FINE CARS FOR EVERYONE

Annual Report 2016

GEELY

吉利汽車控股有限公司

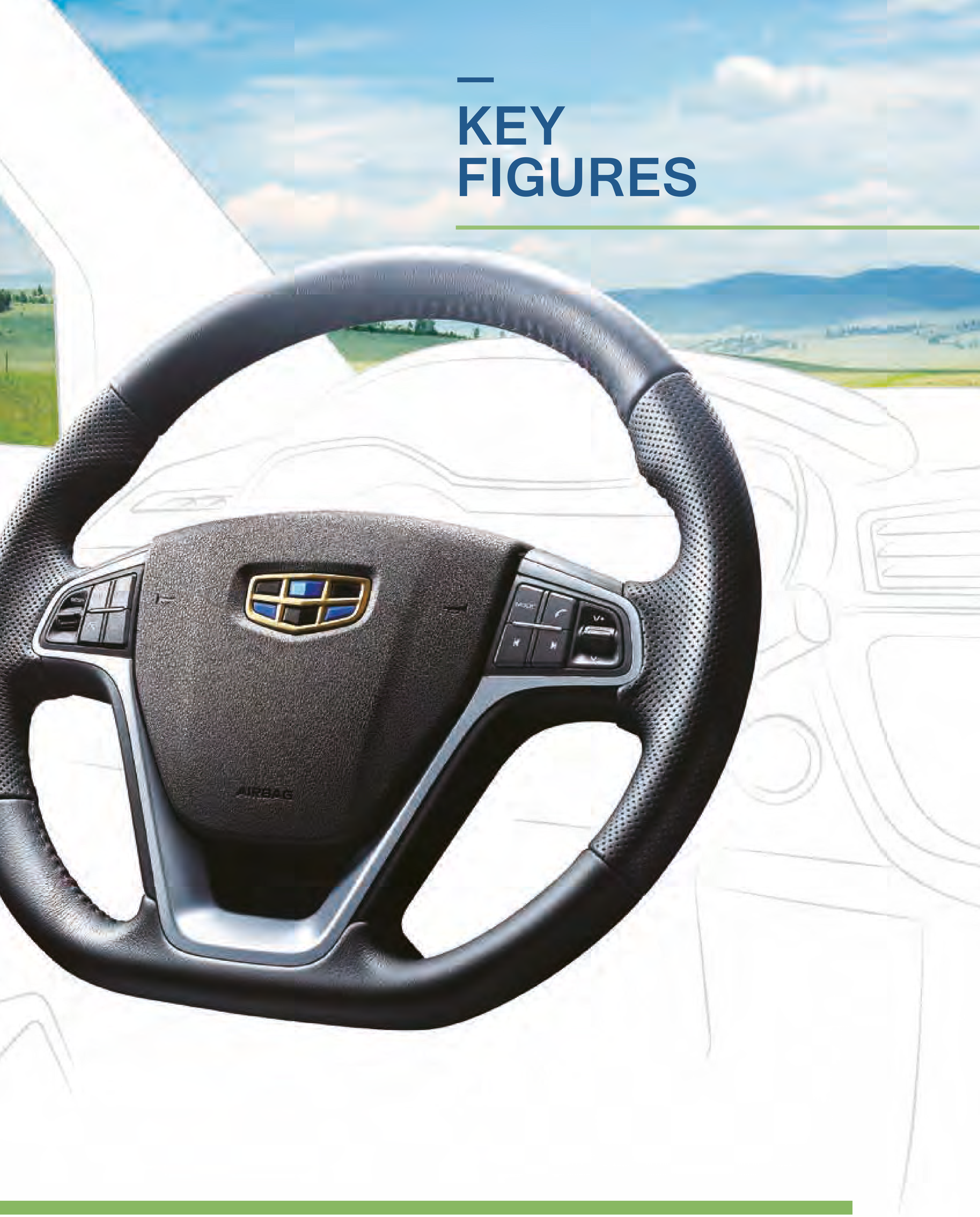
GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0175)

CONTENTS

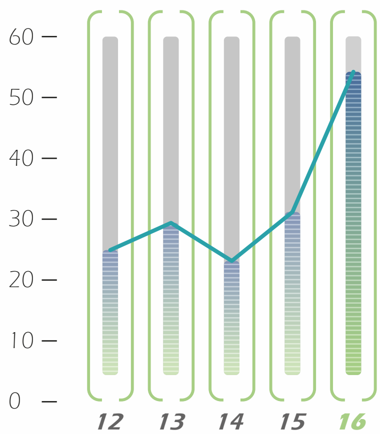
KEY FIGURES



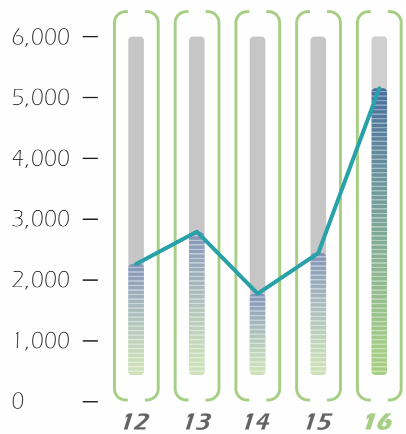
Key Figures

FIVE YEAR FINANCIAL SUMMARY

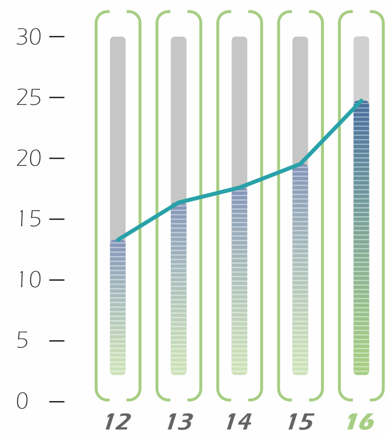
Revenue
(RMB Billion)



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



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



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

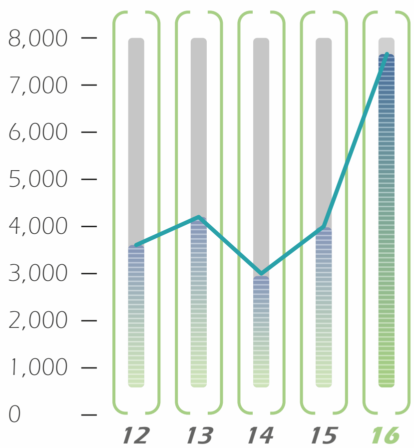
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**53,721,576**	30,138,256	21,738,358	28,707,571	24,627,913
Profit before taxation	**6,203,943**	2,874,805	1,943,405	3,304,182	2,529,077
Taxation	**(1,033,755)**	(586,143)	(494,177)	(623,934)	(479,291)
Profit for the year	**5,170,188**	2,288,662	1,449,228	2,680,248	2,049,786
Attributable to:					
Equity holders of the Company	**5,112,398**	2,260,529	1,430,588	2,663,136	2,039,969
Non-controlling interests	**57,790**	28,133	18,540	17,112	9,817
	5,170,188	2,288,662	1,449,128	2,680,248	2,049,786
Assets and liabilities					
Total assets	**67,582,836**	42,292,460	37,280,150	33,599,308	31,379,826
Total liabilities	**(42,896,587)**	(22,552,937)	(19,813,800)	(17,369,617)	(18,175,802)
Total equity	**24,686,249**	19,739,523	17,466,350	16,229,691	13,204,024
Represented by:					
Equity attributable to equity holders of the Company	**24,437,227**	19,523,816	17,287,996	16,068,024	12,886,657
Non-controlling interests	**249,022**	215,707	178,354	161,667	317,367
	24,686,249	19,739,523	17,466,350	16,229,691	13,204,024

Key Figures

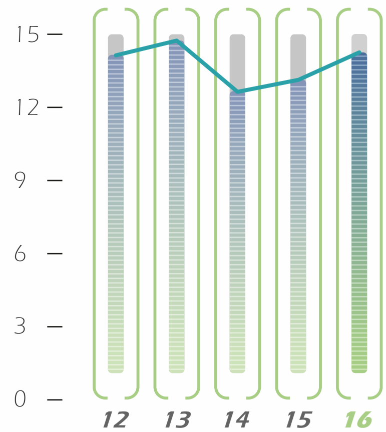
FIVE YEAR FINANCIAL SUMMARY

OTHER KEY FINANCIAL FIGURES

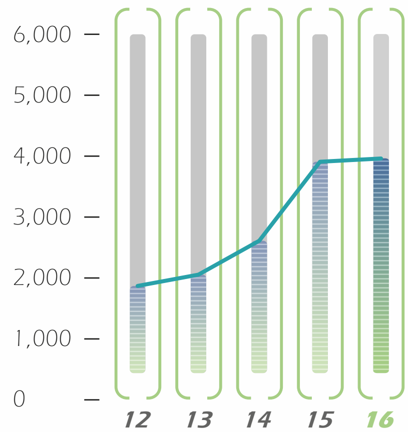
EBITDA[1]
(RMB Million)



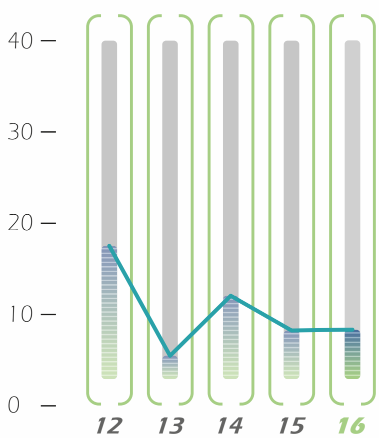
EBITDA margin[2]
(%)



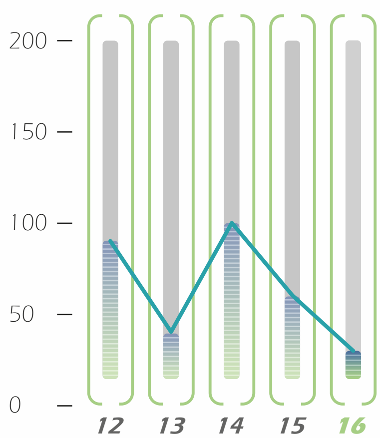
CAPEX[3]
(RMB Million)



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



Total debt / EBITDA
(%)



(1) EBITDA is calculated by adding taxes, depreciation and amortization, and finance cost, excluding other income other than government subsidies to profit for the year.

(2) EBITDA margin is calculated by dividing EBITDA by turnover for the relevant year, expressed as a percentage.

(3) CAPEX includes capital expenditures on property, plant and equipment, intangible assets and land lease prepayments.

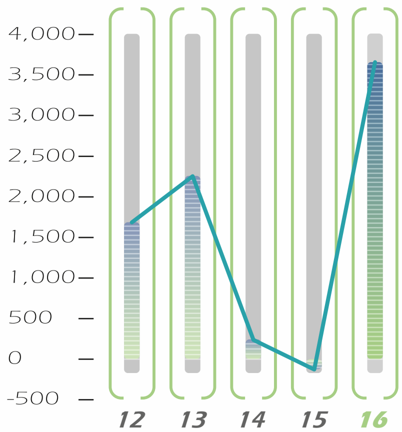
(4) Total debt is the sum of current and non-current borrowings, convertible bonds and senior notes.

(5) Total capital includes total non-current borrowings plus total equity.

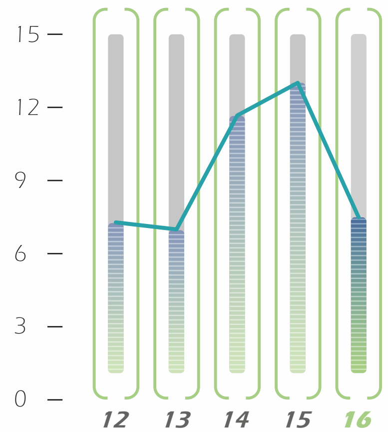
Key Figures

FIVE YEAR FINANCIAL SUMMARY

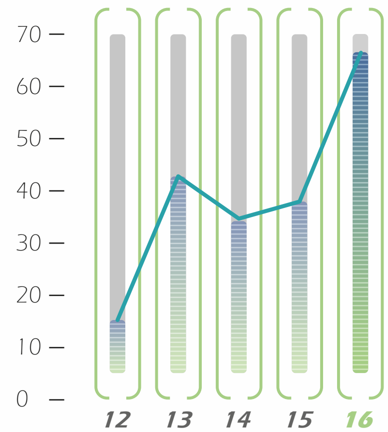
EBITDA-CAPEX
(RMB Million)



CAPEX / Revenue
(%)



EBITDA / Interest expense
(%)



	Formula	2016	2015	Change in Percentage Increase/ (Decrease)
For the year				
Revenue (RMB'000)		53,721,576	30,138,256	78
Profit attributable to equity holders of the Company (RMB'000)	(1)	5,112,398	2,260,529	126
Per share				
Basic earning per share (RMB Cents)		57.96	25.68	126
Diluted earning per share (RMB Cents)		57.33	25.66	123
Dividend per share (HK Cents)		12.0	3.8	216
Net asset value (NAV) per share (RMB)	(2)/(5)	2.75	2.22	24
At year end				
Equity attributable to equity holders of the Company (RMB'000)	(2)	24,437,227	19,523,816	25
Total assets (RMB'000)	(3)	67,582,836	42,292,460	60
Borrowings (including Senior Notes) (RMB'000)	(4)	2,242,691	1,928,856	16
Number of shares in issue	(5)	8,882,861,540	8,801,986,540	1
Share price during the year				
– High (HK$)		9.20	4.72	95
– Low (HK$)		2.76	2.40	15
Financial ratios				
Gearing ratio	(4)/(2)	9.2%	9.9%	(7)
Return on total assets	(1)/(3)	7.6%	5.3%	43
Return on equity attributable to equity holders of the Company	(1)/(2)	20.9%	11.6%	80

EDITORIAL

Editorial

CHAIRMAN'S STATEMENT

Our profit attributable to equity holders for 2016 increased by 126.2% over 2015 to RMB5.11 billion, mainly attributable to the large increase in sales revenue as a result of the significant increase in sales volume and the improvement in product mix during the year.

BUSINESS OVERVIEW

China's passenger vehicle market recorded a robust growth in 2016, characterized by the continued strong growth in the demand for Sport Utility Vehicles ("SUVs"). This is despite that sedans still being the biggest segment in the market, the sales volume of sedans in China's market in 2016 only recorded a moderate growth. The sales volume of passenger vehicles from indigenous brands grew faster at 20.5% year-on-year ("YoY") in 2016, mainly driven by the growth in the sales volume of indigenous brand SUVs, compared with 14.9% YoY growth of the overall China's passenger vehicle market according to China Association of Automobile Manufacturers ("CAAM").

We further consolidated our leading position in China's indigenous brand sedan segment in 2016 as a result of the good sales performance for our existing and new A-segment sedan models. The launch of two highly successful new mid-size SUV models "Geely Boyue" (吉利博越) and "Vision SUV" during the year, significantly increased our market share in China's SUV market. As a result, we achieved a respectful 53.6% growth in domestic sales volume in 2016. Such strong sales volume growth in 2016 was also supported by our enhanced sales and marketing system in China. As a result of our strategy of taking a more conservative approach to contain financial risks in the export markets, our group's export sales volume posted a 15.4% YoY decline in 2016.

Editorial

CHAIRMAN'S STATEMENT

Our group sold a total of 765,970 units of vehicles in 2016, up 50.2% from 2015, of which 744,191 units were sold domestically, up 53.6% from 2015. The remaining 21,779 units or 2.8% of total sales volume were sold abroad, down 15.4% from 2015. Our five most popular models in 2016 included "New Emgrand", "Vision" (and its successor – "New Vision"), "Geely Boyue" (吉利博越), "Geely Kingkong" and "Emgrand GS", which together accounted for 79.9% of our group's total sales volume in 2016.

FINANCIAL REVIEW

Our group's financial performance in 2016 surpassed the management's expectations with total revenue increased by 78.3% to RMB53.72 billion for the year ended 31 December 2016 as strong domestic sales volume growth more than offset the weaker exports. The mid-size A-segment sedan model "New Emgrand" remained our group's most popular model in terms of sales volume, accounting for 30.1% of our total sales volume in 2016. During the year, our group's average ex-factory selling price ("ASP") continued to improve, mainly driven by the improvement in product mix (i.e. higher proportion of higher-priced models). Total net profit of our group grew 125.9% from RMB2.29 billion in 2015 to RMB5.17 billion in 2016 due to the increase in overall sales volume, higher ASP and stable profit margin during the year. After accounting for non-controlling interests, our net profit attributable to shareholders was up 126.2% from RMB2.26 billion in 2015 to RMB5.11 billion in 2016. Diluted earnings per share was up 123.4% to RMB57.33 cents. During the year, our manufacturing operations continued to generate good operational cash inflow with our group's total cash level (bank balances and cash + pledged bank deposits) increasing 63.8% to RMB15.08 billion at the end of 2016.

DIVIDEND

In view of the strong operational cash inflow in 2016 and the current high cash level, our board of directors decided to increase our dividend payout ratio and recommends the payment of a final dividend of HK$12 cents (2015: HK$3.8 cents) per share for 2016.

PROSPECTS

Under the guidance of the "Made in China 2025" plan (《中國製造2025》) disseminated by the State Council of the People's Republic of China, we will continue to reinforce our mission of 'Creating Fine Cars for Everybody' (造每個人的精品車) under the "Geely" brand by investing more resources in research and development and technological innovation. 2016 was a prominent year in our evolution into the New Geely Era (新吉利時代) as an innovative, well-respected brand. I have no doubt that the successful implementation of these initiatives will lead our group to become a much stronger automobile group.

The technological cooperation between our group and Volvo Car Corporation, which is majority-owned by our group's parent, Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司) ("Geely Holding"), has achieved remarkable progress in the development of Compact Modular Architecture ("CMA") platform during the year, which could enable our group to further optimize resources utilization, and speed up the implementation of platform strategy, standardization, shared modularization, digitalization, electrification and connectivity in product development so as to better cater our customers' increasing demand and equip ourselves with strong and unique advantages over our competitors. I am confident that the huge benefits of synergy, technologies enhancement, product quality and brand image from the cooperation would become increasingly obvious in the coming years, thus boding well for our group's competitive strength in the areas of technology, quality and brand. Further, our group plans to launch the first batch of new models built from CMA platform, which is jointly developed by Geely Holding and Volvo Car Corporation, under a new "Lynk&Co" brand in 2017. The CMA platform, the new "Lynk&Co" brand, and its new business model are key parts of our group's strategy to expand our group's sales beyond the China market, to improve our group's competitiveness against major international brands and thus to sustain longer-term growth.

