
| | Zhejiang Geely Automobile Parts purchasing Co.,Ltd | Manufacture | Ningbo | 10,000 | 79.00 | Yes |
| | Fuzhou Geely Dihao New Energy Automobile Sale Co.,Ltd. | Marketing | Fuzhou | 1,000 | 100.00 | Yes |
| | Xian Geely New Energy Automobile Sale Co.,Ltd. | Marketing | Xian | 1,000 | 100.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | Changsha Geely New Energy Automobile Sale Co.,Ltd. | Marketing | Changsha | 1,000 | 100.00 | Yes |
| | Geely Changxing Automatic Transmission Co.,Ltd. | Manufacture | Changxing | 15,000 | 90.00 | Yes |
| | Ningbo Hangzhou Bay Auto Parts Co.,Ltd. | Manufacture | Ningbo | 40,000 | 100.00 | Yes |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | Taizhou Luqiao Area King Kong Real Estate Management Co.,Ltd. | Real Estate | Taizhou | 50 | 100.00 | Yes |
| | Taizhou Haoqing Automobile Sales Service Co.,Ltd. | Marketing | Taizhou | 13,680 | 100.00 | Yes |
| | Zhejiang Geely Automobile Technology Co.,Ltd. | R&D | Hangzhou | 10,000 | 90.00 | Yes |
| | Linhai Haoqing Real Estate Development Co.,Ltd. | Real Estate Development | Taizhou | 3,100 | 100.00 | Yes |
| | Baoji Geely Automobile Co.,Ltd. | Manufacture | Baoji | 15,000 | 100.00 | Yes |
| | Shanxi New Energy Automotive Industry Co.,Ltd. | Manufacture | Jinzhong | 15,000 | 100.00 | Yes |
| | Asia-Europe Auto. Manufacturing (Taizhou) Co.,Ltd. | Manufacture | Taizhou | 5,000 | 100.00 | Yes |
| | Chengdu Zhaoyuan New Energy Automobile Investment Co.,Ltd. | Investment | Chengdu | 80,500 | 100.00 | Yes |
| | Sichuan Geely Auto Parts Co.,Ltd | R&D and Manufacture | Chengdu | 20,000 | 100.00 | Yes |
| | Xian Geely Automobile Co.,Ltd. | Marketing | Xian | 15,000 | 100.00 | Yes |
| | Zhejiang Kingkong Automobile Co.,Ltd. | Manufacture | Luqiao | 41,300 | 100.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| Proper Glory Holding Inc | Geely Automobile Holdings Ltd. | Investment | CAYMAN ISLANDS | 240 million Hong Kong dollars | 29.39 | Yes |
| Shanghai Maple Automobile Co.,Ltd. | Shanghai LTI Automobile Parts Co.,Ltd. | Manufacture | Shanghai | 54. 29715 million dollars | 52.00 | Yes |
| | Ningbo Jihong Alcohol Hydrogen Technology Co.,Ltd. | R&D | Ningbo | 3,508 | 57.01 | Yes |
| | Shanghai Mudi Automobile Moulds Co.,Ltd. | Manufacture | Shanghai | 4,000 | 100.00 | Yes |
| Beijing Geely Kaisheng International Investment Co.,Ltd. | Beijing Geely Wanyuan International Investment Co.,Ltd. | Investment | Beijing | 710,000 | 100.00 | Yes |
| Zhejiang Geely New Energy Commercial Vehicle Co.,Ltd.td | Zhejiang Yinglun Automobile Co.,Ltd.td. | Production | Yiwu | 12,000 | 100.00 | Yes |
| | Zhejiang Geely New Energy Commercial Vehicle Co.,Ltd. | R&D | Shangrao | 10,000 | 100.00 | Yes |
| | Nanchong Geely Commercial Vehicle Research Institute Co.,Ltd. | R&D | Nanchong | 73,000 | 100.00 | Yes |
| Shanghai Meihuan Trading Co.,Ltd. | Hubei Jiyun Changjiang Investment Management Co.,Ltd. | Investment | Hubei | 500 | 60.00 | Yes |
| Zhejiang Geely Business Service Co.,Ltd. | Hangzhou Xuanyu Human Resource Co.,Ltd. | Service | Hangzhou | 200 | 100.00 | Yes |
| Zhejiang Qianjiang Motorcycle Co.,Ltd | BENELLI Q.J.SRL | R&D and Manufacture | Italy | | 70.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | Zhejiang Qianjiang Motorcycle Research & Development Co.,Ltd. | R&D and Manufacture | Wenling | 1,000 | 100.00 | Yes |
| | Zhejiang Manbo Investment Management Co.,Ltd. | Investment Management | Wenling | 22,000 | 80.00 | Yes |
| | Chongqi Qianjiang Motorcycle Manufacturing Co.,Ltd. | Manufacture | Chongqi | 8,000 | 100.00 | Yes |
| | Wuxi Weisai Semiconductor Co.,Ltd. | R&D | Wuxi | 6,000 | 65.00 | Yes |
| | Zhejiang Qianjiang Motorcycle Import and Export Co.,Ltd. | Import and Export Business | Wenling | 5,000 | 100.00 | Yes |
| | Zhejiang Qianjiang Integrated Circuit Technology Co.,Ltd. | R&D and Marketing | Wenling | 1,000 | 64.00 | Yes |
| | Taizhou Qianjiang Motorcycle Sale Co.,Ltd. | Marketing | Wenling | 100 | 51.00 | Yes |
| | Hunan Jiehong Qianjiang Trading Co.,Ltd. | Marketing | Changsha | 200 | 51.00 | Yes |
| | Sichuan Xin Qianjiang Motorcycle Sale Co.,Ltd. | Marketing | Chengdu | 200 | 51.00 | Yes |
| | Chongqing Haoye Qianjiang Trading Co.,Ltd. | Marketing | Chongqing | 520 | 51.00 | Yes |
| | Wuhan Qianjiang Trading Co.,Ltd. | Marketing | Marketing | 180 | 51.00 | Yes |
| | Zhejiang Qianjiang New Energy Technology Co.,Ltd. | R&D Manufacture and Marketing | Wenling | 15,750 | 66.67 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | Hefei Qianjiang Motorcycle Sale Co.,Ltd. | Marketing | Hefei | 200 | 51.00 | Yes |
| | Zhejiang Meikeda Motorcycle Co.,Ltd. | Manufacture | Wenling | 2,300 | 100.00 | Yes |
| | Zhejiang Yipeng Engine Parts Co.,Ltd. | Manufacture | Wenling | 23,452 | 100.00 | Yes |
| | Quanzhou Qianlong Trading Co.,Ltd. | Marketing | Jingjiang | 200 | 51.00 | Yes |
| | Jiangxi Beinali Trading Co.,Ltd. | Marketing | Nanchang | 200 | 51.00 | Yes |
| | Nanning Junhongxuan Trading Co.,Ltd. | Marketing | Nanning | 130 | 51.00 | Yes |
| | Foshan Qianrong Trading Co.,Ltd. | Marketing | Foshan | 50 | 51.00 | Yes |
| | Xian Qianjiang Motorcycle Sale Co.,Ltd. | Marketing | Xian | 80 | 51.00 | Yes |
| | Gansu Qianjiang Beinali Trading Co.,Ltd. | Marketing | Lanzhou | 100 | 51.00 | Yes |
| | Shanghai Dongdong Electric Vehicle Co.,Ltd. | Marketing | Shanghai | 1,000 | 51.00 | Yes |
| | Wenling Hannuo Mechanical and Electrical Technology Co.,Ltd. | R&D | Wenling | 300 | 80.00 | Yes |
| Zhejiang Zhongjian Investment Co.,Ltd. | Zhejiang Zhihui Puhua Finance lease Co.,Ltd. | Rental Service | Ningbo | 105 million dollors | 52.00 | Yes |
| Zhejiang Geely Automobile Industry Co.,Ltd. | Zhejiang Jichuang Auto Parts Co.,Ltd | Manufacture | Ningbo | 30,000 | 100.00 | Yes |
| | Wuhan Geely Auto Parts Co.,Ltd | Manufacture | Wuhan | 10,000 | 100.00 | Yes |

③ The scope of consolidated statements and the shareholding percentage of the main sub-subsidiaries

| Sub-subsidiary name | Consolidated scope of sub-subsidiary | Nature of business | Registerd place | Registered capital (ten thousand yuan) | Shareholding Percentage (10%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| Geely Automobile Holdings Ltd. (stock code: 0175.HK) | Zhejiang Jirun Automobile Co.,Ltd. | Manufacture | Ningbo | 476.6366 million dollars | 99.00 | Yes |
| | Shanghai Maple Guorun Automobile Co.,Ltd. | Manufacture | Shanghai | 121.3636 million dollars | 99.00 | Yes |
| | Hunan Geely Automobile Parts Co.,Ltd. | Manufacture | Xiangtan | 88.50 million dollars | 99.00 | Yes |
| | Zhejiang Ruhoo Automobile Co.,Ltd. | Manufacture | Taizhou | 52,167.70 | 99.00 | Yes |
| | Zhejiang Kingkong Automobile Parts Research and Development Co.,Ltd. | R&D | Taizhou | 14.90 million dollars | 100.00 | Yes |
| | Zhejiang Fulin Guorun Automobile Parts Co.,Ltd. | Manufacture | Taizhou | 15.9592 million dollars | 100.00 | Yes |
| | Ningbo Geely Luoyou Engine Parts Co.,Ltd. | Manufacture | Ningbo | 28,280 | 99.68 | Yes |
| | Value Century Group Limited | Investment | BVI | 1 dollar | 100.00 | Yes |
| | Centurion Industries Limited | Investment | BVI | 1 dollar | 100.00 | Yes |
| | Geely International Ltd | Investment | Hong Kong | 2 Hong Kong Dollars | 100.00 | Yes |
| | Luckview Group limited | Investment | BVI | 1 dollar | 100.00 | Yes |
| | Linkstate Overseas | Investment | BVI | 1 dollar | 100.00 | Yes |
| Beijing Geely Wanyuan International Investment Co.,Ltd. | Shanghai Geely Zhaoyuan International Investment Co.,Ltd. | Investment | Shanghai | 1,328,657 | 100.00 | Yes |

**(2) Companies with more than 50% of shareholding percentage that haven't been included in the scope of the consolidation and the reasons**

| Subsidiary name | Shareholding percentage (%) | Whether control or not | Reason of not being consolidated |
|---|---|---|---|
| Zhejiang Automobile Vocational and Technical College | 100.00 | No | Note 1 |
| Genius Auto Finance Co.,Ltd. | 80.00 | No | Note 2 |

Note 1: The business scope of Zhejiang Automobile Vocational and Technical College includes full-time higher education, adult higher vocational education and short-term professional training. The company's financial and operating policies will be managed by Mitime Investment and Development Group Co.,Ltd. which is out of the consolidated scope and the company has no control right over it.

Note 2: Geely Automobile Holdings Co.,Ltd. (0175, HK) and the third party BNP Paribas, enter into a joint venture of personal finance , established a joint venture company, Genius Auto Finance Co.,Ltd., to engage in auto finance business in China. The company's registered capital is 2 billion yuan, of which the Geely Automobile Holdings Co.,Ltd. (0175, HK) contribution totals 1.6 billion yuan, owns 80% stock, but according to the joint venture agreement, the joint venture company is controlled by both investors and the company has no control right over it.

**2. Equities of joint venture and associated enterprise**

(1) Major joint ventures and associated enterprises

| Joint venture or associated enterprise name | Major business place | Registered place | Nature of business | Shareholding percentage (%) | | Accounting resolutions of the investment of the joint venture and associated enterprise |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Volvofinans Bank AB | Sweden | Sweden | Finance | | 50.00 | Equity method |
| V2 Plug-In Hybrid Vehicle Partnership HB | Sweden | Sweden | Services | | 50.00 | Equity method |
| Genius Auto Finance Co.,Ltd | Shanghai | Shanghai | Finance | | 80.00 | Equity method |
| Closed Joint Stock Company BELGEE | Belarus | Belarus | Manufacturing | | 36.09 | Equity method |
| Mando (Ningbo) Automotive Parts Co.,Ltd. | Ningbo | Ningbo | Manufacturing | | 35.00 | Equity method |

(2) Main financial information of major joint ventures

Unit: ten thousand yuan

| Item | Closing balance/Amount incurred in current year | | | Opening balance/Amount incurred in previous year | | |
|---|---|---|---|---|---|---|
| | Volvofinans Bank AB. | V2 Plug-In Hybrid Vehicle Partnership HB | Genius Auto Finance Co.,Ltd | Volvofinans Bank AB. | V2 Plug-In Hybrid Vehicle Partnership HB | Genius Auto Finance Co.,Ltd |
| Current assets | 454,807.73 | 27,625.80 | 2,123,784.15 | 430,701.33 | 37,655.65 | 1,005,306.60 |
| Including: cash and cash equivalents | 91,035.29 | 15,367.18 | 20,658.00 | 145,390.43 | 15,141.53 | 51,463.50 |
| Non-current assets | 2,873,427.20 | 10,213.87 | 61,461.37 | 2,693,369.67 | 16,251.38 | 34,716.20 |
| Total assets | 3,328,234.93 | 37,839.67 | 2,185,245.52 | 3,124,071.00 | 53,907.03 | 1,040,022.80 |
| Current liabilities | 188,497.29 | 1,334.16 | 448,147.78 | 177,496.83 | 2,378.25 | 948,066.60 |
| Non-current liabilities | 2,849,151.20 | 2,185.77 | 1,513,474.12 | 2,638,352.79 | 3,567.38 | |
| Total liabilities | 3,037,648.49 | 3,519.93 | 1,961,621.90 | 2,815,849.62 | 5,945.63 | 948,066.60 |
| Net assets | 290,586.44 | 34,319.74 | 223,623.62 | 308,221.38 | 47,961.40 | 91,956.20 |
| Net assets counted according to the shareholding percentage | 145,293.22 | 17,159.87 | 178,898.90 | 154,110.69 | 20,562.98 | 73,564.96 |
| Adjusting events | | | | | | |
| - Goodwill | 28,887.28 | | | 29,792.04 | | |
| - Unrealized profits of internal trading | | | | | | |
| - Other | | -2,072.05 | | | | |
| Book value invested in the joint venture's equity | 174,180.50 | 15,087.82 | 178,897.16 | 183,902.73 | 20,562.98 | 73,564.96 |
| Fair value invested in the joint venture's equity in public markets | | | | | | |
| Operating income | 335,781.26 | 62,777.04 | 71,900.27 | 305,768.90 | 61,979.11 | 46,987.80 |
| Net profit and total comprehensive income | 24,239.47 | 62,744.97 | 21,665.26 | 20,712.61 | 55,471.70 | 4,790.00 |
| Dividends from joint venture in the current year | 18,216.99 | 35,656.65 | | 2,933.18 | | |

(3) Main financial information of the major associated enterprises

| Item | Closing balance/Amount incurred in current year | | Opening balance/Amount incurred in previous year | |
|---|---|---|---|---|
| | Closed Joint Stock Company BELGEE | Mando (Ningbo) Automotive Parts Co.,Ltd. | Closed Joint Stock Company BELGEE | Mando (Ningbo) Automotive Parts Co.,Ltd. |
| Current assets | 56,341.06 | 238,234.55 | 41,854.09 | 302,425.94 |
| Non-current assets | 188,560.82 | 32,707.35 | 182,339.07 | 28,975.24 |
| Total assets | 244,901.88 | 270,941.90 | 224,193.16 | 331,401.18 |
| Current liabilities | 41,960.71 | 191,484.58 | 27,660.94 | 255,131.25 |
| Non-current liabilities | 170,802.45 | 1,093.96 | 164,990.27 | 1167.62 |
| Total liabilities | 212,763.16 | 192,578.54 | 192,651.21 | 256,298.87 |
| Net assets | 32,138.72 | 78,363.36 | 31,541.95 | 75,102.31 |
| Net assets counted according to the shareholding percentage | 11,598.86 | 27,427.18 | 10,000.13 | 26,285.81 |
| Adjusting events | | | | |
| - Goodwill | | | | |
| - Unrealized profits of internal trading | | | | |
| - Others | | | | |
| Book value invested in the associated enterprise's equity | 13,712.75 | 27,323.55 | 11,318.48 | 26,186.94 |
| Fair value invested in the joint venture's equity in public markets | | | | |
| Operating income | 85,113.69 | 314,144.17 | 7,125.17 | 334,657.65 |
| Net profit | 20,839.97 | 3,247.45 | 612.02 | 11,782.98 |
| Discontinued operating profit and loss | | | | |
| Other comprehensive income | | | | |

| Item | Closing balance/Amount incurred in current year | | Opening balance/Amount incurred in previous year | |
|---|---|---|---|---|
| | Closed Joint Stock Company BELGEE | Mando (Ningbo) Automotive Parts Co.,Ltd. | Closed Joint Stock Company BELGEE | Mando (Ningbo) Automotive Parts Co.,Ltd. |
| Total comprehensive income | 20,839.97 | 3,247.45 | 612.02 | 11,782.98 |
| Dividends from associated enterprises in the current year | | | | |

## IX. Related parties and transactions

### 1. Major shareholders of the Group

| Name of shareholder | Types of relationship | Equity ratio % | Proportion of votes % |
|---|---|---|---|
| Li Shufu | Investor | 91.08 | 91.08 |

### 2. Subsidiaries of the Company

For details, see Note VIII.1.

### 3. Joint ventures and associated enterprises of the Company

For details, see Note VIII.2.

Other joint ventures and associated enterprises that conducted related-party transactions with the Company in current year or that conducted related-party transactions, which led to balance, with the Company at the period-beginning are as follows:

| Name of joint ventures or associated enterprises | Relationship with the Company |
|---|---|
| V2 Plug-in Hybrid Vehicle Partnership HB | Joint venture |
| VCFS Germany GmbH | Joint venture |
| Volvo Trademark Holding AB | Joint venture |
| Volvofinans Bank AB | Joint venture |
| VH Systems AB | Joint venture |
| Zenuity AB | Joint venture |
| Wenling Jirui Automobile Manufacture Co.,Ltd. | Joint venture |
| Closed Joint Stock Company BELGEE | Associated company |
| Göteborgs Tekniska College AB | Associated company |
| Perusahaan Otomobil Nasional Sdn Bhd | Associated company |
| Proton Parts Centre Sdn | Associated company |
| Proton Holdings Berhad | Associated company |
| Global Intelligent Power Technologies Co.,Ltd. | Associated company |
| Gezhikong Intelligent Power Technologies (Shanghai) Co.,Ltd. | Associated company |
| Genius Auto Finance Co.,Ltd | Associated company |
| Corun Hybrid Technology Co.,Ltd. | Associated company |
| Shanghai Sanyou Technology Development Co.,Ltd. | Associated company |
| Mando (Ningbo) Automotive Parts Co.,Ltd. | Associated company |
| Wenling Xinhe Guaranty Co.,Ltd. | Associated company |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | Associated company |
| Shandong Hengyuan New Energy Technology Co.,Ltd. | Associated company |
| Zhejiang Oulian Venture Capital Co.,Ltd. | Associated company |

**4. Other related parties**

| Name of other related parties | Relationship between other related parties and the Company |
|---|---|
| Beijing Fuzhaolangfeng Technology Co.,Ltd. | The same ultimate controller |
| Geely Design Barcelona | The same ultimate controller |
| Geely Gothenburg Investment AB | The same ultimate controller |
| Geely Group Alliance AB | The same ultimate controller |
| PT Geely Mobil Indonesia | The same ultimate controller |
| ViridiE-Mobility Co.,LTD | The same ultimate controller |
| Beijing Mitime Medical Investment Management Co.,Ltd. | The same ultimate controller |
| Hangzhou Dilan Technology Co.,Ltd. | The same ultimate controller |
| Hangzhou Jixing Technology Co.,Ltd. | The same ultimate controller |
| Hangzhou Jihekang Electric Vehicle Service Co.,Ltd. | The same ultimate controller |
| Hangzhou Puzhao Technology Co.,Ltd. | The same ultimate controller |
| Hangzhou Xinfuqianwanjia Health Service Management Co.,Ltd. | The same ultimate controller |
| Hangzhou Yichi New Energy Technology Co.,Ltd. | The same ultimate controller |
| Hangzhou Yibao Technology Co.,Ltd. | The same ultimate controller |
| Hangzhou Youxing Technology Co.,Ltd. | The same ultimate controller |
| Joma Co.,Ltd. | The same ultimate controller |
| Hubei Geely Terrafugia Co.,Ltd. | The same ultimate controller |
| Hubei Yikatong Techonology Co.,Ltd. | The same ultimate controller |
| Geely Group (Ningbo) Co.,Ltd. | The same ultimate controller |
| Geely Techonology Group Co.,Ltd. | The same ultimate controller |
| Kandi Electric Vehicles (Jiangsu) Co.,Ltd. | The same ultimate controller |
| Kandi Electric Vehicles (Jinhua) Co.,Ltd. | The same ultimate controller |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | The same ultimate controller |
| Kandi Electric Vehicles Group Co.,Ltd. | The same ultimate controller |
| Kandi Electric Vehicles Jiangsu Co.,Ltd. | The same ultimate controller |
| Mitime Motor Racing Cars Sports Co.,Ltd. | The same ultimate controller |
| Mitime Investment and Development Co.,Ltd. | The same ultimate controller |
| Ningbo Geely Taxi Co.,Ltd. | The same ultimate controller |
| Ningbo Geely Youxing Network Technology Co.,Ltd. | The same ultimate controller |
| Ningbo Mitime Investment Co.,Ltd. | The same ultimate controller |
| Zhejiang Maple Asset Management Co.,Ltd. | The same ultimate controller |
| Zhejiang Jihekang Electric Vehicle Sale Co.,Ltd. | The same ultimate controller |
| Zhejiang Geely Terrafugia Technology Co.,Ltd. | The same ultimate controller |
| Zhejiang Jizhi New Energy Automobile Technology Co.,Ltd. | The same ultimate controller |

| Name of other related parties | Relationship between other related parties and the Company |
|---|---|
| Zhejiang Yikatong Techonology Co.,Ltd. | The same ultimate controller |
| Zhejiang Yiting Holding Co.,Ltd. | The same ultimate controller |
| Zhejiang Microcity Electric Vehicle Operation Co.,Ltd. | The same ultimate controller |
| Chengdu Xindadi Automobile Co.,Ltd. | Actual controller joint stock company |
| Zhidou Electric Vehicle Co.,Ltd. | Actual controller joint stock company |
| Lanzhou Zhidou Electric Vehicle Co.,Ltd. | Actual controller joint stock company |

**5. Related-party transaction**

(1) Related-party transaction of the purchase and sale of commodities, and services offered and accepted

① Purchase of commodities/services accepted Amount: ten thousand yuan

| Related party | Related-party transaction | Actual amount incurred in current year | Actual amount incurred in previous year |
|---|---|---|---|
| Hangzhou Jihekang Electric Vehicle Service Co.,Ltd. | Purchase of commodities | 883,427.02 | |
| Mando (Ningbo) Automotive Parts Co.,Ltd. | Purchase of commodities | 358,495.25 | 342,171.72 |
| Lanzhou Zhidou Electric Vehicle Co.,Ltd. | Purchase of commodities | 166,826.16 | 128,124.23 |
| V2 Plug-In Hybrid Vehicle Partnership HB | Purchase of commodities | 62,777.04 | 61,421.79 |
| Volvofinans Bank AB | Purchase of commodities | 44,800.32 | 219.53 |
| Zhidou Electric Vehicle Co.,Ltd. | Purchase of commodities | 16,383.63 | 57,105.41 |
| VH Systems AB | Purchase of commodities | 13,197.82 | 15,411.56 |
| Zenuity AB | Purchase of commodities | 3,588.05 | 2,587.72 |
| Volvo Trademark Holding AB | Purchase of commodities | 1,100.05 | 955.95 |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | Purchase of commodities | 669.63 | |
| VCFS Germany GmbH | Purchase of commodities | 584.24 | |
| Göteborgs Tekniska College AB | Purchase of commodities | 11.70 | 796.62 |
| Viridi E-Mobility Co.,Ltd. | Purchase of commodities | | 24.94 |
| London Electric Vehicles Limited | Purchase of commodities | | 28,859.64 |
| **Total** | | 1,551,860.91 | 637,679.11 |

② About the sale of commodities/services offered Amount: ten thousand yuan

| Related party | Related-party transaction | Actual amount incurred in current year | Actual amount incurred in previous year |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Hangzhou Youxing Technology Co.,Ltd. | Sale of commodities | 43,728.77 | 15,177.76 |
| VH Systems AB | Sale of commodities | 12,888.03 | 15,412.82 |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | Sale of commodities | 8,505.35 | 3,807.18 |
| Zenuity AB | Sale of commodities | 2,556.31 | 2,236.16 |
| Global Intelligent Power Technologies Co.,Ltd. | Sale of commodities | 1,910.61 | 5,873.11 |
| Gezhikong Intelligent Power Technologies (Shanghai) Co.,Ltd. | Sale of commodities | 2,359.99 | 588.94 |
| Closed Joint Stock Company BELGEE | Sale of commodities | 1,090.49 | |
| Lanzhou Zhidou Electric Vehicle Co.,Ltd. | Sale of commodities | 944.68 | |
| VCFS Germany GmbH | Sale of commodities | 530.42 | 541.00 |
| Corun Hybrid Technology Co.,Ltd. | Sale of commodities | 301.77 | |
| Göteborgs Tekniska College AB | Sale of commodities | 273.70 | 422.44 |
| Geely Design Barcelona | Sale of commodities | 56.16 | |
| Proton Parts Centre Sdn | Sale of commodities | 11.04 | |
| Geely Group Alliance AB | Sale of commodities | 10.56 | |
| Hangzhou Youxing Technology Co.,Ltd. | Sale of commodities | 9.96 | |
| Zhejiang Jizhi New Energy Automobile Technology Co.,Ltd. | Sale of commodities | 4.65 | |
| Ningbo Geely Taxi Co.,Ltd. | Sale of commodities | 2.57 | |
| London Electric Vehicles Limited | Sale of commodities | | 13,646.21 |
| Geely Design Barcelona | Sale of commodities | | 84.47 |
| Kandi Electric Vehicles Group Co.,Ltd. | Sale of commodities | | 46.93 |
| **Total** | | 75,185.06 | 57,837.02 |

(2) Other related-party transactions

Amount: ten thousand yuan

| Related party | Related-party transaction | Actual amount incurred in current year | Actual amount incurred in previous year |
|---|---|---|---|
| Zhejiang Jizhi New Energy Automobile Technology Co.,Ltd. | Technology transfer income | 5,905.15 | |
| Geely Technology Group Co.,Ltd. | Technology transfer income | 1,040.57 | |
| Mando (Ningbo) Automobile Parts Co.,Ltd. | Quality assurance claim income | 3,781.94 | 2,107.76 |
| Perusahaan Otomobil Nasional Sdn Bhd | Quality assurance claim income | 9.55 | |

| | | | |
|---|---|---|---|
| Proton Parts Centre Sdn | Quality assurance claim income | 1.03 | |
| Genius Auto Finance Co.,Ltd | Interest income | 6,832.60 | 1,810.36 |
| Kandi Electric Vehicles Group Co.,Ltd. | Interest income | 4,058.86 | 3,165.78 |
| Zhidou Electric Vehicle Co.,Ltd. | Interest income | 3,894.23 | 4,852.51 |
| Geely Group Co.,Ltd. | Interest income | 1,509.10 | |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | Interest income | 792.14 | |
| Kandi Electric Vehicles Group Co.,Ltd. | Financing guarantee service income | 1,157.81 | 1,409.51 |
| Zhidou Electric Vehicle Co.,Ltd. | Financial fee income | 1.01 | 7.05 |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | Financial fee income | 1.89 | |
| Mando (Ningbo) Automobile Parts Co.,Ltd. | Technical service incomes | 713.53 | 772.81 |
| Hubei Geely Terrafugia Co.,Ltd. | Rental and water & electricity incomes | 286.37 | |
| Zhejiang Qianjiang Robot Co.,Ltd. | Rental and water & electricity incomes | 267.78 | 1,430.12 |
| Hangzhou Youxing Technology Co.,Ltd | Rental and water & electricity incomes | 125.77 | 122.14 |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | Water & electricity incomes | 205.59 | 178.66 |
| Corun Hybrid Technology Co.,Ltd. | Water & electricity incomes | 109.41 | 127.63 |
| Zhejiang Jizhi New Energy Automobile Technology Co.,Ltd. | Water & electricity incomes | 42.45 | |
| Hangzhou Dilan Technology Co.,Ltd. | Water & electricity incomes | 32.09 | 17.39 |
| Geely Technology Group Co.,Ltd. | Water & electricity incomes | 4.83 | |
| Joma Co.,Ltd. | Water & electricity incomes | 9.57 | 7.39 |
| Hubei Yikatong Techonology Co.,Ltd. | Water & electricity incomes | 9.26 | |
| Zhejiang Microcity Electric Vehicle Operation Co.,Ltd. | Water & electricity incomes | 4.55 | 4.45 |
| Hangzhou Yibao Technology Co.,Ltd. | Water & electricity incomes | 1.40 | |
| Hangzhou Puzhao Technology Co.,Ltd. | Water & electricity incomes | 0.74 | |

| | | | |
|---|---|---|---|
| Beijing Fuzhaolangfeng Technology Co.,Ltd. | Water & electricity incomes | 0.39 | 0.15 |
| Joma Co.,Ltd. | Business travel services | | 149.16 |
| Zhejiang Yikatong Techonology Co.,Ltd. | Business travel services | | 23.26 |
| Zhejiang Jihekang Electric Vehicle Sale Co.,Ltd. | Business travel services | | 2.53 |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | service income | | 22.85 |
| Beijing Fuzhaolangfeng Technology Co.,Ltd. | service income | | 0.38 |
| Hangzhou Dilan Technology Co.,Ltd. | service income | | 4.62 |
| Genius Auto Finance Co.,Ltd | service income | 477.50 | |
| Geely Technology Group Co.,Ltd. | service income | 113.00 | |
| Hangzhou Youxing Technology Co.,Ltd | service income | 282.90 | |
| Corun Hybrid Technology Co.,Ltd. | Other income | 112.76 | 99.34 |
| Hangzhou Jihekang Electric Vehicle Service Co.,Ltd. | Other income | 62.65 | |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | Other income | 45.56 | 66.37 |
| Kandi Electric Vehicles (Jinhua) Co.,Ltd. | Other income | 4.27 | 0.37 |
| Hangzhou Yichi New Energy Technology Co.,Ltd. | Other income | 2.14 | |
| Kandi Electric Vehicles (Jiangsu) Co.,Ltd. | Other income | 0.70 | |
| Shandong Hengyuan New Energy Technology Co.,Ltd. | Other income | 0.51 | |
| Zhejiang Jizhi New Energy Automobile Technology Co.,Ltd. | Transfer Fixed Assets | 433.44 | |
| Hangzhou Jixing Technology Co.,Ltd. | Transfer Fixed Assets | 104.72 | |
| Zhejiang Geely Terrafugia Technology Co.,Ltd. | Transfer Fixed Assets | 0.40 | |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | Transfer Fixed Assets | 0.26 | |

| | | | |
|---|---|---|---|
| Geely Technology Group Co.,Ltd. | Transfer Fixed Assets | 1.20 | |
| Geely Technology Group Co.,Ltd. | Interest expenditure | 0.23 | 3,186.77 |
| Gezhikong Intelligent Power Technologies (Shanghai) Co.,Ltd. | Purchase of Parts | | 9.73 |
| Shanghai Sanyou Technology Development Co.,Ltd. | Purchase of equipment and parts | | 530.13 |
| Chengdu Qianjiang Yintong Property Services Co.,Ltd. | Property fee and service charge | | 80.45 |
| Kandi Electric Vehicles Jiangsu Co.,Ltd. | Service Fee | 114.41 | |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | Service Fee | 58.01 | |
| Zhejiang Qianjiang Robot Co.,Ltd. | Purchase of equipment | 210.30 | 407.27 |
| Joma Co.,Ltd. | Purchase Labor Protection Supplies | 43.57 | |
| Beijing Fuzhaolangfeng Technology Co.,Ltd. | Purchase of fixed assets | 2.11 | 31.31 |
| Ningbo Geely Taxi Co.,Ltd. | Purchase of fixed assets | | 0.91 |
| Hangzhou Youxing Technology Co.,Ltd. | Other costs | 7.32 | |
| **Total** | | 32,877.57 | 20,629.16 |

**6. Receivables and payables from related party**

(1) Receivables

Amount: yuan

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Account book balance | Bad debt provision | Book Account balance | Bad debt provision |
| Bills and accounts receivable: | | | | |
| Volvofinans Bank AB | 270,751,334.00 | | 411,577,011.00 | |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | 50,946,136.62 | | 42,416,677.61 | |
| PT Geely Mobil Indonesia | 42,638,754.74 | | | |
| VH Systems AB | 16,323,968.00 | | 45,109,879.00 | |
| Zenuity AB | 10,298,631.00 | | 16,070,637.00 | |
| Global Intelligent Power Technologies Co.,Ltd. | 8,431,490.97 | 421,574.55 | 25,428,410.36 | 1,271,420.52 |
| Gezhikong Intelligent Power Technologies (Shanghai) Co.,Ltd. | 3,831,903.72 | 191,595.19 | 2,210,523.34 | 110,526.17 |

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Account book balance | Bad debt provision | Book Account balance | Bad debt provision |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | 3,356,219.00 | | | |
| Mando (Ningbo) Automobile Parts Co.,Ltd. | 3,179,117.97 | | 4,441,791.78 | |
| VCFS Germany GmbH | 2,462,549.00 | | 526,211.00 | |
| Ningbo Geely Taxi Co.,Ltd. | 2,000,000.00 | | 2,000,000.00 | |
| Corun Hybrid Technology Co.,Ltd. | 1,954,112.54 | 97,705.63 | | |
| Hangzhou Youxing Technology Co.,Ltd. | 1,859,265.62 | | 1,962,641.62 | |
| Viridi E-Mobility Co.,Ltd. | 1,815,000.00 | | 2,510,000.00 | |
| Closed Joint Stock Company BELGEE | 957,267.49 | | 170,201.49 | |
| Göteborgs Tekniska College AB | 457,990.00 | | 383,691.00 | |
| V2 Plug-In Hybrid Vehicle Partnership HB | 192,110.00 | | 237,043,485.00 | |
| Zhejiang Qianjiang Robot Co.,Ltd. | 77,748.41 | 805.58 | | |
| Geely Design Barcelona | 55,150.00 | | | |
| Geely Group Alliance AB | 38,422.00 | | | |
| Geely Design Barcelona | | | 171,613.00 | |
| Kandi Electric Vehicles Group Co.,Ltd. | | | 549,031.98 | |
| Wenling Qianjiang Import and Export Co.,Ltd. | | | 6,483.79 | 324.19 |
| **Total** | 421,627,171.08 | 711,680.95 | 792,578,288.97 | 1,382,270.88 |
| Prepayments: | | | | |
| Hangzhou Jihekang Electric Vehicle Service Co.,Ltd. | 310,387.66 | | | |
| Zhejiang Jizhi New Energy Automobile Technology Co.,Ltd. | 13,214.48 | | | |
| Hangzhou Youxing Technology Co.,Ltd. | 10,000.00 | | | |
| Volvofinans Bank AB | 5,900.16 | | | |
| Shandong Hengyuan New Energy Technology Co.,Ltd. | 2,515.90 | | | |
| Proton Holdings Berhad | | | 40,203.71 | |
| **Total** | 342,018.20 | | 40,203.71 | |
| Other receivables: | | | | |
| Geely Group (Ningbo) Co.,Ltd. | 969,300,000.00 | | 779,300,000.00 | |

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Account book balance | Bad debt provision | Book Account balance | Bad debt provision |
| Zhejiang Maple Asset Management Co.,Ltd. | 800,000,000.00 | | | |
| Kandi Electric Vehicles Group Co.,Ltd. | 468,316,330.15 | | 554,294,700.00 | |
| Geely Technology Group Co.,Ltd. | 214,745,182.35 | | 4,520,634.00 | |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | 200,207,330.70 | | | |
| Zhidou Electric Vehicle Co.,Ltd. | 199,736,329.69 | | 479,652,068.12 | |
| Mitime Investment and Development Group Co.,Ltd. | 20,350,000.00 | | 20,350,000.00 | |
| Chengdu Xindadi Automobile Co.,Ltd. | 5,129,347.68 | | | |
| Hubei Geely Terrafugia Co.,Ltd. | 3,167,412.92 | | | |
| Hangzhou Dilan Technology Co.,Ltd. | 2,467,258.60 | | 3,915,246.81 | |
| Zhejiang Yiting Holding Co.,Ltd. | 1,857,296.05 | | 1,311,304.85 | |
| Zhejiang Geely Terrafugia Co.,Ltd. | 1,345,005.04 | | | |
| Hangzhou Jixing Technology Co.,Ltd. | 1,123,700.80 | | | |
| Hangzhou Youxing Technology Co.,Ltd. | 1,054,192.80 | | 2,351,275.34 | |
| Zhejiang Qianjiang Robot Co.,Ltd. | 1,034,352.00 | 51,717.60 | | |
| Proton Holdings Berhad | 777,091.64 | | 57,065.00 | |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | 719,797.09 | | 311,821.79 | |
| Zhejiang Jizhi New Energy Automobile Technology Co.,Ltd. | 495,537.74 | | | |
| Mitime Motor Racing Cars Sports Co.,Ltd. | 67,979.20 | | | |
| Ningbo Mitime Investment Co.,Ltd. | 66,054.00 | | 12,476.00 | |
| Joma Co.,Ltd. | 62,236.34 | | | |
| Hangzhou Puzhao Technology Co.,Ltd. | 61,000.00 | | 132,408.00 | |
| Corun Hybrid Technology Co.,Ltd. | 28,651.20 | | 181,167.32 | |
| Beijing Mitime Medical Investment Management Co.,Ltd. | 12,000.00 | | 12,000.00 | |
| Hangzhou Jihekang Electric Vehicle Service Co.,Ltd. | 10,000.00 | | | |

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Account book balance | Bad debt provision | Book Account balance | Bad debt provision |
| Kandi Electric Vehicles (Jinhua) Co.,Ltd. | 2,917.30 | | | |
| Shandong Hengyuan New Energy Technology Co.,Ltd. | 2,003.40 | | | |
| Beijing Fuzhaolangfeng Technology Co.,Ltd. | 1,787.51 | | | |
| Hangzhou Xinfuqianwanjia Health Service Management Co.,Ltd. | 1,224.30 | | | |
| Mando (Ningbo) Automotive Parts Co.,Ltd. | | | 62,227.59 | |
| **Total** | 2,892,142,018.50 | 51,717.60 | 1,846,464,394.82 | |

(2) Payables

Amount: yuan

| Item | Closing balance | Opening balance |
|---|---|---|
| Bills and accounts payable: | | |
| Zhidou Electric Vehicle Co.,Ltd. | 913,782,251.11 | 760,677,183.23 |
| Mando (Ningbo) Automotive Parts Co.,Ltd. | 730,907,057.54 | 1,251,187,465.37 |
| V2 Plug-In Hybrid Vehicle Partnership HB | 109,518,050.00 | 201,806,520.00 |
| Volvofinans Bank AB | 77,372,673.00 | 451,075.00 |
| Geely Group Alliance AB | 18,658,488.00 | |
| VH Systems AB | 13,840,370.00 | 15,004,388.00 |
| Zhejiang Hengyuan New Energy Technology Co.,Ltd. | 8,379,558.99 | |
| Geely Gothenburg Investment AB | 7,012,014.00 | |
| Volvo Trademark Holding AB | 3,995,887.00 | 2,671,569.00 |
| Zenuity AB | 3,384,209.00 | |
| Shanghai Sanyou Technology Development Co.,Ltd. | 2,840,375.00 | 2,840,375.00 |
| Zhejiang Qianjiang Robot Co.,Ltd. | 899,808.00 | 457,800.00 |
| Göteborgs Tekniska College AB | 578,635.00 | 106,229.00 |
| Ningbo Geely Youxing Network Technology Co.,Ltd. | 40,690.00 | |
| Corun Hybrid Technology Co.,Ltd. | 4,186.00 | |
| London Electric Vehicles Limited | | 237,825,137.00 |

| Item | Closing balance | Opening balance |
|---|---|---|
| Zenuity AB | | 15,037,683.00 |
| ViridiE-MobilityCo.,LTD | | 281,509.00 |
| Geely Technology Group Co.,Ltd. | | 674,315,870.30 |
| **Total** | 1,891,214,252.64 | 3,162,662,803.90 |
| Advances from customers: | | |
| Corun Hybrid Technology Co.,Ltd. | 3,000,000.00 | |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | 61,568.99 | |
| Genius Auto Finance Co.,Ltd. | | 9,294.63 |
| **Total** | 3,061,568.99 | 9,294.63 |
| Other payables: | | |
| Wenling Xinhe Guaranty Co.,Ltd. | 33,074,999.99 | 33,074,999.99 |
| Zhejiang Oulian Venture Capital Co.,Ltd. | 5,782,000.00 | |
| Geely Technology Group Co.,Ltd. | 2,002,333.33 | |
| Wenling Jirui Automobile Manufacture Co.,Ltd. | 770,000.00 | 770,000.00 |
| Kandi Electric Vehicles (Shanghai) Co.,Ltd. | 176,220.53 | |
| Genius Auto Finance Co.,Ltd. | 56,255.95 | |
| Shanghai Sanyou Technology Development Co.,Ltd. | 50,000.00 | 50,000.00 |
| Corun Hybrid Technology Co.,Ltd. | 12,245.40 | 12,055.80 |
| Beijing Mitime Medical Investment Management Co.,Ltd. | 200.00 | 34,043,512.61 |
| Proton Holdings Berhad | | 791,220.00 |
| Mando (Ningbo) Automotive Parts Co.,Ltd. | | 129,119.88 |
| **Total** | 41,924,255.20 | 68,870,908.28 |
| Long-term payables: | | |
| Geely Gothenburg Investment AB | 23,917,936.00 | |
| **Total** | 23,917,936.00 | |
| Contact liabilities: | | |
| Closed Joint Stock Company BELGEE | 1,024,660.11 | |
| Proton Holdings Berhad | 9,903.48 | |

| Item | Closing balance | Opening balance |
|---|---|---|
| PT Geely Mobil Indonesia | 3,802.14 | |
| **Total** | 1,038,365.73 | |

**7. Related-party guarantee**

The Company acts as the guarantor

Amount: ten thousand yuan

| Secured party | Amount guaranteed | Due date | Whether the guarantee is implemented |
|---|---|---|---|
| Zhejiang Geely Automobile Co.,Ltd. | 83,000.00 | 2019-01-03 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 50,000.00 | 2019-01-09 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 50,000.00 | 2019-03-26 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 80,000.00 | 2019-05-05 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 100,000.00 | 2019-05-09 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 30,000.00 | 2019-05-22 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 30,000.00 | 2019-05-27 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 100,000.00 | 2019-05-28 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 120,000.00 | 2019-05-29 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 60,000.00 | 2019-12-17 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 50,000.00 | 2019-08-30 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 40,000.00 | 2021-06-22 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 5,000.00 | 2019-09-20 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 20,000.00 | 2019-10-10 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 20,000.00 | 2019-10-15 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 50,000.00 | 2019-10-30 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 18,000.00 | 2019-11-29 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 22,000.00 | 2020-12-01 | NO |
| Zhejiang Geely Automobile Co.,Ltd. | 20,000.00 | 2020-12-12 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 100,000.00 | 2019-01-16 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 50,000.00 | 2019-05-05 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 50,000.00 | 2019-05-12 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 90,000.00 | 2019-05-23 | NO |

| | | | |
|---|---|---|---|
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 50,000.00 | 2019-05-29 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 20,000.00 | 2019-05-29 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 90,750.00 | 2019-06-06 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 50,000.00 | 2019-06-12 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 39,900.00 | 2019-06-24 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 19,350.00 | 2019-06-25 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 210,000.00 | 2019-06-28 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 47,500.00 | 2019-08-16 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 70,000.00 | 2019-11-25 | NO |
| Zhejiang Haoqing Automobile Manufacture Co.,Ltd. | 20,000.00 | 2019-12-28 | NO |
| Shanghai Meihuan Trading Co.,Ltd. | 26.04674865million US dollars | 2019-05-31 | NO |
| Kandi Electric Vehicles Group Co.,Ltd. | 4,050.00 | 2019-02-24 | NO |
| Kandi Electric Vehicles Group Co.,Ltd. | 15,000.00 | 2019-03-27 | NO |
| Kandi Electric Vehicles Group Co.,Ltd. | 7,400.00 | 2019-09-15 | NO |
| Kandi Electric Vehicles Group Co.,Ltd. | 17,600.00 | 2019-09-15 | NO |
| Kandi Electric Vehicles Group Co.,Ltd. | 20,000.00 | 2019-09-29 | NO |
| Kandi Electric Vehicles Group Co.,Ltd. | 5,000.00 | 2019-09-29 | NO |
| Hangzhou Youxing Technology Co.,Ltd. | 14,000.00 | 2019-10-24 | NO |

## X. Commitments and contingencies

### 1. Significant commitments

(1) Capital commitments

| Capital commitments signed but not confirmed in financial balance | Closing balance | Opening balance |
|---|---|---|
| Commitment for buying and building long term asset | 4,094,687,529.71 | 7,775,157,556.24 |
| Project contract | 43,066,172.53 | 115,916,522.35 |
| Overseas investment commitment | 493,903,788.16 | 9,116,652.96 |
| **Total** | 4,631,657,490.40 | 7,900,190,731.55 |

(2) Operating lease commitment

Up to the date of balance sheet date, the status of irrevocable operating lease signed by other Group is shown as follows:

| Minimum payments of irrevocable lease | Closing balance | Opening balance |
|---|---|---|
| The 1st year subsequent to the balance sheet | 866,739,610.50 | 1,234,769,512.00 |
| The 2nd to 5th year subsequent to the balance sheet | 2,211,128,990.67 | 2,681,645,520.60 |

| | | |
|---|---|---|
| After 5th year subsequent to the balance sheet | 1,420,077,000.00 | 1,565,682,000.00 |
| **Total** | 4,497,945,601.17 | 5,482,097,032.60 |

**2. Contingencies**

**Significant contingencies exist on balance sheet date**

**(1) Estimated liabilities**

Product quality assurance and expected service expenses are accrued expenses of after-sale maintenance and compensation of different types of Volvo Cars sold in different markets. ( see Note VI. 37)

**(2) Contingent liability**

Pending litigation: Geely Zhaoyuan thought that the ongoing litigation exposure is RMB 85,482,788.00 yuan. Management thought that the possibility of losing exists, and disclosed as contingent liabilities.