I firmly believe that our group is on the right track to achieve the goal of becoming a leading global automobile group, targeting to reach the total sales volume of 2 million units by year 2020 with good reputation and integrity, winning respects from our customers. Finally, I would like to pay tribute to all our staff for their hard work and achievements during 2016 and to our shareholders for their continued support.

Li Shu Fu
Chairman
22 March 2017

MANAGEMENT REPORT

PERFORMANCE & GOVERNANCE

OVERALL PERFORMANCE

The performance of Geely Automobile Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") exceeded the management's expectation and exhibited a robust growth in 2016, mainly driven by the good domestic demand for the "Emgrand" series A-segment sedans (including "New Emgrand", "Emgrand EV", "Emgrand GS" and "Emgrand GL") and the strong sales of two new mid-size SUV models "Geely Boyue" (吉利博越) and "Vision SUV". The Group's sales volume in the China market was up 53.6% from 2015, compared with 14.9% year-on-year ("YoY") growth of the overall China's passenger vehicle market in 2016 according to China Association of Automobile Manufacturers ("CAAM"). The good market response to the new models is a consequence of the Group's continual improvement in products offering, technologies, product quality and brand image. As a result of the Group's strategy of taking a more conservative approach to contain financial risks in the export markets, the export sales volume of the Group decreased by 15.4% YoY, compared with 11.5% YoY growth of China's overall passenger vehicle exports according to CAAM. Overall, the Group sold a total of 765,970 units of vehicles in 2016, up 50.2% from 2015 and exceeded the Group's 2016 sales volume target of 700,000 units, which had been revised twice during the year from the original level of 600,000 units. Total revenue increased by 78.3% to RMB53.72 billion in 2016, due to the higher sales volume and the improvement in product mix during the year. The Group's profit attributable to the equity holders increased by 126.2% to RMB5.11 billion in 2016. During the year, government grants and subsidies were down 5.3% to RMB0.80 billion from 2015. The government grants and subsidies during the year were mainly cash subsidies from the governments in respect of the Group's operating and research and development activities.

ACQUISITIONS OF 100% INTEREST IN 寶雞吉利汽車部件有限公司 (BAOJI GEELY AUTOMOBILE COMPONENTS CO., LTD. OR "BAOJI AUTOMOBILE COMPONENTS") AND 山西吉利汽車部件有限公司 (SHANXI GEELY AUTOMOBILE COMPONENTS CO., LTD. OR "SHANXI AUTOMOBILE COMPONENTS")

On 1 June 2016, the Group agreed to acquire the entire registered capitals of Baoji Automobile Components and Shanxi Automobile Components from two group companies of its parent – 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited or "Geely Holding") – for RMB702,206,798 and RMB720,244,135, respectively. The considerations for these two acquisitions were determined with reference to the net asset value of the 100% interest in the respective registered capital of Baoji Automobile Components and Shanxi Automobile Components as at 31 May 2016 and were financed by internal resources of the Group. On 8 August 2016, the acquisitions of Baoji Automobile Components and Shanxi Automobile Components had been duly approved by the independent shareholders of the Company at the extraordinary general meeting and had been subsequently completed on 18 August 2016 and 12 August 2016, respectively.

The two acquisitions should expand the Group's manufacturing capacity and enhance its production capabilities for the manufacture of new high-end sedans, SUVs and mid-end to high-end electric vehicle models, which in turn should expand the Group's products offering and enhance the overall competitive strength of the Group's products in the market. Upon completions of the acquisitions, Baoji Automobile Components and Shanxi Automobile Components became the 99% owned subsidiaries of the Group and the financial statements of which have been consolidated into the financial statements of the Group.

DISPOSALS OF EQUITY INTERESTS IN 康迪電動汽車集團有限公司 (KANDI ELECTRIC VEHICLES GROUP CO., LTD. OR "KANDI JV") AND 寧海知豆電動汽車有限公司 (NINGHAI ZHIDOU ELECTRIC VEHICLES CO., LTD. OR "ZHIDOU JV")

On 25 July 2016, the Company entered into a master disposal agreement with Geely Holding to dispose of the Group's respective 50% and 45% equity interests in the registered capital of Kandi JV and Zhidou JV to Geely Holding at an aggregate consideration of RMB1,346,486,590, which was determined with reference to the historical financial performances of Kandi JV and Zhidou JV; and the future prospects of their respective electric vehicle product portfolios. The disposal had been duly approved by the independent shareholders of the Company at the extraordinary general meeting held on 11 October 2016 and had been subsequently completed on 31 October 2016.

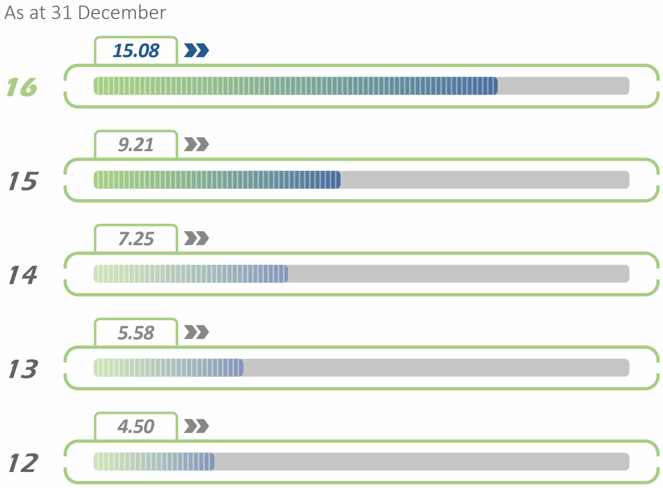
Such disposals were consistent with the Group's on-going strategy to enhance value for its shareholders through consolidating and enhancing its product portfolio and thus brand image by focusing on relatively higher-end automobiles going forward. It is expected that such disposals would allow the Group to allocate more time and resources to the development of mid-end to higher-end automobiles. The disposals generated net gain of RMB374 million for the Company.

FINANCIAL RESOURCES

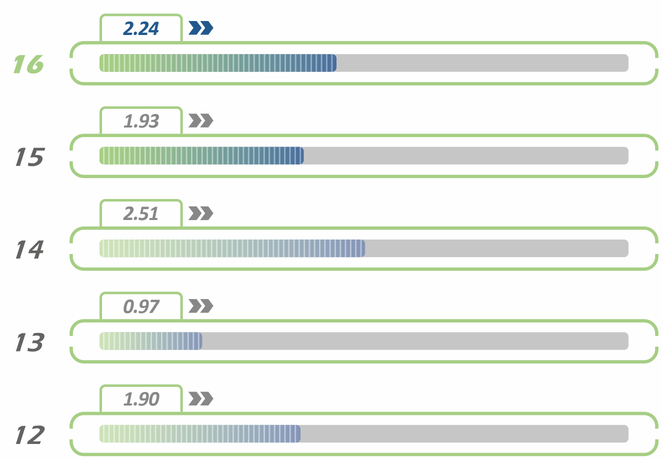
Total capital expenditures for the Group amounted to RMB4.0 billion in 2016, which exceeded the budgeted amount of RMB3.8 billion at the beginning of the year. The higher than expected capital expenditures in 2016 are due to increased investment in production facilities and research and development in response to higher demand for the Group's products in 2016 and expected increase in the Group's sales volume over the coming years. Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB3,621 million to minus RMB7,673 million at the end of 2016 due to large increase in trade and notes payables, and advanced payments from customers. Also, the good operational cash inflow from the Group's manufacturing operations resulted in 63.8% increase in total cash level (bank balances and cash + pledged bank deposits) to RMB15.08 billion. The Group's total borrowings (included bank borrowings and Senior Notes) increased by 16.3% to RMB2.24 billion. At the end of 2016, the financial position of the Group remained strong with net cash on hand (total cash level – bank borrowings – Senior Notes) of RMB12.84 billion versus a net cash level of RMB8.96 billion six months ago. At the end of 2016, the Group's total borrowings were mainly denominated in US$, which aligned with the currency mix of the Group's revenues from export business. In addition, net notes receivable (bank notes receivables – bank notes payables) at the end of 2016 amounted to RMB24.76 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivables with the banks.

Budgeted capital expenditures of the Group amount to about RMB7.9 billion in 2017, including the funding for the research and development of new vehicle platforms and models and the financing of the expansion and upgrading of production facilities at existing plants. The Group plans to fund capital expenditures from its operational cash flow, cash reserve, additional bank borrowings, and fund raising exercises in the international capital market. As at the date of this report, the Company has no definite plan or schedule on raising funds in the international capital market.

Total Cash Level
RMB Billion
As at 31 December



Total Borrowings
(Including Senior Notes but excluding Convertible Bonds)
RMB Billion
As at 31 December



VEHICLE MANUFACTURING

The Group sold a total of 765,970 units of vehicles in 2016, up 50.2% from 2015. The Group's sales volume growth in 2016 was primarily attributable to the strong demand for its "Emgrand" series A-segment sedan models and the two new mid-size SUV models: "Geely Boyue" (吉利博越) and "Vision SUV". During the year, the Group's sales volume of A-segment sedans grew 61.9% to 320,999 units in 2016, while its SUV sales volume grew 190.2% to 173,970 units in 2016 from 59,943 units in 2015.

Management Report
PERFORMANCE & GOVERNANCE

The Group's domestic sales volume posted a robust growth of 53.6% in 2016 to 744,191 units, compared to the 14.9% growth of the overall China's passenger vehicle market and the 20.5% increase in the sales volume of China's indigenous brand passenger vehicle market during the year. According to the market data published by CAAM, the Group's market share in China's passenger vehicle market was up from 2.4% in 2015 to 3.1% in 2016 whilst the Group's market share in China's SUV segment increased at a faster pace from 0.9% in 2015 to 1.9% in 2016. Export sales volume of the Group decreased by 15.4% to 21,779 units in 2016 and accounted for 2.8% of the Group's total sales volume during the year. The Group's share of China's total export of passenger vehicles decreased from 6.0% in 2015 to 4.6% in 2016 according to the market data published by CAAM.

"New Emgrand" remained the Group's most popular model and accounted for 30.1% of the Group's total sales volume in 2016. The combined sales volume of the Group's "Emgrand" series of A-segment sedans was 320,999 units, which accounted for about 41.9% of the Group's total sales volume in 2016. "New Emgrand" had been receiving very good market response since its launch in the second half of 2014; it was the only indigenous brand sedan model in the top 10 best-selling sedan models in China's passenger vehicle market in 2016, according to the market data published by CAAM. The Group's first crossover model "Emgrand GS" was launched in May 2016 and the new generation of A+ segment sedan model "Emgrand GL" was launched later in September the same year. Sales performance for both models also outreached the management's expectations. Being the Group's strategically important B-segment model, "Geely GC9" (吉利博瑞) has been well accepted by both the customers and the automobile industry since its initial launch in the second quarter in 2015. In addition to its top 5-star rating in the C-NCAP (China's New Car Assessment Programme) crash test, "Geely GC9" (吉利博瑞) was also awarded "2016 China Car of the Year" (2016中國年度車) and became the first vehicle model from Chinese indigenous brands to win this award. Further, the model was also awarded Xuanyuan Award 2016 (2016 軒轅獎年度大獎) in Beijing Auto Museum in early 2016. "Geely GC9" (吉利博瑞) recorded a total sales volume of 47,078 units in 2016, up 44.5% YoY from 2015.

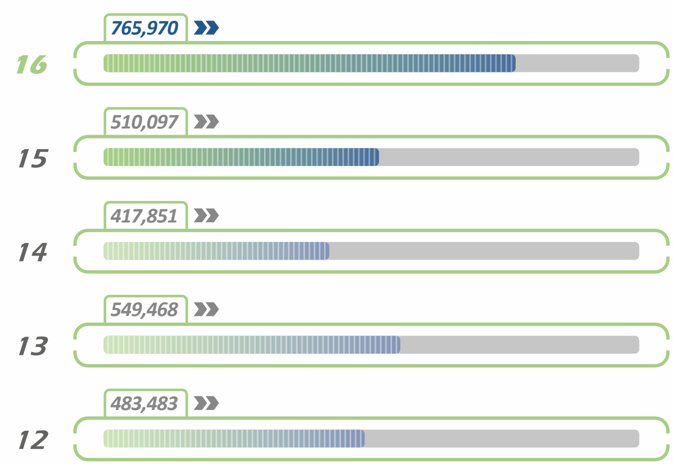
For the SUV segment, the aggregate sales volume of the two new SUV models namely "Geely Boyue" (吉利博越) and "Vision SUV", together with previous "GX7" model amounted to 173,970 units in 2016, increased almost twofold from 2015. "Geely Boyue" (吉利博越) was awarded the Best Mid-sized SUV (最佳中型SUV及越野車) in China by a Germany magazine "Auto Motor and Sport" (AMS) whilst "Geely GC9" (吉利博瑞) was awarded the Best Domestic Mid-sized Car 2017 (最佳國產中級轎車) by the same magazine. In view of the continued strong demand for SUVs in China in the coming years, the Group plans to launch two new compact SUV models in 2017. This should further strengthen the Group's competitive position in China's SUV market, supporting its growth momentum in the coming years. During the year, "New Emgrand", "Vision" (and its successor – "New Vision"), "Geely Boyue" (吉利博越), "Emgrand GS" and "Geely Kingkong" were the Group's top five models in terms of total sales volume.

The Group's average ex-factory selling price improved further in 2016, helped by the continued improvement in product mix (i.e. higher proportion of higher-priced models like the SUVs and "Geely GC9" (吉利博瑞)).

During the year, the restructuring of the Group's sales and marketing system in China had largely completed and the previous three product brands, "GLEagle", "Emgrand" and "Englon", were successfully merged into the single "Geely" brand, resulting in higher efficiency, achieved by the Group's sales channels and distribution capabilities in China. The change also enabled the Group to provide better sales and after-sales services to its customers. By the end of 2016, the Group's had more than 920 dealers in China.

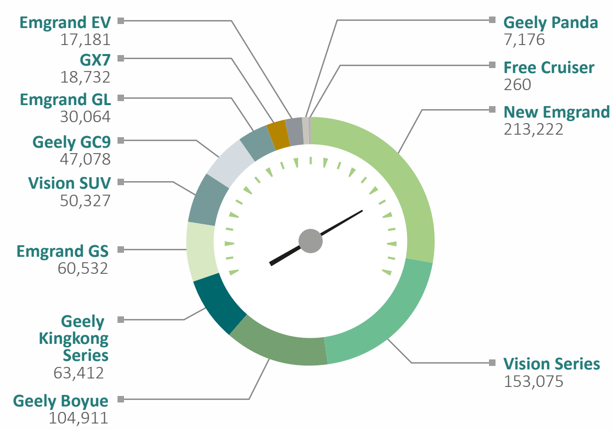
Annual Sales Volume

Unit



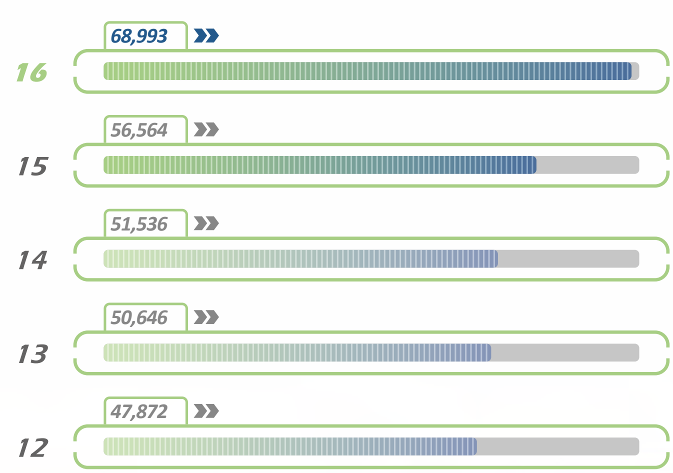
Breakdown of Sales Volume by Models in 2016

Unit



Average Ex-Factory Selling Price

RMB per unit



Management Report
PERFORMANCE & GOVERNANCE

EXISTING PRODUCTION FACILITIES

Name	Interests	Usable Annual Production Capacity (Units Per Double Shift)	Models
Luqiao plant	99.0%	100,000	Geely Kingkong Series (1.5L)
Ningbo/Cixi plants	99.0%	200,000	Free Cruiser (1.3L, 1.5L) New Emgrand (1.3L, 1.5L) Emgrand EV
Chunxiao plant	99.0%	120,000	Geely GC9 (1.8L, 2.4L, 3.5L) Geely Boyue (1.8L, 2.0L)
Xiangtan plant	99.0%	120,000	Vision Series (1.3L, 1.5L)
Jinan plant	99.0%	50,000	Geely Panda (1.0L, 1.3L, 1.5L)
Chengdu plant	99.0%	100,000	Vision SUV (1.3L, 1.8L) GX7 (1.8L, 2.0L, 2.4L)
Baoji plant	99.0%	180,000	Geely Boyue (1.8L, 2.0L)
Linhai plant	99.0%	120,000	Emgrand GL (1.3L, 1.8L) Emgrand GS (1.3L, 1.8L)
Jinzhong plant	99.0%	80,000	Emgrand GL (1.3L, 1.8L)
Total		**1,070,000**	

In "J.D. Power Asia Pacific 2016 China Customer Service Index (CSI) Study℠", which analyzed after-sales dealer service satisfaction by vehicle owners, "Geely" brand achieved a high score of 741 compared with the mass market average score of 674 in 2016. Amongst all the local brands in China, "Geely" ranked number three. In terms of overall ranking, "Geely" brand achieved number eight amongst all the seventy four passenger vehicle brands in China examined by the study.

COOPERATION WITH VOLVO CAR

The Group's cooperation with Volvo Car Corporation ("Volvo Car") has made remarkable progress since 2015. The key platform and infrastructure to facilitate the cooperation is an independent research and development centre called CEVT (China-Euro Vehicle Technology AB) located in Lindholmen Science Park in Gothenburg, Sweden. Officially opened in September 2013, CEVT was staffed by around 800 employees and 1,100 consultants as at 31 December 2016. Its first task is to develop a new modular architecture and set of components for future C-segment cars, addressing the needs of both Volvo Car and the Group. The platform strategy will deliver on the premium aspects that Volvo Car requires as well as the Group's demands in order to compete in the automotive market. The modular architecture and set of components will not only deliver world-class product technologies and attributes, but also considerable costs saving in terms of development, testing and sourcing, leading to the realization of significant economies of scale. It is expected that the Group's new vehicle models will be largely developed under this new platform in the coming years. As at the date of this report, the Group has not yet concluded any concrete cooperation arrangement with CEVT or its parent – Geely Holding regarding the utilization of the new platform.

NEW ENERGY VEHICLES ("NEV") STRATEGY

The implementation of 'Blue Geely Initiative' (藍色吉利行動), the Group's NEV strategy announced in November 2015, continued in 2016. 'Blue Geely Initiative' is a 5-year campaign displaying the Group's dedication to transformation into industry leader in NEV technologies. The strategy aims at achieving the following objectives: i) targets to achieve the Corporate Average Fuel Consumption (CAFC) standards of <5.0L/100km by the end of 2020 ahead of the government schedule; ii) provides consumers with affordable PHEVs at prices of traditional vehicles; iii) NEVs to account for 90% (65% from PHEVs/HEVs and remaining 35% from pure electric vehicles ("EVs")) of the Group's total sales volume by 2020; iv) successful development of hydrogen or metal fuel battery vehicles; and v) leading industry position in new energy, smart car and lightweight technologies. The launch of "Emgrand EV", the Group's first NEV model, in November 2015 kick-started the Group's gradual transition from traditional vehicles to NEVs. In its first full year of execution of "Blue Geely Initiative", the Group sold 17,181 units of "Emgrand EV" models in the China market, making "Emgrand EV" the best selling pure electric vehicles in China in 2016. The Group plans to launch its first HEV ("hybrid-electric vehicle") and PHEV ("plugin-hybrid-electric vehicle") in 2017. This should increase the proportion of NEVs in the Group's total sales volume the years ahead.

The Group will continue to leverage on CEVT and Volvo Car's leading technologies on NEVs to speed up its products offering on NEVs, starting from EVs, followed by the subsequent introduction of HEVs and PHEVs to the China market.

NEW PRODUCTS

In 2017, the Group plans to launch the following new models:

- Two compact SUVs;
- Upgraded versions of existing major models;
- New HEV and PHEV models; and
- First batch of new models developed under the CMA platform and launched under "Lynk&Co" brand.

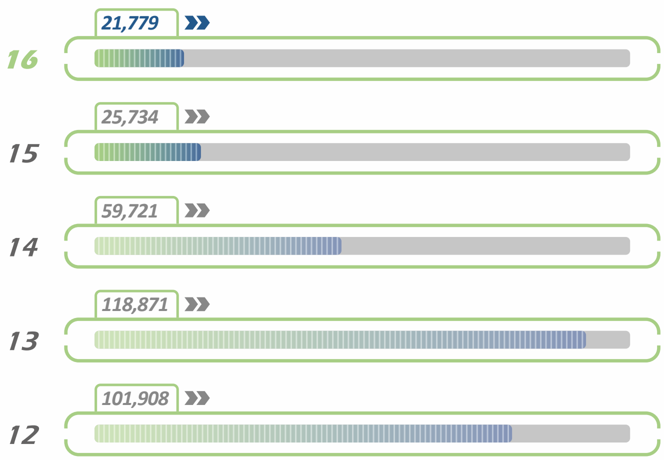
EXPORTS

In view of the continued uncertain political and economic situation in some of the Group's major export market, the Group continued to adopt a conservative approach in its export business in 2016 so as to contain the Group's exposure to these markets, scaling down the business activities there to avoid excessive financial risks during the year. The Group exported a total of 21,779 units of vehicles in 2016, down 15.4% from 2015 and accounted for only 2.8% of the Group's total sales volume during the year. As a result of the conservative approach, the Group's share of China's total exports of passenger vehicles decreased from 6.0% in 2015 to 4.6% in 2016. "New Emgrand", "GX7" and "Geely GC9" (吉利博瑞) were the most popular export models in terms of sales volume in 2016, accounting for 36.7%, 16.8% and 14.6%, respectively, of the Group's total exports during the year.

Developing countries in the Middle East, Europe and Africa were the most important export markets of the Group in 2016. Amongst which, the most important export destinations in terms of sales volume in 2016 were Egypt, Belarus and Saudi Arabia, which together accounted for 60.3% of the Group's total export sales volume in 2016. In additional to direct exports of vehicles from China, the Group also assembles some models sold overseas through joint venture or original equipment manufacturer by way of contract manufacturing arrangements with local partners in Belarus, Russia, Sri Lanka, Ethiopia, Uruguay and Egypt. At the end of 2016, the Group exported its products to 23 countries through 24 sales agents and 489 sales and service outlets.

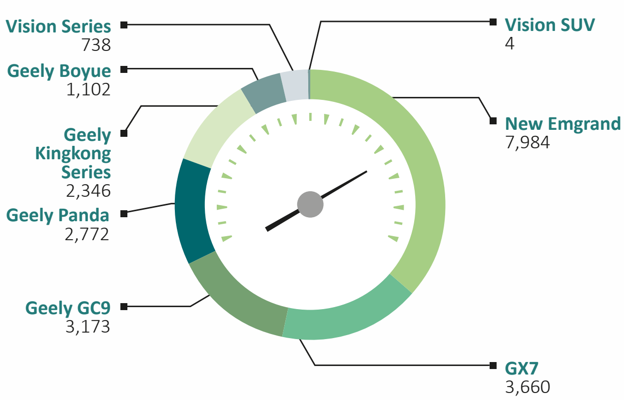
Export Sales Volume

Unit



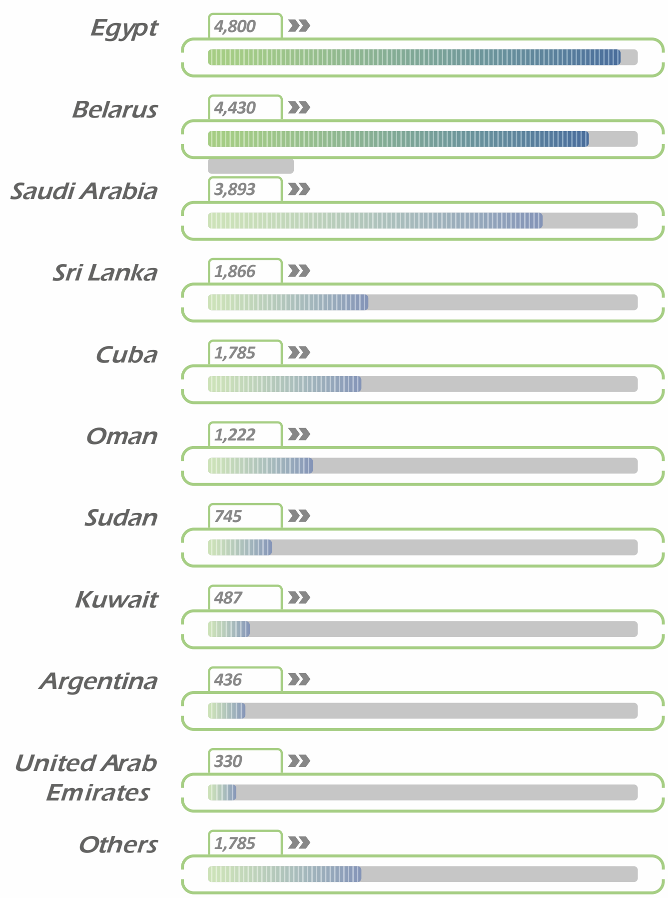
Breakdown of Export Sales Volume by Models in 2016

Unit



Top Export Destinations in 2016

Unit



During the year, the Group's subsidiary in Russia recorded an unrealised foreign exchange gain as Russian Rouble ("RUB") appreciated against US$ and RMB. Despite this, the Group is still exposed to the currency transaction risk in its Russian operations. The risk arises from the Russian Rouble denominated revenue derived from sales in Russia against costs mainly denominated in RMB as substantial part of the inventories being manufactured in China. As a result, the Group continued to restructure its Russian operations and scale down its business activities in Russia in 2016, aiming to reduce the financial risks in the country. Longer term, the Group will speed up the localization of production in its major export markets to reduce foreign exchange risks associated with its operations in these markets.

Despite the Group's recent investments to speed up localization of production in its major export markets, the majority of the Group's costs are still denominated in RMB. On the other hand, most of the Group's export sales are charged at US$, meaning that appreciation of RMB could undermine the competitiveness of the Group's products in the export markets. As most of the Group's products are retailing at the export markets at local currencies, the devaluation of the local currencies against US$ and RMB could also affect the Group's competitiveness and therefore its sales volume in these markets. The devaluation of local currencies could also result in foreign exchange losses at countries where we have set up local subsidiaries, associates or joint ventures. To mitigate the currency risk, the Group has embarked on plans to build additional overseas plants to increase the proportion of its costs in local currencies. Further, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

OUTLOOK

The year 2017 appears to be another stellar year for the Group given the continued strong demand for the new products launched in 2016, and its strong new products pipeline over the coming months. This coupled with the improved overall distribution capabilities in China as a result of the sales and marketing system restructuring started in late 2013, should enable the Group to maintain its strong sales momentum in the near future. However, pricing competition from the foreign joint venture brands should continue to intensify as most of foreign players are still trying hard to seize higher market shares in China. Other indigenous brands in China also improved their technologies, product quality and customer services substantially over the past few years, making their products more competitive and thus posting a major challenge to the Group's plan to increase its market share in China. Further, the reduction of purchase tax subsidies for compact vehicles has been adjusted from 50% to 25% in 2017, which could potentially bring forward some vehicle demand from early 2017 to 2016 and affect sales performance of compact vehicles in early 2017.

The motor vehicle demand in the Group's major export markets should stabilize at current low levels in 2017. Motor vehicle markets in Russia, Ukraine and Egypt have seen a material slowdown since 2014 due to uncertain political and social instability but unlikely to see a major recovery in the near future due to continued uncertain economic situation in these countries. We, however, expect vehicle demand in these countries to improve steadily over the next few years due to low level of sales over the past few years and thus the likelihood of strong accumulated vehicle demand to be released in the coming years. Despite the Group's very low levels of sales in these countries over the past few years, the Group's distribution system in these countries remain sound. This should allow the Group to benefit from any recovery of sales in these markets.

On the positive front, the Group's overall competitiveness and management capabilities have strengthened significantly following the success of its strategic transformation to improve "Geely" brand image, product and service quality, technology and innovation, as reflected in the excellent market acceptance received by the Group's recent new products, and the improved customer satisfactions shown in J.D. Power's recent study on customer after-sales services. In addition, the Group's financial position remained very strong as a result of good operational cash inflow. This should enable the Group to continue investing for the future so that it could respond to the rapid market changes more efficiently.

2017 should continue to see investments by the Group in the research and developments of vehicle quality and safety, NEVs and smart car; and the applications of internet, computer and mobile communication technologies in its products and services in view of the increasing demand from consumers for vehicle products and services in these areas. The Group plans to launch two new compact SUV models in 2017 to further expand its market share in the SUV market segment following the successful launches of "Geely Boyue" (吉利博越) and "Vision SUV". These new SUV models should enable the Group to generate additional sales volume in view of the continued rapid growth seen in SUV demand in China.

Further, the Group also plans to launch the first batch of new models built from Compact Modular Architecture ("CMA") platform, which is jointly developed by Geely Holding and Volvo Car, under a new "Lynk&Co" brand in 2017. The CMA platform, the new "Lynk&Co" brand, and its new business model are key parts of the Group's strategy to expand the Group's sales beyond the China market, to improve its competitiveness against major international brands and thus to sustain longer-term growth.

According to CAAM, sales of NEVs in China achieved a robust growth in 2016 and is expected to continue the growth momentum in the years ahead. The Group plans to launch its first PHEV and HEV models in 2017 to offer more choices of energy-efficient vehicles to its consumers. More advanced powertrain, including high-performance turbocharged engines and more efficient and cost effective transmissions will also be installed in more existing models and most of its new models. Upgraded versions of existing major models to incorporate the Group's latest advanced technologies and new design philosophy will also be offered to consumers thus further strengthening the Group's product line in 2017. With the Group's substantial investments in new technologies and innovations in the areas of light-weight technologies, advanced powertrain and NEVs over the past few years, the Group's products have become far more environmentally friendly and fuel-efficient. The Group will continue to replace its old models with more sophisticated new models equipped with more advanced powertrain technologies in the near future. The new products offering should continue to support the Group's overall sales volume growth in 2017. Further, the shift of preference on vehicle procurement by the Chinese Government towards more indigenous brand products should provide additional opportunities for the Group to further expand its sales.

Taking into account the Group's strong new products pipeline for 2017 and the continued strong sales momentum of the Group's latest new models, the Group's board of directors set its sales volume target for the year of 2017 at 1,000,000 units, representing an increase of around 31% over 2016.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and Hong Kong and the payment credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, bank borrowings and fund raising exercises in the capital market. As at 31 December 2016, the Group's shareholders' funds amounted to approximately RMB24.4 billion (As at 31 December 2015: approximately RMB19.5 billion). The Company issued 80.875 million new ordinary shares upon exercise of share options during the year.

EXPOSURE TO FOREIGN EXCHANGE RISK

During the year, the Group's operations were principally related to domestic sales of automobiles and related automobile parts and components in the Mainland China and the Group's assets and liabilities were mainly denominated in RMB, the functional currency of the Company.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's current ratio (current assets/current liabilities) was about 1.16 (As at 31 December 2015: 1.24) and the gearing ratio of the Group was about 9.2% (As at 31 December 2015: 9.9%) which was calculated on the Group's total borrowings (including the 5-year US$300 million 5.25% senior notes due 2019 ("Senior Notes") but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). As at 31 December 2016, the increase in receivables (in particular, the notes receivables) was (a) mainly due to the Group's strong domestic sales particularly in the fourth quarter of the current year (i.e. the traditional peak seasons for automobile industry) and the Group received huge amount of notes receivables from its customers during that period; and (b) thanks to the relatively low interest environment and strong net cash level, the Group did not opt to discount these notes receivables without recourse but wait to hold them until maturity during most of the times in 2016. In addition, in order to secure an adequate supply of automobile parts & components (in particular, steel, out-sourced engines and other high-end electronic parts & components) from the Group's supply chain during the peak season in the fourth quarter of 2016, the Group had to prepay these inventories to its suppliers towards the end of 2016. Separately, the increasing demand for the Group's new and existing products also drove its dealers to pay in advance in order to secure adequate inventories at their sales premises at the year end. As at 31 December 2016, the receipts in advance from customers represented almost 19% (As at 31 December 2015: 11%) of the total current liabilities. Accordingly, the net effect of the above resulted in a slightly decrease in current ratio at the end of year 2016 over the previous year.

Total borrowings (including Senior Notes but excluding trade and other payables) as at 31 December 2016 amounted to approximately RMB2.2 billion (As at 31 December 2015: approximately RMB1.9 billion) were mainly the Group's borrowings and Senior Notes. At the end of 2016, the majority of the Group's total borrowings were denominated in US$. They were well matched by the currency mix of the Group's revenues from export business, which were mainly denominated in US$. For the borrowings, except for Senior Notes, they were unsecured, interest-bearing and repaid on maturity. The decrease in gearing ratio during the year was mainly due to the increase in equity as a result of profit attained by the Group during the year of 2016. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2016, the total number of employees of the Group was about 35,100 (As at 31 December 2015: 18,700). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Li Shu Fu, aged 53, joined the Company and its subsidiaries (collectively the "Group") on 9 June 2005 as the Chairman (the "Chairman") of the board of directors of the Company (the "Board") and Executive Director, and is responsible for the overall strategic planning, Board leadership, corporate governance and formulation of the corporate policies of the Group. Mr. Li holds a Master's Degree in Engineering from Yan Shan University. Presently, Mr. Li is the controlling shareholder, founder, chairman of the board of directors of Zhejiang Geely Holding Group Company Limited ("Geely Holding") (a company incorporated in the PRC, and is ultimately owned by Mr. Li and his associate, a substantial shareholder of the Company). Geely Holding and its subsidiaries are principally engaged in the sale of automobiles and related parts and components wholesale and retail business. Mr. Li has over 30 years of experience in the investment and management of the automobile manufacturing business in the PRC. Mr. Li is a member of the Chinese People's Political Consultative Conference. Mr. Li was accredited as one of the "50 Most Influential Persons in China's Automotive Industry in the 50 Years" by China Automotive News (中國汽車報).

Mr. Yang Jian, aged 55, joined the Group on 9 June 2005 as an Executive Director, and is responsible for assisting the Chairman in Board leadership and corporate governance of the Group. Mr. Yang was appointed Vice Chairman of the Board on 1 July 2008 whereas he was appointed the vice chairman of the board of directors of Geely Holding on 29 December 2011. Mr. Yang was also the chairman of the five 99%-owned key operating subsidiaries of the Group, namely, Zhejiang Jirun Automobile Company Limited ("Zhejiang Jirun"), Shanghai Maple Guorun Automobile Company Limited, Zhejiang Kingkong Automobile Company Limited, Zhejiang Ruhoo Automobile Company Limited and Hunan Geely Automobile Components Company Limited. Mr. Yang, who graduated from Zhejiang Radio and Television University with focus on production management, holds Senior Economist and Senior Engineer designations. Since joining Geely Holding in 1996, Mr. Yang was involved in a number of different job functions within the group including product R&D, engineering and construction, manufacturing, quality improvement, marketing, after-sales service and the operation and management of the Group in the PRC and overseas.