**(3) Other contingencies**

① Pension contingent liabilities

In terms of agreement, Volvo Personvagnar AB, Volvo Bili Göteborg AB and Volvo Personbilar Sverige AB shall undertake the contingent liability of 2% pension plan with amount of 115,383,551.00 yuan. Management believes that the risk is negligible.

② Tax risk

Geely Zhaoyuan believes that the potential tax risk exposure in the current tax audit is RMB 136,443,612.00 yuan.

③ Other contingent liabilities

The clause on contingent liabilities of other external contract or agreement is involved with the amount of 652,300,171.00 yuan. Management believes there may be risks.

**XI. Events after the balance sheet date**

1. 90% of the shares of Shanghai Meihuan Trade Co.,Ltd held by the Company, and the remaining 10% shares held by subsidiary Zhejiang Haoqing Automotive Manufacturing Co.,Ltd. were transferred to Zhejiang Geely Automobile Industry Co.,Ltd.. The industrial and commercial modification procedures were completed on January 14, 2019, and Shanghai Meihuan Trade Co.,Ltd. increased registered capital from 5,000,000.00yuan to 50,000,000.00yuan, the net increase is 45,000,000.00 yuan.

2. Zhejiang Jirun Automobile Co.,Ltd. transferred 100% of the shares of Guiyang Jihongda Logistics Co.,Ltd. to Guizhou Geely Automobile Parts Co.,Ltd. The industrial and commercial modification procedures were completed on January 2, 2019.

3. Zhejiang Geely Automotive Components Parts Purchasing Co.,Ltd. transferred 100% of the shares of Shuciman Seat (Ningbo) Co.,Ltd. to Zhejiang Geely Automobile Industry Co.,Ltd. .The industrial and commercial modification procedures were completed on March 25, 2019.

**XII. Other important events**

The directors recommend the payment of a final dividend of HK$0.35 per ordinary share to the shareholders on the register of members on June 21, 2019, amounting to approximately RMB 2,767,091,000.00 yuan.

**XIII. Notes to main items in finance statements of parent company**

**1. Other receivables**

**（1）Total item list**

| Item | Closing balance | Opening balance |
|---|---|---|
| Interest receivable | 249,329,018.74 | 1,231,651,031.12 |
| Dividend receivable | | |
| Other receivables | 9,158,505,893.97 | 14,975,641,478.89 |
| **Total** | 9,407,834,912.71 | 16,207,292,510.01 |

**（2）Interest receivable**

| Item | Closing balance | Opening balance |
|---|---|---|
| Loans interest | 249,329,018.74 | 1,231,651,031.12 |
| **Total** | 249,329,018.74 | 1,231,651,031.12 |

**（3）Other receivables**

① Other receivables disclosed by classification

| Item | Closing balance | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Other receivables with significant individual amounts and provision for bad debts | | | | | |
| Other receivables for bad debts based on credit risk portfolio | 9,160,976,594.58 | 100.00 | 2,470,700.61 | 100.00 | 9,158,505,893.97 |
| Other receivables for which the provision for bad debts is charged separately although the individual amount is not significant | | | | | |
| **Total** | 9,160,976,594.58 | 100.00 | 2,470,700.61 | 100.00 | 9,158,505,893.97 |

(Continued)

| Item | Opening balance | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Other receivables with significant individual amounts and provision for bad debts | | | | | |
| Other receivables for bad debts based on credit risk portfolio | 14,978,112,179.50 | 100.00 | 2,470,700.61 | 100.00 | 14,975,641,478.89 |
| Other receivables for which the provision for bad debts is charged separately although the individual amount is not significant | | | | | |
| **Total** | 14,978,112,179.50 | 100.00 | 2,470,700.61 | 100.00 | 14,975,641,478.89 |

② Other receivables disclosed by accounts receivable age

| Aging | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | | Bad debt provision | Book balance | | Bad debt provision |
| | Amount | Proportion (%) | | Amount | Proportion (%) | |
| Within 1 year | 7,451,059,913.37 | 81.33 | | 5,732,110,446.58 | 38.27 | |
| 1 to 2 years | 1,219,464,409.29 | 13.31 | | 5,059,393,677.81 | 33.78 | |
| 2 to 3 years | 451,964,553.00 | 4.94 | | 642,060,299.39 | 4.29 | |
| More than 3 years | 38,487,718.92 | 0.42 | 2,470,700.61 | 3,544,547,755.72 | 23.66 | 2,470,700.61 |
| **Total** | 9,160,976,594.58 | 100.00 | 2,470,700.61 | 14,978,112,179.50 | 100.00 | 2,470,700.61 |

③ The closing balance of other receivables accounted in amount of shareholders with 5% (including 5%)

The closing balance of other receivables accounted in amount of shareholders with 5% (including 5%) is zero.

**2. Long-term equity investment**

| Item | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| To invest in subsidiary | 26,289,808,013.82 | 44,789,998.45 | 26,245,018,015.37 | 13,513,097,736.66 | 44,789,998.45 | 13,468,307,738.21 |
| To invest in associated enterprises and joint ventures | 3,739,186,122.37 | 500,000.00 | 3,738,686,122.37 | 235,077,516.29 | 500,000.00 | 234,577,516.29 |
| **Total** | 30,028,994,136.19 | 45,289,998.45 | 29,983,704,137.74 | 13,748,175,252.95 | 45,289,998.45 | 13,702,885,254.50 |

(1) Investment in subsidiaries

| Investees | Opening balance | Opening balance of impairment provision | Increase during the year | Decrease during the year | Closing balance | Closing balance of impairment provision |
|---|---|---|---|---|---|---|
| Proper Glory Holding Inc. | 160,377,380.00 | | | | 160,377,380.00 | |
| Geely International (Hong Kong) Co.,Ltd. | 591,430,882.00 | | | | 591,430,882.00 | |
| Shanghai Maple Automobile Co.,Ltd. | 222,289,236.03 | 44,789,998.45 | | | 222,289,236.03 | 44,789,998.45 |
| Zhejiang Haoqing Automobile Co.,Ltd | 3,305,726,105.26 | | | | 3,305,726,105.26 | |
| Zhejiang Geely Automobile Co.,Ltd | 2,264,794,493.37 | | | | 2,264,794,493.37 | |
| Jining Fulin Automobile Components Co.,Ltd. | 45,000,000.00 | | | | 45,000,000.00 | |
| Shanghai Meihuan Trading Co.,Ltd. | 4,500,000.00 | | | | 4,500,000.00 | |
| Beijing Yihang Wanyuan International Investment Co.,Ltd. (Note1) | 10,200,000.00 | | | 10,200,000.00 | | |
| Beijing Geely Kaisheng International Investment Co.,Ltd. | 4,100,000,000.00 | | 3,142,000,000.00 | | 7,242,000,000.00 | |

| Investees | Opening balance | Opening balance of impairment provision | Increase during the year | Decrease during the year | Closing balance | Closing balance of impairment provision |
|---|---|---|---|---|---|---|
| Hangzhou Geely Evun Technology Co.,Ltd. | 30,000,000.00 | | | | 30,000,000.00 | |
| Zhejiang Geely Business Service Co.,Ltd. | 20,000,000.00 | | | | 20,000,000.00 | |
| Zhejiang Qianjiang Motorcycle Co.,Ltd. | 604,975,000.00 | | | | 604,975,000.00 | |
| Nanchong Geely Commercial Vehicle Research Institute Co.,Ltd.(Note 2) | 30,000,000.00 | | | 30,000,000.00 | | |
| Weirui Electric Vehicles(Suzhou) Co.,Ltd. | 26,000,000.00 | | | | 26,000,000.00 | |
| Daqing Volvo Cars Manufacture Co.,Ltd. | 833,260,000.00 | | | | 833,260,000.00 | |
| Shanghai Volvo Cars R&D Co.,Ltd. | 77,342,500.00 | | | | 77,342,500.00 | |
| Zhejiang Geely New Energy Commercial Vehicle Co.,Ltd.td. | 20,000,000.00 | | 280,000,000.00 | | 300,000,000.00 | |
| Easy-insure Insurance Agency Co.,Ltd. | 50,000,000.00 | | | | 50,000,000.00 | |
| Ningbo Yijie Equity Investments and Fund Management Partnership(LP) | 2,000,000.00 | | | | 2,000,000.00 | |
| Zhejiang Qianjiang Motorcycle Co.,Ltd. | 1,081,350,000.00 | | | | 1,081,350,000.00 | |
| Geely International (US) Co.,Ltd. | 33,852,140.00 | | | | 33,852,140.00 | |
| Geely Changxing New Energy Automobile Co.,Ltd. | | | 270,000,000.00 | | 270,000,000.00 | |
| Shanghai Geely Zhaoyuan International Investment Co.,Ltd. | | | 5,186,570,000.00 | | 5,186,570,000.00 | |
| Zhejiang Zhongjian Investment Co.,Ltd. | | | 300,000,000.00 | | 300,000,000.00 | |
| Zhejiang Geely Automobile Industry Co.,Ltd. | | | 500,000,000.00 | | 500,000,000.00 | |

| Investees | Opening balance | Opening balance of impairment provision | Increase during the year | Decrease during the year | Closing balance | Closing balance of impairment provision |
|---|---|---|---|---|---|---|
| Geely Automobile Holdings Ltd. | | | 382,310,347.06 | | 382,310,347.06 | |
| Beichen Automobile (Shanghai) Co.,Ltd. | | | 2,756,029,930.10 | | 2,756,029,930.10 | |
| **Total** | 13,513,097,736.66 | 44,789,998.45 | 12,816,910,277.16 | 40,200,000.00 | 26,289,808,013.82 | 44,789,998.45 |

Note 1: Beijing Yihang Wanyuan International Investment Co.,Ltd. was canceled.

Note 2: The share of Nanchong Geely Commercial Vehicle Research Institute Co.,Ltd. was transferred to Zhejiang Geely New Energy Commercial Vehicle Group Co.,Ltd. in this year.

(2) Investment in associated enterprises and joint venture

| Investees | Opening balance | Opening balance of Impairment provision | Increase and decrease during the year | | | | | | | | Closing balance | Closing balance of impairment provision |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Increase in investment | Decrease in investment | Profit and loss of investment confirmed under equity method | Other comprehensive income adjusted | Other equity changes | Cash dividends or profit | Accrued impairment provision | Others | | |
| I. Joint venture | | | | | | | | | | | | |
| Beijing Feiyueliangjing Culture Communication Co.,Ltd. | 500,000.00 | 500,000.00 | | | | | | | | | 500,000.00 | 500,000.00 |
| Subtotal | 500,000.00 | 500,000.00 | | | | | | | | | 500,000.00 | 500,000.00 |
| II. Associates | | | | | | | | | | | | |
| Geely Yinjian Investment Co.,Ltd. | 307,835.69 | | | 308,517.80 | 682.11 | | | | | | | |
| Zhejiang Yinji Automotive Components Co.,Ltd. | 23,860,422.02 | | | | -383,361.01 | | | | | | 23,477,061.01 | |
| Corun Hybrid Technology Co.,Ltd. | 210,409,258.58 | | | | 956,143.42 | 158,878.90 | | | | | 211,524,280.90 | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| China Railway Gecent Technology Co.,Ltd. | | | 3,513,964,575.33 | | -10,279,794.87 | | | | | | 3,503,684,780.46 | |
| Subtotal | 234,577,516.29 | | 3,513,964,575.33 | 308,517.80 | -9,706,330.35 | 158,878.90 | | | | | 3,738,686,122.37 | |
| **Total** | 235,077,516.29 | 500,000.00 | 3,513,964,575.33 | 308,517.80 | -9,706,330.35 | 158,878.90 | | | | | 3,739,186,122.37 | 500,000.00 |

### 3. Operating income and operating costs

| Item | Amount incurred in current year | | Amount incurred in previous year | |
|---|---|---|---|---|
| | Income | Costs | Income | Costs |
| Other operating income | 260,024,972.16 | 21,917,598.06 | 475,200,519.27 | 50,786,374.94 |
| **Total** | 260,024,972.16 | 21,917,598.06 | 475,200,519.27 | 50,786,374.94 |

### 4. Investment income

(1) List of investment income

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Income of long-term investment on equity investment by equity method | -9,706,330.35 | -149,450,571.45 |
| Investment income received form disposals of long-term investment on equity investment | -9,010,057.80 | -16,081,762.10 |
| Investment income gained during holding long-term equity investment | | 513,500,000.00 |
| Returns from disposals of other non-current financial assets | 51,189,784.30 | |
| **Total** | 32,473,396.15 | 347,967,666.45 |

(2) Income of long-term investment on equity investment by equity method

| Item | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Zhejiang Yinji Automotive Components Co.,Ltd. | -383,361.01 | 5,015,083.85 |
| Geely Yinjian Investment Co.,Ltd. | 682.11 | 244.90 |
| Kandi Electric Vehicles Group Co.,Ltd. | | -66,919,531.32 |
| Zhidou Electric Vehicle Co.,Ltd. | | -92,940,274.51 |
| Corun Hybrid Technology Co.,Ltd. | 956,143.42 | 5,393,905.63 |
| China Railway Gecent Technology Co.,Ltd. | -10,279,794.87 | |
| **Total** | -9,706,330.35 | -149,450,571.45 |

**Zhejiang Geely Holding Group Co.,Ltd.**
**April 29, 2019**

编号：105285965

# 营业执照

(10-3)

(副 本)

统一社会信用代码 91110102085546327O

| | |
|---|---|
| 名　　称 | 北京兴华会计师事务所（特殊普通合伙） |
| 类　　型 | 特殊普通合伙企业 |
| 主要经营场所 | 北京市西城区裕民路18号2206房间 |
| 执行事务合伙人 | 陈胜华 |
| 成立日期 | 2013年11月22日 |
| 合伙期限 | 2013年11月22日 至 2063年11月21日 |
| 经营范围 | 审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（企业依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事本市产业政策禁止和限制类项目的经营活动。） |

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证书序号:000419

# 会计师事务所
# 证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查，批准

北京兴华会计师事务所（特殊普通合伙） 执行证券、期货相关业务。

首席合伙人：陈胜华

证书号：10 发证时间：二〇一八年七月五日

证书有效期至：二〇二〇年七月 五日

会计师事务所

# 执业证书

名　　称：北京兴华会计师事务所（特殊普通合伙）

首席合伙人：陈胜华

主任会计师：

经营场所：北京市西城区裕民路18号2206房间

组织形式：特殊普通合伙

执业证书编号：11000010

批准执业文号：京财会许可（2013）0060号

批准执业日期：2013年10月10日

证书序号：0000211

## 说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

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发证机关：北京市财政局

二〇一八年八月二十日

中华人民共和国财政部制

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2018
检
2019
Full name 陈树华
Sex 男
Date of birth 1966-02-22
Working unit 杭州金瑞会计师事务所有限公司
Identity card No. 33782276802
3300020349
浙江省注册会计师协会
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26

报告附件

报告附件

# Zhejiang Geely Holding Group Co., Ltd.

# Financial Year 2017 Auditor's Report

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# Auditor's Report

(2018)JingHuiXingshenziNo. 68000032

**To the Shareholders of Zhejiang Geely Holding Group Co., Ltd.**

(1) Opinion

We were engaged to audit the accompanying financial statements of Zhejiang Geely Holding Group Co. Ltd. (the "Company") and its subsidiaries(the "Group"), which comprise the consolidated and parent company balance sheets as at 31st December 2017 the consolidated and parent company income statements, the consolidated and parent company statement of cash flows and the consolidated and parent company statements of changes in owners' equity for the year then ended and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Zhejiang Geely Holding Group Co. Ltd. as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

(2) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(3) Other information

The management of the Company is responsible for the other information. The other information comprises the management's report and detailed income statement.


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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(4) Responsibilities of the management and those charged with governance for the financial statements

The management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance in discharging their responsibilities for overseeing the company's financial reporting process.

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

Our objects are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally


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considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any


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significant deficiencies in internal control that we identify during our audit.

Beijing Xinghua Certified Public Accountants, LLP.

Chinese Certified Public Accountant: 陈书华
Shuhua Chen

Chinese Certified Public Accountant: 朱佳明
Jiaming Zhu

Beijing China

Date of Report: April 27, 2018

# Consolidated Balance Sheet

December 31, 2017

Zhejiang Geely Holding Group Co., Ltd.

RMB Yuan

| Item | Note | 2017 | 2016 |
|---|---|---|---|
| **Non-current assets:** | | | |
| Loans and advances | | | |
| Available-for-sale financial assets | VI. 12 | 4,515,998,114.10 | 3,367,167,987.86 |
| Held-to-maturity investment | | | |
| Long-term receivables | VI. 13 | 3,906,827,721.23 | 601,130,735.89 |
| Long-term equity investment | VI. 14 | 5,610,123,461.57 | 4,533,567,758.00 |
| Investment property | | | |
| Fixed assets | VI. 15 | 55,730,662,088.70 | 42,798,224,776.63 |
| Construction in progress | VI. 16 | 14,691,151,929.93 | 12,323,333,894.71 |
| Construction materials | | | |
| Disposal of fixed assets | | 11,731,936.98 | 4,271,548.33 |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Intangible assets | VI. 17 | 33,112,658,217.92 | 23,279,691,101.90 |
| Development expenditure | VI. 18 | 18,366,312,260.06 | 13,437,866,688.54 |
| Goodwill | VI. 19 | 657,704,584.65 | 399,898,449.19 |
| Long-term deferred expenses | VI. 20 | 123,663,257.26 | 103,472,767.46 |
| Deferred income tax assets | VI. 21 | 4,322,330,982.22 | 3,320,727,762.09 |
| Other non-current assets | VI. 22 | 1,827,391,272.75 | 1,257,340,886.13 |
| **Total non-current assets** | | **142,876,555,827.37** | **105,426,694,356.73** |
| **Current assets:** | | | |
| Cash | VI. 1 | 54,268,662,867.06 | 47,714,422,368.08 |
| Settlement reserves | | | |
| Lending funds | | | |
| Financial assets measured at fair values and changes accounted into current profit or losses | VI. 2 | 3,166,788,180.62 | 8,126,292,342.49 |
| Derivative financial assets | | | |
| Notes receivable | VI. 3 | 24,709,770,776.91 | 10,259,134,861.11 |
| Accounts receivable | VI. 4 | 6,866,284,908.11 | 6,212,071,650.52 |
| Prepayments | VI. 5 | 2,195,233,014.55 | 2,697,047,800.02 |
| Premiums receivable | | | |
| Reinsurance accounts receivable | | | |
| Provision of cession receivable | | | |
| Interest receivable | VI. 6 | 73,258,331.05 | 19,450,418.36 |
| Dividend receivable | | | |
| Other receivables | VI. 7 | 2,948,418,596.37 | 1,642,752,793.01 |
| Financial assets purchased under agreements to resell | | | |
| Inventories | VI. 8 | 33,556,265,785.86 | 21,626,628,109.85 |
| Held-for-sale assets | VI. 9 | 12,306,223.00 | |
| Non-current assets due within one year | VI. 10 | 86,915,051.98 | 61,417,187.92 |
| Other current assets | VI. 11 | 5,645,110,164.86 | 2,954,862,138.85 |
| **Total current assets** | | **133,529,013,900.37** | **101,314,079,670.21** |
| **TOTAL ASSETS** | | **276,405,569,727.74** | **206,740,774,026.94** |

(Continue)

# Consolidated Balance Sheet (Continued)

December 31, 2017

Zhejiang Geely Holding Group Co., Ltd. RMB Yuan

| Item | Note | 2017 | 2016 |
|---|---|---|---|
| **Non-current liabilities:** | | | |
| Long-term loans | VI. 35 | 13,418,284,218.88 | 13,276,570,523.00 |
| Bonds payable | VI. 36 | 15,363,624,180.76 | 16,408,628,456.27 |
| In which: Preference shares | | | |
| Perpetual capital securities | | | |
| Long-term accounts payable | VI. 37 | 1,903,807,819.00 | 1,343,567,584.00 |
| Long-term employee salaries payable | | | |
| Specific accounts payable | VI. 38 | 97,484,811.00 | 1,337,962,630.06 |
| Accrued liabilities | VI. 39 | 7,879,331,155.61 | 5,326,400,653.15 |
| Deferred revenue | VI. 40 | 7,782,512,110.50 | 3,357,412,187.39 |
| Deferred income tax liabilities | VI. 21 | 1,611,143,385.94 | 927,956,469.60 |
| Other non-current liabilities | VI. 41 | 5,774,800,470.00 | 3,837,922,781.85 |
| **Total non-current liabilities** | | **53,830,988,151.69** | **45,816,421,285.32** |
| **Current liabilities:** | | | |
| Short-term borrowings | VI. 23 | 13,758,061,814.56 | 11,218,589,354.00 |
| Borrowings from central bank | | | |
| Deposits from customers and interbank | | | |
| Borrowing funds | | | |
| Financial liabilities measured at fair values and changes accounted into current profit or losses | VI. 24 | 452,597,735.00 | 1,581,465,641.00 |
| Derivative financial liabilities | | | |
| Notes payable | VI. 25 | 9,709,904,853.31 | 3,545,559,300.00 |
| Accounts payable | VI. 26 | 41,860,453,107.69 | 31,171,740,170.66 |
| Advance receipts | VI. 27 | 8,911,129,265.48 | 8,716,051,145.63 |
| Financial assets sold for repurchase | | | |
| Handing charges and commissions payable | | | |
| Employee benefits payable | VI. 28 | 6,449,701,354.48 | 4,911,338,369.88 |
| Tax payable | VI. 29 | 5,363,619,059.04 | 3,059,720,550.52 |
| Interest payable | VI. 30 | 344,887,184.46 | 559,914,019.31 |
| Dividend payable | VI. 31 | 7,168,767.12 | 7,168,767.12 |
| Other payable | VI. 32 | 12,709,521,107.89 | 9,792,651,818.10 |
| Dividend payable for reinsurance | | | |
| Provision for insurance contract | | | |
| Receivings from vicariously traded securities | | | |
| Receivings from vicariously sold securities | | | |
| Available-for-sale liabilities | | | |
| Non-current liabilities due within one year | VI. 33 | 10,973,057,708.53 | 8,114,959,318.00 |
| Other current liabilities | VI. 34 | 21,575,641,565.77 | 15,724,720,489.37 |
| **Total current liabilities** | | **132,115,743,523.33** | **98,403,878,943.59** |
| **Total liabilities** | | **185,946,731,675.02** | **144,220,300,228.91** |
| **Equity:** | | | |
| Share Capital | VI. 42 | 930,000,000.00 | 830,000,000.00 |
| Other equity instruments | VI. 43 | 2,000,000,000.00 | 2,000,000,000.00 |
| In which: Preference shares | | | |
| Perpetual capital securities | | 2,000,000,000.00 | 2,000,000,000.00 |
| Capital reserve | VI. 44 | 19,007,822,995.62 | 17,340,057,289.95 |
| Less: treasury shares | | | |
| Other comprehensive income | VI. 45 | 3,265,112,598.53 | -690,844,717.42 |
| Special reserve | | | |
| Surplus Reserves | VI. 46 | 38,589,968.34 | |
| Provision for general risks | | | |
| Undistributed profit | VI. 47 | 33,685,219,032.19 | 21,491,603,658.73 |
| Total shareholder's equity attributable to parent company | | 58,926,744,594.68 | 40,970,816,231.26 |
| Minority interests | | 31,532,093,458.04 | 21,549,657,566.77 |
| **Total Equity** | | **90,458,838,052.72** | **62,520,473,798.03** |
| **Total equity and liabilities** | | **276,405,569,727.74** | **206,740,774,026.94** |

**Notes on Page 17 to Page 121 are an integral part of the Financial Statement.**

**Legal Representative: Li Shufu** **Chief Financial Officer: Li Donghui** **Finance director: Dai Qing**

# Balance Sheet

December 31, 2017

Zhejiang Geely Holding Group Co., Ltd.

RMB Yuan

| Item | Note | 2017 | 2016 |
|---|---|---|---|
| **Non-current assets:** | | | |
| Available-for-sale financial assets | | 463,355,600.00 | 2,369,995,600.00 |
| Held-to-maturity investment | | | |
| Long-term receivables | | | |
| Long-term equity investment | XIII. 2 | 13,702,885,254.50 | 9,049,823,667.48 |
| Investment property | | | |
| Fixed assets | | 210,935,680.55 | 161,768,548.80 |
| Construction in progress | | 1,528,290.10 | 4,831,144.72 |
| Construction materials | | | |
| Disposal of fixed assets | | | |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Intangible assets | | 41,463,628.65 | 35,248,172.76 |
| Development expenditure | | 11,645,572.85 | 48,957,081.19 |
| Goodwill | | | |
| Long-term deferred expenses | | 14,976,476.33 | 15,366,368.10 |
| Deferred income tax assets | | | |
| Other non-current assets | | | |
| **Total non-current assets** | | **14,446,790,502.98** | **11,685,990,583.05** |
| **Current assets:** | | | |
| Cash | | 21,481,327.49 | 42,557,063.23 |
| Financial assets measured at fair values and changes accounted into current profit or losses | | | |
| Derivative financial assets | | | |
| Notes receivable | | | |
| Accounts receivable | | | |
| Prepayments | | | |
| Interest receivable | | 1,231,651,031.12 | 1,028,403,001.68 |
| Dividend receivable | | | |
| Other receivables | XIII. 1 | 14,975,641,478.89 | 12,729,485,084.31 |
| Inventories | | | |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | | 7,076,667.13 | |
| **Total current assets** | | **13,800,445,149.22** | **13,800,445,149.22** |
| **TOTAL ASSETS** | | **30,682,641,007.61** | **25,486,435,732.27** |

(Continue)

# Balance Sheet (Continued)

December 31, 2017

Zhejiang Geely Holding Group Co., Ltd.

RMB Yuan

| Item | Note | 2017 | 2016 |
|---|---|---|---|
| **Non-current liabilities:** | | | |
| Long-term loans | | 2,160,000,000.00 | 870,000,000.00 |
| Bonds payable | | 2,698,922,465.76 | 5,691,231,598.19 |
| In which: preference shares | | | |
| Perpetual capital securities | | | |
| Long-term accounts payable | | 250,000,000.00 | 312,141,000.00 |
| Long-term employee salaries payable | | | |
| Specific accounts payable | | | |
| Accrued liabilities | | | |
| Deferred revenue | | | |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| **Total non-current liabilities** | | **5,108,922,465.76** | **6,873,372,598.19** |
| **Current liabilities:** | | | |
| Short-term loans | | 5,660,000,000.00 | 6,619,070,000.00 |
| Financial liabilities measured at fair values and changes accounted into current profit or losses | | | |
| Derivative financial liabilities | | | |
| Notes payable | | | |
| Accounts payable | | 49,000.00 | |
| Advances received | | | |
| Employee benefits payable | | 42,284,220.07 | 42,014,617.12 |
| Tax payable | | 28,623,189.33 | 5,116,515.35 |
| Interest payable | | 331,372,516.64 | 301,717,594.46 |
| Dividend payable | | 7,168,767.12 | 7,168,767.12 |
| Other payable | | 12,469,016,376.11 | 6,079,504,498.86 |
| Available-for-sale liabilities | | | |
| Non-current liabilities due within one year | | 3,266,875,799.10 | 1,452,000,000.00 |
| Other current liabilities | | | |
| **Total current liabilities** | | **21,805,389,868.37** | **14,506,591,992.91** |
| **Total liabilities** | | **26,914,312,334.13** | **21,379,964,591.10** |
| **Equity** | | | |
| Share Capital | | 930,000,000.00 | 830,000,000.00 |
| Other equity instruments | | 2,000,000,000.00 | 2,000,000,000.00 |
| In which: preference shares | | | |
| Perpetual capital securities | | 2,000,000,000.00 | 2,000,000,000.00 |
| Capital reserve | | 641,037,250.49 | 637,324,239.05 |
| Less: treasury shares | | | |
| Other comprehensive income | | -268,842.38 | 1,167,750,000.00 |
| Special reserve | | | |
| Surplus Reserves | | | |
| Undistributed profit | | 197,560,265.37 | -528,603,097.88 |
| **Total Equity** | | **3,768,328,673.48** | **4,106,471,141.17** |
| **Total equity and liabilities** | | **30,682,641,007.61** | **25,486,435,732.27** |

**Notes on Page 17 to Page 121 are an integral part of the Financial Statement.**

**Legal Representative: Li Shufu** **Chief Financial Officer: Li Donghui** **Finance director: Dai Qing**

# Consolidated Income Statement

2017

Zhejiang Geely Holding Group Co., Ltd.

RMB Yuan

| Item | Note | 2017 | 2016 |
|---|---|---|---|
| **I. Total operating income** | VI. 48 | **278,264,593,706.98** | **208,798,699,771.90** |
| In which: Operating income | VI. 48 | 278,264,593,706.98 | 208,798,699,771.90 |
| Interest income | | | |
| Premium earned | | | |
| Fee and commission income | | | |
| **II. Total operating costs** | | **257,915,586,461.10** | **196,557,279,545.34** |
| In which: Operating costs | VI. 48 | 215,333,481,509.16 | 162,946,962,516.56 |
| Interest costs | | | |
| Fee and commission costs | | | |
| Surrender charge fee | | | |
| Net payments for insurance claims | | | |
| Net reserves of insurance contract | | | |
| Bond insurance expenses | | | |
| Reinsurance expenses | | | |
| Tax and surcharges | | 6,427,753,457.57 | 3,796,983,883.89 |
| Selling expenses | | 16,299,503,643.30 | 11,866,563,248.25 |
| General and administrative expense | | 18,214,620,727.81 | 15,984,151,142.70 |
| Financial expense | VI. 49 | 1,444,268,110.45 | 1,586,799,363.03 |
| Asset impairment losses | VI. 50 | 195,959,012.81 | 375,819,390.91 |
| Add: Gains from changes in fair value ("-" means loss) | VI. 51 | 315,967,615.08 | 201,523,931.23 |
| Investment income ("-" means loss) | VI. 52 | 11,026,795.78 | 99,449,093.80 |
| In which: Investment yield from joint ventures and associates | VI. 52 | -282,937,264.99 | 163,088,537.84 |
| Exchange gain ("-" means loss) | | | |
| Income from disposals of assets | VI. 53 | -260,427,691.43 | -303,046,389.51 |
| Other income | VI. 54 | 2,489,180,524.97 | |
| **III. Operating Profit ("-" means loss)** | | **22,904,754,490.28** | **12,239,346,862.08** |
| Add: Non- operating income | VI. 55 | 618,590,190.98 | 2,615,224,001.30 |
| Less: Non operating expense | VI. 56 | 176,903,211.51 | 222,564,514.15 |
| **IV. Profit before tax ("-" means loss)** | | **23,346,441,469.75** | **14,632,006,349.23** |
| Less: income tax expense | VI. 57 | 4,522,206,612.97 | 2,920,525,385.32 |
| **V. Net profit ("-" means loss)** | | **18,824,234,856.78** | **11,711,480,963.91** |
| Net profit attributable to owners of the parent | | 12,302,370,655.82 | 8,408,718,817.56 |
| Profit or loss attributable to minority interests | | 6,521,864,200.96 | 3,302,762,146.35 |
| Sustained profit and loss | | 18,824,234,856.78 | 11,711,480,963.91 |
| Discontinued operating profit and loss | | | |
| **VI. Other comprehensive income for the year, net of tax** | VI. 58 | **4,096,785,222.06** | **-455,046,422.48** |
| Other comprehensive income attributable to parent net of tax | | 3,955,957,315.95 | -319,249,694.01 |
| (1) Other comprehensive income which can't be reclassified as losses and gains later | | -246,960,969.47 | -410,430,337.64 |
| 1. Remeasure and set benefit plan changes in net assets or net liabilities | | | |
| 2. Shares of other comprehensive income which can't be reclassified as losses and gains by the investee under equity method | | 29,323,333.53 | |
| 3. Others | | -276,284,303.00 | -410,430,337.64 |
| (2) Other comprehensive income which will be reclassified as losses and gains later | | 4,202,918,285.42 | 91,180,643.63 |
| 1. Shares of other comprehensive income which will be reclassified as losses and gains later by the investee under equity method | | -12,900,359.01 | |
| 2. Losses and gains of fair value variance of available-for-sale financial assets | | 568,208,255.05 | 1,278,223,789.72 |
| 3. Losses and gains of held-to-maturity investment reclassified as available-for-sale financial assets | | | |
| 4. Effective part of cash-flow hedge losses and gains | | 2,673,223,098.00 | -1,377,672,821.64 |
| 5. Exchange differences arising from the translation of foreign currency financial statement | | 974,387,291.38 | 190,629,675.55 |
| 6. Others | | | |
| Other comprehensive income attributable to minority interest net of tax | | 140,827,906.11 | -135,796,728.47 |
| **VII. Total comprehensive income** | | **22,921,020,078.84** | **11,256,434,541.43** |
| Total comprehensive income attributable to parent | | 16,258,327,971.77 | 8,089,469,123.55 |
| Total comprehensive income attributable to minority interest | | 6,662,692,107.07 | 3,166,965,417.88 |
| **VIII. Earnings per share:** | | | |
| (1) Basic earnings per share | | | |
| (2) Diluted earnings per share | | | |

Notes on Page 17 to Page 121 are an integral part of the Financial Statement.

Legal Representative: Li Shufu  Chief Financial Officer: Li Donghui  Finance director: Dai Qing

# Income Statement

2017

Zhejiang Geely Holding Group Co., Ltd.

RMB Yuan

| Item | Note | 2017 | 2016 |
|---|---|---|---|
| **I. Total operating income** | XIII. 3 | **475,200,519.27** | **311,923,720.65** |
| Less: Operating costs | XIII. 3 | 50,786,374.94 | 20,642,777.86 |
| Tax and surcharges | | 4,927,353.61 | 4,513,736.69 |
| Selling expenses | | | |
| General and administrative expense | | 287,720,807.82 | 239,708,025.61 |
| Financial expense | | 507,705,798.53 | 463,184,860.89 |
| Asset impairment losses | | 2,970,700.61 | |
| Add: gains from changes in fair value ("-" means loss) | | | |
| Investment income ("-" means loss) | XIII. 4 | 347,967,666.45 | -143,144,343.93 |
| In which: investment yield from joint ventures and associates | | -149,450,571.45 | -143,174,676.53 |
| Income from disposals of assets | | 17,228.30 | -211,423.05 |
| Other income | | 782,436,237.16 | |
| **II. Operting Profit ("-" means loss)** | | **751,510,615.67** | **-559,481,447.38** |
| Add: Non- operating income | | 2,244,929.07 | 1,003,022,248.32 |
| Less: Non operating expense | | 11,980,669.62 | 62,286,793.49 |
| **III. Profit before tax ("-" means loss)** | | **741,774,875.12** | **381,254,007.45** |
| Less: income tax expense | | 26,651,786.38 | 1,882,806.25 |
| **IV. Net profit ("-" means loss)** | | **715,123,088.74** | **379,371,201.20** |
| **Sustained profit and loss** | | **715,123,088.74** | **379,371,201.20** |
| **Discontinued operating profit and loss** | | | |
| **V. Other comprehensive income for the year, net of tax** | | **-1,168,018,842.38** | **1,167,750,000.00** |
| (1) Other comprehensive income which can't be reclassified as losses and gains later | | | |
| 1. Remeasure and set benefit plan changes in net assets or net liabilities | | | |
| 2. Shares of other comprehensive income which can't be reclassified as losses and gains by the investee under equity method | | | |
| 3. Others | | | |
| (2) Other comprehensive income which will be reclassified as losses and gains later | | **-1,168,018,842.38** | **1,167,750,000.00** |
| 1. Shares of other comprehensive income which will be reclassified as losses and gains later by the investee under equity method | | -268,842.38 | |
| 2. Losses and gains of fair value variance of available-for-sale financial assets | | **-1,167,750,000.00** | **1,167,750,000.00** |
| 3. Losses and gains of held-to-maturity investment reclassified as available-for-sale financial assets | | | |
| 4. Effective part of cash-flow hedge losses and gains | | | |
| 5. Exchange differences arising from the translation of foreign currency financial statement | | | |
| 6. Others | | | |
| **VI. Total comprehensive income** | | **-452,895,753.64** | **1,547,121,201.20** |
| **VII. Earnings per share:** | | | |
| (1) Basic earnings per share | | | |
| (2) Diluted earnings per share | | | |

**Notes on Page 17 to Page 121 are an integral part of the Financial Statement.**

**Legal Representative: Li Shufu** **Chief Financial Officer: Li Donghui** **Finance director: Dai Qing**

# Consolidated Statement of Cash Flows

2017

Zhejiang Geely Holding Group Co., Ltd.