Management Report

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Li Dong Hui, Daniel, aged 47, joined the Group in July 2016 as an Executive Director and Vice Chairman of the Board. Mr. Li was appointed an executive vice president and Chief Financial Officer ("CFO") of Geely Holding in June 2016, a board member of Geely Holding in April 2011, and a member of the board of directors of Volvo Car Corporation in April 2012. Mr. Li is also a director of certain subsidiaries of the Group. He is responsible for the overall strategic planning of the Group's accounting and financing system which includes accounting and financial management, cost control management, budget management, accounting reconciliation, accounting control, internal control review, taxation management, cash flow management, capital operation management, operational risk control, and investment and financing activities monitoring, etc.. Mr. Li was a vice president and CFO of Geely Holding from April 2011 to March 2014, and an executive director of the Company from May 2011 to March 2014. Mr. Li has extensive professional and senior managerial experiences with both the PRC and sino-foreign multinational companies, particularly in the fields of accounting and financial management, financing structure, strategic planning and business development. Prior to joining Geely Holding, he held key accounting, financing and corporate management positions as vice president, CFO, general manager and business development director in the PRC companies including Guangxi Liugong Machinery Company Ltd. (2010) and China Academy of Post and Telecommunication (1991), and sino-foreign multinational companies including headquarter of Cummins Inc., and its China Division (2006-2009), BMW Brilliance Automotive Ltd (2001-2005), ASIMCO Braking System (Guangzhou) Co., Ltd., ASIMCO Braking System (Zhuhai) Co., Ltd. (1997-2001) and Danfoss (Tianjin) Ltd. (1996); his last position was the vice chairman and the president (finance) of 北京東方園林生態股份有限公司 (Beijing Orient Landscape Co., Ltd.) (Stock Code of Shenzhen Stock Exchange: 002310) (2014-2016). Mr. Li graduated from the Kelley School of Business of Indiana University in the USA with a Master's Degree in Business Administration in 2010 and graduated from the Beijing Institute of Machinery in the PRC with a Master's Degree in Management Engineering with a major in Financial Management in 1997. Also, Mr. Li graduated from the Renmin University of China in the PRC with a Bachelor's Degree in Philosophy in 1991. He is currently the independent director of 中青旅控股股份有限公司 (China CYTS Tours Holding Co., Ltd.) (Stock Code of Shanghai Stock Exchange: 600138).

Mr. Gui Sheng Yue, aged 53, joined the Group on 9 June 2005 as an Executive Director and is responsible for the overall administration, risk management and compliance of the Group. Mr. Gui was appointed the Chief Executive Officer ("CEO") of the Company with effect from 23 February 2006. He was also the chairman of DSI Holdings Pty Limited, a former wholly-owned subsidiary of the Company. He is an independent non-executive director of Radford Capital Investment Ltd. (Stock Code of Hong Kong Stock Exchange ("HKEx"): 901). Mr. Gui has over 30 years of experience in administration and project management. Mr. Gui had also worked with China Resources (Holdings) Company Limited. Mr. Gui holds a Bachelor of Science Degree in Mechanical Engineering from Xi'an Jiaotong University and a Master's Degree in Business Administration from University of San Francisco.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. An Cong Hui, aged 47, joined the Group on 30 December 2011 as an Executive Director, and is responsible for the overall administration of the Group. Mr. An has been a vice president of Geely Holding since 2003, and has been appointed the president of Geely Holding with effect from 29 December 2011. Mr. An is currently the chairman of the principal operating subsidiary, namely Zhejiang Jirun, and a director of certain subsidiaries of the Group. Mr. An was previously in charge of the overall operation under the "Emgrand" product brand following the implementation of multi-brand strategy by the Group and production of gearboxes, engines and drivetrain systems of the Group. Mr. An has extensive professional knowledge and senior managerial experience in the automotive industry, particularly in the field of automotive engineering. He joined Geely Holding since 1996 after graduation from Hubei University of Economic and Management with a Diploma in Contemporary Accounting. From 1996 to now, Mr. An has held various key positions in Geely Holding including chief engineering officer and general manager.

Mr. Ang Siu Lun, Lawrence, aged 57, joined the Group on 23 February 2004 as an Executive Director and is mainly responsible for the international business development, capital market and investors' relationship of the Group. Mr. Ang holds a Bachelor of Science Degree in Physics and Computer Science and a Master of Business Administration Degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis. Mr. Ang is a non-executive director of Honbridge Holdings Limited (Stock Code of HKEx: 8137). He was an independent non-executive director of Genvon Group Limited (Stock Code of HKEx: 2389).

Ms. Wei Mei, aged 48, joined the Group on 17 January 2011 as an Executive Director. Ms. Wei is a vice president of Geely Holding and is responsible for the human resources management and training of Geely Holding since June 2009. Ms. Wei holds a Doctoral Degree in Management from the Northwest A&F University, a Master's Degree in Management and a Bachelor's Degree in Science from the Ocean University of China. From 2003 to 2007, Ms. Wei was the group human resources director of Beiqi Foton Motor Co., Ltd. ("Foton Motor") and focused on Foton Motor's human resources management, control and training. Prior to that, Ms. Wei worked in the group of Qingdao Haier Co., Ltd. ("Qingdao Haier") from 1991 to 2002 and served a number of positions in the department of integration and dishwashers business unit of Qingdao Haier Refrigerator Co., Ltd., participating in the development, diversification and globalization of Qingdao Haier. Ms. Wei was in charge of organizational management, operation appraisal, quality system management and human resources and was also directing the operation management of Haier dishwashers and other small appliances.

Management Report

DIRECTORS AND SENIOR MANAGEMENT PROFILES

NON-EXECUTIVE DIRECTOR

Mr. Carl Peter Edmund Moriz Forster, aged 62, joined the Group on 9 January 2013 as a Non-executive Director. Mr. Forster is the chief advisor to a member of Geely Holding and he has been appointed a member of the board of directors of Volvo Car Corporation since February 2013. Mr. Forster has over 30 years of professional experience in the global automotive industry, particularly in the fields of automotive products and development as well as strategic planning and general management. Mr. Forster held various senior management/CEO positions and directorship in many international consultancy and automobile corporates including McKinsey & Company, Inc., BMW (he was the chief project manager of one of its best-selling models of "BMW 5-Series", and later the head of global manufacturing), General Motors Europe, Rolls-Royce Holdings plc (Stock Code of London Stock Exchange ("LSE"): RR) and Tata Motors Limited, Mumbai (the group steered Jaguar Land Rover into profit). Mr. Foster obtained a Diploma in Economics from the Rheinische Friedrich-Wilhelm University in Bonn in 1976 and a Diploma in Aeronautical Engineering from the Technical University in Munich in 1982. Mr. Forster is currently a non-executive director of IMI plc, Birmingham (Stock Code of LSE: IMI), the chairman of Chemring Group Plc (Stock Code of LSE: CHG), the chairman of the supervisory board, member of the investment committee and partner of Lead Equities AG, a member of the Verwaltungsrat and a substantial shareholder of The Mobility House AG, a member of the board of Geely UK, the chairman of Friedola Tech Gmbh, the chairman of London Taxi Corporation, a non-executive director of Cosworth Ltd., a non-executive director of Gordon Murray Design, and the chairman of Emerald Automotive Ltd.. He was the chairman of the supervisory board and a substantial shareholder of ZMDi AG, and a non-executive director of Rexam plc (Stock code of LSE: REX).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Cheuk Yin, Dannis, aged 46, joined the Group as an Independent Non-executive Director on 28 June 2002. He obtained the Bachelor of Business Administration from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He possesses over 24 years of experience in accounting and auditing field. Mr. Lee is an independent non-executive director of each of Tiangong International Company Limited (Stock Code of HKEx: 826) and China Unienergy Group Limited (Stock Code of HKEx: 1573). He was an executive director of both Guojin Resources Holdings Limited (Stock Code of HKEx: 630) and AMVIG Holdings Limited (Stock Code of HKEx: 2300), a non-executive director of Kam Hing International Holdings Limited (Stock Code of HKEx: 2307), and an independent non-executive director of U-Home Group Holdings Limited (formerly known as Jiwa Bio-Pharm Holdings Limited) (Stock Code of HKEx: 2327).

Mr. Yeung Sau Hung, Alex, aged 67, joined the Group as an Independent Non-executive Director on 6 June 2005. Mr. Yeung was appointed as a non-executive director of GRST Investment (BVI) Limited, a research and manufacturing company focusing on battery technology, on 25 November 2016. He was the CEO in March 2012 and later became the Responsible Officer of LW Asset Management Advisors Ltd., a regulated fund management company. After his resignation in May 2016, he currently re-applies to be the Responsible Officer of another regulated fund management company. Mr. Yeung entered the fund management and financial consultant profession after his retirement from the role of chief executive officer of DBS Vickers (Hong Kong) Limited ("DBS Vickers"). Mr. Yeung is a MBA graduate from the University of Southern California and brings with him more than 34 years of experience in the financial services industry. Prior to joining DBS Vickers, Mr. Yeung was the deputy chairman of the management committee of a listed consumer electronics company for four years. Before that, he was the country head of the division of Greater China Equities and the managing director of Deutsche Securities Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. An Qing Heng, aged 72, joined the Group as an Independent Non-executive Director on 17 April 2014. Mr. An has extensive professional and management experience in the automotive industry, particularly in the fields of automotive engineering and manufacturing. Since after graduation from the Faculty of Agricultural Machinery (currently known as the Faculty of Automotive Engineering) of Tsinghua University with a professional qualification in automotive tractors and engines in 1968, he had worked with Beijing Gear Works Factory (北京齒輪總廠), Beijing United Automobile and Motorcycle Manufacturing Company (北京汽車摩托車聯合製造公司) and Beijing Automotive Industry Company (北京汽車工業總公司) in various important positions as vice factory director, chief engineer and general manager. He then served as the chairman and the Communist Party Committee Secretary (黨委書記) of Beijing Automotive Industry Holding Company Limited (北京汽車工業控股有限責任公司); and was once concurrently the chairman of Beiqi Foton Motor Company Limited (北汽福田汽車股份有限公司), Beijing Jeep Corporation (北京吉普汽車有限公司) and Beijing Benz Automotive Company Limited (北京奔馳汽車有限公司). Mr. An has been a member of Beijing Political Consultative Conference (北京市政治協商委員會) (the 8th and 10th sessions), a representative of Beijing Municipal People's Congress (北京市人民代表大會) (the 11th session), and a member of the Standing Committee of Beijing Association for Science and Technology (北京市科學技術協會常委會) (the 4th, 5th, 6th and 7th sessions). Mr. An is currently the director of the Advisory Committee of China Automotive Industry (中國汽車工業諮詢委員會). Mr. An has also obtained the qualification of Senior Engineering (Professor Level) accredited by the Senior Vocational Title Inspecting Committee of Beijing Municipality (北京市高級專業技術職務評審委員會). Mr. An is also the independent director of Liaoning SG Automotive Group Co., Ltd. (A Share Stock Code of Shanghai Stock Exchange: 600303) and Henan Province Xixia Automobile Water Pump Co., Ltd. (Stock Code of Shenzhen Stock Exchange: 002536), and was the independent director of Yechiu Metal Recycling (China) Limited (A Share Stock Code of Shanghai Stock Exchange: 601388).

Mr. Wang Yang, aged 42, joined the Group as a Non-executive Director on 15 September 2010 and he has been re-designated to an Independent Non-executive Director of the Company with effect from 17 May 2012. Mr. Wang is presently a partner of Primavera Capital Group. Mr. Wang holds a Bachelor of Engineering dual-degree in Management Engineering and Computer Science and a Master of Science Degree in Management Science and Engineering from the Shanghai Jiaotong University. Mr. Wang used to work in Goldman Sachs ("Goldman Sachs") Principal Investment Area as a managing director. From 2006 to 2010, working in Goldman Sachs, he focused on private equity investments in the PRC. During the period, he led the Goldman Sachs' US$245 million convertible bond investment transaction in the Company. Prior to that, Mr. Wang worked in China International Capital Corporation ("CICC") investment banking division as a vice president from 2002 to 2006, focusing on China-based companies' initial public offerings and restructurings. Mr. Wang served major state-owned enterprises in various sectors during this period. Prior to CICC's investment banking division, Mr. Wang worked in CICC's Private Equity Group from 2000 to 2001.

Management Report

DIRECTORS AND SENIOR MANAGEMENT PROFILES

SENIOR MANAGEMENT

Mr. Cheung Chung Yan, David, aged 41, joined the Group as the Financial Controller and Company Secretary on 17 May 2005. He was also a director of DSI Holdings Pty Limited, a former wholly-owned subsidiary of the Company. Mr. Cheung holds a Bachelor's Degree in Business Administration in Accounting from the Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors. Mr. Cheung has over 19 years of experience in auditing, accounting and financial management. Mr. Cheung is an independent non-executive director of Ourgame International Holdings Limited (Stock Code of HKEx: 6899).

Mr. Dai Yang, Daniel, aged 62, joined the Group as the Vice President (International Business) on 5 May 2005 and is mainly responsible for the investor relation and international business in Hong Kong. Mr. Dai holds a Master's Degree of Linguistics from Beijing Foreign Language Institute and a Bachelor's Degree of Arts from Beijing Normal College. Mr. Dai started his career with China Resources (Holdings) Co. Ltd. in Hong Kong in 1986 and his last position was an assistant general manager of China Resources Investment Co. Ltd. Then, Mr. Dai joined Da Fang Investment Co. Ltd. in Hong Kong as a general manager. Prior to joining the Company, Mr. Dai has mainly focused his career on projects investment.

Mr. Poon Chi Kit, aged 37, joined the Group on 1 July 2011. He was appointed as the Head of Internal Audit of the Company with effect from 1 October 2015 and is in charge of risk assessment and monitoring, internal audit, and internal control infrastructure development of the Group. He was the Group Financial Controller of Kandi Electric Vehicles Group Co., Ltd., a former joint venture of the Group. Mr. Poon holds a Bachelor's Degree in Civil Engineering from the National University of Singapore. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 11 years of experience in auditing, accounting and financial management.

CORPORATE GOVERNANCE REPORT

Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") continue to strive for a high standard of corporate governance with an emphasis on upholding a strong and balanced board of directors of the Company (the "Board") and maintaining a transparent and creditable communication channel with the Company's shareholders (the "Shareholders").

Apart from the corporate governance aspect, which will be further discussed in this report below, more details of the Group's environmental, social and governance ("ESG") measures including the relevant policies and performance in the areas of environmental, employment and labour standards, operating practices, and community, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group will be covered in the Group's ESG report, which will be published no later than three months after the publication of annual report, on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company.

For the year ended 31 December 2016, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report ("CG Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for CPs A.2.7, A.6.5 and E.1.2. This report further illustrates more as to how the CG Code has been applied, inclusive of the considered reasons for any deviation, in the year under review.

(A) DIRECTORS

The directors of the Company (the "Directors") all possess advanced expertise and extensive experience in the automobile industry, commercial management and capital market operation. The Board, with its diverse composition, can provide the management with viewpoints and advices in all material aspects for effective decision making. For Directors' biographical information, please refer to pages 23 to 27 of this annual report.

The table below illustrates the major duties and responsibilities of the Directors together with their positions held in the Board and its committees, and the dates of their initial appointment and last re-election at the general meetings of the Company.

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major Duties/Experience/Skills
Mr. Li Shu Fu	Chairman of the Board (the "Chairman") & ED[1]	9 June 2005	29 May 2015	Directs overall corporate strategic direction, Board leadership and corporate governance of the Group
Mr. Yang Jian	Vice Chairman & ED[1]	9 June 2005	29 May 2015	Assists the Chairman in Board leadership and corporate governance of the Group
Mr. Li Dong Hui, Daniel	Vice Chairman & ED[1] (appointed on 15 July 2016)	15 July 2016	Not applicable	Oversees the overall strategic planning of the Group's accounting and financing system which includes accounting and financial management, cost control management, budget management, accounting reconciliation, accounting control, internal control review, taxation management, cash flow management, capital operation management, operational risk control, and investment and financing activities monitoring, etc.
Mr. Gui Sheng Yue	Chief Executive Officer, ED[1] & member of NC[6]	9 June 2005	29 May 2015	Oversees administrative management (Hong Kong), risk management (excluding China), compliance and internal controls of the Group
Mr. An Cong Hui	ED[1]	30 December 2011	29 May 2015	Oversees operational and risk management (China) of the Group
Mr. Ang Siu Lun, Lawrence	ED[1]	23 February 2004	27 May 2016	Oversees international business development, capital market and investor relation activities of the Group
Mr. Liu Jin Liang	ED[1] (resigned on 15 July 2016)	9 June 2005	27 May 2016	Oversees the sales and marketing of new energy vehicles of the Group
Ms. Wei Mei	ED[1] & member of RC[5]	17 January 2011	29 May 2015	Oversees human resources management of the Group
Mr. Carl Peter Edmund Moriz Forster	NED[2]	9 January 2013	27 May 2016	Provides independent consultancy advice on strategic planning to the Board

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major Duties/Experience/Skills
Mr. Lee Cheuk Yin, Dannis	INED[3], chairman of AC[4], member of RC[5] & member of NC[6]	28 June 2002	29 May 2014	Provides independent advice on financial and auditing activities to the Board
Mr. Yeung Sau Hung, Alex	INED[3], chairman of RC[5], member of AC[4] & member of NC[6]	6 June 2005	27 May 2016	Provides independent advice on corporate finance and investment to the Board
Mr. Fu Yu Wu	INED[3], chairman of NC[6], member of AC[4] & member of RC[5] (retired on 27 May 2016)	30 December 2011	18 May 2012	Provides independent advice on automobile industry and strategic deployment to the Board
Mr. An Qing Heng	INED[3] & member of AC[4]	17 April 2014	29 May 2015	Provides independent advice on automobile industry and strategic deployment to the Board
Mr. Wang Yang	INED[3], chairman of NC[6] (appointed on 27 May 2016), member of AC[4] & member of RC[5]	15 September 2010	29 May 2014	Provides independent advice on corporate finance, investments and merger & acquisitions to the Board

Notes:

1 ED: Executive Director
2 NED: Non-executive Director
3 INED: Independent Non-executive Director
4 AC: Audit Committee
5 RC: Remuneration Committee
6 NC: Nomination Committee

Responsibilities of Directors

The Directors understand their responsibilities to apply their relevant levels of skill, care and diligence as a director under statute and common law, the Listing Rules, legal and other applicable regulatory requirements when discharging duties. The Board also understands where potential conflicts of interests arise, the non-executive Directors (including the independent non-executive Directors) will take the lead in discussing the relevant transactions being contemplated when there is a Director or any of his associates having a material interest in the transactions and will abstain from voting.

In order to ensure every newly appointed Director to keep abreast of his responsibilities and conduct (especially in the cases of non-executive Directors and independent non-executive Directors as to bringing independent judgments to the Board), and to obtain a general understanding of the Company's business activities and development, the Company would arrange a comprehensive, formal and tailored induction for him upon appointment. Such induction training had been arranged for Mr. Li Dong Hui, Daniel, whom was appointed as an executive Director and Vice Chairman of the Board on 15 July 2016.

The Directors disclose to and update the Company the number and nature of offices they hold in public companies or organizations and other significant commitments, together with the time involved every year; any change of such during the year would be properly disclosed in due course. All Directors confirmed that they had given sufficient time and attention to the Group's affairs during the year. The independent non-executive Directors and the non-executive Directors also declared their independence to make constructive and informed comments as to the development of the Company's strategy and policies by discharging their duties. The Board reviewed the relevant disclosure, confirmation and declaration together with their actual time contribution, and agreed that all Directors had taken active interests in the Group's affairs during the year.

Continuous Professional Development

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

In addition, as the Directors are geographically dispersed, the Company provided them with PowerPoint slides in relation to listing compliance update and listing enforcement strategy, current themes and case studies for self-learning during the year. The Company received written confirmations from the Directors about their full understanding of such training materials. Records of the Directors' participation in other CPD or training sessions provided, if any, will also be maintained by the Company Secretary of the Company (the "Company Secretary").

Supply of and Access to Information

The Company provides the Directors with adequate information in a timely manner that will enable them to make informed decisions and discharge their duties and responsibilities properly. The Company ensures that individual Director will have separate and independent access to its senior management whenever necessary, and any queries raised by the Directors should receive a prompt and full response.

In regard to notices, intended agendas, papers and materials related to the meetings of the Board and its committees, the management team provides complete, reliable and timely information to the Directors with proper briefing in respect of the matters and issues being contemplated by the Directors at the meetings of the Board and its committees. The Company also keeps the Board members well informed of the execution status and latest developments of the respective matters and issues resolved by the Directors at the meetings of the Board and its committees in a timely manner. In addition to regular Board meetings, the Company also provides reports in relation to the Group's consolidated management accounts, sales volume and investor relation activities on a monthly basis, and press releases together with share price performance on an ad hoc basis to the Directors.

Securities Transactions of the Directors and the Senior Management

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own guidelines for dealings in the Company's securities by its relevant employees (including but not limited to the Directors, any employee of the Company, any employee of the subsidiaries of the Company and its subsidiaries who, because of his office or employment, is likely to possess inside information in relation to the Company or its securities).

The Directors, having been enquired specifically, confirmed their compliance with the required standard set out in the Model Code during the year and there had been no cases of non-compliance reported. As at 31 December 2016, the details of Directors' holding of the Company's securities are set out on pages 61 to 63 of this annual report. The senior management of the Company whose profiles are set out on page 28 of this annual report also declared that they did not hold any shares of the Company as at 31 December 2016.

In addition, the Company issues notices to all Directors, senior management, management team and relevant employees of the Group reminding them to comply with the Model Code 60 days prior to the publication of the annual results, 30 days prior to the publication of the interim results, and any time when they are in possession of or privy to any unpublished inside information of the Group before it is properly disclosed.

The Company also implements an internal policy on handling inside information which is consistent with the relevant applicable requirements of the Listing Rules. The policy sets out measures and procedures for the Directors and other relevant officers of the Company to assume duty when dealing with inside information and preservation of its confidentiality before proper disclosure. It also sets out guidelines for the Board to disclose timely any material inside information according to the relevant statutory and regulatory requirements.

Insurance for Directors and Senior Management

During the year, the Company has arranged liability insurance for the Directors and senior management to provide appropriate coverage based upon performance of duties by such persons; the Board considered the insured amount was adequate. The insured amount is subject to regular review by the Board and the Audit Committee.

(B) THE BOARD

The Company is being headed by the Board effectively through its strong leadership in the strategic orientations and balanced control over the overall management of the business operations.

Corporate Governance Duties

The Board performed (including but not limited to) the following corporate governance duties during the year: (i) reviewed the existing policies of the Company on corporate governance including Whistleblowing Policy, Remuneration Policy and Shareholders' Communication Policy; (ii) reviewed the coverage of knowledge and skills in the CPD arrangements made for the Directors and/or senior management by the Company; (iii) reviewed the effectiveness of internal procedures for overseeing timely disclosure of material inside information and perseverance of its confidentiality; (iv) monitored the compliance of Model Code by the Directors and relevant employees of the Group; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

Management Functions Delegated by the Board

The Board has delegated the responsibilities of the execution of strategies and decision making for day-to-day operation and administration functions of the Company to the management team headed by the CEO.

The Board has set out written guidelines for the management team as to when final authority should rest with the Board and its prior approval should be obtained before making decisions or entering into any commitments; issues of such include but not limited to any proposed notifiable transactions, connected transactions, significant domestic and/or overseas investments, major business decisions related to operation and business strategy, change of key management of the Group, and disclosure of inside information.

Composition of the Board

The Listing Rules require the Company to appoint independent non-executive Directors representing at least one-third of the Board and one of whom must have appropriate professional qualifications or accounting or related financial management expertise. As at 31 December 2016, the Board comprised seven executive Directors, one non-executive Director and four independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis (an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants), Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang. During the year, Mr. Fu Yu Wu retired and did not offer himself for re-election at the last annual general meeting of the Company held on 27 May 2016; Mr. Liu Jin Liang has resigned as an executive Director and Mr. Li Dong Hui, Daniel has been appointed as an executive Director and Vice Chairman of the Board on 15 July 2016. Details of the compositions of the Board and its committees are set out on page 191 of this annual report.

The independent non-executive Directors should be identified in all corporate communications that disclose the names of Directors. An updated list of Directors and their roles and functions is maintained on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and on the website of the Stock Exchange (http://www.hkexnews.hk) for Shareholders' inspection.

Appointments and Re-election of Directors

All Directors, including non-executive Directors, are appointed for a specific term of not more than three years and are subject to retirement by rotation at least once every three years at the Company's general meetings. Directors appointed to fill a casual vacancy should also be subject to election by Shareholders at the first general meeting after appointment.

In accordance with Article 116 of the Company's Articles of Association (the "Articles of Association"), Mr. Li Shu Fu, Mr. Yang Jian, Mr. Lee Cheuk Yin, Dannis and Mr. Wang Yang shall retire by rotation and being eligible, shall offer themselves for re-election at the Company's forthcoming annual general meeting. In addition, pursuant to Article 99 of the Company's Articles of Association, Mr. Li Dong Hui, Daniel shall retire and being eligible, shall offer himself for re-election at the forthcoming annual general meeting. No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As Mr. Lee Cheuk Yin, Dannis has served the Company for more than 9 years, his further appointment should be subject to a separate resolution to be approved by Shareholders. By taking into account his independent status in the Board in the past years, and that he is not involved in the day-to-day management of the Company, the Board believes he is still independent and should be re-elected as the Company's independent non-executive Director; such reason shall be set out in the circular of the forthcoming annual general meeting of the Company for Shareholders' consideration.

Meetings of the Board

As required by business needs, the Company held a total of 5 regular Board meetings, 6 ad hoc Board meetings, 48 meetings of the executive committee of the Board ("EC"), 3 meetings of the Audit Committee ("AC"), 4 meetings of the Remuneration Committee ("RC"), 3 meetings of the Nomination Committee ("NC"), 1 annual general meeting ("AGM") and 4 extraordinary general meetings ("EGM") for the financial year ended 31 December 2016.

Most of the meetings of the Board and its committees were duly attended by a majority of the Directors through electronic means pursuant to the Articles of Association as most of the Directors' business engagements were in the PRC. During the year, the Directors attended the meetings of the Board and its committees by themselves and they did not appoint any alternate director. For any Board resolution approving contract, arrangement or any other proposal in which a Director or any of his associates has a material interest ("Interested Director"), the Interested Director abstained from voting at such Board meetings and the relevant meetings of the Board committees, where presence of the non-interested independent non-executive Directors should be assured.

The following table illustrates the attendance of each Director at the meetings of the Board and its committees, and general meetings of the Company. The denominators indicate the number of respective meetings held during the year that each Director is entitled to attend to reflect the effective attendance rate applicable to any Director(s) whom appointed and/or resigned part way during the year.

Name of Directors	Regular Board Meetings	Ad hoc Board Meetings	EC Meetings	AC Meetings	RC Meetings	NC Meetings	AGM	EGMs
	Attendance Rate for Meetings							
Executive Directors								
Mr. Li Shu Fu *(Chairman)*	4/5	6/6	–	–	–	–	0	0/4
Mr. Yang Jian *(Vice Chairman)*	4/5	6/6	–	–	–	–	0	0/4
Mr. Li Dong Hui, Daniel *(Vice Chairman)* [1]	3/3	3/3	–	1	–	–	–	2/3
Mr. Gui Sheng Yue *(CEO)*	5/5	6/6	48/48	–	–	3/3	1	0/4
Mr. An Cong Hui	5/5	6/6	–	–	–	–	0	0/4
Mr. Ang Siu Lun, Lawrence	5/5	6/6	48/48	2	–	–	1	4/4
Mr. Liu Jin Liang [2]	1/2	3/3	–	–	–	–	0	0/1
Ms. Wei Mei	5/5	6/6	–	–	4/4	–	1	2/4
Non-executive Director								
Mr. Carl Peter Edmund Moriz Forster	5/5	6/6	–	–	–	–	1	3/4
Independent Non-executive Directors								
Mr. Lee Cheuk Yin, Dannis	5/5	6/6	–	3/3	4/4	3/3	1	4/4
Mr. Yeung Sau Hung, Alex	5/5	6/6	–	3/3	4/4	3/3	1	2/4
Mr. Fu Yu Wu [3]	0/1	–	–	0/1	1/1	–	–	1/1
Mr. An Qing Heng	4/5	6/6	–	2/3	–	–	1	4/4
Mr. Wang Yang [4]	5/5	6/6	–	3/3	4/4	3/3	1	2/4

Notes:

1 Mr. Li Dong Hui, Daniel was appointed as an executive Director and Vice Chairman of the Board on 15 July 2016.

2 Mr. Liu Jin Liang resigned as an executive Director on 15 July 2016.

3 Mr. Fu Yu Wu retired as an independent non-executive Director on 27 May 2016.

4 Mr. Wang Yang was appointed as the chairman of nomination committee of the Board on 27 May 2016.

Relation of the Board Members

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship(s)) with each other and in particular, with the Chairman and the CEO.

Existing Non-executive Director and Independent Non-executive Directors

Each of the existing non-executive Director and independent non-executive Directors entered into a term of service of three years with the Company under a formal letter of appointment, whose term of service is the same as that of the other executive Directors under the formal service contracts, and is subject to retirement by rotation at least once every three years and offer himself for re-election at the annual general meeting of the Company. Both the letters of appointment and service contracts set out the key terms and conditions of the Directors' appointment in the designated term of service.

Having received annual confirmation from the four independent non-executive Directors for the year ended 31 December 2016 confirming that they had not been involved in any business which might fall under the factors for assessing their independence set out in Rule 3.13 of the Listing Rules, the Company considers all of the independent non-executive Directors are still independent and they have the character, integrity, independence and experience to fulfill their roles effectively.

When a matter should be resolved in a meeting involving a substantial Shareholder or a Director having conflict of interest that determined to be material by the Board, the independent non-executive Directors who have no material interest in the subject matter would attend the meetings of the Board and its committees and lead the discussions.

Chairman and Chief Executive Officer

The roles of Chairman and the CEO are assumed by Mr. Li Shu Fu and Mr. Gui Sheng Yue, respectively, to ensure a balance of power and authority.

The Chairman provides leadership for the effective running of the Board by delegating the Company Secretary to facilitate proper convening of the meetings of the Board and its committees and dissemination of adequate information, in order to ensure that the Directors would be properly briefed on issues being discussed at the meetings of the Board and its committees and that they are encouraged to discuss all key and appropriate issues of the Group timely. The Chairman has delegated the Company Secretary to draw up the agenda of the relevant meetings and circulate it to the Directors for comments, if appropriate, agenda items proposed by the Directors will then be included in the relevant meetings for further discussion so as to assure that the meetings of the Board and its committees are effectively carried out and a culture of openness and constructive relations between executive and non-executive Directors are promoted.

CP A.2.7 provides that the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the year ended 31 December 2016, a formal meeting could not be arranged between the Chairman and the non-executive Directors (including independent non-executive Directors) without the executive Directors present due to the tight schedules of the Chairman and the non-executive Directors (including independent non-executive Directors). Although such meeting was not held during the year, the Chairman has delegated the Company Secretary to gather any concerns and/or questions that the non-executive Director and the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary.

The CEO is primarily responsible for the daily operations of the Group with the assistance from other executive Directors and the management team. The division of responsibilities between the Board and the management team was clearly established in writing.

The Chairman has also endorsed the Company Secretary to draft relevant policies and guidelines as to upholding good corporate governance practices and procedures of the Group, such as the Shareholders' Communication Policy for maintaining effective communication with Shareholders and directing their views to the Board as a whole. For details of Shareholders' rights, please refer to pages 47 to 49 of this report.

(C) BOARD COMMITTEES

The Company currently has four Board committees, namely Executive Committee, Remuneration Committee, Nomination Committee and Audit Committee. The written terms of reference of Remuneration Committee, Nomination Committee and Audit Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Executive Committee

An Executive Committee comprising Mr. Gui Sheng Yue and Mr. Ang Siu Lun, Lawrence was established in 2015 pursuant to the Company's Articles of Association. Specific written terms of reference of which was set out to enable the committee to perform its functions properly. The Executive Committee should report back to the Board on their decisions made or recommendations given, if applicable, at least once every year. During the year, the Executive Committee held 48 meetings. Full minutes of the Executive Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report.

Remuneration Committee

The role and function of the Remuneration Committee is to determine the policy for the remuneration package of executive Directors and senior management with access to independent professional advice at the Company's expense if necessary; to assess performance of executive Directors and senior management; to approve the terms of service contracts of executive Directors and senior management; and to make recommendations to the Board on the remuneration of non-executive Directors. The remuneration packages of executive Directors and senior management should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment at a reasonable and appropriate level); levels of which should be sufficient to attract, retain and/or compensate Directors and senior management to run the Company successfully without paying more than necessary. The updated terms of reference of the Remuneration Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor

Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Proceedings of the Remuneration Committee

The Remuneration Committee being chaired by an independent non-executive Director currently comprises members of three independent non-executive Directors (including the chairman of the committee himself) and one executive Director. Details of the compositions of the Board and its committees are set out on page 191 of this report.

During the year, the Remuneration Committee held 4 meetings. Full minutes of the Remuneration Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report. The Remuneration Committee considered the following proposals and/or made recommendation to the Board during the year:

- Reviewed the basic monthly salary, benefits and year-end bonus of individual executive Directors with reference to their past contribution, experience and duties as well as the Company's Remuneration Policy and prevailing market conditions;

- Reviewed the compensation payable to the retired/resigned Directors and newly appointed Director; and

- Reviewed the Company's Remuneration Policy and the terms of reference of the committee.

Disclosure of Remuneration Payable to Directors and Senior Management

The Remuneration Committee adopts the model described in CP B.1.2(c)(i), which is to determine, with delegated responsibility, the remuneration packages of the Directors, in particular, the executive Directors, and the senior management. In determining the remuneration packages of the Directors, the Remuneration Committee ensures no Director or any of his/her associate is involved in deciding his/her own remuneration.

The Directors conducted the self-evaluation on their individual performance and contribution to both the Board and the Group during the year. It was intended to establish a formal and transparent assessment framework for the Remuneration Committee to make reference to when reviewing the remuneration package of the Directors in the future.

Under the Company's Remuneration Policy, the remuneration packages of the Directors and senior management are made up of the following two tiers: 1) on short-term basis – basic monthly salaries and discretionary year-end bonus; and 2) on long-term incentive basis – share option scheme and retirement benefits. The diversified remuneration package can reflect the market value of the relevant duties of the Directors and senior management; encourage relevant Directors and senior management to achieve the corporate goal; attract and retain the experienced human resources of the Group; and provide competitive retirement protection.

For the year ended 31 December 2016, the remuneration payable to members of senior management was within the following bands:

	Number of Individuals
RMB1,500,001 – RMB2,000,000	2
RMB2,500,001 – RMB3,000,000	1
	3

The total emoluments in respect of the above members of senior management were as follows:

	RMB'000
Basic salaries and allowances	4,135
Retirements benefits and scheme contributions	61
Equity settled share-based payment	2,265
	6,461

For details of Directors' remuneration, please refer to pages 129 to 131 of this annual report.

Nomination Committee

The role and function of the Nomination Committee is to determine the policy for the nomination of Directors with the right to seek independent professional advice at the Company's expense if necessary. The updated terms of reference of the Nomination Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Proceedings of the Nomination Committee

The Nomination Committee being chaired by an independent non-executive Director currently comprises members of three independent non-executive Directors (including the chairman of the committee himself) and one executive Director. Details of the compositions of the Board and its committees are set out on page 191 of this report.

The Nomination Committee reviews the composition of the Board on a regular basis so as to ensure that the Board has a good balance of expertise, skills, knowledge and experience which can complement the corporate strategy of the Company. When selecting and recommending candidates for directorship, the committee takes into account the qualification, ability, working experience, leadership, professional ethics and independence (as the case may be) of the candidates before nominating the candidates with high caliber to the Board for selection and appointment.

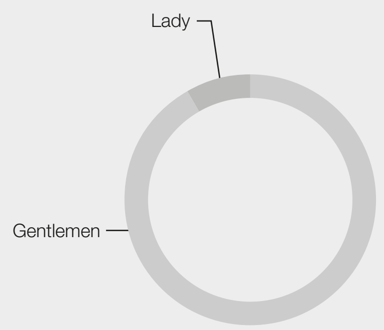
During the year, the Nomination Committee held 3 meetings. Apart from the change of the committee's chairman, and nomination of a new Director, the committee reviewed the existing structure, size and composition of the Board in accordance with the Board Diversity Policy; reviewed the independence of the existing four independent non-executive Directors; and reviewed the terms of reference of the committee. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report.

Board Diversity

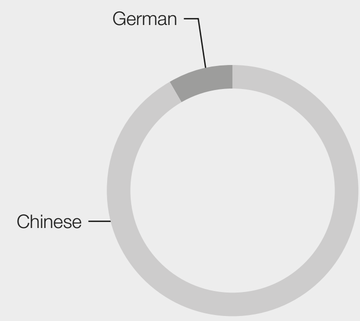
With a view to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element. The Board Diversity Policy of the Company is published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance".

In order to enhance the quality of the performance of the Board with a view to achieving a sustainable and balanced development of the Group, the Board ensures that board diversity will be considered from various aspects when designing the Board's composition and that nomination and selection of candidates as a Board member will be considered against objective criteria based on a range of diversity perspectives. The Board also reviews the Board Diversity Policy at least annually or whenever as appropriate, to ensure its effectiveness. Taking into account the vast development of the consumer products market, a range of diversity perspectives was analyzed for the Board's composition during the year as set out in the pie charts below.