RMB Yuan

| Item | Note | 2017 | 2016 |
|---|---|---|---|
| **I. CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Cash received from sale of goods or rendering of services | | 297,625,242,439.84 | 211,688,066,418.55 |
| Net increase in customer deposits and interbank deposits | | | |
| Net increase in central bank's borrowing | | | |
| Net increase in borrowing funds from other financial institutions | | | |
| Receipts of insurance contract premium in cash | | | |
| Net cash received from reinsurance | | | |
| Net increase in insured savings and investment fund | | | |
| Net increase by disposal of financial assets measured at fair values and changes accounted into current profit or losses | | | |
| Receipts of interest、handling charge and commission in cash | | | |
| Net increase in borrowing funds | | | |
| Net increase in business funds repurchase | | | |
| Refund of tax and levies | | 638,987,611.28 | 583,957,539.08 |
| Cash received for other operating activities | | 6,425,218,289.65 | 2,878,019,758.50 |
| **Cash inflow from operations** | | 304,689,448,340.77 | 215,150,043,716.13 |
| Cash paid for purchasing goods or receiving services | | 200,354,488,527.17 | 141,388,820,921.42 |
| Net increase in customer loans and advances | | | |
| Net increase of deposit in central bank and interbank | | | |
| Payments of insurance contract premium in cash | | | |
| Payments of interest、handling charge and commission in cash | | | |
| Payments of dividend policy in cash | | | |
| Cash paid to and on behalf of employees | | 29,016,333,979.73 | 21,280,646,001.26 |
| Various taxes paid | | 20,014,875,317.36 | 14,167,707,026.97 |
| Other cash paid related to operating activities | | 12,264,464,610.36 | 4,412,166,019.74 |
| **Cash outflow from operations** | | 261,650,162,434.62 | 181,249,339,969.39 |
| **Cash flow from operating activities** | VI. 59 | 43,039,285,906.15 | 33,900,703,746.74 |
| **II. CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Cash received from disinvestment | | 5,307,175,290.48 | 10,513,700,485.08 |
| Cash received from investment yield | | 339,675,927.91 | 411,135,649.74 |
| Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets | | 288,937,605.29 | 175,291,861.02 |
| Net cash received from disposal of subsidiaries and other operation entities | | -413,189,891.16 | 135,742,540.00 |
| Cash received related to investment activities | | 6,815,773,379.00 | 5,056,195,577.46 |
| **Cash inflow from investment activities** | | 12,338,372,311.52 | 16,292,066,113.29 |
| Cash paid for purchasing fixed assets, intangible assets and other long-term assets | | 37,106,044,659.12 | 21,768,902,030.32 |
| Cash paid for acquiring investments | | 5,350,094,809.23 | 16,583,690,593.98 |
| Net increase in mortgage loans | | | |
| Net cash amount paid from acquiring subsidiaries and other operation entities | | 198,516.28 | 1,430,733,172.00 |
| Cash paid for other related investment activities | | 2,428,400,306.82 | 2,133,267,070.79 |
| **Cash outflow from investment activities** | | 44,884,738,291.45 | 41,916,792,867.08 |
| **Cash flow from investment activities** | | -32,546,365,979.93 | -25,624,726,753.79 |
| **III. CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Cash received from accepting investment | | 3,078,049,207.00 | 8,947,914,915.00 |
| In which: cash received from minority shareholders' investment in subsidiaries | | 3,078,049,207.00 | 8,947,914,915.00 |
| Cash received from borrowings | | 15,932,129,765.96 | 6,024,172,224.43 |
| Cash received from issuing bonds | | 3,898,396,552.00 | 13,347,379,721.30 |
| Cash received related to other financing activities | | 16,413,095,133.00 | 7,614,917,557.20 |
| **Cash inflow from financing activities** | | 39,321,670,657.96 | 35,934,384,417.93 |
| Cash paid for repaying debts | | 18,021,196,116.64 | 15,518,742,070.67 |
| Cash paid for distributing dividends, profits or paying interests | | 2,813,448,523.43 | 2,254,518,476.15 |
| In which: dividends and profits paid to minority shareholders by subsidiaries | | | |
| Cash paid related to other financing activities | | 10,186,149,654.82 | 4,169,129,560.95 |
| **Cash outflow from financing activities** | | 31,020,794,294.89 | 21,942,390,107.77 |
| **Cash flows from financing activities** | | 8,300,876,363.07 | 13,991,994,310.16 |
| **IV. Effect of exchange rate fluctuations on cash held** | | 448,394,015.13 | 512,898,308.32 |
| **V. Net increase/(decrease) in cash and cash equivalents** | VI. 59 | 19,242,190,304.42 | 22,780,869,611.43 |
| Add: Cash and cash equivalents at beginning of period | VI. 59 | 56,280,987,788.64 | 33,500,118,177.21 |
| **VI. Cash and cash equivalents at end of period** | VI. 59 | 75,523,178,093.06 | 56,280,987,788.64 |

Notes on Page 17 to Page 121 are an integral part of the Financial Statement.

Legal Representative: Li Shufu  Chief Financial Officer: Li Donghui  Finance director: Dai Qing

# Statement of Cash Flows

2017

Zhejiang Geely Holding Group Co., Ltd. RMB Yuan

| Item | Note | 2017 | 2016 |
|---|---|---|---|
| I. CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from sale of goods or rendering of services | | 46,656,553.07 | 32,869,347.21 |
| Refund of tax and levies | | 55,807.60 | |
| Cash received for other operating activities | | 60,683,707,127.40 | 35,499,644,575.79 |
| **Cash inflow from operations** | | **60,730,419,488.07** | **35,532,513,923.00** |
| Cash paid for purchasing goods or receiving services | | | 2,310.00 |
| Cash paid to and on behalf of employees | | 166,883,991.89 | 158,510,605.69 |
| Various taxes paid | | 23,336,040.25 | 23,904,224.10 |
| Other cash paid related to operating activities | | 53,572,200,785.45 | 34,662,430,330.37 |
| **Cash outflow from operations** | | **53,762,420,817.59** | **34,844,847,470.16** |
| **Cash flow from operating activities** | | **6,967,998,670.48** | **687,666,452.84** |
| II. CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Cash received from disinvestment | | 993,100,000.00 | 1,350,210.76 |
| Cash received from investment yield | | 513,500,000.00 | |
| Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets | | 751,523.00 | 2,631,358.93 |
| Net cash received from disposal of subsidiaries and other operation entities | | | |
| Cash received related to investment activities | | | |
| **Cash inflow from investment activities** | | **1,507,351,523.00** | **3,981,569.69** |
| Cash paid for purchasing fixed assets, intangible assets and other long-term assets | | 61,689,538.62 | 70,142,616.79 |
| Cash paid for acquiring investments | | 6,016,705,454.00 | 2,156,493,893.00 |
| Net cash inflow through disposal of subsidiaries and other business entities | | | |
| Cash paid for other related investment activities | | 460,262,704.00 | |
| **Cash outflow from investment activities** | | **6,538,657,696.62** | **2,226,636,509.79** |
| **Cash flow from investment activities** | | **-5,031,306,173.62** | **-2,222,654,940.10** |
| III. CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Cash received from capital contribution | | 100,000,000.00 | |
| Cash received from borrowings | | 8,487,800,000.00 | 12,989,070,000.00 |
| Cash received from issuing bonds | | | |
| Cash received related to other financing activities | | | 5,993,650,000.00 |
| **Cash inflow from financing activities** | | **8,587,800,000.00** | **18,982,720,000.00** |
| Cash paid for repaying debts | | 9,901,011,000.00 | 16,738,092,800.00 |
| Cash paid for distributing dividends, profits or paying interests | | 623,431,582.98 | 691,404,538.20 |
| Cash paid related to other financing activities | | 21,127,776.34 | |
| **Cash outflow from financing activities** | | **10,545,570,359.32** | **17,429,497,338.20** |
| **Cash flows from financing activities** | | **-1,957,770,359.32** | **1,553,222,661.80** |
| **IV. Effect of exchange rate fluctuations on cash held** | | 2,126.72 | -700.41 |
| **V. Net increase/(decrease) in cash and cash equivalents** | | -21,075,735.74 | 18,233,474.13 |
| Add: Cash and cash equivalents at beginning of period | | 42,557,063.23 | 24,323,589.10 |
| **VI. Cash and cash equivalents at end of period** | | **21,481,327.49** | **42,557,063.23** |

**Notes on Page 17 to Page 121 are an integral part of the Financial Statement.**

**Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance director: Dai Qing**

# Consolidated Statement of Changes in Equity

Zhejiang Geely Holding Group Co., Ltd. 2017 RMB Yuan

| Item | Current period | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholder's equities attributable to parent company's shareholder | | | | | | | | | | | Minority interests | Total shareholders Equity |
| | Share Capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus fiscrves | Provision for general risks | Undistributed profit | | |
| | | Preferred shares | Perpetual capital securities | Others | | | | | | | | | |
| I. At 31st December 2016 | 830,000,000.00 | | 2,000,000,000.00 | | 17,340,057,289.95 | | -890,844,717.42 | | | | 21,491,503,658.73 | 21,549,657,566.77 | 62,520,473,798.03 |
| Add: changes in accounting policy | | | | | | | | | | | | | |
| Correction of previous error | | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Opening balance of the year | 830,000,000.00 | | 2,000,000,000.00 | | 17,340,057,289.95 | | -890,844,717.42 | | | | 21,491,503,658.73 | 21,549,657,566.77 | 62,520,473,798.03 |
| III. Increase/decrease of changes in amount of current period ("-" means decrease) | 100,000,000.00 | | | | 1,667,765,705.67 | | 3,955,957,315.95 | | 38,589,968.34 | | 12,193,615,373.48 | 9,982,425,891.27 | 27,938,354,254.69 |
| (I) Total comprehensive income | | | | | | | 3,955,957,315.95 | | | | 12,302,370,655.82 | 5,662,992,107.07 | 22,921,320,078.84 |
| (2) Capital invested and decreased by shareholder | 100,000,000.00 | | | | 1,667,765,705.67 | | | | 38,589,968.34 | | -70,816,966.00 | 3,915,267,222.85 | 5,651,305,930.86 |
| 1. Ordinary shares invested by shareholder | 100,000,000.00 | | | | | | | | | | | 383,298,060.10 | 483,298,060.10 |
| 2. Capital invested by other equity instrument holders | | | | | -15,259,655.00 | | | | | | | | -15,259,655.00 |
| 3. Amount paid for shares credited into shareholder's equity | | | | | 140,727,820.03 | | | | | | | 191,334,348.55 | 332,062,168.58 |
| 4. Others | | | | | 1,542,297,540.64 | | | | 38,589,968.34 | | -70,816,966.00 | 3,340,634,814.20 | 4,850,905,357.18 |
| (III) Profit distribution | | | | | | | | | | | -134,444,358.00 | -800,099,547.71 | -734,543,905.71 |
| 1. Surplus reserve withdrawal | | | | | | | | | | | | | |
| 2 Withdrawal of provision for general risks | | | | | | | | | | | | | |
| 3. Distribution to shareholder | | | | | | | | | | | -81,900,000.00 | -800,099,547.71 | -681,999,547.71 |
| 4. Others | | | | | | | | | | | -52,544,358.00 | | -52,544,358.00 |
| (4) Transfer between Shareholders' equity | | | | | | | | | | | 3,365,767.13 | 4,576,109.06 | 7,941,876.19 |
| 1. Capital reserve transfer to Share capital | | | | | | | | | | | | | |
| 2. Surplus reserve transfer to Share capital | | | | | | | | | | | | | |
| 3. Loss made up by surplus reserve | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | 3,365,767.13 | 4,576,109.06 | 7,941,876.19 |
| (5) Special reserve | | | | | | | | | | | | | |
| 1. Withdrawal during the year | | | | | | | | | | | | | |
| 2. Usage during the year | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | 92,940,274.51 | | 92,940,274.51 |
| IV. Closing balance as at 31st December 2017 | 930,000,000.00 | | 2,000,000,000.00 | | 19,007,822,995.62 | | 3,265,112,598.53 | | 38,589,968.34 | | 33,685,219,032.19 | 31,532,093,455.04 | 90,458,838,052.72 |

Notes on Page 17 to Page 121 are an integral part of the Financial Statement.

Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance director: Dai Qing

# Consolidated Statement of Changes in Equity (Continued)

Zhejiang Geely Holding Group Co., Ltd. 2017 RMB Yuan

| Item | Previous period | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholder's equities attributable to parent company's shareholder | | | | | | | | | | | Minority interests | Total shareholders Equity |
| | Share Capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus Reserves | Provision for general risks | Undistributed profit | | |
| | | Preferred shares | Perpetual capital securities | Others | | | | | | | | | |
| I. At 31st December 2015 | 830,000,000.00 | | | | 2,965,779,252.72 | | -371,595,023.41 | | | | 13,093,048,114.13 | 24,762,737,825.81 | 41,279,970,179.25 |
| Add: changes in accounting policy | | | | | | | | | | | | | |
| Correction of previous error | | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Opening balance of the year | 830,000,000.00 | | | | 2,965,779,252.72 | | -371,595,023.41 | | | | 13,093,048,114.13 | 24,762,737,825.81 | 41,279,970,179.25 |
| III. Increase/decrease of changes in amount of current period ("-" means decrease) | | | 2,000,000,000.00 | | 14,374,278,027.23 | | -319,249,694.01 | | | | 8,598,555,544.60 | -3,213,080,239.14 | 21,240,503,638.68 |
| (I) Total comprehensive income | | | | | | | -319,249,694.01 | | | | 8,408,718,817.56 | 3,166,985,417.88 | 11,256,454,541.43 |
| (2) Capital invested and decreased by shareholder | | | 2,000,000,000.00 | | 14,374,278,027.23 | | | | | | | -6,377,896,979.38 | 9,996,378,047.85 |
| 1. Ordinary shares invested by shareholder | | | | | | | | | | | | -3,823,072,839.86 | -3,823,072,839.86 |
| 2. Capital invested by other equity instrument holders | | | 2,000,000,000.00 | | 3,466,256,774.00 | | | | | | | 303,144,684.00 | 5,769,401,458.00 |
| 3. Amount paid for shares credited into shareholder's equity | | | | | 128,632,597.43 | | | | | | | 170,979,027.57 | 299,611,625.00 |
| 4. Others | | | | | 10,779,388,655.80 | | | | | | | -2,928,950,851.29 | 7,850,437,804.51 |
| (III) Profit distribution | | | | | | | | | | | -11,754,758.79 | -4,297,341.66 | -16,152,100.45 |
| 1. Surplus reserve withdrawal | | | | | | | | | | | | | |
| 2.Withdrawal of provision for general risks | | | | | | | | | | | | | |
| 3. Distribution to shareholder | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | -11,754,758.79 | -4,297,341.66 | -16,152,100.45 |
| (4) Transfer between Shareholders' equity | | | | | | | | | | | 8,286,470.17 | 8,422,163.83 | 16,708,634.00 |
| 1. Capital reserve transfer to Share capital | | | | | | | | | | | | | |
| 2. Surplus reserve transfer to Share capital | | | | | | | | | | | | | |
| 3. Loss made up by surplus reserve | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | 8,286,470.17 | 8,422,163.83 | 16,708,634.00 |
| (5) Special reserve | | | | | | | | | | | -4,894,984.34 | -6,170,519.81 | -10,865,504.15 |
| 1. Withdrawal during the year | | | | | | | | | | | -4,894,984.34 | -6,170,519.81 | -10,865,504.15 |
| 2. Usage during the year | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | | |
| IV. Closing balance as at 31st December 2016 | 830,000,000.00 | | 2,000,000,000.00 | | 17,340,057,279.95 | | -690,844,717.42 | | | | 21,691,603,658.73 | 21,549,657,586.77 | 62,520,473,798.03 |

Notes on Page 17 to Page 121 are an integral part of the Financial Statement.

Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance director: Dai Qing

# Statement of Changes in Equity

Zhejiang Geely Holding Group Co., Ltd. 2017 RMB Yuan

| Item | Current period | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Total shareholders' Equity |
| | | Preferred shares | Perpetual capital securities | Others | | | | | | | |
| I. At 31st December 2016 | 830,000,000.00 | | 2,000,000,000.00 | | 637,324,239.05 | | 1,167,750,000.00 | | | -528,603,097.88 | 4,106,471,141.17 |
| Add: changes in accounting policy | | | | | | | | | | | |
| Correction of previous error | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance of the year | 830,000,000.00 | | 2,000,000,000.00 | | 637,324,239.05 | | 1,167,750,000.00 | | | -528,603,097.88 | 4,106,471,141.17 |
| III. Increase/decrease of changes in amount of current period ("-" means decrease) | 100,000,000.00 | | | | 3,713,011.44 | | -1,168,018,842.38 | | | 726,163,363.25 | -338,142,467.69 |
| (I) Total comprehensive income | | | | | | | -1,168,018,842.38 | | | 715,123,088.74 | -452,895,753.64 |
| (II) Capital invested and decreased by shareholder | 100,000,000.00 | | | | 3,713,011.44 | | | | | | 103,713,011.44 |
| 1. Ordinary shares invested by shareholder | 100,000,000.00 | | | | | | | | | | 100,000,000.00 |
| 2. Capital invested by other equity instrument holders | | | | | | | | | | | |
| 3. Amount paid for shares credited into shareholder's equity | | | | | | | | | | | |
| 4. Others | | | | | 3,713,011.44 | | | | | | 3,713,011.44 |
| (III) Profit distribution | | | | | | | | | | -81,900,000.00 | -81,900,000.00 |
| 1. Surplus reserve withdrawal | | | | | | | | | | | |
| 2. Distribution to shareholder | | | | | | | | | | -81,900,000.00 | -81,900,000.00 |
| 3. Others | | | | | | | | | | | |
| (IV) Transfer between Shareholders' equity | | | | | | | | | | | |
| 1. Capital reserve transfer to Share capital | | | | | | | | | | | |
| 2. Surplus reserve transfer to Share capital | | | | | | | | | | | |
| 3. Loss made up by surplus reserve | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | |
| 1. Withdrawal during the year | | | | | | | | | | | |
| 2. Usage during the year | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | 92,940,274.51 | 92,940,274.51 |
| IV. At 31st December 2017 | 930,000,000.00 | | 2,000,000,000.00 | | 641,037,250.49 | | -286,842.38 | | | 197,560,265.37 | 3,768,310,573.48 |

Notes on Page 17 to Page 121 are an integral part of the Financial Statement.

Legal Representative: Li Shufu Chief Financial Officer: Li Donghui Finance director: Dai Qing

# Statement of Changes in Equity

Zhejiang Geely Holding Group Co., Ltd.

2017

RMB Yuan

| Item | Previous period | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus Reserves | Undistributed profit | Total shareholders Equity |
| | | Preferred shares | Perpetual capital securities | Others | | | | | | | |
| I.At 31st December 2015 | 830,000,000.00 | | | | 632,754,519.00 | | | | | -900,805,531.96 | 561,948,987.04 |
| Add: changes in accounting policy | | | | | | | | | | | |
| Correction of previous error | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance of the year | 830,000,000.00 | | | | 632,754,519.00 | | | | | -900,805,531.96 | 561,948,987.04 |
| III. Increase/decrease of changes in amount of current period ("-" means decrease) | | | 2,000,000,000.00 | | 4,569,720.05 | | 1,167,750,000.00 | | | 372,202,434.08 | 3,544,522,154.13 |
| (I) Total comprehensive income | | | | | | | 1,167,750,000.00 | | | 379,371,201.20 | 1,547,121,201.20 |
| (2) Capital invested and decreased by shareholder | | | 2,000,000,000.00 | | 4,569,720.05 | | | | | | 2,004,569,720.05 |
| 1. Ordinary shares invested by shareholder | | | | | | | | | | | |
| 2. Capital invested by other equity instrument holders | | | 2,000,000,000.00 | | | | | | | | 2,000,000,000.00 |
| 3. Amount paid for shares credited into shareholder's equity | | | | | | | | | | | |
| 4. Others | | | | | 4,569,720.05 | | | | | | 4,569,720.05 |
| (III) Profit distribution | | | | | | | | | | -7,168,767.12 | -7,168,767.12 |
| 1. Surplus reserve withdrawal | | | | | | | | | | | |
| 2. Distribution to shareholder | | | | | | | | | | -7,168,767.12 | -7,168,767.12 |
| 3. Others | | | | | | | | | | | |
| (4) Transfer between Shareholders' equity | | | | | | | | | | | |
| 1. Capital reserve transfer to Share capital | | | | | | | | | | | |
| 2. Surplus reserve transfer to Share capital | | | | | | | | | | | |
| 3. Loss made up by surplus reserve | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (5) Special reserve | | | | | | | | | | | |
| 1. Withdrawal during the year | | | | | | | | | | | |
| 2. Usage during the year | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | |
| IV. At 31st December 2016 | 830,000,000.00 | | 2,000,000,000.00 | | 637,324,239.05 | | 1,167,750,000.00 | | | -528,603,097.88 | 4,106,471,141.17 |

Notes on Page 17 to Page 121 are an integral part of the Financial Statement.

Legal Representative: Li Shufu  Chief Financial Officer: Li Donghui  Finance director: Dai Qing

# Notes to the Financial Statements of Financial Year 2017

## Zhejiang Geely Holding Group Co. Ltd.

### (All amounts shall be in RMB/yuan)

### I. Basic Situation of the Company

Funded by natural persons Li Shufu and Li Xubing jointly and registered in Zhejiang Administration of Industry and Commerce on March 24, 2003 (Registration No.: 330000000011822), Zhejiang Geely Holding Group Co. Ltd. (hereinafter referred to as "the Company") owns the Business License of Enterprise. In March 2007, Li Xubing transferred his 17.3% of the Company's shares with the total amount of 143.59 million yuan to Li Shufu and his 10% of the Company's shares with the total amount of 83 million yuan to Li Xingxing. On November 27,2015, the Company issued a unified social credit code 91330000747735638J of business license. In the year of 2017, the Company has changed registered capital from 830 million yuan to 930 million yuan, and issued a new Business License of Enterprise on January 3, 2017. The increasement of paid-up capital has been fully paid by shareholder Li Shufu. The current shareholders of the Company are Li Shufu who invests 847 million yuan, accounting for 91.08% of the registered capital and Li Xingxing who invests 83 million yuan, accounting for 8.92% of the registered capital.

The operating period of the Company is 30 years and its legal representative is Li Shufu.

The main operation and business scope of the Company and its subsidiaries (hereinafter referred to as "the Group") includes: automobile manufacture and sales, industrial investment, investment in mechanical and electrical products, education, real estate investment, investment management, technology development of automobile and auto parts, car design, car model design, operating import and export business.

The financial statements and the notes thereto of the Group were approved by the Group Board on April 27, 2018.

### II. The Scope of Consolidated Financial Statements for this Year

Current period consolidation includes 18 1st tier subsidiaries, and adds 2 new subsidiaries within the period, See Note VIII. "Interest in Other Entities" for detail.

### III. Preparation Basis of the Financial Statements

#### 1. Preparation Basis

On the assumption of the going concern and basing on actual transactions and events, the Group prepared the financial statements in accordance with "Accounting Standard for Business Enterprises - Basic Standard" and 42 specific accounting standards, announced by the Ministry of Finance, "Application Guidelines on Accounting Standards for Enterprises", "Interpretations of Accounting Standards for Enterprises" and other relevant provisions (hereinafter collectively referred to as "Accounting Standards for Enterprises").

According to the relevant provisions of "Accounting Standards for Enterprises", the accounting of the Group is on the accrual basis. Except for certain financial instruments, the financial statements are generally measured on the historical cost basis. In case of impairment of assets, the corresponding impairment provision shall be recognized in accordance with the relevant provisions.

#### 2. Going Concern

The Company has no cause of significant events or situations of doubt which affect the going concern assumption for the following 12 months since this reporting date.

## IV. Interpretations of Important Accounting Policies and Estimates

### 1. Statement on Compliance with "Accounting Standards for Enterprises"

The financial statements of the Group prepared comply with the requirements of "Accounting Standards for Enterprises" and reflect the financial position on December 31, 2017 and operating results, cash flow and other information in 2017 of the Group truthfully and completely.

### 2. Accounting Period

The accounting year of the Group is based on the calendar year, namely from January 1 to December 31 each year.

### 3. Operating Cycle

The Company makes 12 months an operating cycle and the classification criteria of the liquidity of assets and liabilities.

### 4. Functional Currency

As RMB is the currency of the main economic environment where the Group and its domestic subsidiaries engage in their business, they adopt RMB as the functional currency for book-keeping. The overseas subsidiaries of the Group adopt Hong Kong dollar, Swedish krona, Ruble, Euro and US dollar as their bookkeeping functional currency according to the main economic environment where they engage in their business. The book-keeping functional currency of the Group is RMB during the preparation of the financial statements.

### 5. Enterprise Consolidation under common Control and not under common Control

(1) Enterprise Consolidation under common Control

Enterprise consolidation under common control means the consolidated enterprises are ultimately and permanently subject to the same party or parties before the consolidation. The consolidation date refers to the day when the combining party actually obtains the control over the combined party.

For the assets and liabilities obtained from enterprise consolidation under common control, their value shall be measured as the book value on the final controller's consolidated financial statement of shareholder's equity of the combined party on the combination date. If the accounting policies of the acquiree are different from the acquirer's, the financial statements of the acquiree shall be adjusted to be in accordance with the accounting policies of the acquirer, and the adjusted book value shall be confirmed as book value.

The assets and liabilities that the combining party obtains in the enterprise consolidation shall be measured on the basis of book value of the combined party at the consolidation date, and the difference between the book value of net assets the combining party obtains and the book value of consolidation consideration paid (or the total face value of issued shares) it pays is used to adjust the capital reserve (share premium). If the capital reserve is not enough, retained earnings will be adjusted accordingly.

Various direct expenses, including audit, assessment and legal services arising from enterprise consolidation of the combing party shall be recognized in profits and losses when incurred.

The service charge and commission of issuing equity securities are used to adjust the premium on securities, if the premium on securities is not enough to be written off, retained earnings will be adjusted accordingly.

The equity obtained from the combined party under common control through several transactions and eventually formed enterprise consolidation under common control shall be treated as follows: if it's a "package transaction," each and every transaction shall be accounted as a trade of obtaining controlling right.

If it's not a "package transaction," the share of book value on the final controller's consolidated financial statement of shareholder's equity of the combined party on the business combination date shall be regarded as initial investment cost of long-term equity investment.

The difference between initial investment cost of long-term equity investment and sum of book value of long-term equity investment before consolidation and book value of new shares price on the business combination date shall be used to adjust capital reserve (capital premium or share premium) ; if the capital reserve (capital premium or share premium) is not enough to be written off, it shall be used to adjust retained earnings.

Other comprehensive income of equity investment recognized through the calculation based on equity

method or by being taken as financial instrument shall not be accounted temporarily, until the investment is disposed, then it shall be accounted according to the same basis that the investee directly dispose of relevant assets or liabilities.

Shareholder's equity recognized due to changes of other shareholder's equity except net profit and loss, other comprehensive incomes and profits allocation of the investee shall not be accounted temporarily, until the investment is disposed, it shall be carried forward into current profits and losses. Among them, if the equity left after disposal is accounted based on equity method or cost method, other comprehensive incomes and other shareholder's equity shall be carried forward into current profits and losses in ratio; if the equity left after disposal is accounted based on the recognition of financial instruments and measurement standard, all other comprehensive incomes and other shareholder's equity shall be carried forward.

See details of the accounting method for consolidation financial statements in Note IV. 6.

(2) Enterprise Consolidation not under common Control

Enterprise consolidation not under common control means the consolidated enterprises aren't ultimately subject to the same party or parties before the consolidation.

For enterprise consolidation not under common control, the consolidation costs include the fair value of assets paid for gaining the control right over the acquiree at the acquisition date, liabilities incurring, and the difference between fair value and book value shall be recognized in profits and losses.

The acquirer shall allocate consolidation costs at the acquisition date, and confirm the fair value of the acquired identifiable assets, liabilities and contingent liabilities.

In case of the consolidation costs larger than the difference of the fair value share of identifiable net assets of the acquiree gained during consolidation, it shall be recognized as goodwill; in case of the consolidation costs smaller than the fair value share of identifiable net assets of the acquiree gained during consolidation after check and confirmation, the difference shall be recognized in profit or loss for current period.

Other assets (except intangible assets) obtained by the acquirer during consolidation (not limited to the assets that have been confirmed by the acquirer), and the economic benefits are likely to enter into the company and the fair value can be measured reliably, then they shall be measured separately and in accordance with the fair value; if the fair value of intangible assets can be measured reliably, and they are measured as intangible assets and in accordance with the fair value; Other liabilities (except contingent liabilities) obtained by the acquirer during consolidation, and performing relevant obligation might lead to the outflow of economic benefits and the fair value can be measured reliably, then they shall be measured separately and in accordance with the fair value; if the fair value of contingent liabilities can be measured reliably, and they are measured as liabilities and in accordance with the fair value.

The intangible assets that belong to the acquiree and are not identified in the financial statement, shall be fully identified and judged, and they shall be recognized as intangible assets if they cater for one of the following conditions: (1) originates from contractual rights or other legal rights; (2) it can be separated or divided from the acquire, and can be sold, transferred, licensed, leased or exchanged alone or in conjunction with the relevant contracts, assets and liabilities.

Deductible temporary differences the acquirer obtains from the acquiree can't be confirmed due to inconformity with the confirmation conditions of the deferred income tax assets. If new or further information showing the related situation at the acquisition date has existed within 12 months after that is obtained and the expected acquiree gains economic benefits from deductible temporary differences at the acquisition date, the relevant deferred income tax assets can be confirmed and

goodwill can be reduced. If goodwill isn't enough, the difference is recognized as the current profits and losses; except the above-mentioned case, the recognition of deferred income tax assets related to enterprise consolidation shall be recorded into the current profits and losses.

For enterprise consolidation not under common control, audit, legal services, assessment, consulting and other intermediary costs and management costs arising from enterprise consolidation shall be recognized in profits and losses when incurred. The transaction costs of issuing equity or debt securities of the acquirer as the consolidation consideration shall be recorded into their initially recognized amount.

As for enterprise consolidation under different control realized by multiple separate transactions, if they belong to "a package transaction", and each and every transaction shall be accounted as a trade of obtaining controlling right; if they don't belong to "a package transaction", in the individual financial statements, the book value of the acquiree's equity investment prior to the acquisition date and the new investment costs at the acquisition date constitute the initial costs of the investment as calculation based on cost method; if the acquiree's equity prior to the acquisition date involves other comprehensive incomes based on equity method, the investment and its related other comprehensive incomes shall be dealt with on the basis of the accounting method of dealing with the related assets or liabilities directly by the acquiree. Shareholder's equity of the acquiree recognized due to changes of other shareholder's equity except net profit and loss, other comprehensive incomes and profits allocation of the investee shall be carried forward into the current profits and losses when it is disposed. Among them, if the equity left after disposal is accounted based on equity method or cost method, other comprehensive incomes and other shareholder's equity shall be carried forward into current profits and losses in ratio; if the equity left after disposal is accounted based on the recognition of financial instruments and measurement standard, all other comprehensive incomes and other shareholder's equity shall be carried forward.

See details of the accounting method for consolidation financial statements in Note IV. 6.

The fair value of the acquiree's equity investment (accounted based on the recognition of financial instruments and measurement standard) prior to the acquisition date and the new investment costs at the acquisition date constitute the initial costs of the investment based on cost method, the difference between the fair value and the book value of the original equity, and the accumulated fair value changes, which is originally recorded into the other comprehensive income, are all transferred to the profit and loss of the current period as calculation based on cost method.

(3) The judgment criteria for multiple transactions as a package transaction

The judgment criteria of the company for determining multiple of transactions as a package transaction, as follows:

1) These transactions were made at the same time or under the influence of mutual influence.

2) These transactions shall achieve a complete business result as a whole.

3) The occurrence of a transaction depends on the occurrence of at least one other transaction.

4) When a transaction is considered alone, it is not economical, but it is economical when considering other transactions.

**6. Methods of Preparing for Consolidated Financial Statements**

(1) Principle of Determining the Extent of Consolidated Financial Statements

The consolidation scope of consolidated financial statements shall be determined on the basis of control. Control refers to the Group has the right to manage the investees and enjoy variable returns through participation in their related activities and has the power to influence the amount of returns by

virtue of its control over the investees. The consolidation scope includes the Group and all its subsidiaries. Subsidiaries mean enterprises or entities under the control of the Group.

In case of any change in the relevant factors subject to the above-mentioned control due to the change in the related facts and circumstances, the Group will evaluate the scope again.

(2) Methods of Preparing for Consolidated Financial Statements

The Group begins to include a subsidiary in its consolidation scope since the day when the Group obtains the subsidiary's net assets and the actual control over the subsidiary's production, management and decision-making and stops to include a subsidiary in its consolidation scope since it loses its actual control over the subsidiary. As for a subsidiary at the Group's disposal, the operating results and cash flow prior to the disposal date have been included in the consolidated income statement and the consolidated cash flow statement properly; the beginning balance on the consolidated balance sheet of the subsidiary at the Group's current disposal shall not be adjusted. As for a new subsidiary in enterprise consolidation under different control, its operating results and cash flow after the acquisition date have been included in the consolidated income statement and the consolidated cash flow statement properly and its beginning balance and contrast balance on the consolidated financial statements shall not be adjusted. As for a new subsidiary in enterprise consolidation under the same control, its operating results and cash flow from the beginning of the current consolidation to the consolidation date have been included in the consolidated income statement and the consolidated cash flow statement properly and its contrast balance on the financial statements shall be adjusted.

If the accounting policies or periods of subsidiaries and the Group differ during the preparation of the consolidated financial statements, the financial statements of subsidiaries shall be adjusted, if necessary, in accordance with the accounting policies and period of the Group. As for a subsidiary obtained in enterprise consolidation under different control, its financial statements shall be adjusted on the basis of the fair value of identifiable net assets at the acquisition date.

All major balances, transactions and unrealized profits of the Group shall be offset during the preparation of consolidated financial statements.

Part of the shareholders' equity and current net profits and losses of a subsidiary not attributable to the Group are listed and shown separately under the item of shareholders' equity and net profits of consolidated financial statements as equity, profits and losses of minority shareholders. The current profits and losses of a subsidiary attributable to the share of minor shareholders' equity are shown and listed under the item of "minority interest" of consolidated Income Statement. If losses of a minority shareholders share exceed shares they enjoy in the beginning shareholders' equity of the subsidiary, equity of minority shareholders shall be offset.

If the Group loses its control over the original subsidiaries due to disposal of some equity investments or other reasons, the remaining equity shall be re-measured in accordance with the fair value at the date of losing control. The result of the consideration from the entity disposal and the fair value of the remaining equity minus the difference of shares of net assets constantly calculated since the acquisition date the Group should obtain from the original subsidiaries according to the original shareholding ratio shall be recorded into the current returns on investment at the date of losing control. The other comprehensive incomes related to the equity investment of the original subsidiaries shall be dealt with in accordance with the accounting method of dealing with the related assets or liabilities directly by the acquiree at the date of losing control (i.e., except changes in net liabilities or assets due to the newly measured and designated benefit plan by the original subsidiaries, others shall all be

recorded into the current returns on investment). After that, the remaining equity of this part shall be adopted for follow-up measurement according to the relevant provisions of "Accounting Standard for Business Enterprises No. 2 - Long-term Equity Investment" or "Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" and other standards. See Note IV, 10 "Financial Instruments" and Note IV, 13"Long-term Equity Investment" for details.

As for the Group's losing control over a subsidiary due to disposal of its equity investment through multiple separate transactions, whether various separate transactions belong to a package transaction needs further judgment. If terms, conditions and economic impact of various transactions of dealing with the subsidiary's equity investment meet the following one or more cases, it's generally shown the various transactions shall be dealt with according to a package transaction: A. these transactions are concluded simultaneously or considering the impact on each other; B. these transactions can reach a complete commercial result as a whole; C. the occurrence of one transaction depends on that of other one or more transactions; D. an individual transaction is economic when it's taken into consideration with other transactions. If these transactions don't belong to a package transaction, each one shall be accordingly and respectively dealt with on the basis of the applicable accounting principles of "partial disposal of the subsidiary's long-term equity investment in the condition of the Group's maintaining control over them" (see Note IV, 13. (2) D for details) and "the Group's losing control over the original subsidiary due to disposal of part of equity investment or other reasons" (see the previous paragraph for details). As for the Group's losing control over a subsidiary due to disposal of its equity investment through various transactions which belong to a package transaction, they shall be dealt with according to a transaction of dealing with a subsidiary and losing the control over it; However, before the Group loses its control, the difference of shares of the net assets the Group enjoys in the subsidiary related to disposal price and investment each time shall be recognized as other comprehensive incomes of consolidated financial statements and recorded into the current profits and losses at the date of losing control.

**7. Accounting Methods of Joint Venture Arrangements and Classifications and Joint Operation**

Joint Venture arrangements refer to arrangements jointly controlled by two or more parties. In accordance with the rights and duties of the Group in joint venture arrangements, it divides them into joint operation and joint venture. The joint operation refers to a joint arrangement in which the Group enjoys its related assets and undertakes its related liabilities. The joint venture refers to a joint arrangement in which the Group only enjoys the rights of its net assets.

The Group's investment in the joint venture is calculated according to equity method and dealt with according to the accounting policies in Note IV, 13 (2) B "Long-term Equity Investment Accounted Based on Equity Method".

As for the joint operation, the Group as a joint party shall confirm: its individual assets and liabilities; joint assets and liabilities according to its share; incomes from shares of the joint operation; incomes from production sales of the joint operation according to its share; its individual expenses; expenses of the joint operation according to its share.

If the Group as a joint party invests or sells assets (don't constitute the business, the same below) or acquires assets through the joint operation, it only confirms the part of other parties in the joint operation of the profits and losses due to the transaction. If such assets are impaired in accordance with "Accounting Standard for Business Enterprises No. 8 - Impairment of Assets" and other provisions, the Group shall recognize such losses in full as for its investment in and sales of assets

through the joint operation; as for the Group's acquisition of assets through the joint operation, it shall recognize such losses according to the share.

**8. Criterion for Determining Cash and Cash Equivalents**

The cash and cash equivalents of the Group include cash on hand, deposits which can be used for payment at any time, its cash with a short term (generally three months from the acquisition date to the maturity date), strong liquidity and easy change into known amount and investment with a low risk of value change.

**9. Foreign Currency Business and Foreign Currency Statement Conversion**

(1) Conversion Methods of Foreign Currency Transactions

When foreign currency transactions of the Group are initially recognized, it adopts spot exchange rate at the transaction date for conversion of foreign currency amount into functional currency. However, the foreign currency exchange business and transactions related to it of the Group shall be converted into functional currency amount according to the actual exchange rate.

(2) Conversion Methods of Foreign Currency Monetary Items and Non-momentary Items

At the balance sheet date, foreign currency monetary items shall be converted according to the spot exchange rate of the date. All exchange differences of such a conversion shall be recorded into the current profits and losses except: a. those caused by foreign currency special borrowings related to the construction of assets meeting capitalization conditions which shall be dealt with in the principle of capitalization of the borrowing costs; b. those caused by changes in other book balances except for the amortization costs of the available-for-sale foreign currency monetary items which shall be recorded into other comprehensive incomes.

Foreign currency non-monetary items measured by historical cost shall still be measured by the functional currency converted according to the spot exchange rate at the transaction date. Foreign currency non-monetary items measured by fair value shall be converted according to the spot exchange rate determined by the fair value. The differences between the functional currency amount and the original one after the conversion shall be recorded into the current profits and losses or recognized as other comprehensive incomes as changes of fair value (including changes of exchange rate).

Foreign currency non-monetary items measured by historical cost shall still be measured by the functional currency amount converted according to the spot exchange rate at the transaction date. Foreign currency non-monetary items measured by fair value shall be converted according to the spot exchange rate determined by the fair value. The differences between the functional currency amount and the original one after the conversion shall be recorded into the current profits and losses or recognized as other comprehensive incomes as changes of fair value (including changes of exchange rate).

(3) Conversion Methods of Foreign Currency Financial Statements

During the preparation of consolidated financial statements related to overseas operation, exchange differences arising from exchange rate changes of foreign currency monetary items constituting net investment of the overseas operation substantially shall be recognized as "exchange differences of foreign currency financial statements" and recorded into other comprehensive incomes; the overseas operation situation shall be recorded into current profits and losses.

Foreign currency financial statements of overseas operation shall be converted into RMB according to the following methods: items of assets and liabilities of the balance sheet shall be converted according to the spot exchange rate at the balance sheet date; items of shareholders' equity except the item of

"undistributed profits" shall be converted according to the spot exchange rate when incurred. Items of income and expense in the income statement shall be converted according to the spot exchange rate at the transaction date. Undistributed profits at the beginning of the year are those at the end of last year after conversion; undistributed profits at the end of last year shall be calculated and shown according to profits distributed to various items after the conversion; the difference between items of assets and liabilities and items of shareholders' equity after conversion shall be recognized as exchange differences of foreign currency financial statements and recorded into other comprehensive incomes. When the Group deals with the overseas operation and loses its control, exchange differences of foreign currency financial statements listed under the item of shareholders' equity and related to the overseas operation, all or part of them according to the proportion of dealing with the overseas operation, shall be recorded into the current profits and losses.

Foreign currency cash flow and cash flow of overseas subsidiaries shall be converted according to the spot exchange rate at the cash flow date. Cash fluctuant amounts due to exchange rate changes shall be separately listed and shown in the cash flow statement as an adjustable item.

Amounts at the beginning of the year and the actual amounts of previous year shall be shown according to those of the converted financial statements of previous year.

If the Company loses its control over the overseas operation due to disposal of its total shareholders' equity of the overseas operation or disposal of part of the equity investment or other reasons, all exchange differences of foreign currency financial statements related to the overseas operation and equities attributable to the parent company's shareholder under the item of shareholders' equity of the balance sheet shall be recorded into the current profits and losses.

When the Company holds a decreasing overseas operation ratio due to disposal of part of equity investment or other reasons but doesn't lose its control over it, exchange differences of foreign currency financial statements related to the disposal part of the overseas operation shall be equities attributable to minority shareholders and not be recorded into the current profits and losses. During the disposal of part of equity of an associated enterprise or a joint venture in the overseas operation, exchange differences of foreign currency financial statements related to the overseas operation shall be recorded into the current profits and losses according to the disposal ratio of the overseas operation.

**10. Financial Instruments**

If the Group recognizes financial assets or liabilities as a party of the financial instrument contract, they shall be measured by fair value at the time of initial recognition. As for those financial assets or liabilities which are measured by fair value and their changes are recorded into the current profits and losses, their related transaction costs shall be recorded into the profits and losses directly. As for other financial assets or liabilities, their related transaction costs shall be recorded into the initially recognized amount.

(1) Fair Value Determination of Financial Assets and Financial Liabilities

Fair value refers to the price a market participant obtains from sales of an asset or pays for the transfer of a liability in an orderly transaction at the measurement date. For financial instruments with active market, the Group determines their fair value according to the quotation in the active market. The quotation in the active market which refers to the price easy to obtain from exchanges, brokers, trade associations, pricing service institutions and others regularly represents the actual price of a fair transaction in the market. For financial instruments without active market, the Group determines their fair value according to valuation technologies, which include reference to the price used by parties

familiar to the situation in latest voluntary market transactions, reference to current fair value of fundamentally similar other financial instruments, discounting method of cash flow and option pricing model, etc.

(2) Classification, Recognition and Measurement of Financial Assets

The accounting recognition and termination of financial assets bought and sold in common ways are carried out at the transaction date. At the time of initial recognition, financial assets are divided into those which are measured by fair value and whose changes in fair value are recorded into the current profits and losses, held-to-maturity investment, loans and receivables and as well as available-for-sale ones.

A. Financial Assets Measured by Fair Value with Their Changes recognized into the Current Profits and Losses

Include tradable financial assets and those designated to be measured by fair value with changes recorded into the current profits and losses.

Tradable financial assets refer to financial assets meeting one of the following conditions: A. the acquisition of the financial assets is mainly to sell them in the near future; B. belong to a part of the portfolio of identifiable financial instruments which are managed collectively and have objective evidence that the Group manages the portfolio via short-term profit acquisition methods recently; C. belong to derivatives except for those designated as effective hedging instruments, attributable to the financial guarantee contract and linked up with equity instrument investment which has no quotation in the active market and whose fair value can't be measured reliably and settled through the delivery of the equity instrument.

Those meeting one of the following conditions can be designated as financial assets measured by fair value with changes recorded into the current profits and losses at the time of initial recognition: A. such a designation can eliminate or obviously reduce differences in recognition or measurement of the related gains or losses due to different measurement bases of the financial assets; B. it's stated clearly in the formal written document of risk management or investment strategies of the Group that the portfolio of financial assets or the portfolio of financial assets and liabilities containing the financial assets is managed and evaluated on the basis of fair value and reported to the related key management.

Financial assets which are measured by fair value with changes recorded into the current profits and losses shall be recognized by fair value change. Gains or losses arising from changes in fair value and dividends and interest income related to the financial assets shall be recorded into the current profits and losses.

B. Held-to-maturity Investment

Held-to-maturity investment refers to non-derivative financial assets with fixed maturity date and recovery amount or those determinable and held-to-maturity by the Group with specific intentions and capability.

Held-to-maturity investment shall be adopted for the follow-up measurement by amortization cost pursuant to actual interest rate method. Gains or losses due to termination of recognition, impairment or amortization shall be recorded into the current profits and losses.

The actual interest rate method refers to the method of calculating amortization costs and interest incomes or expenses in various periods according to the actual interest rate of financial assets or liabilities (including a portfolio of financial assets or liabilities). The actual interest rate refers to the interest rate used to discount the future cash flow of financial assets or liabilities in the expected

duration or applicable shorter term in the form of the current book value of the financial assets or liabilities.

In the calculation of the actual interest rate, the Group will predict the future cash flow (without consideration of future credit losses) considering all contractual terms and conditions of financial assets or liabilities. Meanwhile, various charges, transaction costs, discount or premium and so on constituting the actual interest rate all parties of the financial assets or liabilities contract pay to or obtain from each other shall also be taken into consideration.

C. Loans and Receivables

Loans and receivables refer to non-derivative financial assets in the active market without quotation and with fixed recovery amount or those determinable. The financial assets designated as loans and receivables by the Group include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

Loans and receivables shall be adopted for the follow-up measurement by amortization cost pursuant to actual interest rate method. Gains or losses due to termination of recognition, impairment or amortization shall be recorded into the current profits and losses.

D. Available-for-sale Financial Assets

Available-for-sale financial assets refer to those designated as available-for-sale non-derivative financial assets at the time of initial recognition and the non-derivative financial assets except for those measured by fair value with changes recorded into the current profits and losses, loans and receivables and held-to-maturity investment.

Costs at the end of the year of investment of available-for-sale debt instruments shall be determined in accordance with amortization cost, namely the amount of the initially recognized amount minus the paid-up principal, plus or minus the accumulated amortization arising from the amortized difference between the initially recognized amount and the amount at the maturity date and minus the incurred impairment losses. The costs at the end of the year of investment of available-for-sale debt instruments are its initially gained costs.

Available-for-sale financial assets shall be adopted for the subsequent measurement according to fair value. Gains or losses arising from changes in fair value shall be recorded into the current profits and losses and recognized as other comprehensive incomes except for impairment losses and exchange differences related to foreign currency monetary financial assets and amortization costs. The financial assets shall be transferred and recorded into the current profits and losses when their termination is recognized. However, the investment of equity instruments which has no quotation in the active market and whose fair value can't be measured reliably and the derivative financial assets linked up with such equity instruments and settled via the delivery of such equity instruments shall be adopted for the subsequent measurement in accordance with the cost.

The gained interest of available-for-sale financial assets during their holding period and cash dividends the investee promises to grant shall be recorded into the returns on investment.

(3) Impairment of Financial Assets

Except the financial assets measured by fair value with changes recorded into the current profits and losses, the Group will check the book value of other financial assets at each balance sheet date. In case of any objective evidence to support impairment of financial assets, impairment provision shall be reversed.

The Group carries out the individual impairment test on financial assets with significant amount; carries out the individual impairment test on financial assets with small amount or the impairment test

on portfolio of financial assets with the similar credit risk characteristics. The Group carries out the individual impairment test on financial assets (including those with significant amount and small amount) without impairment and the impairment retest on portfolio of financial assets with the similar credit risk characteristics. The financial assets recognized as impairment losses of an individual item don't include the impairment test on portfolio of financial assets with the similar credit risk characteristics.

A. Impairment of Held-to-maturity Investment and Loans and Receivables

The book value of financial assets measured by cost or amortization cost shall be reduced to the expected future cash flow with the reduced amount recognized as impairment losses and recorded into the current profits and losses. If the objective evidence that the value of the financial assets has been restored is related to the items arising from the recognized losses objectively after the recognition of impairment losses, the previously recognized impairment losses shall be reversed. The book value of financial assets recognized as impairment losses after reversion shall not exceed the amortization cost of the financial assets at the reversion date in case impairment provision isn't reversed.

B. Impairment of Available-for-sale Financial Assets

When it's determined the fair value decrease of investment of available-for-sale equity instruments is serious or long-lasting through judgment of various related factors, the investment is impaired.

In case of the impairment of available-for-sale financial assets, the accumulated losses previously recorded into other comprehensive incomes and arising from the decrease of fair value shall be transferred and recorded into the current profits and losses. The transferred accumulated losses are the balance of the initial acquisition cost of the assets minus the recovered principal, the amortized amount, the current fair value and impairment losses previously recorded into the profits and losses.

If the objective evidence that the value of the financial assets has been restored is related to the items arising from the recognized losses objectively after the recognition of impairment losses, the previously recognized impairment losses shall be reversed. Impairment losses of the investment of available-for-sale equity instruments shall be recognized as other comprehensive incomes after reversion and those of the investment of available-for-sale debt instruments the current profits and losses.

Impairment losses of the investment of equity instruments which has no quotation in the active market and whose fair value can't be measured reliably or derivative financial assets linked up with such equity instruments and settled through the delivery of such equity instruments shall not be reversed.

(4) The Basis of Recognition and Measurement Method of Financial Assets

Financial assets satisfying one of the following statements can be terminated to be recognized: ① The right in contract of collecting financial assets' cash follow is terminated; ② The financial assets have been transferred, and risks and returns of financial assets ownership have been almost transferred to the transferee; ③ The financial assets have been transferred, though the enterprise didn't transfer nor reserve almost the whole risks and returns of financial assets ownership, it forwent the control over the financial assets.

If the enterprise doesn't t transfer nor reserve almost the whole risks and returns of financial assets ownership and doesn't forgo the control over the financial assets, it will recognize relevant financial assets in compliance with the degree of continuing to involve the transferred financial assets and recognize relevant liabilities accordingly. Degree of continuing to involve the transferred financial assets refers to the risk level the change of financial assets value may bring to the enterprise.

If the whole financial assets transfer satisfies the above statements of terminating recognition, the

difference between book value of the transferred financial assets, received consideration due to the transfer, and the sum of changes of the recorded fair value of other comprehensive incomes, shall be accounted as current profits and losses.

If part of financial assets transfer satisfies the above statements of terminating recognition, the book value of the transferred financial assets shall be apportioned based on the fair value of terminating recognition and not yet terminating recognition, and the difference between the sum of consideration received due to the transfer and accumulated amount of changes of recorded fair value of other comprehensive incomes that should be apportioned to the part of terminating recognition and the above book value apportioned shall be accounted as current profits and losses.

For the endorsement transfer of the financial assets to be held or sold based on attaching the right of recourse, the Group shall confirm whether almost the whole risks and returns of financial assets ownership have been transferred. If almost the whole risks and returns of financial assets ownership have been transferred to the transferee, the financial assets shall be terminated to be recognized; if almost the whole risks and returns of financial assets ownership have been reserved, the financial assets shall not be terminated to be recognized; if almost the whole risks and returns of financial assets ownership have not been transferred nor reserved, accounting response shall be prepared according to the above principles after judging whether the enterprise reserves control over the assets.

(5) Classification and Measurement of Financial Liabilities

The financial liabilities are divided into financial liabilities measured by fair value with changes recorded into current profits and losses and other financial liabilities at initial recognition. Financial liabilities at initial recognition shall be measured by fair value. For the financial liabilities measured by fair value with changes recorded into current profits and losses, relevant transaction expenses are to be directly recorded into current profits and losses, for other financial liabilities, relevant transaction expenses are to be recorded into initial recognition amount.

A. Financial Liabilities Measured by Fair Value with Changes Recorded into Current Profits and Losses

The basis of classifying trading financial liabilities and financial liabilities measured by fair value with changes recorded into current profits and losses at initial recognition is as the same as that of classifying trading financial assets and financial assets measured by fair value with changes recorded into current profits and losses at initial recognition.

Financial liabilities measured by fair value with changes recorded into current profits and losses shall be follow-up measured based on fair value, gains or losses due to changes of fair value and the expenditure of relevant stock dividends and interests of the financial liabilities shall be recorded into current profits and losses.

B. Other Financial Liabilities

The derivative financial liabilities linked to equity instruments without quotation in active market and that can't be measured by fair value reliably and through which should be settled shall be follow-up measured based on cost. Other financial liabilities shall be follow-up measured based on amortization cost according to actual interest rate method, gains or losses from terminal recognition or amortization shall be recorded into current profits and losses.

C. Financial Assurance Contract

The financial assurance contract not being appointed as financial liabilities measured by fair value with changes recorded into current profits and losses shall be initially recognized by fair value, after that, the higher amount between the amount confirmed by "Accounting Standard for Business

Enterprises No. 13 - Contingencies," and the balance that accumulated amortization amount confirmed by the principle of "Accounting Standard for Business Enterprise No.14 - Revenue" deducted by initial recognition amount shall be follow-up measured.

(6) Terminating recognition of Financial Liabilities

Financial liabilities or part of financial liabilities shall be recognized terminally only when all or part of present obligation of financial liabilities have been relieved. The Group (Debtor) and Debtee enter an agreement that taking over new financial liabilities instead of present liabilities, and if any essence of the contract terms of new financial liabilities is different from that of the present ones, the recognition of present financial liabilities shall be terminated and new financial liabilities are to be confirmed concurrently.

The difference between the book value confirmed terminally, if termination of all or part of financial liabilities are recognized, and the consideration paid (including roll-out non-cash-producing assets or new financial liabilities taken) shall be recorded into current profits and losses.

(7) Derivatives and Inserted Derivatives

Derivatives are to be initially measured by fair value on the contract-signing date, and follow-up measurements shall be conducted by fair value. Changes of fair value of derivatives are to be accounted for as current profits and losses.

For the mixture including inserted derivatives, such as financial assets or financial liabilities that are not measured by fair value with changes not recorded into current profits and losses, and inserted derivatives are not connected deeply with economic features and risks of the master contract and are in the same condition with inserted derivatives, whose individual features are in compliance with the definition of inserted derivatives, the inserted derivatives shall be extracted from the mixture and conducted as independent derivatives.

(8) Offsetting Financial Assets and Financial Liabilities

The amount of financial assets and financial liabilities offset against each other shall be itemized and shown in the balance sheet when the Group has the legal right to offset the recognized financial assets and financial liabilities and are permitted to use the right for now, in the meantime, the Group plans to make a net settlement of or concurrently realize the financial assets and clear off the financial liabilities. Otherwise, financial assets and financial liabilities are to be itemized and shown in the balance sheet separately, not to be offset against each other.

(9) Equity Instruments

Equity instrument refers to the contract providing the residual equity of the Group after deduction of all liabilities from assets. The Group issues (including refinances), repurchase, sell or cancel equity instruments as the response to the change of equity. The Group doesn't recognize the change of fair value of equity instruments. Trade cost related to equity transaction shall be deducted from the equity.

The Company has rights to distribute holders of equity instruments (excluding stock dividends) in various ways and decrease shareholders' equity. The Company does not recognize the change in amounts of fair value of equity instruments.

**11. Receivables**

Receivables include accounts receivable, other receivables, etc.

(1) Standard for Recognition of Provision for Bad debts

The Group checks the book value of accounts receivable on the balance sheet date and the impairment provision of accounts receivable is to be recognized under the following truth: A. the debtor has severe financial difficulties; B. the debtor breaks the contract items (like breaks the contract item of or

falls behind the time of paying interest or principle, etc); C. the debtor is probably to go bankrupt or conduct other financial restructurings; D. any other proofs indicating impairment provision of accounts receivable should be prepared.

(2) Recognition of Provision for Bad debts

①Significant Amount and Receivables Recognition of Provision for Bad debts

The Group carries out impairment test for each and every receivable which is significant amount, and calculates provision for bad debts, if exists, in accordance with the difference between present value and its future cash flow.

② No Significant Amount, but Receivables of Single or Combination Recognition of Provision for Bad debts.

The Group carries out impairment test for each and every receivable which is not significant amount includes receivable combination with credit risks features , if not exists(including significant amount and not significant amount) , carrying out impairment test in receivable combination with credit risks features. Impairment losses, excluded in receivable combination with credit risks features which carries out impairment test.

(3) Reverse of Provision for Bad debts

Recognized impairment loss can be reversed and accounted into current profits and losses if the receivables value regained under any proofs and related to events occurred after the loss. However, the reversed book value shall not exceed the amortization cost of the receivables presumed without withdrawing provision for bad debts on the reversed date.

**12. Inventory**

(1) Classification of Inventory

Inventory mainly includes raw material, materials in transit, self-made semi-finished goods and goods in process, commodity stocks, rotation materials (including low-priced and perishable articles, packages), processed goods, developers, and others.

(2) Inventory Valuation Method of Obtaining and Delivering

Inventory obtained shall be valuated at actual cost. Inventory cost includes purchasing cost, processed cost and other costs. Evaluation shall be under the moving weighted average method when using or delivering inventories.

(3) Recognition of Net Realizable Value of and Inventory devaluation Provision

Net realizable value refers to, in daily business, the amount left after estimated costs to be incurred upon completion, estimated selling expenses and related taxes are subtracted from estimated selling price of inventory. When confirming the net realizable value of inventory, the proof obtained as the basis, the purpose of obtaining inventory and the impact on the events after the balance sheet date shall be taken into consideration.

Inventory shall be valued based on the lower of cost and net realizable value at the balance sheet date. Inventory devaluation provision is to be made when its net realizable value is lower than cost. Inventory devaluation provision is normally to be made based on the difference between the cost of single inventory item and its net realizable value. For the inventory with large quantity and low unit price, depreciation provision is to be reversed according to inventory type; the inventory, which is related to the products made and sold in the same region, has the same or similar final use or purpose, and is hard to be valued separately from other items, can be combined and calculated into inventory devaluation provision.

After the reverse of inventory devaluation provision, if the factor that influences written-down

inventory value is gone, the difference between inventory net realizable value and its book value within the amount of calculated inventory depreciation provision can be reversed and recorded into current profits and losses.

(4) Perpetual Inventory System is adopted.

(5) Amortization Method of Low-priced and Perishable Articles and Packages

Low-priced and perishable articles and packages are amortized by one-time write-off method.

**13. Long-Term Equity Investment**

Long-term equity investment in this part refers to the one that the Group has right to control, jointly control or has significant influence on investee. The long-term equity investment that the Group doesn't have right to control, jointly control or have significant influence on investee shall be regarded as available-for-sale financial assets or valued by fair value, whose changes shall be accounted into financial assets of current profits and losses. See details of the accounting policy in Note IV, (10) "Financial Instruments."

Joint control refers to the Group jointly controls an arrangement according to relevant agreement and relevant activities of the arrangement shall be decided after all parties sharing controlling right enter an agreement. Significant influence refers to the right of participating in decision-making on the financial and operating policies of the investee, but not the control or joint control with other parties over the formulation of those policies.

(1) Recognition of Investment Cost

For the long-term equity investment obtained from enterprise consolidation under common control, the share of book value on the final controller's consolidated financial statement of shareholder's equity of the combined party on the combination date shall be regarded as initial investment cost of long-term equity investment. The difference among initial investment cost of long-term equity investment, paid cash, transferred non-cash-producing assets and the book value of debts shall be used to adjust capital reserve; if the capital reserve is not enough to be written off, it shall be used to adjust retained earnings. For the consolidation price is the issue of equity securities, the share of book value on the final controller's consolidated financial statement of shareholder's equity of the combined party on the business combination date shall be regarded as initial investment cost of long-term equity investment, and the face value sum of the shares issued. The difference between initial investment cost of long-term equity investment and face value sum of shares issued shall be used to adjust capital reserve; if the capital reserve is not enough to be written off, it shall be used to adjust retained earnings. The equity obtained from the combined party under common control through several transactions and eventually formed enterprise consolidation under common control shall be treated as follows: if it's a "package transaction," each and every transaction shall be accounted as a trade of obtaining controlling right. If it's not a "package transaction," the share of book value on the final controller's consolidated financial statement of shareholder's equity of the combined party on the business combination date shall be regarded as initial investment cost of long-term equity investment. The difference between initial investment cost of long-term equity investment and sum of book value of long-term equity investment before consolidation and book value of new shares price on the business combination date shall be used to adjust capital reserve; if the capital reserve is not enough to be written off, it shall be used to adjust retained earnings. Other comprehensive incomes of equity investment recognized through the calculation based on equity method or by being taken as available-for-sale financial assets shall not be accounted temporarily.

For the long-term equity investment obtained from enterprise consolidation not under the same

control, the consolidation cost on the purchasing date shall be regarded as initial investment cost of long-term equity investment, which includes assets paid by the buyer, liabilities occurred or undertaken, fair value sum of equity securities issued. The equity obtained from the merged party not under the same control through several transactions and eventually formed enterprise consolidation under the same control shall be responded as follows: if it's a "package transaction," each and every transaction shall be accounted as a trade of obtaining controlling right. If it's not a "package transaction," the sum of book value of initial equity investment of purchased party and new investment cost shall be regarded as initial investment of long-term equity investment based on cost method. The initial equity calculated based on equity method, other relevant comprehensive incomes is not to be accounted temporarily. For the initial equity investment that can be available-for-sale financial assets, the difference between the initial equity investment's fair value and its book value, and the accumulative fair value of other initial comprehensive income shall be recorded as current profits and losses.

Expenses for enterprise consolidation of the combining party or the purchaser, including auditing charge, law services fee, evaluation and consultation charge and other relevant management expenses, shall be recorded into current profits and losses when occurs.

Other equity investments except the long-term equity investment formed by enterprise consolidation shall be initially measured according to cost. The cost, in terms of different ways of obtaining long-term equity investment, shall be confirmed based on the following items: the actual amount of cash purchase price of the Group, the fair value of equity securities issued by the Group, the settled value of investment contract or agreement, initial book value or fair value of the asset in the non-monetary assets transaction, the fair value of this long-term equity investment, etc. Directly relevant expenses, taxes and other necessary expenditure of obtaining the long-term equity investment shall be recorded into investment cost. For the additional investments that can have significant influence on or implement control but not yet to constitute control the investee, long-term equity investment cost shall be the sum of the fair value of initial equity investment and new investment cost that confirmed according to "Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instrument."

(2) Follow-up Measurement and Recognition Method of Profits and Losses

The long-term equity investment that the investee is jointly controlled (except jointly operated) or influenced significantly shall be accounted based on equity method. Besides, cost method shall be adopted in the company's financial statement to account the long-term equity investment that can implement control over the investee.

1)The long-Term Equity Investment Accounted Based on Cost Method

When accounting based on cost method, long-term equity investment shall be valued according to initial investment cost, and the cost of investing on the adjustment of long-term equity investment shall be added or taken back. Except the actual amount paid for obtaining the investment or the cash dividends or profits contained in the price and announced but not delivered, current profits are to be recognized according to the cash dividends or profits announced and delivered by the authorized investee.

2)The long-Term Equity Investment Accounted Based on Equity Method

When accounting based on equity method, initial investment cost of long-term equity investment shall not be adjusted when it is more than the share of fair value of the authorized investee's net identifiable assets in investing; if initial investment cost is less than the share of fair value of the authorized

investee's net identifiable assets in investing, the difference shall be recorded into current profits and losses, and in the meantime, the cost of long-term equity investment shall be adjusted.

When calculating based on equity method, investment profit and other comprehensive incomes shall be recognized respectively according and the book value of long-term equity investment shall be adjusted at the same time according to the share realized by the entitled or shared investee; the book value of long-term equity investment shall be relatively increased according to the entitled part of the announced and delivered profit or cash dividends of the investee; for the other changes of shareholder's equity of the investee except net profit and loss, other comprehensive incomes and dividends, the book value of long-term equity investment shall be adjusted and recorded into capital surplus. When recognizing the share of net profit and loss entitled to the investee, based on fair value of various identifiable assets when obtaining investment, the net profit of the investee shall be recognized after being adjusted. If accounting policy and accounting period adopted by the investee is different with that of the Group, the investee's financial statement shall be adjusted according to the Group's accounting policy and accounting period so as to recognize the profit of investment and other comprehensive incomes. For the transaction occurred between the Group, associated enterprises and joint ventures, if the invested or sold assets are not a business, the unrealized profit and loss of internal trading shall be offset according the part belonging to the Group based on the calculation according the entitled ratio, and investment profit and loss shall be recognized after the above practice. However, if the unrealized internal trading loss occurred between the Group and the investee belongs to impairment loss of the transferred assets, it shall not be offset. If the assets the Group invested to the joint ventures or associated enterprises are businesses, therefore the investing party obtain long-term equity investment but controlling right, the fair value of the invested business shall be the initial investment cost of new long-term equity investment, and the difference between initial investment cost and invested business shall be totally accounted into current profits and losses. If the assets the Group invested to the joint ventures or associated enterprises are businesses, the difference between the consideration for obtaining and the business. The business among the Group, associated enterprises and joint ventures, if exists, shall be accounted according the regulations of "Accounting Standard for Business Enterprises No. 20 - Business Combinations," and all profits and gains or losses related to the transaction shall be recognized.

When recognizing net loss shared to the investee, the book value of long-term equity investment and other net-investment long-term equity over the investee, if exists, shall be reduced to zero. Besides, if the Group shall undertake the extra losses of the investee, the expected liabilities shall be recognized based on the expected undertaken obligation and recorded into current investment loss. If the investee has net profit in the future, the Group shall recover and recognize earnings-sharing amount after which makes up the unconfirmed losses-undertaking amount.

3)Purchasing a Minority of Equity

When formulating consolidated financial statement, the difference between new long-term equity investment due to purchasing a minority of equity and share of net asset entitled to subsidiaries from the purchasing date (or merging date) shall be used to adjust capital surplus. If capital surplus is not enough to be written off, it shall be used to adjust retained earnings.

4)Dealing with Long-Term Equity Investment

In the consolidated financial statements, with a situation where the parent company doesn't loss the controlling right, the parent company disposes of part of subsidiary's long-term equity investment, and the difference between the disposal price and the net assets entitled to the subsidiary that related

to the long-term equity investment shall be recorded into shareholder's equity; if the practice that the parent company disposes of part of subsidiary's long-term equity investment leads to losing controlling right over subsidiary, response shall be made according to relevant accounting policies in Note IV, 6. (2) "Preparation Methods of Consolidated Financial Statements".

For other disposal of long-term equity investment, the difference between the book value of the equity disposed of and actual disposal amount shall be recorded into current profits and losses.

When disposing the long-term equity investment accounted based on equity method, if the equity left after disposal is still accounted based on equity method, the initial part of other comprehensive incomes recorded into shareholder's equity shall be accounted according to the same basis that the investee directly disposes of relevant assets or liabilities with relative ratio. Shareholder's equity recognized due to changes of other shareholder's equity except net profit and loss, other comprehensive incomes and profits allocation of the investee shall be carried forward into current profits and losses in ratio.

The other comprehensive incomes, which, before obtaining control over the investee, are recognized through calculation based on equity method or calculation based on financial instruments and measurement standard, of the long-term equity investment accounted based on cost method, if the equity left after disposal is still accounted based on cost method, shall be accounted according to the same basis that the investee directly disposes of relevant assets or liabilities with relative ratio and shall be carried forward into current profits and losses; changes of other shareholder's equity recognized, except the net profit and loss, other comprehensive incomes and profits allocation of the investee's net asset accounted based on equity method, shall be carried forward into current profits and losses in ratio.

If the Group loses the control over the investee due to disposing of part of equity, when formulating a financial statement, the equity that left after disposal and can implement joint control or have significant influence on the investee, shall be accounted based on equity method and shall be regarded as having been adjusted based on equity method since the obtaining time point; the equity left after disposal that can't implement joint control or have significant influence on the investee shall be accounted according relevant regulations of recognition of financial instruments and measurement standard, and difference between its fair value and book value on the date of losing control. The other comprehensive incomes, recognized through calculation based on equity method or calculation of the recognition of financial instruments and measurement standard before the Group obtains control the investee, shall be accounted according to the same basis that the investee directly disposes of relevant assets or liabilities at the time of losing control over the investee, changes of other shareholder's equity recognized, except the net profit and loss, other comprehensive incomes and profits allocation of the investee's net asset accounted based on equity method, shall be carried forward into current profits and losses. Among them, if the equity left after disposal is accounted based on equity method, other comprehensive incomes and other shareholder's equity shall be carried forward in ratio; if the equity left after disposal is accounted based on the recognition of financial instruments and measurement standard, all other comprehensive incomes and other shareholder's equity shall be carried forward.

If the Group loses the joint control over or the significant influence on the investee due to disposal of part of equity, the equity left after disposal shall be accounted based on the recognition of financial instruments and measurement standard, and the difference between fair value and book value of the above equity on the date of losing joint control or significant influence. Other comprehensive incomes

of initial equity investment recognized based on equity method shall be accounted according to the same basis that the investee directly disposes of relevant assets or liabilities at the time of terminating the calculation based on equity method, all shareholder's equity recognized due to changes of other shareholder's equity except net profit and loss, other comprehensive incomes and profits allocation of the investee shall be transferred into current investment profits at the time of terminating using equity method.

Each and every transaction through which the Group disposes of subsidiary's equity investment step by step till it loses the controlling right, if belongs to package transaction, shall be accounted as a trade of disposing of subsidiary's equity investment and losing controlling right, and the difference between each disposal price and the book value of long-term equity investment related to the equity disposed of before losing controlling right shall be recognized as other comprehensive incomes firstly, then transferred into current profit and loss of losing controlling right when controlling right is lost.

(3) Held for Sale of Equity Investments

Equity investment of consortium or joint venture of all or part of the assets classified as held for sale. Relevant accounting treatment in Note IV、14。

For not classified as held for sale the residual equity investment, the equity method is adopted to improve the accounting.

Has been classified as held for sale to the consortium or joint venture equity investment, no longer meet the requirements for the classification of assets held for sale, starting from the date of assets are classified as held for sale to retroactive adjustment by employing the equity method.

**14. Held for Sale, and Termination of the Business**

And satisfy the following conditions of non-current assets (including financial assets and deferred income tax assets) or to the disposition of the group shall be recognized as held for sale: the non-current assets or to the disposition of the group must be under the current conditions only according to the sale of such non-current assets or to the disposition of the group's usual terms can be immediately sold; The company and its subsidiaries have disposed of the non-current assets or to the disposition of the group to make a decision, such as shareholder approval is required, shall have obtained a shareholders' meeting or relevant authority approval; The company and its subsidiaries have signed an irrevocable transfer agreement with the assignee; The transfer will be completed within a year.

Assets held for sale include single item assets and group disposal. In certain cases, the treatment group including obtaining from the merger of enterprises such as goodwill.

Hold non-current assets for sale and held for sale in the disposal of group assets depreciation or amortization, according to the book value and the net amount after the fair value minus the disposal expenses to measure what is low, and presenting as "divided into assets held for sale".

A non-current asset or to the disposition of the group was classified as held for sale, but later no longer meet the recognition criteria of assets held for sale, the enterprise should stop will be classified as held for sale, and in accordance with the following two amounts which is lower in the measurement:

①The book value of asset or disposition group before classified as held for sale, according to the assumption that in the absence of classified as held for sale due to confirmed adjusted amount of the depreciation, amortization and impairment ;

②decided not to sell the day of the recycle amount.

Termination of business is to meet one of the following conditions which have been dealing with or be

classified as held for sale, in operating and preparing its financial statements to distinguish separate components:

(1) represent the part of an independent main business or a main business areas.

(2) this is part of the disposal plan of an independent business or a main business area;

(3) the part is only the subsidiary which is obtained for resale.

**15. Fixed Assets**

(1) Recognition of Fixed Assets

Fixed assets of the Company refer to tangible assets held for the purposes of production of goods, service provision, rental or operation and management with a service life of over one accounting year. Fixed assets can only be recognized when its relevant economic profit is likely to enter into the Group and its cost can be measured reliably. Considering the influence of expected retirement expense, fixed assets shall be initially measured based on cost.

(2) Various Depreciation Methods of Fixed Assets

Depreciation withdrawal of fixed assets shall be taken within useful life based on straight-line method from the second month of reaching the working condition. The depreciation period, expected net salvage value, and annual depreciation rate are as follows:

| Category | Depreciation period (year) | Salvage value rate (%) | Annual depreciation rate (%) |
|---|---|---|---|
| Land improvement expenditure & Houses and buildings | 14.5-50 | 0-10 | 1.80-6.90 |
| Machinery equipments | 3-30 | 0-10 | 3.00-33.33 |
| Transport equipments | 4-10 | 0-10 | 9.00-25.00 |
| Moulds and gauges | 3-7 | 0-10 | 12.86-33.33 |
| Electronic and office equipments | 3-10 | 0-10 | 9.00-33.33 |
| Other equipments | 3-5 | 0-10 | 18.00-33.33 |

Expected net salvage value refers to the amount that the Group obtained by deducting expected disposal expense from the disposal of the following asset with supposing that the expected service life of fixed asset is due and is in the expected condition of ending its service life.

(3) Impairment Test and Impairment Provision of Fixed Assets

See Note VI, 20 "Long-Term Asset Impairment" for details of impairment test and impairment provision of fixed assets.

(4) Other Instruction

The follow-up expenditure related to fixed assets, if its economic profit related to the fixed assets is likely to enter into the Group and measured reliably based on its cost, shall be recorded into fixed assets cost and the book value of the part replaced shall be terminated to be recognized. Besides, the other follow-up expenditure shall be recorded into current profits and losses when occurs.

The fixed asset shall be terminated to be recognized if it is in the disposal condition or can't produce economic profit when used or disposed of in advance. The amount of the incomes of selling, transferring, scraping or damaging the fixed asset deducted from its book value and relevant taxes shall be recorded into current profits and losses.

The Group rechecks the fixed assets' useful life, expected net salvage value and depreciation method before the end of the year, and any changes, if exists, is to be disposed of as changes of accounting

estimate.

**16. Construction in Progress**

Construction in progress cost is confirmed based on actual construction expenditure, including the expenditure during construction, capitalized borrowing cost before reaching the working condition, and other relevant expenses. Construction in progress shall be carried forward as fixed asset after reaching the working condition.

See details of impairment test and impairment provision of construction in progress in Note IV, 20"Long-Term Asset Impairment."

**17. Borrowing Cost**

Borrowing cost includes loan interest, amortization of depreciation or premium, auxiliary expenses and exchange differences caused by foreign currency borrowing etc. For borrowing cost of purchase, building or production of assets that can directly belong to those assets meeting capitalization condition, it's capitalized after the asset expenses have occurred, borrowing cost has occurred, and the purchase and building or production activities to make the assets reach working or selling conditions have begun; when the assets purchased and built meeting capitalization condition have reached working or selling conditions, capitalization ends. Other borrowing cost is recognized as expenses when occurs.

The actual current interest expense incurred by proper loan, is capitalized by deducting unused interests income of loan funds deposited into the bank, or the amount of returns on investment obtained from temporary investment; ordinary borrowing is determined for capitalization amount by multiplying weighted mean of asset expenses exceeding special borrowing part among accumulated asset expenses by capitalization rate of ordinary borrowing occupied. The capitalization rate is calculated and decided according to weighted average interest rate of ordinary borrowing.

During capitalization period, all exchange differences of professional foreign currency borrowing shall be capitalized; exchange differences of common foreign currency borrowing shall be recorded into current profits and losses.

Assets meeting capitalization conditions, refer to assets like the fixed assets, investment real estate and inventory etc. that reach the estimated working or selling conditions through a considerable long period of purchase and building or production activities.

If the assets meeting capitalization conditions in the process of purchase and building or production have been informally interrupted, and the interruption interval is more than 3 months, the capitalization of the borrowing cost is suspended until purchase and building or production activities of the assets restart.

**18. Intangible Assets**

(1) Intangible Assets

Intangible assets refer to the identifiable non-monetary assets without physical substance owned or controlled by the Group.

Intangible assets are to be initially measured based on cost. The expenditure related to intangible assets, if relative economic profit is likely to enter into the Group and can be measured based on its cost reliably, shall be recorded into intangible assets cost. Besides, the expenditure of other items shall be accounted as current profits and losses when occur.

The land-use right obtained is normally accounted as intangible assets. The expenditure of land-use right and construction cost of buildings related to factory buildings and other buildings developed and constructed voluntarily shall be accounted as intangible assets and fixed assets separately. For

purchased houses and buildings, relevant prices shall be allocated between land-use right and buildings, if it is hard to be allocated reasonably, all of them shall be regarded as fixed assets.

When intangible assets with limited service life reaches the working condition, the amount that expected net salvage value and accumulated amount of withdrew impairment provision deducted from its original value shall be averagely amortized based on straight-line method within its expected service life. The intangible assets with uncertain service life shall be not amortized.

At the end of the period, service life of intangible assets with limited service life and amortization method shall be rechecked, and any changes, if exists, shall be accounted as changes of accounting estimate. Besides, useful life of intangible assets with uncertainty shall also be rechecked, if any proof shows that the intangible assets can bring foreseen economic profit to the enterprise, its useful life shall be estimated and it shall be amortized according to amortization method of intangible assets with limited service life.

(2) Research and Development Expenditure

Expenditure of the Group's internal research and development items is divided into expenditure in research period and expenditure in development period.

The expenditure in research period shall be recorded into current profits and losses when occur.

The expenditure in development period shall be recognized as intangible assets if meets all following terms, and shall be recorded as current profits and losses otherwise:

A. Complete the intangible assets to make it usable or tradable and available technically;
B. Possess the intention of completing and using or selling the intangible assets;
C. The method that intangible assets produce economic profit includes it can be proved that the products produced from intangible assets have market or intangible assets have its own market, if intangible assets are used in the interior, it can be proved its usefulness;
D. Have enough technical, financial resources and other resources support, to finish the development of the intangible assets, and have the ability to use or sell the intangible assets;
E. Expenses belonging to expenses of the intangible assets in development period can be measured reliably.

The expenditure that cannot be distinguished as the one in research period or development period, if exists, shall be recorded into current profits and losses.

(3) Impairment Test and Provision of Intangible Assets recognition

See Note IV , 20 "Long-Term Asset Impairment" for details of impairment test and provision of intangible assets recognition.

**19. Long-Term Deferred Expenses**

Long-term deferred and prepaid refers to all actual expenses with apportionment period of more than one year apportioned by reporting period and later periods. Long-term deferred and prepaid expenses shall be apportioned on straight-line basis in expected benefit period.

**20. Long-Term Assets Impairment**

At the balance sheet date, the Group determines whether there is any sign of impairment of fixed assets, construction in process, intangible assets with limited service life, long-term equity investment to subsidiaries, joint ventures, associated enterprises, goodwill and other non-current non-financial assets. If any, their recoverable amount shall be estimated and undergo impairment tests. Goodwill, intangible assets with uncertain service life and intangible assets have not been put into use shall undergo impairment tests each year whether there is any sign of impairment or not.

In the event that the impairment test results show that the recoverable amount of assets is lower than

their book value, impairment provision shall be withdrawn according to the difference and recorded into impairment loss. The recoverable amount refers to the higher one of the net amount of the fair value of the assets subtracted from the disposal expenses and the present value of expected future cash flow of the assets. The fair value of the assets is determined according to the price in the sales agreement in even bargain; assets which exist in the sales agreement but do not exist in active asset market, the fair value shall be determined according to price offered by the buyer of the assets; assets which do not exist in sales agreement but exist in active asset market, their fair value shall be estimated according to the best information available. The disposal expenses include legal expenses relevant to asset disposal, relevant taxes and fees, cartage and direct expenses that enable the asset to be sold. The present value of expected future cash flow of assets shall be determined according to the amount of expected future cash flow of assets incurred during the continuous use or final disposal of assets after being discounted according to an appropriate discount rate. Impairment provision for assets shall be measured and recognized according to the individual asset. If it is difficult to estimate the recoverable amount of the individual asset, the recoverable amount of the asset group shall be determined according to the asset group that contains such asset. The asset group refers to the smallest asset group that can generate independent cash inflow.

When impairment test is carried out, the book value of goodwill shown separately in the financial statement shall be apportioned to asset groups or combination of asset groups which gain benefit from the synergy effect of enterprise consolidation expectedly. If the test results show that recoverable amount of asset groups or combination of asset groups with apportioned goodwill is lower than the book value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall offset the book value of goodwill apportioned to asset groups or combination of asset groups, and offset the book value of other assets according to the proportion of the book value of asset groups or combination of asset groups exclusive of goodwill.

Once the said asset impairment loss is recognized, it shall not be reversed in later period.

**21. Employee Benefits**

Employee benefits of the Group mainly include short-term employee benefits, post-employment welfare, dismiss welfare and other long-term employee welfare. Among them:

The short-term employee benefits include wages, bonuses, allowances and subsidies, employee welfare expenses, medical insurance premiums, maternity insurance premiums, work-related injury insurance premiums, housing fund, labor union expenditure and employee education expenses, non-monetary welfare and so on. The Group recognizes the actual short-term employee benefits paid to employees during the accounting period when they work for the Group as liabilities and records them into the current profits and losses or related asset costs. The non-monetary welfare shall be measured according to fair value.

Post-employment welfare mainly includes the defined contribution plan which mainly includes the basic endowment insurance, unemployment insurance and annuity and so on. The corresponding payable amount shall be recorded into the relevant asset costs or current profits and losses when incurred.

In case of the termination of the labor relationship with the employee before contract term expires, or proposals to give compensation to encourage employees to accept redundancy voluntarily, when the Group cannot unilaterally withdraw dismiss welfare it offers due to the cancellation of labor relationship or the layoff proposal, and when the Group recognizes the costs related to the restructuring of payment of dismiss welfare, whichever is early, employee salary liabilities arising

from dismiss welfare shall be recognized and recorded into the current profits and losses. However, if dismiss welfare cannot be paid in full within twelve months after the annual reporting period as expected, it shall be dealt with as other long-term employee salaries.

The principle to deal with dismiss welfare is also applied to internal retirement plan for employee. The Group records wages and social insurance charges to be paid to the retired employees from the day they stop serving until the normal retirement date into current profits and losses (dismiss welfare), provide that they meet the recognition conditions of estimated liabilities.