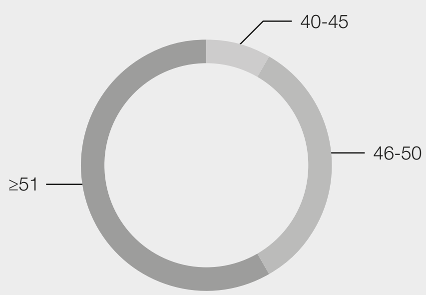
By Gender



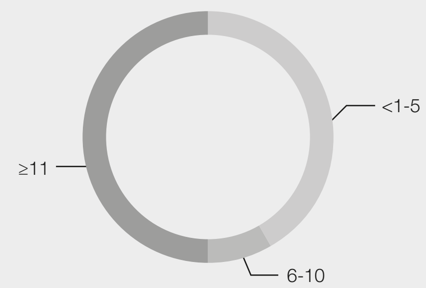
By Ethnicity



By Age



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



Audit Committee

The role and function of the Audit Committee is to investigate any activity within its terms of reference fairly and independently and take appropriate follow-up action if necessary; to seek any information it requires from any employee(s), whereas all employees are directed to cooperate with any request made by the committee; and to review and ensure that proper arrangements are in place for the Company's employees to use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee has the right to seek independent professional advice at the Company's expense if necessary. The Audit Committee also acts as the key representative body for overseeing the Company's relations with the external auditor. The updated terms of reference of the Audit Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Proceedings of the Audit Committee

The Audit Committee being chaired by an independent non-executive Director, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants, currently comprises four members (including the chairman of the committee himself), solely the independent non-executive Directors. Details of the compositions of the Board and its committees are set out on page 191 of this annual report.

During the year, the Audit Committee held 3 meetings. Full minutes of the Audit Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report. The Audit Committee considered the following businesses and/or made recommendation to the Board, when necessary, during the year:

- Reviewed the Group's audited annual results for the year ended 31 December 2015 including the major accounting issues raised by the external auditor;

- Reviewed the Group's interim results for the six months ended 30 June 2016;

- Assessed the independence and objectivity of the Company's external auditor and approved the annual audit fee for the year ended 31 December 2016;

- Approved the insurance of the Directors' and officers' liabilities of the Company and confirmed the adequacy of insurance coverage;

- Reviewed the internal audit findings conducted by the Internal Audit Department of the Company and assessed the effectiveness of the internal control system of the Group; and

- Reviewed the Whistleblowing Policy and the terms of reference of the committee.

Relationship with the external auditor

Apart from meeting with the Company's external auditor twice a year for approving the interim results and the annual results, the Audit Committee also meets with the external auditor in the absence of the management team of the Company, including executive Directors, whenever necessary to discuss any issues related to the audit (e.g. nature and scope of the audit, reporting obligations, audit fee, nature and scope of non-audit service provided, and those arising from the audit (e.g. judgment used in the financial reporting, compliance with financial reporting and auditing standards), etc.) so as to review and monitor the independence and objectivity of the Company's external auditor, and the effectiveness of the audit process in accordance with applicable standards.

Risk Management and Internal Control

For the year ended December 2016, the Board conducted an annual review of the effectiveness of the Group's risk management and internal control systems based on the confirmation made by the management and inputs from the Audit Committee. The Board considered the risk management and internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, effective and adequate during the year.

The Board has an overall and ongoing responsibility for the Group's risk management and internal control systems, and reviewing their effectiveness. It is acknowledged that risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material adverse change or damage.

The Board, through its risk oversight role, ensures that the management establishes an effective risk management, consistent with the Group's strategy and risk appetite. The management establishes risk management policies and internal control processes to identify, evaluate and manage risks. Each business unit implements such policies and processes in the daily operations and reports significant risks identified to the management regularly. The management assesses and evaluates these significant risks reported then allocates sufficient resources to address these risks and monitors the risk management status reported from the relevant business unit from time to time. The management will communicate the risk management and internal control findings to the Board for its assessment of the effectiveness of the relevant risk management and internal control systems of the Group.

The Internal Audit Department of the Company reviews material internal control aspects of the Group, including financial, operational and compliance controls as well as risk management function and reports the findings to the Audit Committee at least twice a year and on ad-hoc basis. The findings are communicated with the management and actions are taken to resolve defects as and when identified. No material internal control defects were identified during the year.

When the Board and the Audit Committee express concerns over the risk management and internal control matters of the Group, the Internal Audit Department of the Company will investigate and communicate the findings with and make recommendations to the management. The Internal Audit Department of the Company also maintains an effective communication with the external auditor of the Company on the Group's internal control system during interim review and annual audit.

The Group has a policy for handling and dissemination of inside information including relevant control processes and safeguards. The processes and safeguards are implemented on a monthly basis and as needed by relevant department heads and management involved in the handling and dissemination of inside information.

(D) ACCOUNTABILITY AND AUDIT

The Directors were provided with major financial information and the related explanation and information of the Company that would enable them to make an informed assessment. Such information would be provided on a monthly basis which includes but not limited to the background or explanatory information relating to disclosure, budgets, forecasts and other relevant internal financial information, such as consolidated financial statements of the Company.

The Directors acknowledge their responsibility for preparing the accounts of each financial period, which should give a true and fair view of the operating results and financial conditions of the Company, and for monitoring the integrity of the Company's financial statements and corporate communications. The Directors are also aware that a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures required by the Listing Rules, other regulators and statutory requirements should be presented. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis. The reporting responsibilities of the independent external auditor of the Company regarding the consolidated financial statements of the Company for the year ended 31 December 2016 in the independent auditor's of report set out on pages 82 to 86 of this annual report.

During the year, the Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Board also conducted an annual review on the effectiveness of the internal control system of the Group. Besides, the Company has been announcing the monthly sales volume figures on a voluntary basis since January 2010 in order to further enhance the information transparency.

Long-term Strategy

The Company's long-term objective is to deliver sustainable growth in Shareholders' return as a leading global automobile group with good reputation and integrity, winning respects from its customers. The strategies employed to achieve these goals include:

- Achieving economies of scale through expansion of sales volume and production capacity;
- Increase in sales volume through broadening product range and expansion geographically in both domestic and international markets;
- Focus on quality, technology, customer services and satisfaction;
- Organic expansion to be supplemented by mergers and acquisitions and strategic alliances; and
- Preservation of its competitive strength in cost effectiveness, flexibility and intellectual property resources.

External Auditor and their Remuneration

Grant Thornton Hong Kong Limited, the independent external auditor of the Company, has declared its reporting responsibilities regarding the consolidated financial statements of the Company for the year ended 31 December 2016 in the independent auditor's report set out on pages 82 to 86 of this annual report.

In 2016, there was no disagreement between the Board and the Audit Committee on the re-appointment of Grant Thornton Hong Kong Limited as well as their fees and terms of engagement after the assessment of their independence and objectivity conducted by the Audit Committee. Grant Thornton Hong Kong Limited will hold office until re-election by the Shareholders at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2016, the remuneration for the provision of audit and non-audit services by the auditor (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the Group was as follows:

	2016 **RMB'000**
Audit Service	
Annual audit	**6,269**
Non-audit Services	
Interim review	**550**
Discloseable transaction on disposal of joint ventures	**45**
	595
Total	**6,864**

(E) COMPANY SECRETARY

The Company Secretary is an employee of the Company and is involved in the Company's affairs. He took more than 15 hours' professional training for the year ended 31 December 2016.

Reporting to the Chairman and/or the CEO, the Company Secretary plays an important role in ensuring proper Board procedures are tailored to the Company's business needs and compliance with all applicable laws, rules and regulations. The Directors could obtain advice and services from the Company Secretary for any updates and developments in corporate governance, applicable laws and regulations when necessary. Upon reasonable request by the Directors, the Company Secretary is delegated by the Board to seek independent professional advice in appropriate circumstances at the Company's expense to assist the Directors in discharging their duties.

The Company Secretary, as delegated by the Chairman, is responsible for preparing meeting agendas and serving notices to the Board and its committees at least 14 days before the regular meetings or at a reasonable time for other ad hoc meetings, as well as ensuring the management's provision of relevant Board papers to the Directors at least 3 days before the meetings, so as to ensure that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner for effective and informed decision making.

The Company Secretary also ensures that the meetings of the Board and its committees are convened and constituted in accordance with all applicable laws, regulations and the procedural requirements set out in the Articles of Association and/or the relevant terms of reference at all times. In addition, the Company Secretary will take minutes of the meetings and circulate them to the Directors for comments at a reasonable time after the meetings. Minutes of the meetings record in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by Directors. After incorporating Directors' comments, the executed version of the minutes will be maintained by the Company Secretary and are available for Directors' inspection upon request.

(F) SHAREHOLDERS' RIGHTS

The Company had posted the Shareholders' Communication Policy, which sets out its policy of maintaining communications with Shareholders, Shareholders' rights and the procedures that Shareholders can use to propose a person for election as a Director, on its website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" for Shareholders' inspection.

How can Shareholders convene an extraordinary general meeting and put forward proposals at the general meetings?

All general meetings other than the annual general meeting are called extraordinary general meetings. An extraordinary general meeting may be convened at the request of Shareholders under the following conditions:

1. On the written requisition of any two or more Shareholders holding as at the date of deposit of the requisition not less than 10 per cent of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company;

2. The requisition must specify the objects of the meeting, be signed by the requisitionists, and be deposited at the principal place of business of the Company in Hong Kong as set out on page 192 of this annual report under the section headed "Corporate Information";

3. If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held within a further 21 days, the requisitionist(s) representing more than one-half of their total voting rights in aggregate may convene the general meeting themselves, provided that any meeting so convened will not be held after the expiration of three months from the date of deposit of the requisition;

4. The requisitionist(s) must convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board will be reimbursed to them by the Company; and

5. If the Board fails to give Shareholders sufficient notice (i.e. not less than 21 days for the annual general meeting and/or for passing of special resolution(s) at the extraordinary general meeting, or not less than 14 days for passing of ordinary resolution(s) at the extraordinary general meeting), the meeting is deemed not to have been duly convened.

If Shareholders would like to put forward proposals at the general meetings, they have to sign a written proposal specifying the details of the proposal and their contact details (e.g. name, telephone number, email address, etc.) and addressing it to the Board (care of the Company Secretary) then deposit it at the Company's principal place of business in Hong Kong, not less than 32 days before the upcoming general meeting at the time. The Board will take into account the details of the proposal and reply to the Shareholders concerned by writing of when and how the proposal is considered, or if applicable, why the proposal not accepted in due course. Contact details of the Company's principal place of business are set out on page 192 of this annual report under the section headed "Corporate Information".

Enquiries to be properly directed to the Board

The Company's Investor Relations Department being led by an executive Director, namely Mr. Ang Siu Lun, Lawrence ("Mr. Ang"), is responsible for responding to general enquiries on the Company's business operations from Shareholders. Mr. Ang is delegated by the Board to handle enquiries from the Shareholders and report to the Board on enquiries gathered for further discussions from time to time, so as to ensure that those enquiries are properly directed.

When dealing with enquiries, the Investor Relations Department of the Company is in strict compliance with the internal policy of the Company on inside information at all times. Contact details of the Company's principal place of business are set out on page 192 of this annual report under the section headed "Corporate Information".

Communication with Shareholders

CP E.1.2 provides that the Chairman and the chairman of respective Board committees should attend the annual general meeting of the Company. During the year ended 31 December 2016, the Chairman did not attend the annual general meeting of the Company due to conflict of his schedules and other prior business engagement in the PRC. If the Chairman could not attend the general meeting of the Company in person, he would assign an executive Director, who does not have a material interest in the businesses contemplating in the meeting and should report to him on any enquiries Shareholders might have, to attend such general meeting on his behalf. Further, the Company would facilitate a conference call for Shareholders and the Directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. Through these measures, views of the Shareholders would be properly communicated to the Board as a whole. In addition, the external auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

The Company held its annual general meeting ("AGM") on 27 May 2016. Due to conflict of his schedules and other prior business engagement in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting. Mr. Gui Sheng Yue, Mr. Ang Siu Lun, Lawrence, Mr. Lee Cheuk Yin, Dannis and the Company's external auditor attended and answered questions raised by the Shareholders at the meeting physically. Mr. Carl Peter Edmund Moriz Forster, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng, Mr. Wang Yang and another executive Director attended the meeting via conference call. Record of the attendance of the relevant Directors who attended the AGM physically or via conference call is set out on page 36 of this report.

Voting by Poll

For any resolutions proposed by the Company at the general meetings, bundling resolutions should be avoided. The Listing Rules stipulate that any vote of shareholders at all general meetings would be all taken by poll except where the chairman of the general meetings, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands.

The chairman of the general meetings will ensure that an explanation is provided with the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll to ensure that they are familiar with the procedures.

The Company arranges for the notice to Shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

(G) INVESTOR RELATIONS

Constitutional documents of the Company

The Company's memorandum and articles of association is maintained on its website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and on the website of the Stock Exchange (http://www.hkexnews.hk) for Shareholders' inspection. During the year, no changes have been made to the Company's memorandum and articles of association.

Details of substantial Shareholders by aggregate shareholding

Details of Shareholders having a substantial interest in the Company's securities as defined in the Securities and Futures Ordinance as at the date of this report are set out on pages 67 to 68 of this annual report.

Details of the last AGM and EGMs in 2016

Event Date & Time	Venue	Major Items Discussed	Voting Results
EGM on 18 February 2016 (Thursday) at Hong Kong Time ("HKT") 10:00 a.m.	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	a continuing connected transaction in relation to the Volvo Financing Arrangements (as defined in the Company's circular dated 28 January 2016)	the resolution was duly passed by the independent Shareholders as an ordinary resolution by way of poll

Event Date & Time	Venue	Major Items Discussed	Voting Results
AGM on 27 May 2016 (Friday) at HKT 4:00 p.m.	Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	(i) received and considered report of the directors, audited financial statements and auditor's report (ii) declared a final dividend (iii) re-election of directors (iv) authorised the Board to fix the remuneration of the directors (v) re-appointed Grant Thornton Hong Kong Limited as the auditor of the Company (vi) granted a general mandate to the directors to issue and allot new shares	all resolutions were duly passed by the Shareholders as ordinary resolutions by way of poll
EGM on 8 August 2016 (Monday) at HKT 10:00 a.m.	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	the acquisitions of the entire registered capital of each of 山西吉利汽車部件有限公司 (Shanxi Geely Automobile Components Co., Ltd.) and 寶雞吉利汽車部件有限公司 (Baoji Geely Automobile Components Co., Ltd.)	all resolutions were duly passed by the independent Shareholders as ordinary resolutions by way of poll

Event Date & Time	Venue	Major Items Discussed	Voting Results
EGM on 11 October 2016 (Tuesday) at HKT 10:00 a.m.	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	the disposal of 50%-interest in the registered capital of 康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd.), and 45%-interest in the registered capital of 寧海知豆電動汽車有限公司 (Ninghai Zhidou Electric Vehicles Co., Ltd.)	the resolution was duly passed by the independent Shareholders as an ordinary resolution by way of poll
EGM on 28 November 2016 (Monday) at HKT 10:00 a.m.	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	(i) approved and confirmed the Supplemental EV Agreement (as defined in the Company's circular dated 11 November 2016) and the revised annual cap amounts in this regard (ii) approved and confirmed the revised annual cap amounts under the Services Agreement (as defined in the Company's circular dated 11 November 2016)	all resolutions were duly passed by the independent Shareholders as ordinary resolutions by way of poll

Indication of important dates for the Shareholders in 2017/2018

Event		Date
Closure of the Company's register of members ("Book Close") for entitlement of voting rights at the forthcoming annual general meeting	:	22 May 2017 (Monday) to 25 May 2017 (Thursday)
Forthcoming annual general meeting	:	25 May 2017 (Thursday) at HKT 4:00 p.m. at Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, HongKong
Ex-final dividend	:	7 June 2017 (Wednesday)
Book Close for entitlement of final dividend	:	12 June 2017 (Monday) to 15 June 2017 (Thursday)
Record date for final dividend entitlement	:	15 June 2017 (Thursday)
Final dividend distribution	:	July 2017
2017 interim results announcement	:	Late August 2017 ***(to be confirmed)***
Financial year end	:	31 December 2017 (Sunday)
2017 annual results announcement	:	Late March 2018 ***(to be confirmed)***

Management Report
DIRECTORS' REPORT

The directors of the Company (the "Directors") present their annual report together with the audited consolidated financial statements of Geely Automobile Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 87 and page 88, respectively of the annual report. The directors recommend the payment of a final dividend of HK$0.12 per ordinary share to the shareholders on the register of members on 15 June 2017, amounting to approximately RMB960,054,000.

BUSINESS REVIEW

A fair review of the Group's business including an analysis using financial key performance indicators and the likely future development in the Group's business is set out in the Chairman's Statement on pages 7 to 9 and the Management Report – Performance & Governance on pages 11 to 22 of this annual report. An account of the Group's key relationships with its customers and suppliers, and on which the Group's success depends is set out on page 78 of this annual report and notes 21 and 25 to the consolidated financial statements. Such disclosure forms part of this directors' report.

Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2016 are set out in the Management Report – Performance & Governance on pages 11 to 22.

The principal risks and uncertainties facing the Group are discussed below:

1. **It is not certain that the Group may be able to identify or offer popular models to meet changing trends and consumer demands, or to gain market acceptance of the new models**

   Market trends, consumer demands and needs in the markets where the Group operates change and depend upon various factors, some of which are beyond the Group's control, such as prevailing economic conditions, consumption patterns, disposable income and inherent uncertainty in market. It is believed that the Group's ability to anticipate, identify and respond to those trends in a timely manner is critical to the Group's success. However, it is uncertain that the Group may accurately anticipate the shifts in customer needs, or fail to timely offer new models that meet those changing trends.

   To broaden the Group's model portfolio, the Group plans to continue upgrading its existing models, and in the meantime, to develop new models. The Group plans to launch several new models in 2017 whilst a series of new models to be innovated from the technologies of a new modular architecture and set of components based upon its platform strategy, standardization, and shared modularization in product development is expected to be launched in 2017 and the coming years. In the future, the Group plans to provide more advance powertrain options to its customers. However, it is not assured that the Group's model development will accurately reflect the prevailing market trends or customer needs at any given time, or that the new models to be launched will be well received by the market. If the new models fail to gain market acceptance, the Group's brand image, business, financial condition, results of operations and prospects will be materially and adversely affected.