Other long-term employee welfare the Group offers to its employees shall be dealt with according to the defined contribution plan if they meet the same, otherwise they shall be dealt with according to the defined benefit plan.

**22. Provision**

Obligations related to contingencies shall be recognized as provisions when they meet the following conditions simultaneously: (1) the obligation is a current one assumed by the Group; (2) performing the obligation might lead to the outflow of economic benefits; (3) the amount of the obligation can be measured reliably.

At the balance sheet date, considering risks related to contingencies, uncertainties, time value of money and other factors, accrued liabilities shall be measured according to the best estimate of the expenditure necessary to perform relevant current obligations.

Should all or part of the expenditure needed to settle accrued liabilities is expected to be compensated by the third party, the amount of compensation shall be recognized solely as assets provided that the amount of compensation may well be received. In addition, the recognized amount of compensation shall not exceed the book value of estimated liabilities.

(1) Loss Contract

Loss contract refers to the contract of which costs are in excess of the expected economic benefits inevitably when contractual obligations are fulfilled. Where an executory contract becomes loss contract, and obligations in such loss contract meet recognition conditions of the said estimated liabilities, the different between contractual estimated loss and the recognized impairment loss (if any) of contractual subject assets shall be recognized as accrued liabilities.

(2) Restructuring Obligations

As for a detailed and formal restructuring plan that has been officially announced, if recognition conditions of the said accrued liabilities has been met, the amount of accrued liabilities shall be recognized according to the direct expenditure associated with the restructuring. As for restructuring obligations with part of the business sold, obligations associated with the restructuring shall be reorganized after the Group undertakes to sell part of the business, (namely, to sign a binding sales agreement).

**23. Income**

(1) Income from Selling Goods

When the significant risks and returns of ownership of goods have been transferred to buyer, the Group does not retain the right of continuing management linked to ownership, nor implement effective control over goods sold, the amount of income can be measured reliably, relevant economic benefits are likely to flow into the enterprise, relevant costs incurred or to be incurred can be measured reliably, the realization of the revenue from selling goods can be recognized.

Most of the Group's risks and returns of sales business are transferred when goods are delivered in the factory. However, if the sales of vehicles are accompanied by repurchase agreements or salvage value,

and the significant risks of ownership of the goods are still in the Group, the sale will be regarded as an operating lease business in accounting. In the operating lease period, income is recognized on straight-line basis. The corresponding assets remain in the balance sheet as operating leases leasing assets. If the Group doesn't have significant risks when it retains ownership of goods, 1) sales income with repurchase agreements will be confirmed when vehicles are sold and a financial liability should be confirmed according to the expected repurchase obligations 2) sales income with salvage value will be confirmed when vehicles are sold but an expected liability will be confirmed according to the salvage value to offset sales income.

(2) Service Income

If the result of service transaction can be reliably estimated, recognize the labor revenue according to percentage-of-completion method at the balance sheet date. The completion progress of service transaction shall be determined according to the work completed.

That the result of service transaction can be reliably estimated refers to all the following aspects: A. the amount of income can be measured reliably; B. relevant economic benefits are likely to flow into the enterprise; C. the completion progress of the transaction can be reliably determined; D. the cost incurred or to be incurred in the transaction can be reliably measured.

If the result of service transaction cannot be reliably estimated, provide labor income according to the labor cost that has occurred and is expected to be compensated and will take the occurred labor costs as period charges. If the labor cost occurred cannot not be compensated as expected, it shouldn't be recognized as income.

When the contracts or agreements signed between the Group and other enterprises include the sale of goods and services and the sales of goods and services can be distinguished and measured separately, the sales of goods and services are handled separately; if the sale of goods and services cannot be distinguished, or can be distinguished but cannot to be measured alone, the entire contract is handled in the way goods are sold.

(3) Income from Charge for Use

Income is recognized according to relevant contract or agreement and on accrual basis.

(4) Interest Income

It is determined according to the time during which people use the Group's monetary funds and the actual interest rate.

**24. Government Subsidies**

(1) Government subsidies refer to monetary or non-monetary assets the Group receives from the government for free. Government subsidies include government subsidies related to assets and government subsidies related to income.

1) The judgments and accounting methods of government subsidies related to assets

The government subsidies pertinent to assets mean the government assets that are obtained by enterprises used for purchase, construction or forming the long-term assets by other ways.

Government subsidies related to assets shall be recognized as deferred income and be distributed and included in profits and losses according to rational and systematic methods within the useful lives of the relevant assets. Government subsidies measured based on the nominal amounts and shall be recorded into the current profits and losses directly.

Relevant assets are sold, transferred, abandoned or damaged before their expected useful life, the relevant undistributed balance of deferred income is transferred into the current profit and losses of disposal of assets.

2) The judgments and accounting methods of government subsidies related to income

If the government subsidies related to income are used as compensation for relevant future expenses or losses of later periods, they shall be recognized as deferred income and be recorded into the current profits and losses when recognizing relevant expenses or losses.

If the government subsidies are used as compensation for related costs or losses having occurred, they shall be directly recorded into current profits and losses.

When the government subsidies include the related parts of the assets and the income related parts, then it is necessary to distinguish the different parts of the government subsidies and apply accounting methods respectively; when it is difficult to distinguish them , then the whole is classified as the government subsidy related to the income.

According to the essence of economic activities, government subsidies related to the daily activities of the Group are supposed to be recorded into other income. Government subsidies not related to the daily activities of the Group are recorded in non-operating income.

If government subsidies with related deferred revenue balance that have been confirmed should be returned, offset the book balance of the related deferred income, the excessive part shall be recorded into the current profits and losses. Government subsidies without related deferred income shall be recorded into the current profits and losses directly.

**25. Deferred Income Tax Assets/ Deferred Income Tax Liabilities**

(1) The Current Income Tax Expense

Current income tax liabilities (or assets) formed currently or before shall be calculated in accordance with the tax law which specifies the amount of income tax expected to be paid (or returned) at the balance sheet date. The amount of taxable income used to calculate current income tax expenses shall be calculated after the pre-tax accounting profit of current year is adjusted according to the relevant provisions of the tax law.

(2) Deferred Income Tax Assets and Deferred Income Tax Liabilities

As for the difference between the book value and its tax basis of assets and liabilities of certain projects and the temporary differences arising from the difference between the book value of the project which hasn't been recognized as an asset or liability but its tax basis can be determined in accordance with the provisions of the tax law, liability method of balance sheet is adopted to recognize deferred income tax assets and deferred income tax liabilities.

As for taxable temporary differences related to initial recognition of goodwill and the initial recognition of assets or liabilities arising from transactions that are not related to enterprise consolidation and do not affect the accounting profit and taxable income (or deductible losses), related deferred tax liabilities shall not be recognized. In addition, as for the temporary differences of the investment of subsidiaries, associated enterprises and joint ventures, if the Group is able to control the reversal time of the temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future, related deferred tax liabilities shall not be recognized as well. In addition to the above exceptions, the Group recognizes all other deferred income tax liabilities arising from taxable temporary differences.

As for taxable temporary differences related to the initial recognition of assets or liabilities arising from transactions that are not related to enterprise consolidation and do not affect the accounting profit and taxable income (or deductible losses), related deferred tax assets shall not be recognized. In addition, as for deductible temporary differences of the investment of subsidiaries, associated enterprises and joint ventures, if the temporary differences are not likely to be reversed in the

foreseeable future or it is not likely to get taxable income to offset the deductible temporary differences in the future, related deferred tax assets shall not be recognized. In addition to the above exceptions, the Group is likely to recognize deferred income tax assets arising from other deductible temporary differences according to taxable income which can offset deductible temporary differences. As for deductible losses and tax credits which can be transferred to the future years, the corresponding deferred income tax assets shall be recognized according to future taxable income which can be used for deducting deductible losses and tax credits.

According to the tax law, at the balance sheet date, deferred income tax assets and deferred income tax liabilities shall be calculated in accordance with the applicable tax rate adopted when related assets is expected to be recovered or related liabilities is expected to be settled.

The book value of deferred income tax assets shall be rechecked at the balance sheet date. If it is unlikely to obtain sufficient taxable income to offset profits of deferred income tax assets in the future, reduce the deferred income tax assets. When sufficient taxable income it is probably to be obtained, the reduced amount shall be reversed.

(3) Income Tax Expense

Income tax expense includes current income tax and deferred income tax.

The expense or profit of the rest current income tax and deferred income tax shall be recorded into the current profits and losses except for other comprehensive income or current income tax and deferred income tax related to transactions and matters that have been directly included in shareholders' equity and are included in other comprehensive income or shareholders' equity, and book value of the deferred income tax arising from enterprise consolidation used for adjusting goodwill.

(4) Offset Income Tax

When the Croup has a statutory right of net settlement and intends to obtain assets and settle liabilities through net settlement at the same time, current income tax assets and current income tax liabilities of the Group shall be presented as net amount after being offset.

When the Group has a statutory right to settle current income tax assets and current income tax liabilities at a net figure, and deferred tax assets and deferred income tax liabilities are tax from the same subject of tax payment and are collected by the same taxation department, or related to different subjects of tax payment, but in every future important reversal period of deferred income tax assets and liabilities, subject of tax payment involved intend to settle current income tax assets and liabilities at a net figure or obtain the assets and settle liabilities at the same time, deferred income tax assets and deferred income tax liabilities of the Croup shall be presented as net amount after being offset.

**26. Leases**

Financial lease refers to the lease that transfers substantially all the risks and returns of asset ownership. Its ownership may or may not be transferred ultimately. Operating lease refers to the lease except financial lease.

(1) As the Leasee, the Group Records Operating Lease Business

Rental expenses of operating lease during all the periods of the tenancy shall be included in the relevant asset costs or current profits and losses on straight-line basis. The initial direct expenses shall be recorded into the current profits and losses. Or the actual rent should be recorded into the current profits and losses.

(2) As the Lessor, the Group Records Operating Lease Business

Rental income from operating lease during all the periods of the tenancy is recognized as current profits and losses on straight-line basis. Larger amounts of initial direct costs shall be capitalized

when used and shall be recorded into the current profits and losses according to recognition rental income by stages throughout the tenancy; other smaller amounts of initial direct costs shall be recorded into the current profits and losses when used. Or the actual rent shall be recorded into the current profits and losses.

(3) As the Leasee, the Group Records Financial Lease Business

In the starting day of the tenancy, the lesser of the fair value of leased assets and the present value of the minimum lease payments on the starting day of the tenancy shall be the entry value of leased assets. The minimum lease payments shall be the entry value of long-term payables and its difference shall be unrecognized financial charges. In addition, costs arising from the lease negotiations and the signing of a lease contract shall be the initial direct costs of the leasing project and included in the leased asset value. The balance of minimum lease payments and unrecognized financial charges shall be presented as long-term liabilities and long-term liabilities due within one year respectively.

During the tenancy, unrecognized financial charges shall be recognized as current financial charges by actual interest rate method. Or the actual rent shall be recorded into the current profits and losses.

(4) As the Lessor, the Group Records Financial Leases Business

In the starting day of the tenancy, the sum of the minimum lease receipts and the initial direct costs on the starting day of the tenancy shall be the entry value of financial lease receivables and record the unguaranteed residual value; the difference between the sum of minimum lease receipts, the initial direct costs and the unguaranteed residual and the sum of their present value shall be recognized as unrealized financial profits. The balance of financial lease receivables and unrealized financial profits shall be presented as long-term credit and long-term credit due within one year.

During the tenancy, unrealized financial profits shall be recognized as current financial income by actual interest rate method. Or the actual rent shall be recorded into current profits and losses.

**27. Changes in Significant Accounting Policies and Estimates**

(1) Changes in Significant Accounting Policies

| The content and cause of changes in Accounting Estimates | Approval procedures | Affected item in financial statements | Affected amount |
|---|---|---|---|
| According to the Accounting Standards for Enterprises No.42 –Available-for-sale non-current assets, disposal combinations and discontinuing operation, there are new requirements on the classification, measurement and presentation of available-for-sale non-current assets or disposal combinations and discontinuing operation after May 28, 2017.and company is required to apply for the prospective application. The Group modified the presentation of financial statements, and reported the continuous operating net profit and discontinued operating net profit in the consolidated and individual financial statements respectively. The company restarted the comparative income statement accordingly: for the presentation of current reporting period's discontinuing operation is changed from | Through Board of directors Approval | Continuous operating net profit | 18,824,234,856.78 |
| | | Discontinued operating net profit | |

| | | | |
|---|---|---|---|
| continuous operating net profit to be presented in the account of discontinued operating net profit in comparative statement. | | | |
| According to the Accounting Standards For Enterprises No.16 –Government Subsidies (2017), the accounting method of government subsidies has changed to be allowed to use net method, and the amortization method of deferred income which is recognized by government subsidies related to assets, has changed from shall be equally allocated during useful life of relevant assets to be allocated according to rational and systematic methods. Also, the company updates the reporting item of government subsidies. The company applies to prospective application to the government subsidies existed at or before January 1, 2017, and makes an adjustment to the newly added government subsidies in 2017. The company do not restart the presentation of other income in comparative income statement as it is not necessary to provide comparative information for new disclosure requirements. | Through Board of directors Approval | Other income | 2,489,180,524.97 |
| | | Non-operating income | -2,489,180,524.97 |
| According to the Circular on Issuing the Revised format of Finance Statements for General Company (Caikuai [2017]No.30), the company is subject to separately present the line item of "gain and loss from disposal of assets" above the line item of "operating profit". Also, the gain and loss from disposal of non-current assets, which were originally presented in "non-operating income" and "non-operating expense", were reclassified to "gain and loss from disposal of assets". The company restarted the comparative income statement accordingly. | Through Board of directors Approval | Non-operating income | -128,129,348.63 |
| | | Non-operating expense | 388,557,040.06 |
| | | Gain and loss from disposal of assets | -260,427,691.43 |

(2) Changes in Significant Accounting Estimates.

Significant accounting estimates in this accounting period have not changed.

**29. Significant Accounting Judgment and Estimates**

Due to the inherent uncertainty of business activities, while applying accounting policies, the Group must make judgments, estimates and assumptions over the book value of items in the financial statement that cannot be measured accurately. These judgment, estimates and assumptions are based on the past experience of the management of the Group and other relevant factors. These judgment, estimates and assumptions affect the reported amounts of income, expenses, assets and liabilities, the balance sheet date or disclosure of liabilities. However, the actual results arising from the uncertainty of the estimates might be different from the current estimates of the management of the Group. Therefore, the book value of assets or liabilities that will be affected in the future will experience a major adjustment.

The said judgment, estimates and assumptions shall be reviewed regularly by Group on the basis of continuing operations. In the event that the changes in accounting estimates only affect the current period of the changes, their influence number shall be recognized in the current period of the changes; in the event that the changes in accounting estimates affect both the current period of the changes and the future, their influence number shall be recognized in the current period of the changes and the future.

At the balance sheet date, the Group needs to make judgment, estimates and assumptions of the amount of items of the financial statement in the following important areas:

(1) Lease Classification

According to "Accounting Standard for Business Enterprises No. 21 - Leases," leases may be classified as operating lease and finance lease. When classifying, the management shall analyze and judge whether all the risks and returns of ownership of the leasing assets have been transferred to the lessee substantially, or whether the Group has undertaken all the risks and returns of ownership of the leased assets substantially.

(2) Provision for Bad Debts

The Group recognizes bad debt losses with allowance method according to the accounting policies on receivables. The accounts receivable impairment is based on the assessment of the collectability of accounts receivable. The management needs to judge and estimate the accounts receivable impairment. The difference between the actual result and the previous estimate will affect the book value of the accounts receivable and the recognition and reversal of provision for bad debts of the accounts receivable when the estimate is changed.

(3) Provision for Inventory Devaluation

According to the accounting policies on inventory, the Group measures inventory with costs or net realizable value, whichever is lower. As for the inventory whose costs are higher than net realizable value and obsolete and unsalable inventory, recognize provision for inventory devaluation. The value of inventory is impaired to net realizable value based on valuation of salability and net realizable value of inventory. To identify impairment of inventory, the management needs to obtain conclusive evidence and takes the purpose of holding the inventory and the future impact on items of balance sheet into consideration when making judgment and estimates. The difference between the actual result and the previous estimate will affect the book value of inventory and the recognition and reversal of inventory devaluation provision when the estimate is changed.

(4) Fair Value of Financial Instruments

The Group determines fair value of financial instruments in the inactive market through various valuation methods, including analysis of discounted cash flows model. When making the valuation, the Group needs to estimate future cash flows, credit risks, market volatility and correlation and selects the appropriate discount rate. The change of these uncertain assumptions will affect the fair value of financial instruments.

(5) Held-to-maturity Investment

The Group classifies qualified fixed or determinable payment amount and non-derivative financial assets with fixed maturity date that the Group has the intention and ability to hold to maturity date as held-to-maturity investment. The classification involves a large number of judgments. When making judgment, the Group will evaluate its intention and ability to hold such investments to maturity date. Except special situations (such as investments with insignificant amount is sold when maturity date is around the corner), if the Group fails to hold these investments to maturity date, all such investments

shall be classified as available-for-sale financial assets. Such financial assets shall not be classified as held-to-maturity investment in the current fiscal year and the following two complete accounting year. Such causes may have a significant impact on the value of financial assets presented in financial statement and may affect the risk management strategy of financial instruments of the Group.

(6) Impairment of Held-to-maturity Investment

That the Group determines whether held-to-maturity investment is impaired depends largely on the judgment of the management. Impairment of objective evidence includes the fact that the issuer has serious financial difficulties, so such financial assets cannot be transacted in active market and it cannot fulfill the contract terms (such as payment of interest or default of principal). When making judgment, the Group needs to evaluate the impact of impairment of objective evidence on the expected future cash flows of such investment.

(7) Impairment of Available-for-Sale Financial Assets

That the Group determines whether available-for-sale financial assets are impaired depends on the judgment and assumptions of the management to determine whether it is necessary to recognize the impairment loss in the profit statement. When making judgment and assumptions, the Group needs to assess the difference between fair value and its cost of such investment and its duration, the financial condition and short-term business prospect of the investee, including the industry situation, technological change, credit rating, default rate and the competitor risk.

(8) Impairment Provision for Non-financial and Non-current Assets

At the balance sheet date, the Group may show some signs of asset impairment in the judgement about the non-current assets, except the financial assets. For the intangible assets with uncertain useful life, we will conduct an impairment test every year. In addition, the test will be conducted again when it shows any sign in the asset impairment or other non-financial assets, except the financial assets that the book amount is irrecoverable.

The sign of asset impairment appears when the difference exists between the book value and the recoverable amount which is the higher amount between the net amount, through deducting the expected disposal expenses from the fair value, and the expected future cash flow and asset groups.

The net amount, through deducting the expected disposal expenses from the fair value, is confirmed by deducting the incremental costs which directly belong to the assets disposal according to the price in the fair dealings, such as in the asset sales agreement and the visible market price.

When the future cash flow is expected, it's important to make a judgment about production, selling expenses, relevant operation cost and discount rate in the calculation in the asset (or the asset group). All the obtainable related data, including the calculation of the related production, selling expenses, relevant operation cost according to the reasonable and supportable assumption, should be adopted to calculate the recoverable amount.

The Group will at least conduct a goodwill impairment test each year, which requires it to expect the future cash flow of the asset groups or combination of asset groups with given goodwill. In this case, the Group needs to expect the future cash flow of the asset groups or combination of asset groups as well as pick an appropriate recoverable amount to confirm its value.

(9) Depreciation and Amortization

After considering the salvage value of the fixed assets and intangible assets, the Group recognizes depreciation and amortization on straight-line basis within the useful life. The Group would review the useful life regularly to decide the cost of the depreciation and amortization to be included in each reporting period. The service life is determined on the basis of the past experience on the similar

assets and the combination of the expected technology updating. If there is a drastic change in estimation, the Group will adjust the cost of the depreciation and amortization in future periods.

(10) Development Expenditure

When determining the capitalized amount, the Group's management needs to make an assumption of the expected future cash flow, applicative discount rate and the expected benefit period about the related asset.

(11) Deferred Income Tax Assets

With the limit of keeping enough taxable profits deducting the loss, the Group determines the deferred income tax assets according to the untapped taxation loss. In this case, the Group's management needs plenty of estimate to calculate time and amount of the future taxable profits and combines taxation planning strategies to determine the deferred income tax assets.

(12) Income Tax

During the normal business activities, there is a part of transactions with uncertainty about the final tax treatment and calculation. Whether a part of items can be listed as pre-tax expenditures from the cost and expenses should get approved by tax authorities. If there is any difference between the final identified results and the original estimated amount in these taxation matters, then it will impact on the income tax in the year and deferred income tax in the final identified periods.

(13) Internal Early Retirement Welfare and Supplemental Retiring Welfare

The amount of liabilities the expenditures of the internal early retirement welfare and supplement to retiring welfare are determined according to all kinds of assumed conditions including the discount rate, the growth rate of the average medical expenses, the growth rate of the subsidy to the retired employees and other factors. The differences between the actual result and the assumption should be confirmed instantly and included into the expenditures in the year when exists. Although the management considers the assumption is reasonable, the changes in the actual empirical value and the assumed conditions will impact on the expenditure s of the internal early retirement welfare and supplement to retiring welfare and the debt batance.

(14) Estimated Liabilities

According to the treaty article, the existing knowledge and historical experience, the Group should estimate the production quality assurance, the expected contract loss and the penalty for late delivery and recognize some contingent liabilities. In the case that the contingencies has formed a present obligation and the performance of the obligation will be likely lead to outflow of economic benefits, the estimated liabilities will be determined according to the required expenditure of the best estimative figure of the current obligation. The confirmation and measure of the estimated liabilities largely rely on the judgment of the management. During the judgment process, the Group needs to estimate the risk of the contingencies, uncertainty, monetary time value and other factors.

Among them, the Group will sell, maintain and remould goods and provide clients with the estimated liabilities for after-sale service. In this case, the recent data on the service experience has been taken into consideration, but it may fail to reflect the service situation in future. Furthermore, the increased or reduced preparation may influence the profit and loss next year.

(15) Fair Value Measurement

Certain of the assets and liabilities of the Group should be measured by fair value in the financial statements. The board of directors has established the Commission of Appraisement (led by the CFO of the Group) so that the appropriate valuation technology and input value can be determined. The Group will adopt the obtainable and visible market data to estimate the assets and the fair value of

liabilities. If the first input value can't be obtained, the Group will hire a qualified appraiser as the third party to estimate them. The Commission of Appraisement and the qualified external appraiser should cooperate closely to determine the appropriate valuation technology and the input value of the related models. The CFO should report to the board of directors on the discovery by the Commission of Appraisement to state the reasons for the fluctuation in the related assets and the fair value of liabilities.

## V. Taxes

### 1. Item and Rate of Taxation

| Item of taxation | The specific tax rates |
|---|---|
| Value added tax | The output tax should be calculated according to 3%, 5%, 6%, 11%, 13%, 17%, 20% or 22% of the tax rate as taxable income. The value added tax should be calculated according to the sum after deducting the current deductible input tax. The export tax rebate rates are 15% and 17%. |
| Consumption tax | Product sales revenue should be calculated according to 1%, 3% , 5% , 9% or 10% of the tax rate. |
| City maintenance and construction tax | According to 1% , 5% or 7% of the turnover tax. |
| Enterprise income tax | According to 15%, 18%, 20%, 22%, 25% or 33% of the taxable income. |
| Education surtax | The education surtax and the local education surtax should be calculated according to 3%, 2% or 1% of the taxable turnover tax. |
| Land value increment tax | The four level super rate progressive tax rates are applied. The value added is not more than 50% of the deducted item amount, the tax rate is 30%; the value added exceeds the part of the deducted item amount 50% not more than 100%, the tax rate is 40%; the value added exceeds the deducted item amount 100% not more than 200% part, the tax rate is 50%; the value-added amount exceeds the deducted item amount 200% part, the tax rate is 60%. |
| Housing property tax | Price-based taxation is calculated according to 1.2% of the 70% to 90% of the original value; rent-based taxation is calculated according to 12% of the rent. |
| Stamp tax | According to 0.05% of increasement of paid-in capital and capital reserve. |

Note: VAT and income tax of overseas subsidiaries shall be paid according to local tax law.

### 2. Tax benefits

| Company | Income tax rate (%) |
|---|---|
| Hunan Geely Automobile Parts Co., Ltd. | 15 |

| Company | Income tax rate (%) |
|---|---|
| Hunan Luoyou Engine Parts Co., Ltd. | 15 |
| Zhejiang Ruhoo Automobile Co., Ltd. | 15 |
| Zhejiang Geely Automobile Research Institute Co., Ltd. | 15 |
| Zhejiang Jirun Automobile Co., Ltd. | 15 |
| Ningbo Vision Automobile Parts & Components Co., Ltd. | 15 |
| Zhejiang Geely Luoyou Engines Co., Ltd. | 15 |
| Jinan Geely Automobile Co., Ltd. | 15 |
| Chengdu Gaoyuan Automobile Industrial Co., Ltd. | 15 |
| Zhejiang Jirun Chunxiao Automobile Parts Co., Ltd. | 15 |
| Baoji Geely Automobile Parts Co., Ltd. | 15 |
| Jinan Geely Automobile Parts & Components Co., Ltd. | 15 |
| Zhejiang Fengrui Engine Co., Ltd. | 15 |
| Geely Sichuan Commercial Vehicle Co., Ltd. | 15 |
| Hangzhou Geely Evun Technology Co.,Ltd | 15 |
| Ningbo Geely Luoyou Engine Parts and Component and Co.,Ltd. | 15 |
| Zhejiang Fulin Guorun Automobile Parts and Components Co., Ltd. | 15 |
| Ningbo Geely Automobile Reserch & Development Co., Ltd. | 15 |
| Zhejiang Qianjiang Lithium Technology Co., Ltd. | 15 |
| Zhejiang E-zone Intelligent Electric Co., Ltd. | 15 |
| Borisov Engine Plant "Geely" Limited Liability Company | 18 |
| Geely Motors LLC | 20 |
| Geely Ukraine LLC | 20 |
| Volvo Personvagnar AB | 22 |

## VI. Notes to Items of Consolidated Financial Statements

Unless otherwise especially specified, all amounts below should be RMB/yuan. No indication of Opening balance, all should be Closing balance.

### 1. Monetary Fund

| Item | Closing balance | Opening balance |
|---|---|---|
| Cash | 1,619,716.07 | 2,460,767.16 |
| Bank Deposit | 52,769,928,126.56 | 47,275,711,197.79 |
| Other Monetary Fund | 1,497,115,024.43 | 436,250,403.13 |
| **Total** | 54,268,662,867.06 | 47,714,422,368.08 |

Note: Limited Closing Balance is RMB 501,482,532.05 yuan , Limited Opening balance is RMB 125,830,756.35 yuan.

### 2. Financial Assets Measured at Fair Values and Changes Accounted into Current Profit or Losses

| Item | Closing balance | Opening balance |
|---|---|---|
| 1. Tradable financial assets | 7,679,000.00 | |
| Including: investment of debt instruments | 7,679,000.00 | |
| 2. Financial assets measured at fair values and changes accounted into current profit or losses | 33,139,467.62 | 1,832,277,244.49 |
| Including: investment of debt instruments | 33,139,467.62 | 1,832,277,244.49 |
| 3. Commercial Paper (Note1) | 2,196,944,800.00 | 5,778,943,765.00 |
| 4. Hedging instrument | 915,309,739.00 | 490,112,969.00 |
| Including: cash flows hedging instrument (Note 2) | 862,719,995.00 | 407,243,981.00 |
| Hedging instruments for net assets from net foreign investments(Note 3) | 52,589,744.00 | 82,868,988.00 |
| 5. Electricity futures (Note 4) | 13,715,174.00 | 24,958,364.00 |
| **Total** | 3,166,788,180.62 | 8,126,292,342.49 |

**Note 1:** The Group subsidiaries of Shanghai Geely Zhaoyuan International Investment Co. Ltd. (hereinafter referred to as: Geely Zhaoyuan) hold Commercial Papers RMB 2,196,944,800.00 yuan (Year 2016: RMB 5,778,943,765.00 yuan) at the year end of 2017. The Commercial paper amounting to RMB 1,580,564,189.00 yuan (Year 2016: RMB 3,693,259,564.00yuan) will mature within 3

months, and commercial paper amounting to RMB 616,380,611.00 yuan (Year 2016: RMB 2,085,684,201.00 yuan) will mature over 3 months,

**Note 2:** At the balance sheet date, Zhaoyuan owns the foreign exchange forward contract and options with positive fair values (see Note VI, 24) which was designated to be the highly effective hedging instruments to manage the exposure to the exchange rate risk related to the expected foreign currency sales and purchases in 2017. The group considers such hedging highly effective.

As of the balance sheet date, the gain arising from the changes of cash flows hedging instrument fair value recorded in other comprehensive income (after tax) is 2,747,565,214.00 yuan ( Year 2016, after tax loss is RMB 2,384,833,731.00 yuan), which is expected to be transferred gradually to the income statement within 48 months (Year 2016, 48 months) after the balance sheet date.

The articles in the forward contract and the options signed by Geely Zhaoyuan are consistent with the articles of predicted transaction. The concrete information is as follows:

Foreign exchange forward contract:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 2,841,693,799.00 | Within 1 month | 76,772,025.00 |
| 4,742,837,071.00 | 1 to 3 months | 158,572,077.00 |
| 16,719,925,748.00 | 3 to 12 months | 619,536,096.00 |
| 21,564,669,755.00 | 1-5 years | 961,715,914.00 |

Foreign exchange options contact:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 484,201,940.00 | Within 1 month | 705,084.00 |
| 254,433,244.00 | 1 to 3 months | 883,879.00 |
| 225,537,504.00 | 3 to 12 months | 6,250,834.00 |
| 265,300,381.00 | 1-5 years | 4,926,498.00 |

Note①: Nominal amount is currency amount of the subject in the contract, and it is presented in RMB converted according to the spot exchange rate with RMB on December 31, 2017. For those future contracts and option contracts, whose maturity dates are 1-5 years, the fair value see Note VI, 22.

**Note 3:** The Group uses the exchange rate swap contract to reduce exposure to the exchange rate risk of Foreign currency financial instrument. The concrete information is listed as follows:

Exchange rate swap contract:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 2,783,755,687.00 | Within 1 month | 26,109,934.00 |
| 1,650,828,483.00 | 1 to 3 months | 26,479,810.00 |

Note①: Nominal amount is currency amount of the subject in the contract, and it is presented in RMB converted according to the spot exchange rate with RMB on December 31, 2017.

**Note 4:** At the balance sheet date, Geely Zhaoyuan owns the following electricity forward contract with a positive fair value. The Group management thinks that the hedging is highly effective.

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|

| | | |
|---|---|---|
| RMB | | RMB |
| 639,443.00 | 1 to 3 months | 95,592.00 |
| 45,385,470.00 | 3 to 12 months | 13,619,582.00 |
| 17,569,380.00 | 1 to 5 years | 9,072,424.00 |

Note①: In order to avoid the fluctuation of the electricity price, Geely Zhaoyuan purchases long and short electricity forwards contract, and the positive nominal amount means the net position of the contracts in hand is long and the negative one means short. For those electricity forward contract whose maturity dates are 1-5 years, the fair value see Note VI, 22.

### 3. Notes Receivable

(1) Notes Receivable Classification

| Item | Closing balance | Opening balance |
|---|---|---|
| Bank's Acceptance Bill | 24,709,770,776.91 | 10,259,134,861.11 |
| **Total** | 24,709,770,776.91 | 10,259,134,861.11 |

(2)Pledged Notes Receivable at the year end.

Our group shall not have any pledged note receivable at the end of current year.

(3)Endorsed or Discounted are not due on the balance sheet date

The amount of notes receivable which have been endorsed or discounted at the end of the period and have not yet expired on the balance sheet date is 2,008,469,966.69 yuan.

### 4. Accounts Receivable

(1) The Aging Analysis of Accounts Receivable Is As Follows:

| Account age | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | Book balance | | Provision for bad debts |
| | Amount | Percentage (%) | | Amount | Percentage (%) | |
| Within 1 year | 6,013,742,675.20 | 79.69 | 81,321,719.93 | 5,437,379,370.74 | 83.15 | 41,393,033.28 |
| 1 to 2 years | 399,221,851.67 | 5.29 | 15,965,468.53 | 280,181,921.17 | 4.28 | 18,510,062.76 |
| 2 to 3 years | 278,105,111.31 | 3.69 | 7,393,516.17 | 560,932,531,01 | 8.58 | 64,465,705.09 |
| More than 3 years | 855,478,093.43 | 11.33 | 575,582,118.87 | 260,477,354.64 | 3.99 | 202,530,725.91 |
| **Total** | 7,546,547,731.61 | 100.00 | 680,262,823.50 | 6,538,971,177.56 | 100.00 | 326,899,527.04 |

(2) Changes in Provision for Bad Debt of Accounts Receivable

| Opening Balance | Amount increased in current period | | Amount decreased in current period | | Closing balance |
|---|---|---|---|---|---|
| | recognition | Others | Reversal | Write-off | |
| 326,899,527.04 | 73,473,627.20 | 370,311,902.02 | 60,175,860.34 | 30,246,372.42 | 680,262,823.50 |

**5. Prepayment**

(1) The Aging Analysis of Prepayment Is As Follows:

| Account age | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Amount | Percentage (%) | Provision for bad debts | Amount | Percentage (%) | Provision for bad debts |
| Within 1 year | 1,416,254,850.10 | 64.50 | 2,941.22 | 2,418,947,039.29 | 89.67 | 4,396.51 |
| 1 to 2 years | 678,085,074.35 | 30.88 | 3,740.85 | 250,968,763.49 | 9.30 | 27,018.58 |
| 2 to 3 years | 91,379,597.79 | 4.16 | 73,396.51 | 23,572,725.76 | 0.87 | 424,241.90 |
| More than 3 years | 10,146,125.72 | 0.46 | 552,554.83 | 4,255,598.87 | 0.16 | 240,670.40 |
| **Total** | 2,195,865,647.96 | 100.00 | 632,633.41 | 2,697,744,127.41 | 100.00 | 696,327.39 |

（2）Changes in Provison for Bad Debt of Prepayment

| Opening Balance | Current year recognition | Current year de-recognition | | Closing balance |
|---|---|---|---|---|
| | | Reversal | Write-off | |
| 696,327.39 | | 63,693.98 | | 632,633.41 |

**6. Interest Receivable**

(1) Classification of Interest Receivable

| Item | Closing balance | Opening balance |
|---|---|---|
| Borrowing interest | 73,258,331.05 | 19,450,418.36 |
| **Total** | 73,258,331.05 | 19,450,418.36 |

(2) Important Overdue Interest

The Group has no Significant Overdue Interest at the end of Period

## 7. Other Receivables

(1) Other Receivables Disclosed by Account Age

| Account age | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | Book balance | | Provision for bad debts |
| | Amount | Percentage (%) | | Amount | Percentage(%) | |
| Within 1 year | 1,943,579,899.41 | 64.74 | 443,065.44 | 1,618,428,894.90 | 88.67 | 155,237,492.23 |
| 1 to 2 years | 635,875,419.65 | 21.18 | 27,920,730.00 | 152,541,368.03 | 8.36 | 22,239,417.56 |
| 2 to 3 years | 319,289,030.28 | 10.63 | 2,750,293.38 | 28,282,122.95 | 1.55 | 580,250.44 |
| More than 3 years | 103,715,220.33 | 3.45 | 22,926,884.48 | 26,031,447.26 | 1.42 | 4,473,879.90 |
| **Total** | 3,002,459,569.67 | 100.00 | 54,040,973.30 | 1,825,283,833.14 | 100.00 | 182,531,040.13 |

(2) Changes in Provision for Bad Debt of Other Receivable

| Opening Balance | Amount increased in current period | | Amount decreased in current period | | Closing Balance |
|---|---|---|---|---|---|
| | Recognition | Others | Reversal | Write-off | |
| 182,531,040.13 | 19,574,947.62 | 18,801,382.10 | 158,550,091.00 | 8,316,305.55 | 54,040,973.30 |

## 8. Inventory

(1) Classification of Inventory

| Item | Closing balance | | |
|---|---|---|---|
| | Book balance | Devaluation provision | Book value |
| Raw material | 1,871,153,814.47 | 21,251,585.93 | 1,849,902,228.54 |
| Work-in-progress | 3,923,558,527.66 | 2,609,476.17 | 3,920,949,051.49 |
| Commodity stocks | 18,470,489,557.30 | 347,091,675.70 | 18,123,397,881.60 |
| Revolving material | 6,600,655.46 | 2,636,699.63 | 3,963,955.83 |
| Consigned processing material | 28,159,570.75 | 1,422,030.17 | 26,737,540.58 |
| Research and development project | 3,449,274,074.34 | 2,783,401.89 | 3,446,490,672.45 |
| Material in transit | 6,054,912,580.51 | 6,025,343.00 | 6,048,887,237.51 |
| Goods in transit | 137,732,279.13 | 1,795,061.27 | 135,937,217.86 |
| **Total** | 33,941,881,059.62 | 385,615,273.76 | 33,556,265,785.86 |

(Continue)

| Item | Opening balance | | |
|---|---|---|---|
| | Book balance | Depreciation provision | Book value |
| Raw material | 1,014,868,935.25 | 26,035,159.22 | 988,833,575.80 |
| Work-in-progress | 2,581.851,283.28 | 4,066,917.95 | 2,577,784,365.33 |
| Commodity stocks | 12,393,120,484.30 | 286,528,968.26 | 12,106,591,516.04 |
| Revolving material | 2,342,945.80 | 287,741.58 | 2,055,204.22 |
| Consigned processing material | 1,055,631.58 | 76,605.23 | 979,026.35 |
| Research and development project | 1,695,789,646.61 | | 1,695,789,646.61 |
| Material in transit | 4,257,791,111.51 | 5,405,448.00 | 4,252,385,663.51 |
| Goods in transit | 2,208,911.76 | | 2,208,911.76 |
| **Total** | **21,949,028,950.09** | **322,400,840.24** | **21,626,628,109.85** |

Note : The amount of inventory, which is used for financing mortgage is RMB 247,334,178.00 yuan (Year 2016: RMB 281,244,178.00 yuan) at the year end of 2017.

(2) Provision for decline in value of inventories

| Item | Opening balance | Amount increased in current period | | Amount decreased in current period | | Closing balance |
|---|---|---|---|---|---|---|
| | | Recognition | Others | Reverse | Resell | |
| Raw material | 26,035,159.22 | 8,677,629.16 | 18,675,457.16 | 3,725,100.65 | 28,411,558.96 | 21,251,585.93 |
| Work-in-progress | 4,066,917.95 | 766,421.25 | 1,191,611.20 | 99,294.00 | 3,316,180.23 | 2,609,476.17 |
| Commodity stocks | 286,528,968.26 | 76,545,575.33 | 31,481,131.90 | 5,368,770.00 | 42,095,229.79 | 347,091,675.70 |
| Revolving material | 287,741.58 | 2,420,014.52 | | | 71,056.47 | 2,636,699.63 |
| Consigned processing material | 76,605.23 | 128,223.14 | 1,217,201.80 | | | 1,422,030.17 |
| Research and development project | | | 3,705,823.06 | | 922,421.17 | 2,783,401.89 |
| Material in transit | 5,405,448.00 | 1,368,577.00 | | 748,682.00 | | 6,025,343.00 |
| Goods in transit | | | 7,860,951.77 | | 6,065,890.50 | 1,795,061.27 |
| **Total** | 322,400,840.24 | 89,906,440.40 | 64,132,176.89 | 9,941,846.65 | 80,882,337.12 | 385,615,273.76 |

## 9. Held-for-sale assets

| Item | Closing balance | Opening balance |
|---|---|---|
| Fixed assets | 12,306,223.00 | |
| Total | 12,306,223.00 | - |

## 10. Non-current Assets Due within One Year

| Item | Closing balance | Opening balance |
|---|---|---|
| Long-term receivables due within 1 year | 90,100,476.93 | 62,846,304.16 |
| Unrealized financing income | -3,185,424.95 | -1,429,116.24 |

| | | |
|---|---|---|
| Total | 86,915,051.98 | 61,417,187.92 |

**11. Other Current Assets**

| Item | Closing balance | Opening balance |
|---|---|---|
| Value added tax retained and input VAT for deduction | 4,135,219,182.95 | 1,780,115,206.75 |
| Withholding personal income tax | 2,407,802.28 | 945,600.71 |
| Withholding Corporate income tax | 60,868,896.27 | 18,434,270.85 |
| Amortization cost | 1,359,144,196.09 | 1,120,592,927.00 |
| Others | 87,470,087.27 | 34,774,133.54 |
| **Total** | 5,645,110,164.86 | 2,954,862,138.85 |

**12. Available-for-sale Financial Assets**

(1) Situation of Available-for-sale Financial Assets

| Item | Closing balance of fair vale | Opening balance of fair vale |
|---|---|---|
| Available-for-sale equity instruments | 4,543,050,394.31 | 3,373,330,268.07 |
| Including: measured according to cost method | 1,681,425,436.31 | 918,518,596.07 |
| measured according to fair value | 2,861,624,958.00 | 2,454,811,672.00 |
| Minus: provision of bad debt of financial assets held for sale | 27,052,280.21 | 6,162,280.21 |
| **Total** | 4,515,998,114.10 | 3,367,167,987.86 |

(2) Changes of Provision for Bad debt of Assets Held for Sale

| Item | Opening Balance | Current year recognition | Current year de-recognition | | Closing Balance |
|---|---|---|---|---|---|
| | | | Reversal | Write-off | |
| PT.Geely Mobil Indonesia | 6,162,280.21 | | | | 6,162,280.21 |
| Molian Technology Co., Ltd. | | 1,500,000.00 | | | 1,500,000.00 |
| Beijing Skyscom Technology Co., Ltd. | | 9,790,000.00 | | | 9,790,000.00 |

| | | | | | |
|---|---|---|---|---|---|
| Zhejiang Kanglongda Special Protection Technology Co., Ltd. | | 9,600,000.00 | | | 9,600,000.00 |
| **Total** | 6,162,280.21 | 20,890,000.00 | | | 27,052,280.21 |

## 13. Long-term Receivables

(1) Long-term Receivables Situation

| Item | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book value | Provision for bad debt | Net book value | Book value | Provision for bad debt | Net book value |
| Financing lease receivables | 3,563,597,108.92 | | 3,563,597,108.92 | 296,776,739.50 | | 296,776,739.50 |
| Instalment payment for providing labor services | 94,519,566.00 | | 94,519,566.00 | 59,330,170,00 | | 59,330,170,00 |
| Other long-term receivables | 211,726,556.87 | 18,525,938.90 | 193,200,617.97 | 99,804,470.39 | 4,414,721.03 | 95,389,749.36 |
| Instalment payment for offering goods | 70,601,665.39 | 17,489,498.98 | 53,112,166.41 | 148,196,865.27 | | 148,196,865.27 |
| Retention Money | 2,398,261.93 | | 2,398,261.93 | 1,437,211.76 | | 1,437,211.76 |
| **Total** | 3,942,843,159.11 | 36,015,437.88 | 3,906,827,721.23 | 605,545,456.92 | 4,414,721.03 | 601,130,735.89 |

(2) Changes in Provision for Bad Debt of Long-term Receivables

| Opening Balance | Current year recognition | Current year de-recognition | | Closing Balance |
|---|---|---|---|---|
| | | Reversal | Write-off | |
| 4,414,721.03 | 31,600,716.85 | | | 36,015,437.88 |

## 14. Long-term Investment on Stocks

| Investee | Opening balance | Opening balance of provision for impairment | Movement during the year | | | | |
|---|---|---|---|---|---|---|---|
| | | | Increase | Decrease | Profit and loss recognized under equity method | Other comprehensive income | Other equities changes |
| I. Joint Venture | | | | | | | |
| V2 Plug-In Hybrid Vehicle Partnership Hb | 133,008,540.00 | | | | 277,358,499.50 | 19,928,545.61 | -224,665,770.11 |
| Volvofinans Bank AB | 1,725,537,777.00 | | | | 103,563,045.00 | 39,258,232.00 | |
| Genius Auto Finance Co., Ltd. | 697,330,049.30 | | | | 38,319,444.29 | | |
| Kandi Electric Vehicles Group Co., Ltd. | 582,953,809.59 | | | 516,034,278.27 | -66,919,531.32 | | |
| Wenling Jirui Automobile Manufacture Co., Ltd. | | | 831,010.95 | | -11,521.69 | | |
| Shanghai Sanyou Technology Development Co., Ltd. | | | 5,458,416.64 | 4,800,000.00 | -658,416.64 | | |
| Obrist Technologies GmbH | 40,147,693.53 | | | | 1,947,070.47 | | |
| Beijing Feiyue Liangjing Culture Communication Co., Ltd. | 500,000.00 | | | | | | |
| Others | 30,931,249.00 | | 83,063,048.81 | | -214,452,318.50 | 1,190,177.53 | 128,154,418.16 |
| Subtotal | 3,210,409,118.42 | | 89,352,476.40 | 520,834,278.27 | 139,146,271.11 | 60,376,955.14 | -96,511,351.95 |
| II. Associates | | | | | | | |
| Mando (Ningbo) Automotive Components R&D Center Parts Co., Ltd. | 220,629,023.20 | | | | 41,240,423.98 | | |
| Closed Joint Stock Company BELGEE. | 77,082,991.99 | | 38,130,998.85 | | -2,029,200.00 | | |
| Proton Holdings Berhad | | | 1,308,004,797.56 | | -346,549,039.00 | | |
| Lotus Finance Limited | | | 363,168.00 | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Shandong Hengyuan New Energy Technology Co., Ltd. | 31,540,934.83 | | | -7,198,488.02 | | |
| Hunan Jiangnan Automobile Manufacturing Co., Ltd. | 12,500,000.00 | | | | | |
| Corun Hybrid Technology Co.. Ltd. | 584,995,504.33 | | 238,500,000.00 | -5,300,829.77 | 1,780,901.11 | -268,842.38 |
| Zhejiang Hengyuan new energy technology Co.. Ltd | 23,147,152.04 | | 71,743,584.00 | -12,423,214.99 | | |
| Geely YinJian investment Co., Ltd. | 307,590.79 | | | 244.90 | | |
| Zhejiang Yinji Auto Spare Parts Co., Ltd. | 18,845,338.17 | | | 5,015,083.85 | | |
| Zhejiang Geely Automotive Components Parts Purchasing Co.. Ltd. | 7,925,284.88 | 7,925,284.88 | | | | |
| Zhidou Electric Vehicle Co.. Ltd. | 327,957,260.23 | | | 235,016,985.72 -92,940,274.51 | | |
| Hangzhou Lianchuangyongyuan Equity Investment Partnership Enterprise (LP) | | | 99,995,569.93 | -113,074.03 | | |
| Zhejiang Oulian Venture Capital Co., Ltd. | | | 150,516,470.59 | 9,527,270.85 | -42,430,354.83 | |
| Zhejiang Qianjiang Robot Co., Ltd. | | | 72,417,575.18 | -6,442,250.64 | | |
| Global Intelligent Power Technologies Co., Ltd. | | | 121,243,328.56 | -7,361,648.96 | | |
| Wenling Xinhe Guaranty Co., Ltd. Associated company | | | 29,366,238.83 | 1,017,055.81 | | 348,814.85 |
| Foshan Corun Intelligent Manufacturing Co., Ltd. | | | 800,000.00 | 145.14 | | |
| Others | 26,152,844.00 | | | | 2,919,929.00 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Subtotal | 1,331,083,924.46 | 7,925,284.88 | 2,131,081,731.50 | 235,016,985.72 | -423,557,795.39 | -37,729,524.72 | 79,972.47 |
| **Total** | 4,541,493,042.88 | 7,925,284.88 | 2,220,434,207.90 | 755,851,263.99 | -284,411,524.28 | 22,647,430.42 | -96,431,379.48 |

(Continued)

| Investee | Increase and decrease the year | | | Closing balance | Closing balance of Depreciation reserves impairment provision at the end of year |
|---|---|---|---|---|---|
| | Cash. dividends or profits issued | Provision for impairment | Others | | |
| I. Joint Venture | | | | | |
| V2 Plug-In Hybrid Vehicle Partnership Hb | | | | 205,629,815.00 | |
| Volvofinans Bank AB | 29,331,767.00 | | | 1,839,027,287.00 | |
| Genius Auto Finance Co., Ltd. | | | | 735,649,493.59 | |
| Kandi Electric Vehicles Group Co., Ltd. | | | | | |
| Wenling Jirui Automobile Manufacture Co., Ltd. | | | | 819,489.26 | |
| Shanghai Sanyou Technology Development Co., Ltd. | | | | | |
| Obrist Technologies GmbH | | | | 42,094,764.00 | |
| Beijing Feiyue Liangjing Culture Communication Co., Ltd. | | 500,000.00 | | 500,000.00 | 500,000.00 |
| Other | | | | 28,886,575.00 | |
| Subtotal | 29,331,767.00 | 500,000.00 | | 2,852,607,423.85 | 500,000.00 |
| II. Associates | | | | | |
| Mando (Ningbo) Automotive Components R&D Center Parts Co., Ltd. | | | | 261,869,447.18 | |
| Closed Joint Stock Company BELGEE. | | | | 113,184,790.84 | |
| Proton Holdings Berhad | | | | 961,455,758.56 | |

| | | | | | |
|---|---|---|---|---|---|
| Lotus Finance Limited | | | | 363,168.00 | |
| Shandong Hengyuan New Energy Technology Co., Ltd. | | | | 24,342,446.81 | |
| Hunan Jiangnan Automobile Manufacturing Co., Ltd. | | | | 12,500,000.00 | |
| Corun Hybrid Technology Co., Ltd. | | | | 819,706,733.29 | |
| Zhejiang Hengyuan new energy technology Co., Ltd | | | | 82,467,521.05 | |
| Geely YinJian investment Co., Ltd. | | | | 307,835.69 | |
| Zhejiang Yinji Auto Spare Parts Co., Ltd. | | | | 23,860,422.02 | |
| Zhejiang Geely Automotive Components Parts Purchasing Co., Ltd. | | | -7,925,284.88 | | |
| Zhidou Electric Vehicle Co., Ltd. | | | | | |
| Hangzhou Lianchuangyongyuan Equity Investment Partnership Enterprise (LP) | | | | 99,882,495.90 | |
| Zhejiang Oulian Venture Capital Co., Ltd. | | | | 117,613,386.61 | |
| Zhejiang Qianjiang Robot Co., Ltd. | | | | 65,975,324.54 | |
| Global Intelligent Power Technologies Co., Ltd. | | | | 113,881,679.60 | |
| Wenling Xinhe Guaranty Co., Ltd. | | | | 30,732,109.49 | |
| Foshan Corun Intelligent Manufacturing Co., Ltd. | | | | 800,145.14 | |
| Others | | | | 29,072,773.00 | |
| Subtotal | | | -7,925,284.88 | 2,758,016,037.72 | |
| **Total** | 29,331,767.00 | 500,000.00 | -7,925,284.88 | 5,610,623,461.57 | 500,000.00 |

## 15. Fixed Assets

| Item | Houses and Buildings | Machinery equipments | Transport equipments | Moulds and Gauges | Electronic and Office equipments | Other equipments | Total |
|---|---|---|---|---|---|---|---|
| 1. Total book value | | | | | | | |
| 1) Opening balance | 18,340,865,144.67 | 71,049,017,176.57 | 2,009,125,672.13 | 1,771,871,780.61 | 679,664,377.01 | 102,817,109.38 | 93,953,361,260.37 |
| 2) Increased | 6,808,596,382.30 | 17,145,992,480.72 | 425,101,484.99 | 272,628,409.21 | 660,057,035.90 | 8,977,545.17 | 25,321,353,338.29 |
| ① New purchase | 3,608,300,884.97 | 9,931,649,508.83 | 402,795,988.90 | 104,400,456.58 | 545,833,783.68 | 8,977,545.17 | 14,601,958,168.13 |
| ② Transfer from Construction-in-process | 2,792,462,958.33 | 5,073,331,777.72 | 15,472,291.47 | 168,227,952.63 | 114,441,838.22 | | 8,163,936,818.37 |
| ③ Translation reserve | 407,832,539.00 | 2,141,011,194.17 | 6,833,204.62 | | -218,586.00 | | 2,555,458,351.79 |
| 3) Decreased | 496,356,326.98 | 4,808,905,505.96 | 36,515,089.96 | 61,856,779.90 | 83,329,800.93 | 7,768,133.60 | 5,494,731,637.33 |
| Disposal or retirement | 496,356,326.98 | 4,808,905,505.96 | 36,515,089.96 | 61,856,779.90 | 83,329,800.93 | 7,768,133.60 | 5,494,731,637.33 |
| 4) Closing balance | 24,653,105,199.99 | 83,386,104,151.33 | 2,397,712,067.16 | 1,982,643,409.92 | 1,256,391,611.98 | 104,026,520.95 | 113,779,982,961.33 |
| 2. Accumulated depreciation | | | | | | | |
| 1) Opening balance | 7,101,703,468.34 | 42,893,932,060.19 | 29,929,835.43 | 718,917,121.46 | 315,661,892.00 | 42,174,550.68 | 51,102,318,928.10 |
| 2) Increased | 1,255,996,378.33 | 7,349,893,715.65 | 42,852,450.92 | 193,977,937.24 | 126,154,438.55 | 7,799,036.71 | 8,976,673,957.40 |
| ① Depreciation | 1,013,916,391.33 | 5,852,705,325.51 | 42,826,970.88 | 193,977,937.24 | 126,154,438.55 | 7,799,036.71 | 7,237,380,100.22 |
| ② Translation reserve | 242,079,987.00 | 1,497,188,390.14 | 25,480.04 | | | | 1,739,293,857.18 |

| Item | Houses and Buildings | Machinery equipments | Transport equipments | Moulds and Gauges | Electronic and Office equipments | Other equipments | Total |
|---|---|---|---|---|---|---|---|
| 3) Decreased | 42,268,648.04 | 2,023,253,987.78 | 5,270,566.13 | 39,779,530.04 | 21,774,927.10 | 4,517,059.77 | 2,136,864,718.86 |
| Disposal or retirement | 42,268,648.04 | 2,023,253,987.78 | 5,270,566.13 | 39,779,530.04 | 21,774,927.10 | 4,517,059.77 | 2,136,864,718.86 |
| 4) Closing balance | 8,315,431,198.63 | 48,220,571,788.06 | 67,511,720.22 | 873,115,528.66 | 420,041,403.45 | 45,456,527.62 | 57,942,128,166.64 |
| 3. Provision for impairment loss | | | | | | | |
| 1) Opening balance | | 43,861,707.90 | 19,857.45 | 7,773,351.00 | 1,162,639.29 | | 52,817,555.64 |
| 2) Increased | | 58,366,535.80 | 89,185.52 | 858,886.95 | 12,335.90 | 221,673.53 | 59,548,617.70 |
| Depreciation | | 58,366,535.80 | 89,185.52 | 858,886.95 | 12,335.90 | 221,673.53 | 59,548,617.70 |
| 3) Decreased | | 4,194,181.52 | | 1,685.00 | 977,600.83 | | 5,173,467.35 |
| Disposal or retirement | | 4,194,181.52 | | 1,685.00 | 977,600.83 | | 5,173,467.35 |
| 4) Closing balance | | 98,034,062.18 | 109,042.97 | 8,630,552.95 | 197,374.36 | 221,673.53 | 107,192,705.99 |
| 4. Residual book value | | | | | | | |
| 1) Closing balance of book value | 11,239,161,676.33 | 28,111,223,408.48 | 1,979,175,979.25 | 1,045,181,308.15 | 362,839,845.72 | 60,642,558.70 | 42,798,224,776.63 |
| 2) Opening balance of book value | 16,337,674,001.36 | 35,067,498,301.09 | 2,330,091,303.97 | 1,100,897,328.31 | 836,152,834.17 | 58,348,319.80 | 55,730,662,088.70 |

## 16. Construction-in-process

| Item | Closing balance | | | Closing balance | | |
|---|---|---|---|---|---|---|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Building and structure | 847,454,973.68 | | 847,454,973.68 | 1,906,352,638.14 | | 1,906,352,638.14 |
| Construction | 2,630,591,122.41 | | 2,630,591,122.41 | 2,469,698,303.99 | | 2,469,698,303.99 |
| Equipment | 4,333,732,654.42 | | 4,333,732,654.42 | 2,561,354,461.50 | | 2,561,354,461.50 |
| Mould and measuring tool | 32,222,801.88 | | 32,222,801.88 | 87,038,079.07 | | 87,038,079.07 |
| Domestic and overseas projects of Geely Zhaoyuan | 6,835,327,736.00 | | 6,835,327,736.00 | 5,297,709,696.00 | | 5,297,709,696.00 |
| Stay installed softwares | 11,822,641.54 | | 11,822,641.54 | 1,180,716.01 | | 1,180,716.01 |
| Total | 14,691,151,929.93 | | 14,691,151,929.93 | 12,323,333,894.71 | | 12,323,333,894.71 |

## 17. Intangible Assets

| Item | Opening balance | Increased | Decreased | Translation reserve | Closing balance |
|---|---|---|---|---|---|
| 1. Total book value | 40,099,671,396.05 | 16,366,397,138.51 | 1,855,242,983.78 | 975,640,843.00 | 55,586,466,393.78 |
| Software system | 2,624,976,507.15 | 364,557,256.15 | 49,090,758.33 | 80,011,517.00 | 3,020,454,521.97 |
| Proprietary technology | 943,618,423.71 | 3,709,233,054.46 | 417,720,217.09 | | 4,235,131,261.08 |
| Land use right | 3,505,579,574.16 | 1,973,046,477.05 | 634,832,077.20 | | 4,843,793,974.01 |
| Non-Patents technology | 21,055,830,532.71 | 7,077,709,353.79 | 741,110,920.49 | 544,534,235.00 | 27,936,963,201.01 |
| Patent rights | 25,080,000.00 | 2,324,604,617.01 | | | 2,349,684,617.01 |
| Trademark rights | 2,781,128,820.10 | 223,311,131.36 | 32.67 | 92,351,727.00 | 3,096,791,645.79 |
| Dealer network | 621,830,689.00 | | | 10,275,704.00 | 632,106,393.00 |
| Others | 8,541,626,849.22 | 693,935,248.69 | 12,488,978.00 | 248,467,660.00 | 9,471,540,779.91 |
| 2. Accumulated amortization | 16,817,284,764.53 | 5,218,933,730.05 | 208,799,736.25 | 471,057,522.00 | 22,298,476,280.33 |
| Software system | 1,458,476,887.76 | 191,394,924.37 | 18,541,994.22 | 45,107,056.00 | 1,676,436,873.91 |
| Proprietary technology | 170,540,181.00 | 636,910,205.91 | 57,365,422.80 | | 750,084,964.11 |
| Land use right | 241,291,998.09 | 136,075,423.50 | 24,677,409.67 | | 352,690,011.92 |
| Non-Patents technology | 8,630,521,369.40 | 3,256,098,479.89 | 98,369,741.56 | 226,301,820.00 | 12,014,551,927.73 |
| Patent rights | 19,335,999.98 | 70,744,449.05 | | | 90,080,449.03 |
| Trademark rights | 242,599.63 | 91,884,476.81 | | 1,337,083.00 | 93,464,159.44 |

| Item | Opening balance | Increased | Decreased | Translation reserve | Closing balance |
|---|---|---|---|---|---|
| Dealer network | 133,001,104.00 | 17,620,002.00 | | 5,646,026.00 | 156,267,132.00 |
| Others | 6,163,874,624.67 | 818,205,768.52 | 9,845,168.00 | 192,665,537.00 | 7,164,900,762.19 |
| 3.Total provision for impairment loss | 2,695,529.62 | 172,636,365.91 | | | 175,331,895.53 |
| Software system | | | | | |
| Proprietary technology | 2,695,529.62 | 155,432,516.00 | | | 158,128,045.62 |
| Land use right | | | | | |
| Non-Patents technology | | 17,203,849.91 | | | 17,203,849.91 |
| Patent rights | | | | | |
| Trademark rights | | | | | |
| Dealer network | | | | | |
| Others | | | | | |
| 4. Total net book value | 23,279,691,101.90 | | | 504,583,321.00 | 33,112,658,217.92 |
| Software system | 1,166,499,619.39 | | | 34,904,461.00 | 1,344,017,648.06 |
| Proprietary technology | 770,382,713.09 | | | | 3,326,918,251.35 |
| Land use right | 3,264,287,576.07 | | | | 4,491,103,962.09 |
| Non-Patents technology | 12,425,309,163.31 | | | 318,232,415.00 | 15,905,207,423.37 |
| Patent rights | 5,744,000.02 | | | | 2,259,604,167.98 |

| Item | Opening balance | Increased | Decreased | Translation reserve | Closing balance |
|---|---|---|---|---|---|
| Trademark rights | 2.780,886,220.47 | | | 91,014,644.00 | 3.003.327.486.35 |
| Dealer network | 488,829.585.00 | | | 4,629,678.00 | 475,839,261.00 |
| Others | 2,377,752.224.55 | | | 55,802,123.00 | 2.306,640,017.72 |

## 18. Development Expenditure

| Item | O8pening balance | Increase during the year | Decrease during the year | | Translation reserve | Closing balance |
|---|---|---|---|---|---|---|
| | | | Transferred into current profit and loss | Recognized as Intangible assets | | |
| Research costs | 6,344,518.49 | 4,815,035,119.14 | 4,819,722,186.57 | | | 1,657,451.06 |
| Development costs | 13,431,522,170.05 | 13,454,691,737.86 | 1,659,843,402.66 | 6,996,601,871.25 | 134,886,175.00 | 18,364,654,809.00 |
| **Total** | 13,437,866,688.54 | 18,269,726,857.00 | 6,479,565,589.23 | 6.996.601.871.25 | 134,886,175.00 | 18,366,312,260.06 |

## 19. Goodwill

| Item | Closing balance | Opening balance |
|---|---|---|
| Opening balance | 399,898,449.19 | 393,237,795.00 |
| Increased value through business combination | 257,806,135.46 | 9,737,051.19 |
| Others | | -3,076,397.00 |
| Closing balance | 657,704,584.65 | 399,898,449.19 |

## 20. Long-term Deferred Expenses

| Item | Opening balance | Increase during the year | Amortization during the year | Other decrease | Closing balance |
|---|---|---|---|---|---|
| Fix and repair costs | 40,203,200.28 | 20,563,306.07 | 20,520,622.37 | | 40,245,883.98 |
| Foreign Association fee | 16,801,261.29 | 32,280.70 | 153,151.74 | 32,280.70 | 16,648,109.55 |
| Land leasing payable in advance | 24,439,230.00 | | 497,620.00 | | 23,941,610.00 |
| Service fee | | 11,172,900.35 | | | 11,172,900.35 |
| Others | 22,029,075.89 | 39,367,041.69 | 29,696,349.96 | 45,014.24 | 31,654,753.38 |
| **Total** | 103,472,767.46 | 71,135,528.81 | 50,867,744.07 | 77,294.94 | 123,663,257.26 |

## 21. Deferred Income Tax Assets\Deferred Income Tax Liabilities

(1) Listed deferred income tax assets without offset

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Deductible temporary difference | deferred income tax assets | Deductible temporary difference | deferred income tax assets |
| Loss on accrued assets devaluation | 387,180,944.84 | 49,791,298.97 | 86,544,023.60 | 20,769,303.74 |
| Deductible losses | 5,475,145,509.65 | 1,395,962,477.00 | 2,297,736,656.39 | 840,172,196.87 |
| Defined-benefit pension plan liability | 1,209,740,511.27 | 335,176,843.67 | 1,551,052,158.43 | 471,985,845.57 |
| Accrued expenses | 9,459,564,392.77 | 2,421,352,213.54 | 6,339,876,486.00 | 1,623,543,355.32 |
| Product quality guarantee | 2,417,080,941.35 | 631,211,100.85 | 623,257,806.95 | 159,661,958.03 |
| Government grants | 1,418,738,625.48 | 213,694,575.18 | 166,746,903.53 | 25,012,035.53 |
| The difference of accumulated amortization tax of intangible assets | 739,688,076.72 | 113,581,545.31 | 419,684,590.13 | 36,688,564.92 |

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Deductible temporary difference | deferred income tax assets | Deductible temporary difference | deferred income tax assets |
| Employee Benefit payable | 6,311,438.46 | 1,504,382.33 | 7,199,009.72 | 1,079,851.45 |
| Inventory | 138,510,787.94 | 36,096,900.19 | 171,975,814.01 | 53,139,948.10 |
| Fixed assets | -7,213,143.31 | -5,458,115.48 | -2,034,365,657.91 | -828,593,296.30 |
| The impact of income tax on unrealized financing income | 219,340,824.04 | 54,835,206.01 | | |
| The impact of income tax on unrealized profits in internal transactions | 9,057,714.44 | 2,264,428.62 | | |
| Others | -3,396,810,348.17 | -927,681,873.97 | 3,032,748,637.17 | 917,267,998.86 |
| **Total** | 18,076,336,275.48 | 4,322,330,982.22 | 12,662,456,428.02 | 3,320,727,762.09 |

(2) Listed deferred income tax liabilities without offset

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Deductible temporary difference | deferred income tax liabilities | Deductible temporary difference | deferred income tax liabilities |
| Depreciation of fixed assets | 24,209,902,056.00 | 5,379,988,701.00 | 20,999,834,332.64 | 4,782,266,125.81 |
| Deductible losses | -16,479,016,028.00 | -3,625,965,955.00 | -15,008,592,364.79 | -3,296,851,402.42 |
| Benefit pension plan liability | -3,645,060,617.00 | -801,912,400.00 | -2,989,211,446.57 | -657,626,518.25 |
| Losses and gains of fair value variance of available-for-sale financial assets | 138,137,500.00 | 34,534,375.00 | | |
| Others | 3,020,798,172.76 | 624,498,664.94 | 364,301,083.75 | 100,168,264.46 |
| **Total** | 7,244,761,083.76 | 1,611,143,385.94 | 3,366,331,605.03 | 927,956,469.60 |

(3) List of deferred income tax assets without recognition

| Item | Closing balance | Opening balance |
|---|---|---|
| Deductible temporary differences | 410,193,069.98 | 998,605,690.98 |
| Deductible losses | 1,547,639,673.06 | 296,541,103.98 |
| **Total** | 1,957,832,743.04 | 1,295,146,794.96 |

**22. Other Non-current Assets**

| Item | Closing balance | Opening balance |
|---|---|---|
| Prepayment for construction, equipment and land | 536,335,802.67 | 361,089,369.89 |
| Pension plan assets | 218,638,174.00 | 195,611,603.00 |
| Long-term lease deposit | 5,534,984.00 | 62,495,354.00 |
| Development expenses in advance | 37,424,844.08 | 326,904,652.24 |
| Refund of tax and levies | 51,069,425.00 | |
| Long-term financial instrument | 978,388,043.00 | 311,239,907.00 |
| **Total** | 1,827,391,272.75 | 1,257,340,886.13 |

**23. Short-term Loans**

(1) Classification of Short-term Loans

| Item | Closing balance | Opening balance |
|---|---|---|
| Pledged borrowings (Note ) | 241,853,453.00 | 520,704,764.00 |
| Guarantee borrowings | 6,200,927,820.56 | 2,716,418,977.00 |
| Credit borrowings | 7,315,280,541.00 | 7,981,465,613.00 |
| **Total** | 13,758,061,814.56 | 11,218,589,354.00 |

Note: Pledged borrowings

The bank borrowings are made by Zhaoyuan Group with its own assets as mortgage.

(2): Our group shall not have any overdue short-term loans without payable at the end of current year.

**24. Financial Liabilities Measured at Fair Values and Changes Accounted into Current Profit or Losses**

| Items | Closing balance | Opening balance |
|---|---|---|
| Hedging Instruments | 449,478,447.00 | 1,570,833,420.00 |
| Including: Cash flow hedging instruments (Note 1) | 387,831,952.00 | 1,507,533,947.00 |
| Fair value hedging instruments (Note 2) | 61,646,495.00 | 63,299,473.00 |
| Electricity forwards contract (Note 3) | 3,119,288.00 | 10,632,221.00 |
| **Total** | 452,597,735.00 | 1,581,465,641.00 |

**Note 1**: At the balance sheet date, Zhaoyuan Group subsidiaries owns the foreign exchange forward contract and option contract with a negative fair value (see Note VI, 2) which was designated to be the highly effective hedging instruments to manage the exposure to the exchange rate risk related to the expected foreign currency sales and purchases in 2017. The Group buys forward contract and option contract to avoid the foreign exchange risk. The group thinks that the hedging is highly

effective. The articles in the forward contract and the option contract signed by the Group are consistent with the articles of predicted transaction. The main contents are as follows:

Foreign exchange forward contract:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 2,661,865,862.00 | Within 1 month | -49,092,436.00 |
| 4,766,783,457.00 | 1 to 3 months | -93,548,561.00 |
| 9,322,913,776.00 | 3 to 12 months | -244,375,419.00 |
| 7,353,602,893.00 | 1-5 years | -159,836,074.00 |

Foreign exchange options contract

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 155,735,827.00 | Within 1 month | -87,252.00 |
| 227,640,077.00 | 3 to 12 months | -728,284.00 |
| 260,160,088.00 | 1-5 years | -1,119,909.00 |

Note①: Nominal amount is currency amount of the subject in the contract, and it is presented in RMB converted according to the spot exchange rate with RMB on December 31, 2017. For those future contracts and option contracts, whose maturity dates are 1-5 years, the fair value see Note VI, 41.

**Note 2**: The Group uses the exchange rate swap contract to reduce exposure to the exchange rate risk of Foreign currency financial instrument. The main articles of it are as follows:

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 4,729,663,248.00 | Within 1 month | -47,678,813.00 |
| 3,223,993,248.00 | 1 to 3 months | -13,967,682.00 |

Note①: Nominal amount is the amount stated at the contract. It is converted into RMB according to the spot exchange rate on December 31, 2017 as listed.

**Note 3**: At the balance sheet date, the Group owns the following electricity futures contract with a negative fair value. The Group management thinks that the hedging is highly effective.

| Nominal amount (Note①) | Maturity date | Fair value |
|---|---|---|
| RMB | | RMB |
| 832,069.00 | 1 to 3 months | -344,688.00 |
| 19,264,076.00 | 3 to 12 months | -2,774,600.00 |
| 1,627,442.00 | 1 to 5 years | -312,291.00 |

Note①: The positive amounts represent buying hedges. To hedge against the electricity price fluctuation, Geely Zhaoyuan buys and sells hedges in the open market. The positive nominal amount means the net long position of the contracts and the negative nominal amounts represent the net short position of the contracts. For those electricity futures contract, whose maturity date are 1-5 years, the fair value see Note VI, 41.

## 25. Notes Payable

| Item | Closing balance | Opening balance |
|---|---|---|

| | | |
|---|---|---|
| Trade acceptance | | 77,040,000.00 |
| Bank's acceptance bill | 9,709,904,853.31 | 3,468,519,300.00 |
| **Total** | 9,709,904,853.31 | 3,545,559,300.00 |

Note: No unpayable notes payable due in at the end of current year.

## 26. Accounts Payable

(1) Book Account age list

| Aging | Closing balance | Opening balance |
|---|---|---|
| Within one year | 40,938,068,485.29 | 30,191,693,495.02 |
| One to two years | 283,563,359.93 | 413,101,114.98 |
| Two to three years | 344,023,308.71 | 320,353,830.71 |
| Above three years | 294,797,953.76 | 246,591,729.95 |
| **Total** | 41,860,453,107.69 | 31,171,740,170.66 |

Note: The closing balance of accounts payable shall not be accounted in amount of shareholders with 5% (including 5%) shares of our group; The unpaid amount of other related parties shall be accounted in the Closing balance of accounts payable in attachment Note IX, 6 (2).

(2) Item list

| Item | Closing balance | Opening balance |
|---|---|---|
| Payment of material and equipment | 41,860,453,107.69 | 31,171,740,170.66 |
| **Total** | 41,860,453,107.69 | 31,171,740,170.66 |

## 27. Advances Received

(1) Account age list

| Book Account age | Closing balance | Opening balance |
|---|---|---|
| Within one year | 8,851,063,028.56 | 8,634,924,214.36 |
| One to two years | 54,601,654.12 | 79,906,620.26 |
| Two to three years | 4,842,668.27 | 843,939.16 |
| Above three years | 621,914.53 | 376,371.85 |
| **Total** | 8,911,129,265.48 | 8,716,051,145.63 |

Note: The Closing balance of Advances received shall not be accounted in amount of shareholders with 5% (including 5%) shares of our group; The unpaid amount of other related parties shall be accounted in the Closing balance of Advances received in attachment Note IX, 6 (2).

(2) Item list

| Item | Closing balance | Opening balance |
|---|---|---|
| Products transaction payment | 8,909,722,966.41 | 8,713,601,945.48 |
| Others | 1,406,299.07 | 2,449,200.15 |
| **Total** | 8,911,129,265.48 | 8,716,051,145.63 |

## 28. Employee benefit payable

(1) Employee benefit payable shown as follows:

| Item | Closing balance | Opening balance |
|---|---|---|
| I. Short-term employee benefit payable | 5,171,425,492.54 | 3,913,674,322.72 |
| II. Post-employment welfare – defined contribution plan | 1,276,556,587.53 | 997,664,047.16 |
| III. Dismission welfare | 1,719,274.41 | |
| **Total** | 6,449,701,354.48 | 4,911,338,369.88 |

(2) Short-term employee benefit payable shown as follows:

| Item | Closing balance | Opening balance |
|---|---|---|
| 1. Salaries, wages, allowance and bonus | 4,837,792,379.19 | 3,653,065,233.11 |
| 2. Employee Benefits | 91,246,410.78 | 54,804,702.02 |
| 3. Insurance premium | 161,851,778.49 | 141,803,454.44 |
| Including: Medical insurance | 26,083,730.91 | 76,312,406.77 |
| Work-Related Injury Insurances | 40,261,552.04 | 11,576,321.95 |
| Maternity insurance | 95,506,495.54 | 53,914,725.72 |
| 4. Housing fund | 37,008,385.45 | 21,571,651.64 |
| 5. Labor union expenditure and personnel education | 31,589,793.64 | 19,547,247.37 |
| 6. Short-term compensated absences | | |
| 7. Short-term profit share plan | | |
| 8. Staff incentive and welfare fund | 11,936,744.99 | 22,802,249.14 |
| 9. Others | | 79,785.00 |
| **Total** | 5,171,425,492.54 | 3,913,674,322.72 |

(3) Defined Contribution Plan shown as follows:

| Item | Closing balance | Opening balance |
|---|---|---|
| 1. Endowment insurance | 862,649,868.84 | 747,738,465.66 |
| 2.Unempolyment insurance | 413,906,718.69 | 249,925,581.50 |
| **Total** | 1,276,556,587.53 | 997,664,047.16 |

(4) Termination Benefit

| Item | Closing balance | Opening balance |
|---|---|---|
| Compensation for the lifting of labor relations | 1,719,274.41 | |
| **Total** | 1,719,274.41 | |

**29. Tax Payable**

| Item | Closing balance | Opening balance |
|---|---|---|
| VAT | 1,780,704,114.57 | 905,609,026.07 |
| Consumption tax | 1,330,223,904.30 | 543,158,901.04 |
| Corporate Income tax | 1,791,057,720.13 | 1,253,787,674.46 |
| Personal Income tax | 91,760,040.90 | 41,915,319.44 |
| City Maintenance And Construction Tax | 106,746,976.72 | 110,348,366.14 |
| Housing property tax | 32,372,617.26 | 8,273,539.48 |
| Tenure tax | 37,419,007.49 | 8,058,215.44 |
| Land value increment tax | 5,826,526.31 | |
| Educational Surtax | 79,032,277.88 | 54,636,626.94 |
| Stamp duty | 34,272,764.31 | 31,284,486.77 |
| Deed tax | | 31,569,636.00 |
| Other tax | 74,203,109.17 | 71,078,758.74 |
| **Total** | 5,363,619,059.04 | 3,059,720,550.52 |

**30. Interest payable**

| Items | Closing balance | Opening balance |
|---|---|---|
| Loan interest of installment and interest charges | 166,135,078.70 | 404,838,539.94 |
| Corporate bond interest | 178,752,105.76 | 155,075,479.37 |
| **Total** | 344,887,184.46 | 559,914,019.31 |

**31. Dividend payables**

| Items | Closing balance | Opening balance |
|---|---|---|
| Perpetual capital securities which are equity instruments. | 7,168,767.12 | 7,168,767.12 |

| | | |
|---|---|---|
| In which: medium-term notes | 7,168,767.12 | 7,168,767.12 |
| **Total** | 7,168,767.12 | 7,168,767.12 |

## 32. Other payables

(1) Account age list

| Account age | Closing balance | Opening balance |
|---|---|---|
| Within 1 year | 9,723,062,328.61 | 6,525,911,046.53 |
| 1 to 2 years | 1,195,971,893.78 | 219,585,505.30 |
| 2 to 3 years | 139,621,007.91 | 373,924,819.12 |
| Above 3 years | 1,650,865,877.59 | 2,673,230,447.15 |
| **Total** | 12,709,521,107.89 | 9,792,651,181.10 |

Note: Other payables to shareholders owning more than 5% (including 5%) of the group's shares are not included in the Closing balance of other payables; for details of arrears of other related parties in the closing balance among other payables, please see Note IX, 6 (2).

(2) Items listed

| Items | Closing balance | Opening balance |
|---|---|---|
| Current account | 10,573,803,064.83 | 8,158,397,496.98 |
| Deposits, etc | 1,088,022,971.38 | 679,544,185.83 |
| Others | 1,047,695,071.68 | 954,710,135.29 |
| **Total** | 12,709,521,107.89 | 9,792,651,818.10 |

## 33. Non-current Liabilities Due within one Year

| Items | Closing balance | Opening balance |
|---|---|---|
| Long-term loans due within 1 year (see Note VI, 35) | 3,523,531,813.14 | 2,921,616,414.00 |
| Bonds payable due within 1 year | 2,996,875,799.10 | 500,000,000.00 |
| Long-term accounts payable due within 1 year (See Note VI, 37) | 23,745,190.00 | 27,414,351.00 |
| Provisions due within 1 year (See Note X, 2, (1)) | 4,428,904,906.29 | 4,665,928,553.00 |
| **Total** | 10,973,057,708.53 | 8,114,959,318.00 |

## 34. Other Current Liabilities

| Items | Closing balance | Opening balance |
|---|---|---|
| Withheld expenses | 16,558,223,531.77 | 11,301,487,240.37 |
| After-sales repurchase obligations | 5,017,418,034.00 | 4,423,233,249.00 |
| **Total** | 21,575,641,565.77 | 15,724,720,489.37 |

## 35. Long-term Loans

| Items | Closing balance | Opening balance |
|---|---|---|
| Mortgaged loans | 44,152,059.02 | 349,500,000.00 |
| Guaranteed loans | 3,251,536,717.00 | 1,672,000,000.00 |
| Credit loans | 13,646,127,256.00 | 14,176,686,937.00 |
| Less: long-term loans due within one year (See Note VII.33) | 3,523,531,813.14 | 2,921,616,414.00 |
| **Total** | 13,418,284,218.88 | 13,276,570,523.00 |

## 36. Bonds Payable

| Items | Closing balance | Opening balance |
|---|---|---|
| 11 Geely Corporate Bond | | 1,000,000,000.00 |
| 13 Geely Corporate Bond | 1,200,000,000.00 | 1,200,000,000.00 |
| 15 Geely 01 | | 1,993,209,132.43 |
| 16 Geely MTN0001(Note 1) | 1,498,922,465.76 | 1,498,022,465.76 |
| Redeemable bonds (Note 2) | | 2,068,314,842.08 |
| 500 MEUR fixed rate convertible bond matured in 5 years (Note3) | 3,848,144,722.00 | 3,617,022,510.00 |
| 3 billion Swedish Krona fixed rate with floating rate layers convertible bond matured in 5.25 years (Note 4) | 2,365,010,345.00 | 2,286,084,688.00 |
| 500 MEUR convertible bond matured in 7.2 years (Note5) | 3,882,772,495.00 | |
| Green Bond | 2,568,774,153.00 | 2,745,974,818.00 |
| **Total** | 15,363,624,180.76 | 16,408,628,456.27 |

**Note 1**: 16 Geely MTN0001 nominal value is 1.5 billion, the commission fee is 1,077,534.24 yuan.

**Note 2**: On October 6, 2014, Geely Automobile Holdings Co., Ltd. (0175, HK) issued senior notes worth 300 million US dollars (equivalent to about RMB 1,836,750,000.00 yuan) in total.

Senior notes were listed in the Hong Kong Exchange and Clearing Co., Ltd., secured by Geely Automobile Holdings Co., Ltd. (0175, HK) with no mortgage and prior responsibility and guaranteed by several subsidiaries established overseas by Geely Automobile Holdings Co., Ltd. (0175, HK).

On 30 November 2017, Geely Automobile Holdings Co., Ltd. (0175, HK) has redeemed an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,981,521,000) of all of the outstanding Senior Notes at the redemption price of 102.625% of the principal amount thereof, being US$307,875,000 (equivalent to approximately RMB2,033,536,000), plus accrued and unpaid interest of US$2,362,500 (equivalent to approximately RMB15,604,000) on the redemption date.

**Note 3**: Geely Zhaoyuan issued 500 million Euro (equivalent to about RMB 3.6 billion yuan) fixed rate convertible bond matured in 5 years in May 2016. This convertible bond is listed under Euro MTF list on the Luxembourg Stock Exchange.

**Note 4**: Geely Zhaoyuan issued 3 billion Swedish Krona (equivalent to about RMB 2.3 billion yuan) fixed rate with floating rate layers convertible bond matured in 5.25 years in November 2016. This convertible bond is listed under Euro MTF list on the Luxembourg Stock Exchange.

**Note 5**: Geely Zhaoyuan issued 500 million Euro (equivalent to about RMB 3.9 billion yuan) fixed rate convertible bond matured in 7.2 years in November 2017.

### 37. Long-term Payables

| Item | Closing balance | Opening balance |
|---|---|---|
| Account payable for financing lease | 41,101,826.00 | 69,578,708.00 |
| Loans for long-term projects | 250,000,000.00 | 312,141,000.00 |
| Excess loss of long-term equity investment (Note 1) | 128,425,574.00 | |
| Sales with buyback obligation (Note 2) | 908,219,316.00 | 721,395,716.00 |
| Others | 599,806,293.00 | 267,866,511.00 |
| Less: payable due within one year (See note VII.33) | 23,745,190.00 | 27,414,351.00 |
| **Total** | 1,903,807,819.00 | 1,343,567,584.00 |

Note 1: Account payable for financing lease is as follows:

| Period | Closing balance | Opening balance |
|---|---|---|
| The 1st year subsequent to the balance sheet | 6,982,429.00 | 11,724,242.00 |
| The 2nd to 5th year subsequent to the balance sheet | 27,929,717.00 | 46,896,966.00 |
| The 6th year subsequent to the balance sheet date | 6,982,430.00 | 11,724,242.00 |
| Total minimum payment for lease | 41,894,576.00 | 70,345,450.00 |
| Less: financing charges unrecognized | 792,750.00 | 766,742.00 |
| Accounts payable for financing lease | 41,101,826.00 | 69,578,708.00 |

Note 2: The excessive loss of long-term equity investment attributes to the equity-holding of Zenuity AB of Geely Zhaoyuan , and the sustained loss of Zenutiy AB.