2. It is not certain that the Group's research and development capabilities, on which the Group's continued growth depends, and its research and development efforts may be successful

The automobile market is characterized by changing technologies, periodic new model introductions and evolving end-user customer and industry requirements. The Group's competitors are continuously developing automobiles that have adopted advanced technologies to operate more efficiently and cost effectively. The Group's continued success, therefore, depends on its ability to continue developing new products that can successfully compete with those offered by the Group's competitors in terms of design, performance and price, which, in turn, depends largely on its research and development capabilities. In addition, the Group's research and development efforts may not be successful or yield the anticipated level of economic benefits. Even if the Group's research and development efforts are successful, the Group may not be able to apply these newly developed technologies to products that will be accepted by the market or apply them in a timely manner to take advantage of the opportunities presented in the market.

The Group has strengthened the technological cooperation with Volvo Car Corporation ("Volvo Car"), which is majority-owned by the Group's parent company, Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司 or "Geely Holding"), and has so far achieved remarkable progress in this regard. The cooperation enables both parties to further optimizing resource utilization, and speed up the implementation of platform strategy, standardization, and shared modularization in product development, which, in turn, a new modular architecture and set of components will be established; based upon which, a series of new models of the Group will be introduced to strengthen the Group's competitiveness in the automobile market. In the meantime, the Group will speed up its products offering on new energy vehicles to prepare itself for the challenge of the stringent statutory requirement on fuel consumption standard in the future and the booming new energy vehicle market.

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

The Group's products can be exposed to potential product liability claims if they fail to perform as expected, or are proven to be defective, or if their use causes, results in or is alleged to have caused or resulted in personal injuries, project delays or damage or other adverse effects. The Group currently does not maintain product liability insurance to cover potential product liability arising from the use of its products and may be unable to obtain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third party suppliers. Such third party suppliers may not indemnify the Group for defects as to such parts and components or would only provide the Group with limited indemnification that is insufficient to cover the Group's damages resulting from the product liability claim.

Product liability claims, with or without merit, may result in significant negative publicity and thus materially and adversely affect the marketability of the Group's products and its reputation, as well as its business, financial condition and results of operations. Moreover, a material design, manufacturing or quality-related failure or defect in the Group's products or other safety issues could warrant a product recall by the Group and result in increased product liability claims. If authorities in the jurisdictions in which the Group sells its products decide that its products fail to conform to applicable quality and safety requirements and standards, the Group could be subject to regulatory actions.

The Group regularly monitors the quality of its products via the collection of quality feedback from its customers and conduct of extensive product testing. Protective measures such as product recalls will be taken to rectify any concerns if product quality issues were to be found to mitigate further warranty liability and ensure the compliance of the relevant product safety regulations. The Group will continuously strengthen the selection of suppliers to ensure high quality automobile components are used to minimize the occurrence of product quality and safety issues.

4. **The Group's business, financial condition and results of operations may be materially and adversely affected if it fails to manage its purchase costs or obtain raw materials, parts and components on a timely basis or at reasonable prices**

Although the Group usually sources important raw materials and parts and components from multiple suppliers in order to achieve a stable supply, it cannot assure that the suppliers can always adequately serve its needs in a timely manner or at reasonable prices.

If there is any significant increase in the prices of raw materials, parts or components or if their supply is disrupted, the Group may incur additional costs to maintain its production schedules, which, in turn, may decrease its profitability and materially and adversely affect its business, financial condition and results of operations.

In order to remain competitive, the Group tries to manage the costs efficiently and aims to produce products at competitive costs. The Group has plan to further reduce the costs in purchasing raw materials, parts and components for production through the implementation of cost control policies such as streamlining the supply chain and localization of production.

5. **Increasing competition in the PRC automobile market and volatility of consumer demand could have a material adverse effect on the Group's ability to maintain competitiveness**

Increasing consumer purchasing power in the PRC has resulted in significant growth in the demand for automobiles. Such growth in the automobile market has encouraged, and is likely to continue to encourage, foreign competitors, sino-foreign equity joint ventures established in the PRC and new domestic automobiles companies to further expand their production capacity. The Group's current market share and profit margin may be diluted or reduced if there is increasing competition for vehicles or further price reductions caused by increased competition. The pricing, recognition and loyalty to the Group's brand of products and the financial and technical resources allocated to the Group's products may be materially and adversely affected if competing automobile products, domestic or foreign, gain a competitive advantage.

Despite the growing trend in the PRC automobile market, demand for automobiles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect the Group's financial condition and results of operations.

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

On the other hand, the market response to the Group's products may exceed the Group's expectation. Thus, the Group may not have sufficient production capacity to fulfil the customers' demands and as a result, suffer from loss of revenue as the Group cannot deliver the products in a timely manner.

The Group is committed to continuously develop products with improvement in quality and more advanced technologies and powertrain as well as enhancing its production efficiency. A series of new products to be developed from the aforementioned technologies of the new modular architecture and set of components, and new energy vehicle products will broaden the Group's model portfolio. Meanwhile, the Group has a robust sales and marketing strategy to respond to the dynamic market. Diversified campaigns and extensive development of sales network will continue to develop the brand image and provide better outreach to the Group's consumers.

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

The implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in the PRC could put tremendous cost pressure on indigenous brands in the PRC. Further, more major cities in the PRC are expected to introduce local policies to restrict new car licenses to ease traffic and combat air pollution, thus restricting the demand for passenger vehicles. The impact could be even bigger for indigenous brands, where their major competitive edges in pricing could be seriously undermined by the introduction of an auction and lottery system to curb the growth of new vehicles.

Management Report
DIRECTORS' REPORT

The Group is committed to its new energy vehicles strategy to respond to the challenge in the fuel efficiency and emission standards as well as taking advantage of the exemption of auction and lottery system granted to the new energy vehicles. The Group will also continue its development in powertrain technologies on the conventional vehicles to comply with the regulatory requirements.

The Group continues its company mission of "Make good cars that are the safest, most environment-friendly and most efficient. Let Geely cars go around the whole world." with an aim to build up the core value of "Happy Life, Geely Drive!". The Group hopes to demonstrate its insight on the sustainable development of vehicle market, national economy and society and present happiness to every individual. In this light, the Group details its manufacture from strength to strength through research and development on and design of vehicles. For the year ended 31 December 2016, the Group complied with the relevant laws and regulations that have a significant impact on the Group.

Environment-friendly performance of complete buildup units has always been the one of the priorities of Geely. The Group pursues excellent environment-friendly performance for each of its products by conducting in-depth researches on and exercising rigorous controls in terms of power research and development, vehicle recycling and environmental adaptation in compliance with national standards. The requirements of our complete buildup units are stricter than that of the national standards. In 2015, the Group announced the "Blue Geely" initiative, a new energy strategy, which is in line with the international development and central government's efforts put in response to environmental problems. The Group believes that development of new energy vehicles is the right way for sustainability.

The Group keeps watch on the environment-friendly performance of its complete buildup unit products in terms of product research and development and technology. Moreover, it also realizes energy-saving and emission reduction to each of its production and operating area. Choosing locations with scientific approach, harnessing energy-saving technologies and standardizing emission management, the Group mitigates the pressure exerted to the external during the course of its operation.

In addition to refining the Group's business strategies, the development goal requires participation of every staff member, customer, supplier and stakeholder. The Group hopes to become the pioneer to demonstrate the sustainable development of the vehicle industry, national economy and society.

The particulars of the Group's environment protection policies, behavior and compliance with the relevant laws and regulations that impose material influence on the Group are set out in Corporate Social Responsibility Report (also known as "Environmental, Social and Governance Report") of Geely Holding which will be published on the website of Stock Exchange and the websites of Geely Holding and the Company within three months after the publication of the annual report.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2017 to 25 May 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 25 May 2017, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 19 May 2017.

The register of members of the Company will be closed from 12 June 2017 to 15 June 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 9 June 2017.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year, details of movements in the property, plant and equipment and intangible assets of the Group are set out in notes 14 and 15, respectively, to the consolidated financial statements.

SHARE CAPITAL

During the year, details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2016 are set out in notes 24 and 26, respectively, to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in note 32 to the consolidated financial statements.

RESERVES

During the year, details of the movements in the reserves of the Group and the reserves of the Company are set out in the consolidated statement of changes in equity on page 92 and on page 183 of the annual report, respectively.

As at 31 December 2016, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB2,425,337,000 (2015: RMB2,602,894,000). After the reporting date, the directors proposed a final dividend of HK$0.12 (2015: HK$0.038) per ordinary share amounting to RMB960,054,000 (2015: RMB280,959,000). The final dividend proposed has not been recognised as a liability at the reporting date as set out in note 11 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Li Shu Fu *(Chairman)*
Mr. Yang Jian *(Vice Chairman)*
Mr. Li Dong Hui, Daniel *(Vice Chairman)*
(Appointed on 15 July 2016)
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Mr. Liu Jin Liang *(Resigned on 15 July 2016)*
Ms. Wei Mei

Non-executive director:

Mr. Carl Peter Edmund Moriz Forster

Independent non-executive directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu *(Retired on 27 May 2016)*
Mr. An Qing Heng
Mr. Wang Yang

In accordance with Article 116 of the Company's Articles of Association, Mr. Li Shu Fu, Mr. Yang Jian, Mr. Lee Cheuk Yin, Dannis and Mr. Wang Yang shall retire by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. In addition, pursuant to Article 99 of the Company's Articles of Association, Mr. Li Dong Hui, Daniel shall retire and being eligible, shall offer himself for re-election at the forthcoming annual general meeting. No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Mr. Fu Yu Wu retired on 27 May 2016 as an independent non-executive director whilst Mr. Liu Jin Liang resigned on 15 July 2016 as an executive director of the Company. Mr. Fu Yu Wu and Mr. Liu Jin Liang have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

The independent non-executive directors all have a fixed term of 3-year service and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

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

As at 31 December 2016, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(I) Interests and short positions in the securities of the Company

Name of director	Nature of interests	Number of attributable number of shares		Approximate percentage or attributable percentage of shareholding
		Long position	*Short position*	*(%)*
Shares				
Mr. Li Shu Fu *(Note 1)*	Interest in controlled corporations	3,925,464,000	–	44.19
Mr. Li Shu Fu	Personal	23,140,000	–	0.26
Mr. Yang Jian	Personal	14,475,000	–	0.16
Mr. Li Dong Hui, Daniel	Personal	4,200,000	–	0.05
Mr. Gui Sheng Yue	Personal	14,300,000	–	0.16
Mr. An Cong Hui	Personal	15,380,000	–	0.17
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Ms. Wei Mei	Personal	4,170,000	–	0.05
Share Options				
Mr. Yang Jian	Personal	9,000,000 *(Note 2)*	–	0.10
Mr. Li Dong Hui, Daniel	Personal	3,500,000 *(Note 3)*	–	0.04
Mr. Gui Sheng Yue	Personal	11,500,000 *(Note 2)*	–	0.13

Name of director	Nature of interests	Number of attributable number of shares *Long position*	*Short position*	Approximate percentage or attributable percentage of shareholding *(%)*
Mr. Gui Sheng Yue	Personal	6,000,000 *(Note 4)*	–	0.07
Mr. An Cong Hui	Personal	4,700,000 *(Note 2)*	–	0.05
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 *(Note 2)*	–	0.12
Mr. Ang Siu Lun, Lawrence	Personal	5,000,000 *(Note 4)*	–	0.06
Ms. Wei Mei	Personal	900,000 *(Note 2)*	–	0.01
Ms. Wei Mei	Personal	5,000,000 *(Note 3)*	–	0.06
Mr. Carl Peter Edmund Moriz Forster	Personal	1,000,000 *(Note 4)*	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	300,000 *(Note 2)*	–	0.003
Mr. Lee Cheuk Yin, Dannis	Personal	750,000 *(Note 4)*	–	0.008
Mr. Yeung Sau Hung, Alex	Personal	300,000 *(Note 2)*	–	0.003
Mr. Yeung Sau Hung, Alex	Personal	750,000 *(Note 4)*	–	0.008

Name of director	Nature of interests	Number of attributable number of shares		Approximate percentage or attributable percentage of shareholding
		Long position	*Short position*	*(%)*
Mr. An Qing Heng	Personal	1,000,000 *(Note 4)*	–	0.01
Mr. Wang Yang	Personal	1,000,000 *(Note 4)*	–	0.01

Notes:

(1) Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold 3,925,464,000 shares, representing approximately 44.19% of the issued share capital of the Company as at 31 December 2016. Proper Glory is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associates.

(2) The interest relates to share options granted on 18 January 2010 by the Company to the Directors. The share options are exercisable at a subscription price of HK$4.07 for each Share during the period from 18 January 2010 to 17 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 31 December 2016.

(3) The interest relates to share options granted on 23 March 2012 by the Company to the Directors. The share options are exercisable at a subscription price of HK$4.07 for each Share during the period from 23 March 2012 to 22 March 2022. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 31 December 2016.

(4) The interest relates to share options granted on 9 January 2015 by the Company to the Directors. The share options are exercisable at a subscription price of HK$2.79 for each Share during the period from 9 January 2016 to 8 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 31 December 2016.

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

Name of director	Name of his associated corporations	Number of shares in his associated corporations		Approximate percentage of shareholding
		Long position	*Short position*	*(%)*
Mr. Li Shu Fu	Proper Glory Holding Inc.	*(Note 1)*	–	*(Note 1)*
Mr. Li Shu Fu	Geely Group Limited	50,000	–	60
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	*(Note 2)*	–	*(Note 2)*
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	*(Note 3)*	–	*(Note 3)*
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	*(Note 4)*	–	*(Note 4)*
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	*(Note 5)*	–	*(Note 5)*
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	*(Note 6)*	–	*(Note 6)*
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	*(Note 7)*	–	*(Note 7)*
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	*(Note 8)*	–	*(Note 8)*
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	*(Note 9)*	–	*(Note 9)*
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	*(Note 10)*	–	*(Note 10)*
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	*(Note 11)*	–	*(Note 11)*

Name of director	Name of his associated corporations	Number of shares in his associated corporations		Approximate percentage of shareholding
		Long position	*Short position*	*(%)*
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	*(Note 12)*	–	*(Note 12)*
Mr. Li Shu Fu	Baoji Geely Automobile Components Company Limited	*(Note 13)*	–	*(Note 13)*
Mr. Li Shu Fu	Shanxi Geely Automobile Components Company Limited	*(Note 14)*	–	*(Note 14)*
Mr. Li Shu Fu	Zhejiang Jirun Chunxiao Automobile Components Company Limited	*(Note 15)*	–	*(Note 15)*

Notes:

(1) Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(3) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

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

(5) Zhejiang Haoqing Automobile Manufacturing Company Limited ("Zhejiang Haoqing") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(6) Zhejiang Jirun Automobile Company Limited ("Zhejiang Jirun") is incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(7) Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") is incorporated in the PRC and is 1%-owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(8) Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(9) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(10) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(11) Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

(12) Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

(13) Baoji Geely Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(14) Shanxi Geely Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(15) Zhejiang Jirun Chunxiao Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, as at 31 December 2016, none of the Directors nor the chief executives of the Company and their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers contained in the Listing Rules.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF OTHER PERSONS

As at 31 December 2016, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or the chief executives of the Company, the persons, other than the Directors or the chief executives of the Company, who had interests or a short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

Substantial shareholders (as defined in the SFO)

Name	**Nature of interests**	**Number of shares held**			**Approximate percentage of shareholding**
		Long position	*Short position*	*Lending pool*	*(%)*
Proper Glory Holding Inc. *(Note 1)*	Beneficial owner	2,636,705,000	–	–	29.68
Geely Holding *(Note 1)*	Interest in controlled corporation	3,925,377,000	–	–	44.19
Geely Group Limited *(Note 1)*	Beneficial owner	87,000	–	–	0.001
	Interest in controlled corporation	2,636,705,000	–	–	29.68
Zhejiang Geely *(Note 2)*	Beneficial owner	776,408,000	–	–	8.74
Citigroup Inc.	Interest in controlled corporation	452,252,196	–	–	5.09
		–	168,790,108	–	1.90
		–	–	264,752,574	2.98

Notes:

(1) Proper Glory Holding Inc. ("Proper Glory") is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

Mr. Li Shu Fu is a director of each of Proper Glory, Geely Holding, Zhejiang Geely and Geely Group Limited. Mr. Yang Jian is a director of each of Geely Holding and Zhejiang Geely. Mr. Li Dong Hui, Daniel is a director of Geely Holding. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

Save as disclosed above, as at 31 December 2016, the directors and the chief executives of the Company are not aware of any other person (other than the directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and of any other member of the Group.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

SHARE OPTIONS

Particulars of the Company' share option scheme and the accounting policy are set out in notes 33 and 4(n) to the consolidated financial statements, respectively.