Note 3: Part of the sales of the Geely Zhaoyuan has a repurchase agreement: 1) The difference between sales price and present value of agreed repurchase price is recognized as deferred income. It is recognized as income in each period based on effective interest method before buyback. 2) The present value of promised buyback price is recognized as liability.

**38. Special Payables**

| Items | Closing balance | Opening balance |
|---|---|---|
| Cooperation project funds | | 9,729,460.00 |
| Special fund | 18,821,490.00 | 1,293,416,422.06 |
| Product warranty of Geely UK Limited | 78,663,321.00 | 34,816,748.00 |
| **Total** | 97,484,811.00 | 1,337,962,630.06 |

**39. Provisions**

| Items | Closing balance | Opening balance |
|---|---|---|
| Produce warranty and estimated service cost (Note) | 7,853,214,749.00 | 5,303,049,997.00 |
| Others | 26,116,406.61 | 23,350,656.15 |
| **Total** | 7,879,331,155.61 | 5,326,400,653.15 |

Note: product warranty and estimated service cost have been deducted from the provisions due within 1 year (see Note VI,33).

**40. Deferred Income**

| Items | Closing balance | Opening balance |
|---|---|---|
| Governmental compensation for relocation and Research and development subsidies | 7,776,774,480.08 | 2,873,748,572.39 |
| Others | 5,737,630.42 | |
| Convertible bonds | | 483,663,615.00 |
| **Total** | 7,782,512,110.50 | 3,357,412,187.39 |

**41. Other non-current Liabilities**

| Items | Closing balance | Opening balance |
|---|---|---|
| Long-term derivative financial liabilities | 176,727,066.00 | 1,412,728,997.00 |
| In which: other financial instruments except Interest rate swap | 162,759,384.00 | 1,403,069,442.00 |
| Interest rate swap | 13,967,682.00 | 9,659,555.00 |
| Pension liabilities and corresponding social insurance premiums | 5,172,704,834.00 | 2,425,193,784.85 |
| Others | 425,368,570.00 | |

| | | |
|---|---|---|
| Total | 5,774,800,470.00 | 3,837,922,781.85 |

## 42. Share Capital

| Shareholder's name | Opening balance | | Increase during the year | Decrease during the year | Closing balance | |
|---|---|---|---|---|---|---|
| | Amount of equity | Percentage % | | | Amount of equity | Percentage % |
| Li Shufu | 747,000,000.00 | 90.00 | 100,000,000.00 | | 847,000,000.00 | 91.08 |
| Li Xingxing | 83,000,000.00 | 10.00 | | | 83,000,000.00 | 8.92 |
| **Total** | 830,000,000.00 | 100.00 | 100,000,000.00 | | 930,000,000.00 | 100.00 |

## 43. Other Equity Instruments.

| Items | Closing balance | Opening balance |
|---|---|---|
| Perpetual capital securities | 2,000,000,000.00 | 2,000,000,000.00 |
| **Total** | 2,000,000,000.00 | 2,000,000,000.00 |

## 44. Capital Reserves

| Items | Opening balance | Increased | Decreased | Closing balance |
|---|---|---|---|---|
| Capital premium | 6,698,763,307.87 | 1,662,132,334.45 | 15,259,655.00 | 8,345,635,987.32 |
| Other capital reserve | 10,641,293,982.08 | 24,258,845.82 | 3,365,819.60 | 10,662,187,008.30 |
| **Total** | 17,340,057,289.95 | 1,686,391,180.27 | 18,625,474.60 | 19,007,822,995.62 |

## 45. Other Comprehensive Income

| Items | Opening balance | Amount accruing in current the year | | | | | Closing balance |
|---|---|---|---|---|---|---|---|
| | | Amount incurred before income tax in current year | Less: current loss and income transferred from other comprehensive income in previous period | Less: income tax expenses | After-tax amount attributable to the parent company | After-tax amount attributable to minor shareholders | |
| I. Other comprehensive income which will not be re-classified into the profits and losses | 88,576,410.00 | -217,938,715.24 | | -48,768,911.00 | -246,960,969.47 | 77,791,165.23 | -158,384,559.47 |
| Including: changes in net liabilities or assets due to the newly measured and designated benefit plan | | | | | | | |
| Share under the equity method enjoyed in other comprehensive income not classified into the profits and losses of the invested entity | | 98,499,608.76 | | | 29,323,333.53 | 69,176,275.23 | 29,323,333.53 |
| Actuarial gains and losses reclassification (pensions) | 88,576,410.00 | -316,438,324.00 | | -48,768,911.00 | -276,284,303.00 | 8,614,890.00 | -187,707,893.00 |
| II. Other comprehensive income that will be re-classified into profits and losses. | -779,421,127.42 | 5,054,486,710.30 | | 788,531,684.00 | 4,202,918,285.42 | 63,036,740.88 | 3,423,497,158.00 |
| Including: Share under the equity method enjoyed in other comprehensive | | -42,699,197.21 | | | -12,900,359.01 | -29,798,838.20 | -12,900,359.01 |

| Items | Opening balance | Amount accruing in current the year | | | | | Closing balance |
|---|---|---|---|---|---|---|---|
| | | Amount incurred before income tax in current year | Less: current loss and income transferred from other comprehensive income in previous period | Less: income tax expenses | After-tax amount attributable to the parent company | After-tax amount attributable to minor shareholders | |
| income not classified into the profits and losses of the invested entity | | | | | | | |
| Fair value changes of available for sale financial instruments | 1,167,750,000.00 | 675,500,436.00 | | 34,534,375.00 | 568,208,255.05 | 72,757,805.95 | 1,735,958,255.05 |
| Fair value changes of held-to-maturity financial instruments | | | | | | | |
| Changes in cash flow hedge recognized in other comprehensive income | -2,087,442,106.00 | 3,427,220,407.00 | | 753,997,309.00 | 2,673,223,098.00 | | 585,780,992.00 |
| Translation differences of financial statements of foreign currency | 140,270,978.58 | 994,465,064.51 | | | 974,387,291.38 | 20,077,773.13 | 1,114,658,269.96 |
| **Other comprehensive income in total** | -690,844,717.42 | 4,836,547,995.06 | | 739,762,773.00 | 3,955,957,315.95 | 140,827,906.11 | 3,265,112,598.53 |

## 46. Surplus Reserves

| Items | Opening balance | Increased | Decreased | Closing balance |
|---|---|---|---|---|
| Statutory surplus reserve | | 38,589,968.34 | | 38,589,968.34 |
| **Total** | | 38,589,968.34 | | 38,589,968.34 |

## 47. Undistributed Profits

| Items | Closing balance | Opening balance |
|---|---|---|
| Undistributed profits at the beginning of current year | 21,491,603,658.73 | 13,093,048,114.13 |
| Add: current net profit attributable to the parent company's shareholders in this period | 12,302,370,655.82 | 8,408,718,817.56 |
| Less: Others | 108,755,282.36 | 10,163,272.96 |
| Undistributed profits at the end of the year | 33,685,219,032.19 | 21,491,603,658.73 |

Note: the main events of others : 1) the payment of perpetual capital securities (other equity instruments) dividend 81,900,000 yuan; 2) Volvo Car AB (subsidiary of Geely Zhaoyuan) allocated 65 million kronor (equivalent 52,544,358.00 yuan) dividend to its preferred shareholders, and there was no preferred stock dividend in 2016. 3) the not-exercised stock option of Geely Automobile Holdings Ltd. (0175.HK) increased undistributed profit by 3,365,767.13 yuan.

## 48. Operating Incomes and Operating Costs

(1) Operating Incomes and Operating Costs

| Items | Amount incurred in current year | |
|---|---|---|
| | Operating Incomes | Operating Costs |
| Main operations | 273,346,970,562.74 | 212,731,887,514.91 |
| Other operations | 4,917,623,144.24 | 2,601,593,994.25 |
| Total | 278,264,593,706.98 | 215,333,481,509.16 |

| Items | Amount incurred in previous year | |
|---|---|---|
| | Operating Incomes | Operating Incomes |
| Main operations | 205,010,334,019.05 | 160,681,052,940.60 |
| Other operations | 3,788,365,752.85 | 2,265,909,575.96 |
| Total | 208,798,699,771.90 | 162,946,962,516.56 |

(2) The main Operating income is classified based on items.

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| **Main Operating income** | 273,346,970,562.74 | 205,010,334,019.05 |
| Including: Vehicle sales | 249,428,527,148.68 | 187,707,287,759.36 |
| Parts and materials sales | 21,159,600,485.08 | 15,311,788,529.68 |
| Others | 2,758,842,928.98 | 1,991,257,730.01 |

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| **Main Operating cost** | 212,731,887,514.91 | 160,681,052,940.60 |
| Including: vehicle sales | 190,939,945,789.83 | 144,596,432,802.55 |
| Parts and materials sales | 19,370,692,418.15 | 14,293,578,649.17 |
| Others | 2,421,249,306.93 | 1,791,041,488.88 |

**49. Financial Expense**

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Interest expense | 1,621,283,471.71 | 1,969,092,557.38 |
| Less: Interest income | 660,820,215.36 | 484,215,975.82 |
| Bank charge and others | 181,482,264.17 | 79,355,643.72 |
| Gain and loss on foreign exchange | 302,322,589.93 | 22,567,137.75 |
| **Total** | 1,444,268,110.45 | 1,586,799,363.03 |

**50. Asset Impairment Loss**

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Losses of bad debts | -94,140,355.65 | 404,351,845.38 |
| Losses of Inventory depreciation | 79,964,593.75 | -46,299,190.39 |
| Impairment loss of long-term equity investment | 500,000.00 | |
| Impairment loss of available-for-sale financial assets | | 3,349,199.30 |
| Impairment loss of tangible assets | 36,836,679.87 | 12,198,286.35 |
| Impairment loss of intangible assets | 172,636,365.91 | 2,219,250.27 |
| Others | 161,728.93 | |
| **Total** | 195,959,012.81 | 375,819,390.91 |

**51. Gains from the Changes of the Fair Value**

| Source of gains from the changes of the fair value | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Financial assets measured at fair values and changes accounted into current profit or losses | 276,479,600.08 | 172,952,708.23 |
| Benefit from fair value changes of derivative financial instruments | 275,565,280.00 | 182,333,904.00 |

| | | |
|---|---|---|
| Benefit from fair value changes of financial assets held-for-sale | | -9,381,195.77 |
| Financial liabilities measured at fair values and changes accounted into current profit or losses | | 1,666,623.25 |
| Losses from fair value changes of electricity futures contract | -3,908,180.00 | 57,620,649.00 |
| Losses from fair value changes of commercial papers | 39,707,443.00 | -10,262,486.00 |
| Interest swap | 3,688,752.00 | |
| Others | | -20,453,563.25 |
| **Total** | 315,967,615.08 | 201,523,931.23 |

**52. Investment Income**

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Long-term equity investment Income (losses) under equity method | -282,937,264.98 | 163,088,537.84 |
| The profits declared to distribute by investee entities accounted by cost method | 1,171,853.07 | 316,278.00 |
| Returns from disposal of available-for-sale financial instruments | 253,573,024.63 | 14,864.49 |
| Returns from holding financial assets measured at fair values and changes accounted into current profit or losses | | -5,211,771.31 |
| Returns from holding bank financial products | 580,920.55 | |
| The profits from remeasuring the residual equities at fair values after losing control | | -1,539,833.57 |
| Returns from disposal of financial assets measured at fair values and changes accounted into current profit or losses | | 9,699,550.55 |
| Returns from disposal of long-term equity investments | 38,638,262.51 | -66,918,532.20 |
| **Total** | 11,026,795.78 | 99,449,093.80 |

**53. Income from disposals of assets**

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Income from fixed assets disposal | -365,651,096.67 | -429,572,435.31 |
| Income from intangible assets disposal | 105,223,405.24 | 127,430,874.90 |
| Income from construction-in-process disposal | | -904,829.10 |

| | | |
|---|---|---|
| **Total** | -260,427,691.43 | -303,046,389.51 |

**54. Other income**

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Government subsidies | 2,489,180,524.97 | |
| **Total** | 2,489,180,524.97 | |

**55. Non-Operating Income**

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Total gain from non-current assets disposal | 1,203,894.91 | |
| Incomes from penalty, fines, indemnity | 12,208,603.79 | 54,800,698.36 |
| Government subsidies | 442,595,182.61 | 2,444,140,093.71 |
| Intangible asset transfer income | | 156,654.46 |
| Not required payments | 9,718,101.79 | 133,124.40 |
| Others | 152,864,407.88 | 115,993,430.37 |
| **Total** | 618,590,190.98 | 2,615,224,001.30 |

**56. Non-Operating Expenditures**

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Losses from non-current assets disposal | 79,729,442.72 | |
| Restructuring losses | | 3,970,885.00 |
| Abnormal losses | 570,991.15 | 210,388.41 |
| Donation expenditures | 19,442,584.55 | 73,540,732.35 |
| Expenditures from overdue fines, compensation, penalty and fines | 3,926,753.79 | 74,916,110.63 |
| Litigation compensation | | 25,003,796.00 |
| Others | 73,233,439.30 | 44,922,601.76 |
| **Total** | 176,903,211.51 | 222,564,514.15 |

**57. Income Tax Expense**

| Items | Amount incurred in current year | Amount incurred in previous year |
|---|---|---|
| Current income tax expense | 5,685,620,295.79 | 2,688,650,219.09 |
| Deferred income tax expense | -1,163,413,682.82 | 231,875,166.23 |
| **Total** | 4,522,206,612.97 | 2,920,525,385.32 |

## 58. Other Comprehensive Incomes

For details. see Note VI, 45.

## 59. Supplementary Information of Cash Flow Statement

(1) Supplementary Information of Cash Flow Statement

| Supplementary materials | Amount of current year | Amount of previous year |
|---|---|---|
| **1. Reconciliation of net profit to cash flow from operating activities:** | | |
| Net profit | 18,824,234,856.78 | 11,711,480,963.91 |
| Add: provision for impairment of assets | 195,959,012.81 | 375,819,390.91 |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological asset | 7,237,380,100.22 | 5,447,648,663.00 |
| Amortization of intangible assets | 5,218,933,730.05 | 4,236,214,477.12 |
| Amortization of long-term deferred expenses | 50,867,744.07 | 28,005,292.78 |
| Losses from the disposal of fixed assets, intangible assets and other long-term assets ("-" means income) | 260,427,691.43 | 303,046,389.51 |
| Losses from the disposal of fixed assets ("-" means income) | 78,525,547.81 | |
| Losses from the fair value change ("-" means income) | -315,967,615.08 | -201,523,931.23 |
| Financial expenses ("-" means income) | 1,554,468,110.45 | 1,991,659,695.13 |
| Losses from investment ("-" means income) | -11,026,795.78 | -99,449,093.80 |
| Decrease of deferred income tax assets ("-" means increase) | -1,001,603,220.13 | -273,257,172.79 |
| Increase of deferred income tax liabilities ("-" means decrease) | 683,186,916.34 | -436,054,451.28 |
| Decrease in inventories ("-" means increase) | -11,929,637,676.01 | -2,858,984,209.24 |
| Decrease of business item receivable ("-" means increase) | -1,398,703,055.06 | -2,797,249,572.28 |
| Increase of business item payable ("-" means decrease) | 23,592,240,558.25 | 16,473,347,305.00 |
| Others | | |
| Net cash flow from operating activities | 43,039,285,906.15 | 33,900,703,746.74 |
| **2. Major investment and financing activities that do not involve cash receipts and payments:** | | |
| Amount of endorsement transfer received from sales and services | | |
| Debts transferred into capital | | |
| Convertible bonds due within one year | | |
| Fixed assets acquired under financial leases | | |
| **3. Net increase in cash and cash equivalents:** | | |
| Year-end cash balance | 53,767,180,335.01 | 47,588,591,611.73 |
| Less: Opening cash balance | 47,588,591,611.73 | 32,778,174,091.20 |
| Add: Ending balance of cash equivalents | 21,755,997,758.05 | 8,692,396,176.90 |
| Less: Opening balance of cash equivalents | 8,692,396,176.90 | 721,944,086.00 |
| Net increase amount of cash & cash equivalents | 19,242,190,304.42 | 22,780,869,611.43 |

(2) Composition of Cash and Cash Equivalents

| Items | Amount of current year | Amount of previous year |
|---|---|---|

| Items | Amount of current year | Amount of previous year |
|---|---|---|
| I. Cash | 53,767,180,335.01 | 47,588,591,611.73 |
| Including: cash on hand | 1,619,716.07 | 2,460,767.16 |
| Deposits in bank that can be used for payment at any time | 52,268,445,594.51 | 47,149,880,441.44 |
| Other monetary funds that can be used for payment at any time | 1,497,115,024.43 | 436,250,403.13 |
| Deposits in central bank that can be used for payment | | |
| Deposits in other banks | | |
| Loans in the other banks | | |
| II. Cash equivalents | 21,755,997,758.05 | 8,692,396,176.90 |
| Including: bond investment due within three months | | 8,692,396,176.90 |
| III. Closing balance of cash & cash equivalents | 75,523,178,093.06 | 56,280,987,788.63 |
| Including: cash & cash equivalents that parent company or subsidiaries within the group are limited to use. | | |

## VII . Changes of Consolidation Scope

### 1. Disposal of Subsidiaries

Once subsidiaries disposition of losing control

| Subsidiaries Name | Equity disposal price | Equity disposal ratio(%) | Equity disposal manner | Time of losing control | The determination of losing control | The residual equity ratio of losing control(%) | The book value of residual equity of losing control | Fair value of residual equity of losing control | The gain or loss of residual equity based on fair value measurement | The determination of fair value and the main assumptions of residual equity of losing control |
|---|---|---|---|---|---|---|---|---|---|---|
| Shanghai Maple Engine Co., Ltd. (Note 1) | | | Consolidation by merger | The date of being absorbed | | | | | | |

Note 1: Shanghai Maple Engine Co., Ltd. was absorbed by Shanghai Maple Automobile Co., Ltd., and Shanghai Maple Engine Co., Ltd. had finished the cancellation of the business license after merger.

### 2. Other Reasons Result in Changes of Consolidation Scope.

Entities within the Scope of Consolidated Financial Statements during Reporting Period

| Company Type | Company name | Registered capital (ten thousand yuan) | Shareholding percentage | Reasons for changes |
|---|---|---|---|---|
| Subsidiary | Geely International (US) Co., Ltd | 9.80 million dollars | 100.00% | Newly established |
| Subsidiary | Zhejiang Qianjiang Motorcycle Co., Ltd | 45,353.60 | 29.77% | Enterprise Consolidation not |

under common control

**VIII. Interest in Other Entities.**

1. Interest in subsidiaries

(1) The Group Structure

①Holding Subsidiaries in the Scope of Consolidation

| Subsidiary name | Main business area | Domicile | Nature of business | Shareholding ratio (%) | | Acquisition method |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Beijing Geely Kaisheng International Investment Co., Ltd. | Beijing | Beijing | Investment | 100.00 | | Found |
| Zhejiang Haoqing Automobile Manufacture Co., Ltd. | Taizhou | Taizhou | Manufacture | 98.50 | | Found |
| Zhejiang Geely Automobile Co., Ltd. | Ningbo | Ningbo | Manufacture | 88.32 | | Found |
| Shanghai Maple Automobile Co., Ltd. | Shanghai | Shanghai | Manufacture | 90.00 | | Found |
| Jining Fulin Auto Parts Co., Ltd. (Note1) | Jining | Jining | Manufacture | 90.00 | 8.83 | Found |
| Geely International (US) Co., Ltd. | USA | USA | R&D | 100.00 | | Found |
| Hangzhou Geely Evun Technology Co., Ltd. | Hangzhou | Hangzhou | R&D | 100.00 | | Found |
| Zhejiang Geely Business Service Co., Ltd. | Hangzhou | Hangzhou | Service | 100.00 | | Found |
| Proper Glory Holding Inc (Note 2) | BVI | BVI | Investment | 100.00 | | Found |

| Subsidiary name | Main business area | Domicile | Nature of business | Shareholding ratio (%) | | Acquisition method |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Shanghai Meihuan Trading Co., Ltd. (Note 3) | Shanghai | Shanghai | Marketing | 90.00 | 9.85 | Found |
| Geely International (Hong Kong) Co., Ltd. | HongKong | HongKong | Investment | 100.00 | | Found |
| Weirui Electric Vehicle Technology (Suzhou) Co., Ltd. | Suzhou | Suzhou | Manufacture | 100.00 | | Found |
| Nanchong Geely Commercial Vehicle Research Institute Co., Ltd. (Note 4) | Nanchong | Nanchong | R&D | 51.05 | | Found |
| Zhejiang Geely New Energy Commercial Vehicle Co., Ltd. | Hangzhou | Hangzhou | R&D | 100.00 | | Found |
| Easy-insure Insurance Agency Co.. Ltd. | Hangzhou | Hangzhou | Insurance | 100.00 | | Found |
| Ningbo Yijie Equity Iinvestments and Fund Management Partnership(LP) | Ningbo | Ningbo | Investment | 70.00 | | Found |
| Zhejiang Qianjiang Motorcycle Co., Ltd. | Wenling | Wenling | | 29.77 | | Enterprise Consolidation not under common control |

Note 1: The Company holds 90% equity of Jining Fulin Auto Parts Co., Ltd. The shareholding percentage of the subsidiary, Zhejiang Geely Automobile, is 10%, and the direct and indirect holding as well as the proportion of voting rights of the company is 98.83%.

Note 2: According to the "Shareholding Entrustment Agreement," the BVI Geely Group Limited will entrust the company with the equity of the Proper Glory Holding Inc.

Note 3: The Company holds 90% of the equity of Shanghai Meihuan Trading Co., Ltd., and the subsidiary, Zhejiang Haoqing Automobile Manufacture Co., Ltd., holds 10% of the equity of it, and the direct and indirect holding as well as the proportion of voting rights of the company is 99.85%.

Note 4: The company invested in Nanchong Geely commercial vehicle research institute Co., Ltd. In September 2015, Company planned to increase capital investment to 1.4 billion yuan, together with China Development Fund Co., Ltd, in the name of financial investors, the proportion of agreement is 51.05% and 48.95%, respectively.

② The Scope of Consolidated Statements and the Shareholding Percentage of the Main Holding Subsidiaries

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding Percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| Geely International (Hong Kong) Co., Ltd | Hangzhou Jiqiao Automobile Technology Co., Ltd. | R&D | Hangzhou | 20 million dollars | 100.00 | Yes |
| | GEELY UK LIMITED | Marketing | UK | 30.0001 million pounds | 100.00 | Yes |
| | Size-up Investment Co., Ltd. | Investment | Hong Kong | 778 Hong Kong dollars | 100.00 | Yes |
| | Dawn Raise International Co., Ltd. | Investment | Hong Kong | 387,000 Hong Kong dollars | 100.00 | Yes |
| | Lotus Finance Limited | Production | UK | 10.00 million pounds | 51.00 | Yes |
| Zhejiang Geely Automobile Co., Ltd. | Jinan Ruhoo Automobile Parts Co., Ltd. | Production | Jinan | 1,000 | 100.00 | Yes |
| | Ningbo Geely Automobile Research & Development Co., Ltd. | R&D | Ningbo | 3,000 | 100.00 | Yes |
| | Ningbo Economic and Technological Development Zone Jihao Property services Co., Ltd. | Real Estate Service | Ningbo | 20 | 100.00 | Yes |
| | Ningbo Huali Real Estate Co., Ltd. | Real Estate Development | Ningbo | 2,100 | 100.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding Percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | CHINA-EURO VEHICLE TECHNOLOGY AB | R&D | Sweden | 85 million dollars | 100.00 | Yes |
| | Zhejiang Zhihui Puhua Finance lease Co., Ltd. | Financial lease | Ningbo | 27million dollars | 70.00 | Yes |
| | Ningbo Maituoli Machinery Co., Ltd.(Note) | Marketing | Ningbo | 2,016 | 100.00 | Yes |
| | Ningbo Lijing Real Estate Co., Ltd. | Real Estate Development | Ningbo | 2,100 | 100.00 | Yes |
| | Guizhou Geely New Energy Automobile Co. Ltd. | Production | Guiyang | 80,000 | 62.50 | Yes |
| | Shenzhen Geely Automobile Sale Co., Ltd. | Marketing | Shenzheng | 5,000 | 100.00 | Yes |
| | Xiamen Geely Automobile Sale Co., Ltd. | Marketing | Xiamen | 1,000 | 100.00 | Yes |
| | Ningbo Jirun Auto Parts Co., Ltd. | Production | Ningbo | 2,000 | 100.00 | Yes |
| | Hangzhou Geely New Energy Automobile Sale Co., Ltd. | Marketing | Hangzhou | 1,000 | 100.00 | Yes |
| | Hangzhou Geely Auto Parts Co., Ltd | Production | Hangzhou | 20,000 | 100.00 | Yes |
| | Taizhou Geely Luoyou Engine Co., Ltd. | Marketing | Taizhou | 5,000 | 100.00 | Yes |
| | Yuyao Jirun Auto Parts Co., Ltd | Production | Yuyao | 20,000 | 100.00 | Yes |
| | Guiyang Geely Engine Co., Ltd. | Production | Guiyang | 8,846 | 100.00 | Yes |
| | Beijing Geely New Energy Automobile Sale Co., Ltd. | Marketing | Beijing | 1,000 | 100.00 | Yes |
| | Guangzhou Geely New Energy Automobile Sale Co., Ltd. | Marketing | Guangzhou | 1,000 | 100.00 | Yes |
| | Tianjin Geely Dihao New Energy Automobile Sale Co., Ltd. | Marketing | Tianjin | 1,000 | 100.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding Percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | Yiwu Geely Engine Co., Ltd. | Production | Yiwu | 5,000 | 100.00 | Yes |
| | Zhejiang Jirun Meishan Geely Auto Parts Co., Ltd | Production | Ningbo | 40,000 | 100.00 | Yes |
| | Zhejiang Geely Automobile Parts purchasing Co., Ltd | Production | Ningbo | 3,000 | 79.00 | Yes |
| | Fuzhou Geely Dihao New Energy Automobile Sale Co., Ltd. | Marketing | Fuzhou | 1,000 | 100.00 | Yes |
| | Xian Geely New Energy Automobile Sale Co., Ltd. | Marketing | Xian | 1,000 | 100.00 | Yes |
| Zhejiang Haoqing Automobile Manufacture Co., Ltd. | Taizhou Luqiao Area King Kong Real Estate Management Co., Ltd. | Production | Taizhou | 50 | 100.00 | Yes |
| | Taizhou Haoqing Automobile Sales Service Co., Ltd. | Marketing | Taizhou | 13,680 | 100.00 | Yes |
| | Zhejiang Geely Automobile Technology Co., Ltd. | R&D | Hangzhou | 10,000 | 90.00 | Yes |
| | Linhai Haoqing Real Estate Development Co., Ltd. | Real Estate Development | Taizhou | 3,100 | 100.00 | Yes |
| | Baoji Geely Automobile Co., Ltd. | Production | Baoji | 15,000 | 100.00 | Yes |
| | Shanxi New Energy Automotive Industry Co., Ltd. | Production | Jinzhong | 15,000 | 100.00 | Yes |
| | Asia-Europe Auto. Manufacturing Co., Ltd. | Production | Taizhou | 5,000 | 100.00 | Yes |
| | Chengdu Zhaoyuan New Energy Automobile Investment Co., Ltd. | Investment | Chengdu | 80,500 | 100.00 | Yes |
| | Sichuan Geely Auto Parts Co., Ltd | R&D and | Chengdu | 20,000 | 100.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding Percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | | Production | | | | |
| | Xian Geely Automobile Co., Ltd. | Marketing | Xian | 15,000 | 100.00 | Yes |
| | Zhejiang Kingkong Automobile Co., Ltd. | Production | Luqiao | 41,300 | 100.00 | Yes |
| Proper Glory Holding Inc | Geely Automobile Holdings Ltd. (0175.HK) | Investment | CAYMAN ISLANDS | 240 million Hong Kong dollars | 29.39 | Yes |
| Shanghai Maple Automobile Co., Ltd. | Shanghai LTI Automobile Parts Co., Ltd. | Production | Shanghai | 54. 29715 million dollars | 52.00 | Yes |
| | Hangzhou Maidong New Energy Technology Co. Ltd. | R&D | Hangzhou | 700 | 65.00 | Yes |
| | Ningbo Jihong Alcohol Hydrogen Technology Co. Ltd. | R&D | Ningbo | 3,508 | 57.00 | Yes |
| | Shanghai Mudi Automobile Moulds Co., Ltd. | Production | Shanghai | 4,000 | 100.00 | Yes |
| Beijing Geely Kaisheng International Investment Co., Ltd. | Beijing Geely Wanyuan International Investment Co., Ltd. | Investment | Beijing | 710,000 | 100.00 | Yes |
| Zhejiang Geely New Energy Commercial Vehicle Co.Ltd | Zhejiang Yinglun Automobile Co.Ltd. | Production | Yiwu | 12,000 | 100.00 | Yes |
| Nanchong Geely Commercial Vehicle Research Institute Co. Ltd | Geely Sichuan Commercial Vehicle Co. Ltd. | Production | Nanchong | 15,203.68 | 100.00 | Yes |
| Shanghai Meihuan Trading Co., Ltd. | Hubei Jiyun changjiang Investment Management Co., Ltd. | Investment | Hubei | 101 | 60.00 | Yes |
| Zhejiang Geely Business Service | Hangzhou Xuanyu Human Resource Co., Ltd. | Service | Hangzhou | 200 | 100.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding Percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| Co., Ltd. | | | | | | |
| Zhejiang Qianjiang Motorcycle Co., Ltd | BENELLI Q.J.SRL | R&D and Production | Italy | | 70.00 | Yes |
| | Zhejiang Qianjiang Motorcycle Research & Development Co., Ltd. | R&D and Production | Wenling | 1,000 | 100.00 | Yes |
| | Zhejiang Manbo Investment Management Co., Ltd. | Investment | Hangzhou | 22,000 | 80.00 | Yes |
| | Chongqi Qianjiang Motorcycle Manufacturing Co., Ltd. | Production | Chongqi | 8,000 | 100.00 | Yes |
| | Wuxi Weisai Semiconductor CO., Ltd. | R&D | Wuxi | 6,000 | 65.00 | Yes |
| | Zhejiang Qianjiang Motorcycle Import and Export Co., Ltd. | Import and Export Business | Wenling | 5,000 | 100.00 | Yes |
| | Zhejiang Qianjiang Integrated circuit technology Co., Ltd. | R&D and Marketing | Wenling | 1,000 | 64.00 | Yes |
| | Taizhou Qianjiang Motorcycle Sale Co., Ltd. | Marketing | Wenling | 100 | 51.00 | Yes |
| | Hunan Jiehong Qianjiang Trading Co., Ltd. | Marketing | Changsha | 200 | 51.00 | Yes |
| | Sichuan Xin Qianjiang Motorcycle Sale Co., Ltd. | Marketing | Chengdu | 200 | 51.00 | Yes |
| | Chongqing Haoye Qianjiang Trading Co., Ltd. | Marketing | Chongqing | 520 | 51.00 | Yes |
| | Wuhan Qianjiang Trading Co., Ltd. | Marketing | Marketing | 180 | 51.00 | Yes |
| | Zhejiang Qianjiang New Energy Technology Co., Ltd. | R&D, Production and Marketing | Wenling | 15,750 | 66.67 | Yes |
| | Hefei Qianjiang Motorcycle Sale Co., Ltd. | Marketing | Hefei | 200 | 51.00 | Yes |
| | Zhejiang Meikeda Motorcycle Co., Ltd. | Production | Wenling | 2,300 | 100.00 | Yes |

| Subsidiary name | Consolidated scope of the subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding Percentage (%) | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | Zhejiang Yipeng Engine Parts Co., Ltd. | Production | Wenling | 23,452 | 100.00 | Yes |
| | Quanzhou Qianlong Trading Co., Ltd. | Marketing | Jingjiang | 200 | 51.00 | Yes |
| | Zhuhai Qianrong Trading Co., Ltd. | Marketing | Zhuhai | 50 | 51.00 | Yes |
| | Nanning Junhongxuan Trading Co., Ltd. | Marketing | Nanning | 130 | 51.00 | Yes |
| | Jiangxi Beinali Trading Co., Ltd. | Marketing | Nanchang | 200 | 51.00 | Yes |
| | Foshan Qianrong Trading Co., Ltd. | Marketing | Foshan | 50 | 51.00 | Yes |
| | Xian Qianjiang Motorcycle Sale Co., Ltd. | Marketing | Xian | 80 | 51.00 | Yes |
| | Gansu Qianjiang Beinali Trading Co., Ltd. | Marketing | Lanzhou | 100 | 51.00 | Yes |
| | Wenling Hannuo Mechanical and Electrical Technology Co., Ltd. | R&D | Wenling | 300 | 80.00 | Yes |

Note: Ningbo Maituoli Machinery Co., Ltd. has been canceled in year of 2018.



③The Scope of Consolidated Statements and the Shareholding Percentage of the Main Sub-subsidiaries

| Sub-subsidiary name | Consolidated scope of sub-subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding percentage | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| Geely Automobile Holdings Ltd. (stock code: 0175.HK) | Zhejiang Jirun Automobile Co., Ltd. | Production | Ningbo | 476.6366 million dollars | 99.00 | Yes |
| | Shanghai Maple Guorun Automobile Co., Ltd. | Production | Shanghai | 121.3636 million dollars | 99.00 | Yes |
| | Hunan Geely Automobile Parts Co., Ltd. | Production | Xiangtan | 88.50 million dollars | 99.00 | Yes |
| | Zhejiang Ruhoo Automobile Co., Ltd. | Production | Taizhou | 41,867.70 | 99.00 | Yes |
| | Zhejiang Kingkong Automobile Parts Research and Development Co., Ltd. | R&D | Taizhou | 14.90 million dollars | 100.00 | Yes |

| Sub-subsidiary name | Consolidated scope of sub-subsidiary | Nature of business | Registered place | Registered capital (ten thousand yuan) | Shareholding percentage | Whether control consolidation or not |
|---|---|---|---|---|---|---|
| | Zhejiang Fulin Guorun Automobile Parts Co., Ltd. | Production | Taizhou | 15.9592 million dollars | 100.00 | Yes |
| | Ningbo Geely Luoyou Engine Parts Co., Ltd. | Production | Ningbo | 28,280 | 99.68 | Yes |
| | Value Century Group Limited | Investment | BVI | 1 dollar | 100.00 | Yes |
| | Centurion Industries Limited | Investment | BVI | 1 dollar | 100.00 | Yes |
| | Geely International Ltd | Investment | Hong Kong | 2 Hong Kong Dollars | 100.00 | Yes |
| | Luckview Group limited | Investment | BVI | 1 dollar | 100.00 | Yes |
| | Linkstate Overseas | Investment | BVI | 1 dollar | 100.00 | Yes |
| Beijing Geely Wanyuan International Investment Co., Ltd. | Shanghai Geely Zhaoyuan International Investment Co. Ltd. | Investment | Shanghai | 810,000 | 100.00 | Yes |

**(2) Companies with more than 50% of Shareholding Percentage that haven't been Included in the Scope of the Consolidation and the Reasons.**

| Subsidiary name | Shareholding percentage (%) | Whether control or not | Reason of not being consolidated |
|---|---|---|---|
| Zhejiang Automobile Vocational and Technical College | 100.00 | No | Note 1 |
| Genius Auto Finance Co., Ltd. | 80.00 | No | Note 2 |

Note 1: Approved by Zhejiang Education Council through the Document, Zhe Jiao Cheng [1997] No.798, Zhejiang Automobile Vocational and Technical College was founded in December 1997 and gained the certificate for running a school by social forces of the People's Republic of China (Zhejiang Education Council Zheng Zi No: 02016.) in December 2002. In June 2003, it gained the certificate of registration of People-run Non-enterprise Units (Zhe Min Zheng Zi No. 010024) from Zhejiang Civil Affairs Bureau. Performing the Counting System for Non-governmental Non-profit Organizations, its business scope includes full-time higher education, adult higher vocational education and short-term professional training.

The company's financial and operating policies will be managed by Mitime Investment and Development Group Co., Ltd. which is out of the consolidated scope and the company has no control right over it.

Note 2: Geely Automobile Holdings co., Ltd. (0175, HK) and the third party BNP Paribas, enter into a joint venture of personal finance , established a joint venture company, Genius Auto Finance Co. Ltd., to engage in auto finance business in China. The company's registered capital is 900 million yuan, of which the Geely Automobile Holdings Co. Ltd. (0175, HK) contribution totals 720 million yuan, owns 80% stock, but according to the joint venture agreement, the joint venture company is controlled by both investors.

## 2. Equities of Joint Venture and Associated Enterprise

(1) Major Joint Ventures and Associated Enterprises

| Joint venture or associated enterprise name | Major business place | Registered place | Nature of business | Shareholding percentage (%) | | Accounting resolutions of the investment of the joint venture and associated enterprise |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| V2 Plug-In Hybrid Vehicle Partnership HB | Sweden | Sweden | Services | | 50.00 | Equity method |
| Volvofinans Bank AB | Sweden | Sweden | Finance | | 50.00 | Equity method |
| Genius Auto Finance Co. Ltd | Shanghai | Shanghai | Financing | | 80.00 | Equity method |
| Closed Joint Stock Company BELGEE | Belarus | Belarus | Manufacturing | | 31.70 | Equity method |
| Mando (Ningbo) Automotive Parts Co., Ltd. | Ningbo | Ningbo | Manufacturing | | 35.00 | Equity method |

(2) Main Financial Information of Major Joint Ventures.

Unit: ten thousand yuan

| Item | Closing balance/Amount incurred in current year | | | Opening balance/Amount incurred in previous year | | |
|---|---|---|---|---|---|---|
| | Volvofinans Bank AB. | V2 Plug-In Hybrid Vehicle Partnership HB | Genius Auto Finance Co. Ltd | Volvofinans Bank AB. | V2 Plug-In Hybrid Vehicle Partnership HB | Genius Auto Finance Co. Ltd |
| Current assets | 430,701.32 | 37,655.65 | 1,005,306.60 | 350,036.24 | 19,480.40 | 339,511.50 |
| Including: cash and cash equivalent | 145,390.43 | 15,141.53 | 51,463.50 | | 6,287.29 | 102,557.50 |
| Non-current assets | 2,693,369.67 | 16,251.38 | 34,716.20 | 2,339,728.93 | 21,309.05 | 6,353.00 |
| Total assets | 3,124,071.00 | 53,907.03 | 1,040,022.80 | 2,689,765.17 | 40,789.45 | 345,864.50 |

| Item | Closing balance/Amount incurred in current year | | | Opening balance/Amount incurred in previous year | | |
|---|---|---|---|---|---|---|
| | Volvofinans Bank AB. | V2 Plug-In Hybrid Vehicle Partnership HB | Genius Auto Finance Co. Ltd | Volvofinans Bank AB. | V2 Plug-In Hybrid Vehicle Partnership HB | Genius Auto Finance Co. Ltd |
| Current liability | 177,496.83 | 2,378.25 | 948,066.60 | 148,988.61 | 1,536.76 | 258,698.30 |
| Non-current liabilities | 2,638,352.79 | 3,567.38 | | 2,252,150.40 | 3,465.04 | |
| Total liabilities | 2,815,849.62 | 5,945.63 | 948,066.60 | 2,401,139.01 | 5,001.80 | 258,698.30 |
| Equities attributable to parent company's shareholder | 308,221.38 | 47,961.40 | 91,956.20 | 288,626.16 | 35,787.64 | 87,166.20 |
| Net assets counted according to the shareholding percentage | 154,110.69 | 20,562.98 | 73,564.96 | 144,313.08 | 13,300.85 | 69,732.96 |
| Adjusting events | | | | | | |
| - Goodwill | 29,792.04 | | | 28,854.63 | | |
| - Unrealized profit of internal trading | | | | | | |
| - Other | | | | -613.93 | | |
| Book value invested in the joint venture's equity | 183,902.73 | 20,562.98 | 73,564.96 | 172,553.78 | 13,300.85 | 69,732.96 |
| Fair value invested in the joint venture's equity in public market | | | | | | |
| Operating incomes | 305,768.90 | 61,979.11 | 46,987.80 | 319,884.93 | 54,088.84 | 9,737.50 |
| Net profit | 20,712.61 | 55,471.70 | 4,790.00 | 27,557.49 | 50,698.86 | -178.30 |
| Discontinued operating profit and loss | | | | | | |
| Other comprehensive incomes | | | | | | |
| Total comprehensive incomes | 20,712.61 | 55,471.70 | 4,790.00 | 27,557.49 | 50,698.86 | -178.30 |
| Dividends from joint venture in the current year | 2,933.18 | | | 364.2 | 13,983.69 | |

(3) Main Financial Information of the Major Associated Enterprises

| Item | Closing balance/Amount incurred in current year | | Opening balance/Amount incurred in previous year | |
|---|---|---|---|---|
| | Closed Joint Stock Company BELGEE | Mando (Ningbo) Automotive Parts Co., Ltd. | Closed Joint Stock Company BELGEE | Mando (Ningbo) Automotive Parts Co., Ltd. |
| Current assets | 41,854.09 | 302,425.94 | 100,345.63 | 222,725.79 |
| Non-current assets | 182,339.07 | 28,975.24 | 99,222.06 | 23,332.56 |
| Total assets | 224,193.16 | 331,401.18 | 199,567.70 | 246,058.34 |
| Current liability | 27,660.94 | 255,131.25 | 40,351.87 | 182,104.82 |
| Non-current liabilities | 164,990.27 | 1167.62 | 138,154.65 | 916.66 |
| Total liabilities | 192,651.21 | 256,298.87 | 178,506.53 | 183,021.48 |
| Equities attributable to parent company's shareholder | 31,541.95 | 75,102.31 | 21,061.17 | 63,036.86 |
| Net assets counted according to the shareholding percentage | 10,000.13 | 26,285.81 | 7,048.58 | 22,062.90 |
| Adjusting events | | | | |
| - Goodwill | | | | |
| - Unrealized profit of internal trading | | | | |
| - Other | | | | |
| Book value invested in the associated enterprise's equity | 11,318.48 | 26,186.94 | 7,708.30 | 22,062.90 |
| Fair value invested in the joint venture's equity in public market | | | | |
| Operating income | 7,125.17 | 334,657.65 | 38,015.85 | 215,071.01 |
| Net profit | 612.02 | 11,782.98 | 189.12 | 8,695.15 |
| Discontinued operating profit and loss | | | | |
| Other comprehensive incomes | | | | |
| Total comprehensive incomes | 612.02 | 11,782.98 | 189.12 | 8,695.15 |
| Dividends from associated enterprises in the current year | | | | |

## IX. Related Parties and Transactions

### 1. About Major Shareholders of the Group

| Name of shareholder | Types of relationship | Equity ratio % | Proportion of votes % |
|---|---|---|---|
| Li Shufu | Investor | 91.08 | 91.08 |

**2. About Subsidiaries of the Company**

For details, See Note VIII, 1.

**3. About Joint Ventures and Associated Enterprises of the Company**

For details,See Note VIII, 2.

Other joint ventures and associated enterprises that conducted related-party transactions with the Company in current year or that conducted related-party transactions, which led to balance, with the Company at the period-beginning are as follows:

| Name of joint ventures or associated enterprises | Relationship with the Company |
|---|---|
| V2 Plug-in Hybrid Vehicle Partnership HB | Joint venture |
| Volvo Trademark Holding AB | Joint venture |
| Genius Auto Finance Co. Ltd. | Joint venture |
| Volvofinans Bank AB | Joint venture |
| Wenling Jirui Automobile Manufacture Co., Ltd. | Joint venture |
| Shanghai Sanyou Technology Development Co., Ltd. | Joint venture |
| Closed Joint Stock Company BELGEE | Associated company |
| Mando (Ningbo) Automotive Parts Co., Ltd. | Associated company |
| Göteborgs Tekniska College AB | Associated company |
| Zhejiang Qianjiang Robot Co., Ltd. | Associated company |
| Zhejiang Hengyuan New Energy Technology Co., Ltd. | Associated company |
| Wenling Xinhe Guaranty Co., Ltd. | Associated company |
| Corun Hybrid Technology Co., Ltd. | Associated company |
| Global Intelligent Power Technologies Co., Ltd. | Associated company |
| Proton Holdings Berhad | Associated company |

**4. About Other Related Parties**

| Name of other related parties | Relationship between other related parties and the Company |
|---|---|
| Zhidou Electric Vehicle Co., Ltd. | The same actual controller |
| Zhejiang Yiting Holding Co., Ltd. | The same actual controller |
| Zhejiang Yikatong Techonology Co., Ltd. | The same actual controller |
| Ningbo Mitime Investment Co., Ltd. | The same actual controller |
| Ningbo Geely Taxi Co., Ltd. | The same actual controller |
| Mitime Investment and Development Co., Ltd. | The same actual controller |
| Lanzhou Zhidou Electric Vehicle Co., Ltd. | The same actual controller |
| Kandi Electric Vehicles Group Co., Ltd. | The same actual controller |

| Name of other related parties | Relationship between other related parties and the Company |
|---|---|
| Kandi Electric Vehicles (Shanghai) Co., Ltd. | The same actual controller |
| Kandi Electric Vehicles (Jinhua) Co., Ltd. | The same actual controller |
| Geely Group Co., Ltd. | The same actual controller |
| Geely Group (Ningbo) Co., Ltd. | The same actual controller |
| Joma Co., Ltd. | The same actual controller |
| Hangzhou Youxing Technology Co., Ltd. | The same actual controller |
| Hangzhou Puzhao Technology Co., Ltd. | The same actual controller |
| Hangzhou Dilan Technology Co., Ltd. | The same actual controller |
| Hainan Management Network Technology Co., Ltd. | The same actual controller |
| Guobang On-line Technology Co., Ltd. | The same actual controller |
| Beijing Mitime Medical Investment Management Co., Ltd. | The same actual controller |
| Beijing Jindian Technology Co., Ltd. | The same actual controller |
| Beijing Fuzhaolangfeng Technology Co., Ltd. | The same actual controller |
| Zenuity AB | The same actual controller |
| Viridi E-Mobility Co. Ltd. | The same actual controller |
| London Electric Vehicles Limited | The same actual controller |
| PT Geely Mobil Indonesia | The same actual controller |
| Geely Design Barcelona | The same actual controller |
| Zhejiang Yijiang Mechanical and Electrical Co., Ltd. | The same actual controller |
| Wenling Zhengfeng Engine Co., Ltd. | The same actual controller |
| Wenling Qianjiang Import and Export Co., Ltd. | The same actual controller |
| Wenling Huajiang Lamps Co., Ltd. | The same actual controller |
| Chengdu Qianjiang Yintong Property Services Co., Ltd. | The same actual controller |
| Chengdu Huilianyongdao Investment Co., Ltd. | The same actual controller |
| Qianjiang Group Co., Ltd. | The same actual controller |
| Gezhikong Intelligent Power Technologies (Shanghai) Co., Ltd. | The same actual controller |
| Zhejiang Microcity Electric Vehicle Operation Co., Ltd. | Joint stock company |
| Zhejiang Jihekang Electric Vehicle Sale Co., Ltd. | Joint stock company |
| Ningbo Tower Automobile Parts Co., Ltd. | Joint stock company |
| VH Systems | Joint stock company |
| VCFS Germany GmbH | Joint stock company |

**5. About Related-Party Transaction**

(1) Related-Party Transaction of the Purchase and Sale of Commodities, and Services Offered and Accepted

① . About the purchase of commodities/services accepted

Amount: ten thousand Yuan

| Related party | Related-party transaction | Actual amount incurred in current year | Actual amount incurred in previous year |
|---|---|---|---|
| Mando (Ningbo) Automotive Parts Co., Ltd. | Purchase of commodities | 342,171.72 | 119,933.19 |
| Volvofinans Bank AB | Purchase of commodities | 219.53 | |
| V2 Plug-In Hybrid Vehicle Partnership HB | Purchase of commodities | 61,421.79 | 56,285.32 |
| VH Systems | Purchase of commodities | 15,411.56 | 10,096.96 |
| Viridi E-Mobility Co. Ltd. | Purchase of commodities | 24.94 | 6,519.00 |
| Volvo Trademark Holding AB | Purchase of commodities | 955.95 | 762.09 |
| London Electric Vehicles Limited | Purchase of commodities | 28,859.64 | 222.5 |
| Zenuity AB | Purchase of commodities | 2,587.72 | |
| Göteborgs Tekniska College AB | Purchase of commodities | 796.62 | 563.92 |
| VCFS Germany GmbH | Purchase of commodities | | 487.23 |
| Zhidou Electric Vehicle Co., Ltd. | Purchase of commodities | 57,105.41 | |
| Lanzhou Zhidou Electric Vehicle Co., Ltd. | Purchase of commodities | 128,124.23 | |
| **TOTAL** | | 637,679.11 | 195,038.64 |

②. About the sale of commodities/services offered Amount: ten thousand yuan

| Related party | Related-party transaction | Actual amount incurred in current year | Actual amount incurred in previous year |
|---|---|---|---|
| VH Systems AB | Sale of commodities | 15,412.82 | 10,516.92 |
| London Electric Vehicles Limited | Sale of commodities | 13,646.21 | 11,951.05 |
| Göteborgs Tekniska College AB | Sale of commodities | 422.44 | 307.78 |
| Zenuity AB | Sale of commodities | 2,236.16 | |
| VCFS Germany GmbH | Sale of commodities | 541.00 | 474.04 |
| V2 Plug-In Hybrid Vehicle Partnership HB | Sale of commodities | | 68.10 |
| Hangzhou Youxing Technology Co., Ltd. | Sale of commodities | 15,177.76 | 20,415.59 |
| Zhejiang Yiting Holding Co., Ltd. | Sale of commodities | | 1,113.68 |
| Geely Design Barcelona | Sale of commodities | 84.47 | 148.52 |
| Kandi Electric Vehicles Group Co., Ltd. | Sale of commodities | 46.93 | |

| | | | |
|---|---|---|---|
| Kandi Electric Vehicles (Shanghai) Co., Ltd. | Sale of commodities | 3,807.18 | 170.53 |
| **Total** | | 51,374.97 | 45,166.21 |

(2) Other Related-Party Transactions Amount: ten thousand yuan

| Related party | Related-party transaction | Actual amount incurred in current year | Actual amount incurred in previous year |
|---|---|---|---|
| Mando (Ningbo) Automobile Parts Co., Ltd. | Quality assurance claim income | 2,107.76 | |
| Kandi Electric Vehicles Group Co., Ltd. | Interest income | 3,165.78 | 1,319.52 |
| Zhidou Electric Vehicle Co., Ltd. | Interest income | 4,852.51 | 4,570.15 |
| Kandi Electric Vehicles (Shanghai) Co., Ltd. | Interest income | | 849.43 |
| Genius Auto Finance Co. Ltd | Interest income | 1,810.36 | |
| Kandi Electric Vehicles Group Co., Ltd. | Financing guarantee service income | 1,409.51 | |
| Zhidou Electric Vehicle Co., Ltd. | Financing guarantee service income | 7.05 | |
| Mando (Ningbo) Automobile Parts Co., Ltd. | Technical service incomes | 772.81 | 614.01 |
| Wenling Qianjiang Import and Export Co., Ltd. | Parts sale income | 9.04 | 31.71 |
| Global Intelligent Power Technologies Co., Ltd. | Parts sale income | 5,873.11 | |
| Gezhikong Intelligent Power Technologies (Shanghai) Co., Ltd. | Parts sale income | 588.94 | |
| Zhejiang Qianjiang Robot Co., Ltd. | Parts and Equipment sale | 1,430.12 | 1,244.96 |
| Zhejiang Yijiang Mechanical and Electrical Co., Ltd. | Management service income | | 33.96 |
| Wenling Zhengfeng Engine Co., Ltd. | Design service income | 31.46 | |
| Hangzhou Youxing Technology | Rental and water & electricity incomes | 122.14 | 42.98 |
| Hangzhou Dilan Technology Co., Ltd. | Water & electricity incomes | 11.65 | |
| Joma Co., Ltd. | Water & electricity incomes | 7.39 | 7.15 |
| Zhejiang Microcity Electric Vehicle | Water & electricity | 4.45 | |

| | | | |
|---|---|---|---|
| Operation Co., Ltd. | incomes | | |
| Kandi Electric Vehicles (Shanghai) Co., Ltd. | Water & electricity incomes | 178.66 | 213.37 |
| Corun Hybrid Technology Co., Ltd. | Water & electricity incomes | 127.63 | |
| Hangzhou Dilan Technology Co., Ltd. | Charging point using fee | 5.74 | |
| Beijing Fuzhaolangfeng Technology Co., Ltd. | Charging point using fee | 0.15 | |
| Zhejiang Yiting Holding Co., Ltd. | Business travel services | | 0.59 |
| Hangzhou Youxing Technology Co., Ltd. | Business travel services | | 19.87 |
| Hangzhou Puzhao Technology Co., Ltd. | Business travel services | | 1.47 |
| Beijing Fuzhaolangfeng Technology Co., Ltd. | Business travel services | | 12.25 |
| Guobang On-line Technology Co., Ltd. | Business travel services | | 3.03 |
| Beijing Jindian Technology Co., Ltd. | Business travel services | | 9.23 |
| Joma Co., Ltd. | Business travel services | 149.16 | 95.07 |
| Hangzhou Dilan Technology Co., Ltd. | Business travel services | | 2.30 |
| Zhejiang Yikatong Technology Co., Ltd. | Business travel services | 23.26 | 32.91 |
| Genius Auto Finance Co. Ltd | Business travel services | | 109.91 |
| Zhejiang Jihekang Electric Vehicle Sale Co., Ltd. | Business travel services | 2.53 | |
| Zhejiang Hengyuan New Energy Technology Co., Ltd | service income | 22.85 | |
| Beijing Fuzhaolangfeng Technology Co., Ltd. | service income | 0.38 | |
| Hangzhou Dilan Technology Co., Ltd. | service income | 4.62 | |
| Corun Hybrid Technology Co., Ltd. | Other income | 99.34 | 67.77 |
| Kandi Electric Vehicles (Shanghai) Co., Ltd. | Other income | 66.37 | 54.79 |
| Kandi Electric Vehicles (Jinhua) Co., Ltd. | Other income | 0.37 | |
| Geely Group Co., Ltd | Interest expenditure | 3,186.77 | |

| | | | |
|---|---|---|---|
| Wenling Zhengfeng Engine Co., Ltd. | Expenses for parts and electricity | 1.10 | 0.66 |
| Gezhikong Intelligent Power Technologies (Shanghai) Co., Ltd. | Purchase of Parts | 9.73 | |
| Wenling Qianjiang Import and Export Co., Ltd. | Purchase of Parts and electric bicycle | 32.19 | 451.19 |
| Shanghai Sanyou Technology Development Co., Ltd. | Purchase of equipment and parts | 530.13 | 515.97 |
| Chengdu Qianjiang Yintong Property Services Co., Ltd. | Property fee and service charge | 80.45 | 213.30 |
| Qianjiang Group Co., Ltd. | Expenses for electricity | 1.04 | 1.23 |
| Chengdu Huilianyongdao Investment Co., Ltd. | Service charge | 13.85 | 31.49 |
| Zhejiang Qianjiang Robot Co., Ltd. | Purchase of equipment | 407.27 | |
| Beijing Fuzhaolangfeng Technology Co., Ltd. | Purchase of fixed assets | 31.31 | |
| Ningbo Geely Taxi Co., Ltd. | Purchase of fixed assets | 0.91 | |
| Hainan Management Network Technology Co., Ltd. | Other purchase | | 1.49 |
| Hangzhou Youxing Technology Co., Ltd. | Other costs | | 11.36 |
| **Total** | | 27,179.89 | 10,563.12 |

**6. Receivables and Payables From Related Party**

(1) Receivables

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Account Book balance | Bad debt provision | Book Account balance | Bad debt provision |
| Accounts receivable: | | | | |
| Mando (Ningbo) Automobile Parts Co., Ltd. | 4,441,791.78 | | 3,873,707.55 | |
| Closed Joint Stock Company BELGEE | 170,201.49 | | | |
| Ningbo Tower Ditong Automotive Components Co., Ltd. | - | | 434,164,869.76 | |
| Ningbo Geely Taxi Co., Ltd. | 2,000,000.00 | | 2,000,000.00 | |
| London Electric Vehicles Limited | 11,682,250.00 | | 40,923,892.00 | |
| Volvefinans Bank AB | 411,577,011.00 | | 585,351,146.00 | |

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Account Book balance | Bad debt provision | Book Account balance | Bad debt provision |
| Göteborgs Tekniska College AB | 383,691.00 | | 461,317.00 | |
| V2 Plug-In Hybrid Vehicle Partnership HB | 237,043,485.00 | | 568,065.00 | |
| VH Systems AB | 45,109,879.00 | | 11,278,945.00 | |
| PT Geely Mobil Indonesia | | | 47,982,382.96 | |
| Hangzhou Youxing Technology Co. Ltd. | 1,962,641.62 | | 4,190,551.00 | |
| Geely Design Barcelona | 171,613.00 | | 219,075.00 | |
| VCFS Germany GmbH | 526,211.00 | | 36,624.00 | |
| Kandi Electric Vehicles Group Co., Ltd. | 549,031.98 | | | |
| Kandi Electric Vehicles (Shanghai) Co., Ltd. | 42,416,677.61 | | 23,278,102.05 | |
| Corun Hybrid Technology Co., Ltd. | | | 67,048.53 | |
| Zenuity AB | 16,070,637.00 | | | |
| Viridi E-Mobility Co. Ltd. | 2,510,000.00 | | | |
| Wenling Huajiang Lamps Co., Ltd. | 920,085.23 | 920,085.23 | 920,085.23 | 920,085.23 |
| Global Intelligent Power Technologies Co., Ltd. | 25,428,410.36 | 1,271,420.52 | 49,526,209.48 | 2,476,310.47 |
| Gezhikong Intelligent Power Technologies (Shanghai) Co., Ltd. | 2,210,523.34 | 110,526.17 | | |
| Wenling Qianjiang Import and Export Co., Ltd. | 6,483.79 | 324.19 | | |
| Total | 805,180,624.20 | 2,302,356.11 | 1,204,842,020.56 | 3,396,395.70 |
| Prepayments: | | | | |
| Geely Group Co., Ltd. | | | 72,000,000.00 | |
| Proton Holdings Berhad | 40,203.71 | | | |
| Genius Auto Finance Co. Ltd. | | | 3,837,337.31 | |
| Total | 40,203.71 | | 75,837,337.31 | |
| Other Receivables: | | | | |
| Geely Group Co., Ltd. | 4,520,634.00 | | 6,495,464.48 | |
| Mitime Investment and Development Group Co., Ltd. | 20,350,000.00 | | 20,350,000.00 | |

| Item | Closing balance | | Opening balance | |
|---|---|---|---|---|
| | Account Book balance | Bad debt provision | Book Account balance | Bad debt provision |
| Beijing Mitime Medical Investment Management Co., Ltd. | 12,000.00 | | 12,000.00 | |
| Zhidou Electric Vehicle Co., Ltd. | 479,652,068.12 | | 550,000,000.00 | |
| Hangzhou Youxing Technology Co., Ltd. | 2,351,275.34 | | 683,775.50 | |
| Zhejiang Yiting Holding Co., Ltd. | 1,311,304.85 | | 1,277,156.05 | |
| Joma Co., Ltd. | | | 83,639.42 | |
| Genius Auto Finance Co. Ltd. | | | 3,154,560.00 | |
| Geely Group (Ningbo) Co., Ltd. | 779,300,000.00 | | | |
| Kandi Electric Vehicles Group Co., Ltd. | 554,294,700.00 | | 360,000,000.00 | |
| Kandi Electric Vehicles (Shanghai) Co., Ltd. | 311,821.79 | | 22,949,072.45 | |
| Corun Hybrid Technology Co., Ltd. | 181,167.32 | | 67,048.53 | |
| Hangzhou Puzhao Technology Co., Ltd. | 132,408.00 | | 119,624.00 | |
| Hangzhou Dilan Technology Co., Ltd. | 3,915,246.81 | | 821,311.00 | |
| Ningbo Mitime Investment Co., Ltd. | 12,476.00 | | | |
| Proton Holdings Berhad | 57,065.00 | | | |
| Mando (Ningbo) Automobile Parts Co., Ltd. | 62,227.59 | | | |
| Total | 1,846,464,394.82 | | 966,013,651.43 | |

(2) Payables

| Item | Closing balance | Opening balance |
|---|---|---|
| Accounts payable: | | |
| Mando (Ningbo) Automobile Parts Co., Ltd. | 1,251,187,465.37 | 1,261,645,446.04 |
| V2 Plug-In Hybrid Vehicle Partnership HB | 201,806,520.00 | 74,342,338.00 |
| Volvofinans Bank AB | 451,075.00 | 4,556,297.00 |
| Volvo Trademark Holding AB | 2,671,569.00 | 3,220,365.00 |
| Göteborgs Tekniska College AB | 106,229.00 | 2,869,671.00 |
| London Electric Vehicles Limited | 237,825,137.00 | |
| Zenuity AB | 15,037,683.00 | |
| Viridi E-Mobility Co. Ltd. | 281,509.00 | |
| Ningbo Tower Ditong Automobile Components Co., Ltd | 100,838.91 | 352,489.77 |
| VH Systems AB | 15,004,388.00 | 12,744,978.00 |
| Kandi Electric Vehicles Group Co., Ltd. | | 2,484,424.00 |
| Zhidou Electric Vehicle Co., Ltd. | 760,677,183.23 | |
| Hangzhou Youxing Technology Co., Ltd. | | 24,495,428.79 |
| Geely Group Co., Ltd. | 674,315,870.30 | |
| Wenling Qianjiang Import and Export Co., Ltd. | | 1,321,701.99 |
| Zhejiang Qianjiang Robot Co., Ltd. | 457,800.00 | 500,000.00 |
| Shanghai Sanyou Technology Development Co., Ltd. | 28,470,375.00 | |
| Total | 3,188,393,642.81 | 1,390,153,289.59 |
| Advances from customers: | | |
| Hangzhou Youxing Technology Co., Ltd. | | 13,050,000.00 |
| Genius Auto Finance Co., Ltd. | 9,294.63 | 9,294.63 |
| Total | 9,294.63 | 13,059,294.63 |
| Other payable: | | |
| Proton Holdings Berhad | 791,220.00 | |
| Mando (Ningbo) Automobile Parts Co., Ltd. | 129,119.88 | |
| Kandi Electric Vehicles Group Co., Ltd. | | 25,434.00 |
| Corun Hybrid Technology Co., Ltd. | 12,055.80 | |
| Wenling Xinhe Guaranty Co., Ltd. | 33,074,999.99 | 31,500,000.00 |
| Wenling Jirui Automobile Manufacture Co., Ltd. | 770,000.00 | 790,000.00 |
| Chengdu Qianjiang Yintong Property Services Co., Ltd. | 148,312.62 | 242,640.09 |
| Shanghai Sanyou Technology Development Co., Ltd. | 50,000.00 | |
| Beijing Mitime Medical Investment Management Co., Ltd. | 34,043,512.61 | 200.00 |
| Total | 69,019,220.90 | 32,558,274.09 |

**7. About Related-Party Guarantee**

The Company acts as the guarantor Amount: ten thousand Yuan

| Secured party | Amount guaranteed | Starting date | Due date | Whether the guarantee is implemented |
|---|---|---|---|---|
| Hangzhou Youxing Technology Co. Ltd. | 20,000.00 | 2017-12-26 | 2018-12-24 | No |
| Hangzhou Youxing Technology Co. Ltd. | 10,000.00 | 2017-6-2 | 2018-6-2 | No |
| Hangzhou Youxing Technology Co. Ltd. | 10,000.00 | 2017-7-14 | 2018-7-14 | No |
| Mitime Investment and Development Group Co., Ltd. | 30,000.00 | 2015-9-17 | 2018-9-17 | No |
| Kandi Electric Vehicles Co., Ltd. | 50,000.00 | 2017-10-12 | 2018-10-11 | No |
| Kandi Electric Vehicles Co., Ltd. | 25,000.00 | 2017-10-12 | 2018-10-11 | No |
| Zhejiang Microcity Electric Vehicle Operation Co., Ltd. | 10,000.00 | 2017-10-23 | 2018-10-22 | No |
| **TOTAL** | 155,000.00 | | | |

## X. Commitments and Contingencies

### 1. Significant Commitments

(1) Capital Commitments

| Capital commitments signed but not confirmed in financial balance | Closing balance | Opening balance |
|---|---|---|
| Commitment for buying and building long term asset | 7,775,157,556.24 | 1,108,554,830.38 |
| Project contract | 115,916,522.35 | 839,947,593.30 |
| No provision for procurement | | 9,748,787.36 |
| Overseas Investment Commitment | 9,116,652.96 | 9,345,765.60 |
| **Total** | 7,900,190,731.55 | 1,967,596,976.64 |

(2) Operating Lease Commitment

Up to the date of Balance Sheet date, the status of irrevocable operating lease signed by other Group is shown as follows:

| Minimum payments of irrevocable lease | Closing balance | Opening balance |
|---|---|---|
| The first year after the date of Balance Sheet | 1,234,769,512.00 | 899,353,241.20 |
| The second to fifth year after the date of Balance Sheet | 2,681,645,520.60 | 1,699,696,609.60 |
| After fifth year after the date of Balance Sheet | 1,565,682,000.00 | 993,059,353.60 |
| **Total** | 5,482,097,032.60 | 3,592,109,204.40 |

### 2. Contingencies

**(1) Significant Contingencies Exist on Balance Sheet Date**

**① Estimated Liabilities**

Product quality assurance and expected marketing expenses are accrued expense of after-sale maintenance and compensation of different types of Volvo Cars sold in different markets.( see Note VI. 39)

**② Contingent Liability**

Pending litigation

The Group company Geely Zhaoyuan thought ongoing litigation exposure of RMB 39,031,069.00 yuan, management thought exist the possibility of losing, so for the contingent liabilities disclosed.

**③ Other Contingencies**

1) Pension Contingent Liabilities

In terms of agreement, Volvo Personvagnar AB, Volvo Bili Göteborg AB and Volvo Personbilar Sverige AB shall undertake the contingent liability of 2% pension plan with amount of 110,697,855.00 yuan. Management thought risk is less than remote.

2) Other Contingent Liabilities

The clause on contingent liabilities of other external contract or agreement is involved with the amount of 758,435,460.00 yuan. The risk of contingent liabilities is low.

## XI. Events after the balance sheet date

1. On 18 January 2018, Geely Automobile Holdings Co., Ltd. (0175, HK), Barclays Bank PLC, BNP Paribas, Deutsche Bank AG, Hong Kong Branch and UBS AG Hong Kong Branch entered into a subscription agreement in connection with the issue of US$300,000,000 3.625% bonds due 2023 (the "Bonds Issue"). The estimated net proceeds of the Bonds Issue, after deduction of underwriting discounts and commissions and other offering expenses, amounted to approximately US$297,500,000 (equivalent to RMB1,909,950,000) and the Group intends to use it to refinance the Group's certain existing indebtedness and for business development and other general corporate purposes.

2. Geely Automobile Holdings Co., Ltd. (0175, HK) and BNP Paribas Personal Finance, an independent third party, increased the same proportion of registered capital of Genius Auto Finance Co. Ltd.. The registered capital of Genius Auto Finance Co. Ltd. changed to 2 billion yuan after increasing registered capital action. Before the signing date of this report, Geely Automobile Holdings Co., Ltd. (0175, HK) has paid up additional registered capital, which is 880 million yuan, and commerce alteration registration have done.

## XII. Other Important Events

1. As at 31 December 2017, the aggregate amount of reserves available for distribution to equity holders of Geely Automobile Holdings Co., Ltd. (0175, HK) was RMB 3,592,041,000. After the reporting date, the directors of board proposed a final dividend of HK$0.29 per ordinary share amounting to RMB 2,159,774,000 yuan.

2. On 29 September 2017, the Group has accomplished the purchasing of 51% equity of Lotus Group, and 49.9% equity of Proton Holdings Berhad, and related procedures of equity transfer were completed.

## XIII. Notes to Main Items in Finance Statements of Parent Company

**1. Other Receivables**

(1) Other receivables disclosed by accounts receivable age

| Aging | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book balance | | Bad debt provision | Book Balance | | Bad debt provision |
| | Amount | Proportion (%) | | Amount | Proportion (%) | |
| Within 1 year | 5,732,110,446.58 | 38.27 | | 8,518,137,481.24 | 66.92 | |
| From 1 to 2 years | 5,059,393,677.81 | 33.78 | | 666,799,846.35 | 5.24 | |
| From 2 to 3 years | 642,060,299.39 | 4.29 | | 374,727,056.11 | 2.94 | |
| Above 3 years | 3,544,547,755.72 | 23.66 | 2,470,700.61 | 3,169,820,700.61 | 24.90 | |
| **Total** | 14,978,112,179.50 | 100.00 | 2,470,700.61 | 12,729,485,084.31 | 100.00 | |

（2）Other receivables disclosed by business categories:

| Business content | Closing balance | Opening balance |
|---|---|---|
| Current account | 14,874,849,963.81 | 12,640,383,905.58 |
| Withholding payment | 103,262,215.69 | 89,101,178.73 |
| 合 计 | 14,978,112,179.50 | 12,729,485,084.31 |

## 2. Long-term Investment on Equity

| Item | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | Book Balance | Impairment provision | Book Value | Book Balance | Impairment provision | Book Value |
| To invest in subsidiary | 13,513,097,736.66 | 44,789,998.45 | 13,468,307,738.21 | 7,818,988,259.66 | 44,789,998.45 | 7,774,198,261.21 |
| To invest in associated enterprises and joint ventures | 235,077,516.29 | 500,000.00 | 234,577,516.29 | 1,283,550,691.15 | 7,925,284.88 | 1,275,625,406.27 |
| Total | 13,748,175,252.95 | 45,289,998.45 | 13,702,885,254.50 | 9,102,538,950.81 | 52,715,283.33 | 9,049,823,667.48 |

(1) Investment in Subsidiaries

| Investees | Opening balance | Increase during the year | Decrease during the year | Closing balance | Provision for the year | Closing balance of impairment provision |
|---|---|---|---|---|---|---|
| Proper Glory Holding Inc. | 160,377,380.00 | | | 160,377,380.00 | | 160,377,380.00 |
| Geely International (Hong Kong) Co., Ltd. | 591,430,882.00 | | | 591,430,882.00 | | 591,430,882.00 |
| Shanghai Maple Automobile Co., Ltd. | 197,989,236.03 | 24,300,000.00 | | 222,289,236.03 | 44,789,998.45 | 197,989,236.03 |
| Shanghai Maple Engine Co., Ltd. | 24,300,000.00 | | 24,300,000.00 | 0.00 | | 24,300,000.00 |
| Zhejiang Haoqing Automobile Co., Ltd | 305,726,105.26 | 3,000,000,000.00 | | 3,305,726,105.26 | | 305,726,105.26 |
| Zhejiang Geely Automobile Co., Ltd | 580,887,156.37 | 1,683,907,337.00 | | 2,264,794,493.37 | | 580,887,156.37 |

| Investees | Opening balance | Increase during the year | Decrease during the year | Closing balance | Provision for the year | Closing balance of impairment provision |
|---|---|---|---|---|---|---|
| Jining Fulin Automobile Components Co., Ltd. | 45,000,000.00 | | | 45,000,000.00 | | 45,000,000.00 |
| Ningbo UMD Automatic Transmission Co., Ltd. | 105,000,000.00 | 895,000,000.00 | 1,000,000,000.00 | 0.00 | | 105,000,000.00 |
| Shanghai Geely Huanyu Trading Co., Ltd. | 4,500,000.00 | | | 4,500,000.00 | | 4,500,000.00 |
| Beijing Yihang Wanyuan International Investment Co., Ltd. | 10,200,000.00 | | | 10,200,000.00 | | 10,200,000.00 |
| Beijing Geely Kaisheng International Investment Co., Ltd. | 4,100,000,000.00 | | | 4,100,000,000.00 | | 4,100,000,000.00 |
| Hangzhou Geely Evun Technology Co., Ltd. | 30,000,000.00 | | | 30,000,000.00 | | 30,000,000.00 |
| Zhejiang Geely Business Service Co., Ltd. | 20,000,000.00 | | | 20,000,000.00 | | 20,000,000.00 |
| Zhangjiakou Volvo Cars Engine Manufacture Co., Ltd. | 604,975,000.00 | | | 604,975,000.00 | | 604,975,000.00 |
| Nanchong Geely Commercial Vehicle Research Institute Co., Ltd. | 30,000,000.00 | | | 30,000,000.00 | | 30,000,000.00 |
| Weirui Electric Vehicles(Suzhou) Co., Ltd. | 26,000,000.00 | | | 26,000,000.00 | | 26,000,000.00 |
| Daqing Volvo Cars Manufacture Co., Ltd. | 833,260,000.00 | | | 833,260,000.00 | | 833,260,000.00 |

| Investees | Opening balance | Increase during the year | Decrease during the year | Closing balance | Provision for the year | Closing balance of impairment provision |
|---|---|---|---|---|---|---|
| Shanghai Volvo Cars R&D Co., Ltd. | 77,342,500.00 | | | 77,342,500.00 | | 77,342,500.00 |
| Zhejiang Geely New Energy Commercial Vehicle Co.Ltd. | 20,000,000.00 | | | 20,000,000.00 | | 20,000,000.00 |
| Easy-insure Insurance Agency Co.. Ltd. | 50,000,000.00 | | | 50,000,000.00 | | 50,000,000.00 |
| Ningbo Yijie Equity Investments and Fund Management Partnership(LP) | 2,000,000.00 | | | 2,000,000.00 | | 2,000,000.00 |
| Zhejiang Qianjiang Motorcycle Co., Ltd. | | 1,081,350,000.00 | | 1,081,350,000.00 | | |
| Geely International (US) Co., Ltd. | | 33,852,140.00 | | 33,852,140.00 | | |
| Total | 7,818,988,259.66 | 6,718,409,477.00 | 1,024,300,000.00 | 13,513,097,736.66 | 44,789,998.45 | 7,818,988,259.66 |

Note 1: Shanghai Maple Automobile Co., Ltd. and Shanghai Maple Engine Co., Ltd. have the same shareholders, and Shanghai Maple Engine Co., Ltd. was canceled after being merged by Shanghai Maple Automobile Co., Ltd. in year of 2017.

Note 2: Geely International (US) Co., Ltd.' registered capital is 9.8 million dollars, which is designed to paid up into two stages and the first stage of 4.9 million dollars has been in place.

(2) Investment in Associated Enterprises and Joint Venture

| Investees | Opening balance | Increase and Decrease During the Year | | | | | | | | Closing balance | Closing balance of impairment provision |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increase in investment | Decrease in investment | Profit and loss of investment confirmed under equity method | Other comprehensive income adjusted | Other equity changes | Cash dividends or profit | Accrued impairment provision | Others | | |
| I. Joint venture | | | | | | | | | | | |
| Beijing Feiyueliangjing Culture Communication Co., Ltd. | 500,000.00 | | | | | | | 500,000.00 | | 500,000.0 | 500,000.0( |
| Kandi Electric Vehicles Group Co., Ltd. | 723,782,832.28 | | 656,863,300.96 | -66,919,531.32 | | | | | | | |
| Subtotal | 724,282,832.28 | | 656,863,300.96 | -66,919,531.32 | | | | 500,000.00 | | 500,000.0 | 500,000.0( |
| II. Associates | | | | | | | | | | | |
| Geely Yinjian Investment Co., Ltd. | 307,590.79 | | | 244.90 | | | | | | 307,835.69 | |
| Zhejiang Yinji Automotive Components Co., Ltd. | 18,845,338.17 | | | 5,015,083.85 | | | | | | 23,860,422.02 | |
| Zhejiang Geely Automotive Components Purchasing Co., Ltd. | - | | 7,925,284.88 | | | | | | 7,925,284.88 | | |
| Zhidou Electric Vehicle Co., Ltd. | 330,618,461.14 | | 237,678,186.63 | -92,940,274.51 | | | | | | | |
| Corun Hybrid Technology Co., Ltd. | 201,571,183.89 | | | 5,393,905.63 | -268,842.38 | 3,713,011.44 | | | | 210,409,258.58 | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Subtotal | 551,342,573.99 | | 447,174,655.40 | -82,531,040.13 | -268,842.38 | 3,713,011.44 | | 7,925,284.88 | 234,577,516.29 | |
| Total | 1,275,625,406.27 | - | 1,104,037,956.36 | -149,450,571.45 | -268,842.38 | 3,713,011.44 | 500,000.00 | 7,925,284.88 | 235,077,516.29 | 500,000.00 |

Note1: The Company transferred the equity of Zhidou Electric Vehicle Co., Ltd. to Geely Group（Ningbo）Co., Ltd.; The Company transferred 19% of the equity of Kandi Electric Vehicles Group Co., Ltd. to natural person Hu Xiaoming, and 31% of equity to Geely Group（Ningbo）Co., Ltd.

Note2: Zhejiang Geely Automotive Components Purchasing Co., Ltd. capital investment RMB 9 million yuan, accounting for 30% of the registered capital. Book value loss is RMB 1,074,700.00 yuan. Provision for impairment loss of long-term equity investment is 7,925,300.00 yuan, opening book value balance is 0.00 yuan, and was transferred to Zhejiang Geely Automobile Co., Ltd. in year of 2017.

(3) Operating Income and Operating Cost

| Items | Amount incurred in Current Year | | Amount incurred in previous year | |
|---|---|---|---|---|
| | Incomes | Costs | Incomes | Costs |
| Other Operating income | 475,200,519.27 | 50,786,374.94 | 311,923,720.65 | 20,642,777.86 |
| Total | 475,200,519.27 | 50,786,374.94 | 311,923,720.65 | 20,642,777.86 |

(4) Investment Income

1) List of Investment Income

| Item | Amount incurred in Current Year | Amount incurred in previous year |
|---|---|---|
| Income of Long-term investment on equity investment by equity method | -149,450,571.45 | -143,174,676.53 |
| Investment income received form disposal of long-term investment on equity investment | -16,081,762.10 | 1,981.32 |
| Investment income gained during holding long-term equity investments | 513,500,000.00 | |
| Returns from disposal of financial assets measured at fair values and changes accounted into current profit or losses | | 28,351.28 |
| Total | 347,967,666.45 | -143,144,343.93 |

2) Income of Long-term investment on equity investment by equity method

| Item | Amount incurred in Current Year | Amount incurred in previous year |
|---|---|---|
| Zhejiang Yinji Automotive Components Co., Ltd. | 5,015,083.85 | 83,779.63 |
| Geely Yinjian Investment Co., Ltd. | 244.90 | 7,287.58 |
| Kandi Electric Vehicles Group Co., Ltd. | -66,919,531.32 | -1,629,757.72 |
| Zhidou Electric Vehicle Co., Ltd. | -92,940,274.51 | -138,637,449.86 |
| Corun Hybrid Technology Co., Ltd. | 5,393,905.63 | -2,998,536.16 |
| Total | -149,450,571.45 | -143,174,676.53 |

**Zhejiang Geely Holding Group Co., Ltd.**

**April 27, 2018**

编号：104102542

# 营业执照

（副本）

统一社会信用代码 91110102085546327O

名　　称　北京兴华会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

主要经营场所　北京市西城区裕民路18号2206房间

执行事务合伙人　陈胜华

成立日期　2013年11月22日

合伙期限　2013年11月22日 至 2063年11月21日

经营范围　审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、[illegible]会计培训；法律、法规规定的其他业务。（企业依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事本市产业政策禁止和限制类项目的经营活动。）

仅供报告附件使用

登记机关　2018年01月30日

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中华人民共和国国家工商行政管理总局监制

会计师事务所

# 执业证书

名　　称：北京兴华会计师事务所（特殊普通合伙）

主任会计师：陈胜华

办公场所：北京市西城区裕民路18号2206房间

组织形式：特殊普通合伙

会计师事务所编号：11000010

注册资本(出资额)：5280万元

批准设立文号：京财会许可（2013）0060号

批准设立日期：2013-10-10

仅供报告附件使用

证书序号：NO. 019958

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1. 《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
2. 《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
3. 《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
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发证机关：北京市财政局

二〇一七年十一月[illegible]日

中华人民共和国财政部制

证书序号：000485

# 会计师事务所
# 证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查，批准

北京兴华会计师事务所（特殊普通合伙） 执行证券、期货相关业务。

首席合伙人：陈胜华

证书号：10 发证时间：二〇一六年七月二十七日

证书有效期至：二〇二八年七月二十七日

年度检验登记
Annual Renewal Registration

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2018 检

证书编号：320000240279
No. of Certificate

批准注册协会：浙江省注册会计师协会
Authorized Institute of CPAs

发证日期：1988 年 12 月 01 日
Date of Issuance

姓名 Full name
性别 Sex 男
出生日期 Date of birth 1960-02-22
工作单位 Working unit
身份证号码 Identity card No. 33070219600222311

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

事务所 CPAs

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Stamp of the transfer-out Institute of CPAs

年 月 日

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北京洪华杭州分公司 事务所 CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs

2013 年 12 月 26 日

15

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

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Agree the holder to be transferred from

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Stamp of the transfer-out Institute of CPAs

年 月 日

同意调入
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事务所 CPAs

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年 月 日

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北京洪华会计师事务所（特殊普通合伙）杭州分所 1101020106670

报告附件

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年检专用章

2015 年 01 月

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2017 年 01 月

7

证书编号:
No. of Certificate 330000770009

批准注册协会:
Authorized Institute of CPAs 浙江省注册会计师协会

发证日期:
Date of Issuance 2013 年 03 月 20 日

年度检验登记
Annual Renewal Registration

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This certificate is valid for another year after this renewal.

2018 检

姓名 Full name
性别 Sex
出生日期 Date of birth
工作单位 Working unit
身份证号码 Identity card No.

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

事务所
CPAs

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Stamp of the transfer-out Institute of CPAs

年 月 日

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Agree the holder to be transferred to

北京汉华振则会计师事务所

事务所
CPAs

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Stamp of the transfer-in Institute of CPAs

2013 年 12 月 26 日

10

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

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CPAs

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Stamp of the transfer-out Institute of CPAs

年 月 日

同意调入
Agree the holder to be transferred to

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CPAs

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年 月 日

11

北京汉华会计师事务所（普通合伙）
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浙江省注册会计师协会

年 月 日

8

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年 月 日

9

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**TRUSTEE**

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Kowloon, Hong Kong

**PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT**

**Deutsche Bank Aktiengesellschaft, Hong Kong Branch**
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