The following table discloses movements in the Company's share options during the year:

	Exercisable period	Exercise price	Outstanding as at 1.1.2016	Exercised during the year	Forfeited during the year	Transfer upon appointment/ resignation	Outstanding as at 31.12.2016
		HK$/share					
Directors							
Mr. Yang Jian	18.1.2010 – 17.1.2020	4.07	12,000,000	(3,000,000)	–	–	9,000,000
Mr. Li Dong Hui, Daniel*	23.3.2012 – 22.3.2022	4.07	–	(3,500,000)	–	7,000,000	3,500,000
Mr. Gui Sheng Yue	18.1.2010 – 17.1.2020	4.07	11,500,000	–	–	–	11,500,000
	9.1.2016 – 8.1.2020	2.79	6,000,000	–	–	–	6,000,000
Mr. An Cong Hui	18.1.2010 – 17.1.2020	4.07	9,000,000	(4,300,000)	–	–	4,700,000
Mr. Ang Siu Lun, Lawrence	18.1.2010 – 17.1.2020	4.07	11,000,000	–	–	–	11,000,000
	9.1.2016 – 8.1.2020	2.79	5,000,000	–	–	–	5,000,000
Mr. Liu Jin Liang^	18.1.2010 – 17.1.2020	4.07	9,000,000	–	–	(9,000,000)	–
Ms. Wei Mei	18.1.2010 – 17.1.2020	4.07	3,000,000	(2,100,000)	–	–	900,000
	23.3.2012 – 22.3.2022	4.07	5,000,000	–	–	–	5,000,000
Mr. Carl Peter Edmund Moriz Forster	9.1.2016 – 8.1.2020	2.79	1,000,000	–	–	–	1,000,000

	Exercisable period	Exercise price HK$/share	Outstanding as at 1.1.2016	Exercised during the year	Forfeited during the year	Transfer upon appointment/ resignation	Outstanding as at 31.12.2016
Mr. Lee Cheuk Yin, Dannis	18.1.2010 – 17.1.2020	4.07	1,000,000	(700,000)	–	–	300,000
	9.1.2016 – 8.1.2020	2.79	1,000,000	(250,000)	–	–	750,000
Mr. Yeung Sau Hung, Alex	18.1.2010 – 17.1.2020	4.07	1,000,000	(700,000)	–	–	300,000
	9.1.2016 – 8.1.2020	2.79	1,000,000	(250,000)	–	–	750,000
Mr. An Qing Heng	9.1.2016 – 8.1.2020	2.79	1,000,000	–	–	–	1,000,000
Mr. Wang Yang	9.1.2016 – 8.1.2020	2.79	1,000,000	–	–	–	1,000,000
Continuous contract employees	18.1.2010 – 17.1.2020	4.07	284,760,000	(61,455,000)	(7,800,000)	9,000,000	224,505,000
	21.4.2010 – 20.4.2020	4.07	13,000,000	(920,000)	(300,000)	–	11,780,000
	23.3.2012 – 22.3.2022	4.07	16,500,000	(2,250,000)	–	(7,000,000)	7,250,000
	25.6.2012 – 24.6.2022	4.07	9,000,000	–	(9,000,000)	–	–
	17.1.2013 – 16.1.2023	4.11	4,100,000	–	(4,100,000)	–	–
	9.1.2016 – 8.1.2020	2.79	16,900,000	(1,350,000)	(1,150,000)	–	14,400,000
	2.6.2016 – 1.6.2020	4.08	1,000,000	–	–	–	1,000,000
Other eligible participants	2.6.2016 – 1.6.2020	4.08	20,400,000	(100,000)	–	–	20,300,000
			444,160,000	(80,875,000)	(22,350,000)	–	340,935,000

**Note:* Mr. Li Dong Hui, Daniel was appointed as an executive director of the Company on 15 July 2016.

^Note: Mr. Liu Jin Liang resigned as an executive director of the Company on 15 July 2016.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report, there was permitted indemnity provision being in force for the benefit of any directors of the Company (whether made by the Company or otherwise) or of its associated company (made by the Company).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of transactions between the Group and other companies under the control of Mr. Li Shu Fu during the year are set out in note 34 to the consolidated financial statements.

Save as disclosed above, no other transaction, arrangement or contract of significance to which the Company, any of its holding companies, its subsidiaries, or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS & CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute connected transactions under Chapter 14A of the Listing Rules. All the connected transactions and continuing connected transactions with disclosure requirements under the Listing Rules during the year were listed below and these transactions were also set out in note 34 to the consolidated financial statements. The directors of the Company confirm they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Acquisition of the entire registered capital of the Baoji Target

Pursuant to the acquisition agreement dated 1 June 2016, Zhejiang Jirun Automobile Company Limited ("Zhejiang Jirun"), a 99% interest owned subsidiary of the Company, entered into a transaction with Baoji Geely Automobile Company Limited ("Baoji Geely") to acquire the entire registered capital of Baoji Geely Automobile Components Company Limited ("Baoji Target") from Baoji Geely at a consideration of RMB702,206,798. Such acquisition had been duly approved by the independent shareholders of the Company at the extraordinary general meeting and subsequently completed on 8 August 2016 and 18 August 2016, respectively.

Acquisition of the entire registered capital of the Shanxi Target

Pursuant to the acquisition agreement dated 1 June 2016, Zhejiang Jirun entered into a transaction with Shanxi New Energy Automobile Industrial Company Limited ("Shanxi New Energy") to acquire the entire registered capital of Shanxi Geely Automobile Components Company Limited ("Shanxi Target") from Shanxi New Energy at a consideration of RMB720,244,135. Such acquisition had been duly approved by the independent shareholders of the Company at the extraordinary general meeting and subsequently completed on 8 August 2016 and 12 August 2016, respectively.

Disposal of equity interests in the Kandi JV and the Zhidou JV

Pursuant to the master disposal agreement dated 25 July 2016, Geely Holding agreed to acquire and Shanghai Maple Guorun (for Kandi Disposal) and Zhidou Geely Parties (for Zhidou Disposal) agreed to sell the equity interests in (i) 50% of the registered capital of the 康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd.) ("Kandi JV"); and (ii) 45% of the registered capital of 寧海知豆電動汽車有限公司 (Ninghai Zhidou Electric Vehicles Co., Ltd.)("Zhidou JV"). The aggregate consideration for the disposal is RMB1,346,486,590. Such disposal had been duly approved by the independent shareholders of the Company at the extraordinary general meeting and subsequently completed on 11 October 2016 and 31 October 2016, respectively.

CONTINUING CONNECTED TRANSACTIONS

1. **Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2020)**

   - ***Sales of complete knock down kits ("CKDs") and sedan tool kits from the Group to the Geely Holding and its subsidiaries ("Geely Holding Group")***

     Pursuant to the services agreement dated 27 November 2009 and the Company's announcements dated 13 November 2015 and 18 October 2016, the Group agreed to supply to the Geely Holding Group the complete knock down kits ("CKDs") and sedan tool kits in accordance with the product specifications set out in the services agreement with an aggregate largest annual cap of RMB100,974,729,000 for the three years ending 31 December 2018.

     The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB50,643 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB54,402 million for sales of CKDs and sedan tool kits for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

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

  Pursuant to the services agreement dated 27 November 2009 and the Company's announcements dated 13 November 2015 and 18 October 2016, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components; and to provide process manufacturing services to the Group in accordance with the product and service specifications set out in the services agreement with an aggregate largest annual cap of RMB128,618,864,000 for the three years ending 31 December 2018.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB60,791 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB66,993 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

2. **Loan guarantee agreement between the Company and Geely Holding (the loan guarantee agreement has an effective term until 31 December 2018)**

   Pursuant to the loan guarantee agreement dated 13 November 2015 and the Company's announcement dated 13 November 2015, the Group agreed to provide guarantees (including the pledge of certain lands, buildings and facilities of the Group) on loans obtained or to be obtained by the Geely Holding Group on behalf of the Group's subsidiaries in relation to the manufacture and research and development of sedans of the Group with the largest annual cap being RMB1,500,000,000.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB760 million which, did not exceed the annual cap of RMB1,500 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

3. **Existing EV agreement and the supplemental EV agreement between the Company and Geely Holding (both the existing EV agreement and the supplemental EV agreement have an effective term until 31 December 2018)**

Pursuant to the existing EV agreement dated 13 November 2015 and the supplemental EV agreement dated 5 October 2016, the Group agreed to sell the CBUs for electric vehicles to the Geely Holding Group in accordance with the product and service specifications set out in the existing EV agreement with the original largest annual cap being RMB9,487,180,000 for the three years ending 31 December 2018.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB2,230 million which, did not exceed the annual cap of RMB2,254 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

4. **CBU agreement between the Company and Geely Holding, as supplemented by a supplemental CBU agreement (the CBU agreement and the supplemental CBU agreement have an effective term until 31 December 2017)**

Pursuant to the CBU agreement dated 12 December 2014 and the supplemental CBU agreement dated 13 November 2015, the Group agreed to sell to the Geely Holding Group the CBUs, in accordance with the product and service specifications set out in the CBU agreement with the largest annual cap being RMB868,088,000.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB508 million which, did not exceed the annual cap of RMB700 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

5. **IT services agreement between the Company and Geely Holding (the IT services agreement has an effective term until 31 December 2018)**

Pursuant to the IT services agreement dated 13 November 2015, the Geely Holding Group agreed to provide certain information technology ("IT") services to the Group with the largest annual cap being RMB70,827,000.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB29 million which, did not exceed the annual cap of RMB45 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

6. **Business travel services agreement between the Company and Geely Holding (the business travel services agreement has an effective term until 31 December 2018)**

Pursuant to the business travel services agreement dated 13 November 2015, the Geely Holding Group agreed to provide business travel and related services to the Group with the largest annual cap being RMB126,732,000.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB30 million which, did not exceed the annual cap of RMB89 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

7. **The Volvo finance cooperation agreements between Genius AFC and VCDC and ZJSH (currently renamed as 沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (Asia Pacific) Investment Holding Co., Ltd.)) (the Volvo finance cooperation agreements have an effective term until 31 December 2018) (capitalised terms were defined in the circular of the Company dated 28 January 2016)**

- ***Wholesale facility agreement between Genius AFC and Volvo wholesale dealers (the wholesale facility agreement has an effective term until 31 December 2018)***

  Pursuant to the wholesale facility agreement dated 11 December 2015, Genius AFC will provide vehicles financing to Volvo wholesale dealers to facilitate their purchase of Volvo-branded vehicles with the largest annual cap being RMB49,000 million.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB1,197 million which, did not exceed the annual cap of RMB30,000 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Retail loan cooperation agreement between Genius AFC and Volvo retail consumers (the retail loan cooperation agreement has an effective term until 31 December 2018)***

  Pursuant to the retail loan cooperation agreement dated 11 December 2015, dealers of Volvo shall recommend the retail consumers to use Genius AFC for obtaining vehicle loans to finance their purchase of Volvo-branded vehicles with the largest annual cap being RMB11,000 million.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB301 million which, did not exceed the annual cap of RMB7,000 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

8. **Kandi automobile parts supply agreement between the Company and Kandi JV (the Kandi automobile parts supply agreement has an effective term until 31 December 2018)**

Pursuant to the Kandi automobile parts supply agreement dated 25 July 2016, the Group agreed to sell automobile parts and components to the Kandi JV with the largest annual cap being RMB317,991,000.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB16 million which, did not exceed the annual cap of RMB252 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

9. **EV CKD supply agreement between the Company and Geely Holding (the EV CKD supply agreement has an effective term until 31 December 2018)**

Pursuant to the EV CKD supply agreement dated 25 July 2016, the Group agreed to sell to the Geely Holding Group CKDs in accordance with the product specifications set out in the EV CKD supply agreement with the largest annual cap being RMB1,185,914,000.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB128 million which, did not exceed the annual cap of RMB1,186 million for the year ended 31 December 2016 as approved by the Stock Exchange and the independent shareholders of the Company.

The Company has engaged its auditor to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above in accordance with Listing Rules 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Management Report
DIRECTORS' REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the directors of the Company is decided by the remuneration committee of the Board of Directors of the Company, having regard to the Company's operating results, individual duties and performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's five largest suppliers and the largest supplier are 35.4% and 23.2%, respectively, of the Group's total purchases for the year. Zhejiang Geely Automobile Parts and Components Company Limited, a related company controlled by the substantial shareholder of the Company, was the Group's largest supplier for the year.

The percentage of revenue attributable to the Group's five largest customers and the largest customer are 5% and 1.2% respectively, of the Group's total revenue for the year.

Save as disclosed above, at no time during the year did the directors, their associates, or shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers or suppliers.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 29 to 53 of the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang who are the independent non-executive directors of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires at least 25% of the issued share capital of the Company to be held in public hands. Based on the information available and within the knowledge of the directors as at the latest practicable date prior to the issue of the annual report, the Company has maintained the prescribed public float as required under the Listing Rules.

COMPETING BUSINESSES

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. Geely Holding, which is ultimately owned by Mr. Li and his associate, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely sedans. The potential production and distribution of Geely sedans by Geely Holding will constitute competing businesses (the "Competing Businesses") to those currently engaged by the Group. Mr. Li has undertaken to the Company (the "Undertaking") on 20 November 2008 that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to, sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable. In addition, it is required that Mr. Li informs that Group of all potential Competing Businesses carried out by him or his associates.

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the "Volvo Acquisition"). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Despite the fact that the Geely Holding Group is principally engaged in similar business activities as the Group, their respective product offerings do not overlap as the Geely Holding Group's product mix consists of premium automobiles (such as the Volvo brand), which cater for consumers with relatively higher spending power and hence, the Geely Holding Group is considered to operate in a different market segment when compared to the Group. Premium automobiles, which mainly represent Geely Holding Group's product mix, generally refer to vehicles with higher quality, better performance, more precise construction, technologically innovative functions, or features that convey prestige and a strong brand name, whereas economy automobiles, which mainly represent the Group's product mix, generally refer to automobiles that are practical, lightweight and relatively inexpensive for consumers when compared to premium automobiles. Although the Group manufactures sport utility vehicles, they are still not yet compatible to premium automobiles in terms of vehicle class, construction, brand image and pricing. As such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different products offering (i.e. premium versus economy automobiles) and brand names.

The independent non-executive Directors do not presently intend to exercise any of the above undertakings.

Saved as disclosed above, as at the latest practicable date, none of the Directors nor any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

AUDITOR

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

On behalf of the Board

Li Shu Fu
Chairman
22 March 2017

ACCOUNTS

Accounts

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Geely Automobile Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 87 to 190, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS

We identified the impairment of intangible assets as a key audit matter due to the judgements being made about future results of the business in assessing the recoverability of intangible assets. As at 31 December 2016, intangible assets of RMB6,461,809,000 consisted of capitalised development costs related to multiple cash-generating units ("CGUs").

The Company's management performed impairment assessment of the Group's intangible assets by allocating the intangible assets to CGUs, the recoverable amount of each CGU was determined based on value-in-use calculations using future cash flow projections. Based on the results of the impairment assessment which involved significant management's judgements and key assumptions, including growth rates and discount rates applied to the value-in-use calculations, the Company's management has concluded that there was no impairment of intangible assets for the year ended 31 December 2016.

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

- Assessing the valuation methodology adopted by the management.

- Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic.

- Assessing the reasonableness of key assumptions, including growth rates and discount rates, based on our knowledge of the business and industry.

- Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

We found the management's judgements and assumptions used in the impairment assessment to be reasonable based on the available evidence. Please refer to note 15 to the consolidated financial statements and the accounting policy as set out in note 4(e) to the consolidated financial statements. The critical judgements and estimates on impairment of intangible assets are disclosed in note 5 to the consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

OTHER INFORMATION (Continued)

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.

Based on the work we have performed, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

From the matters communicated with the Audit Committee, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

22 March 2017

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	6	**53,721,576**	30,138,256
Cost of sales		**(43,879,859)**	(24,667,603)
Gross profit		**9,841,717**	5,470,653
Other income	8	**1,131,401**	1,066,007
Distribution and selling expenses		**(2,502,713)**	(1,567,935)
Administrative expenses, excluding share-based payments		**(2,559,915)**	(2,175,600)
Share-based payments	33	**(42,192)**	(61,875)
Finance costs, net	9(a)	**(30,105)**	(6,440)
Share of profits of associates	18	**31,014**	41,503
Share of results of joint ventures		**(39,684)**	108,492
Gain on disposal of interests in joint ventures	19	**374,420**	–
Profit before taxation	9	**6,203,943**	2,874,805
Taxation	10	**(1,033,755)**	(586,143)
Profit for the year		**5,170,188**	2,288,662
Attributable to:			
Equity holders of the Company		**5,112,398**	2,260,529
Non-controlling interests		**57,790**	28,133
		5,170,188	2,288,662
Earnings per share			
Basic	12	**RMB57.96 cents**	RMB25.68 cents
Diluted	12	**RMB57.33 cents**	RMB25.66 cents

The notes on pages 95 to 190 are integral parts of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 11.

Accounts

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	**5,170,188**	2,288,662
Other comprehensive (loss)/income (after tax of RMBNil) for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations recognised	**(224,910)**	90,804
Total comprehensive income for the year	**4,945,278**	2,379,466
Attributable to:		
Equity holders of the Company	**4,889,561**	2,350,333
Non-controlling interests	**55,717**	29,133
	4,945,278	2,379,466

The notes on pages 95 to 190 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	14	**10,650,313**	8,034,427
Intangible assets	15	**6,461,809**	5,260,241
Land lease prepayments	16	**2,002,895**	1,537,713
Goodwill	17	**6,916**	2,584
Interests in associates	18	**304,686**	284,774
Interests in joint ventures	19	**697,330**	1,709,081
Available-for-sale financial assets	23	**21,779**	21,650
Deferred tax assets	27	**188,107**	94,138
		20,333,835	16,944,608
Current assets			
Land lease prepayments	16	**42,875**	37,001
Inventories	20	**3,065,807**	1,226,169
Trade and other receivables	21	**29,040,631**	14,836,439
Financial assets at fair value through profit or loss	22	**–**	17,118
Income tax recoverable		**14,891**	23,666
Pledged bank deposits		**39,304**	40,533
Bank balances and cash		**15,045,493**	9,166,926
		47,249,001	25,347,852
Current liabilities			
Trade and other payables	25	**39,778,994**	20,114,371
Bank borrowings	26	**174,375**	–
Income tax payable		**676,830**	334,883
		40,630,199	20,449,254
Net current assets		**6,618,802**	4,898,598
Total assets less current liabilities		**26,952,637**	21,843,206

Accounts

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016** **RMB'000**	2015 RMB'000
CAPITAL AND RESERVES			
Share capital	28	**162,708**	161,354
Reserves	29	**24,274,519**	19,362,462
Equity attributable to equity holders of the Company		**24,437,227**	19,523,816
Non-controlling interests		**249,022**	215,707
Total equity		**24,686,249**	19,739,523
Non-current liabilities			
Senior notes	24	**2,068,316**	1,928,856
Deferred tax liabilities	27	**198,072**	174,827
		2,266,388	2,103,683
		26,952,637	21,843,206

Approved and authorised for issue by the Board of Directors on 22 March 2017.

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

The notes on pages 95 to 190 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 28)	Share premium RMB'000 (note 29(a))	Capital reserve RMB'000 (note 29(c))	Statutory reserve RMB'000 (note 29(b))	Translation reserve RMB'000 (note 29(d))	Share option reserve RMB'000 (note 29(e))	Accumulated profits RMB'000 (note 29(f))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2015	161,346	5,815,964	164,790	106,113	(5,120)	549,723	10,495,180	17,287,996	178,354	17,466,350
Profit for the year	–	–	–	–	–	–	2,260,529	2,260,529	28,133	2,288,662
Other comprehensive income:										
Exchange differences on translation of foreign operations recognised	–	–	–	–	89,804	–	–	89,804	1,000	90,804
Total comprehensive income for the year	–	–	–	–	89,804	–	2,260,529	2,350,333	29,133	2,379,466
Transactions with owners:										
Transfer of reserves	–	–	–	12,880	–	–	(17,174)	(4,294)	–	(4,294)
Share issued under share option scheme	8	2,502	–	–	–	(775)	–	1,735	–	1,735
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	8,931	8,931
Disposal of a subsidiary	–	–	–	–	–	–	–	–	309	309
Equity settled share-based payments (note 33)	–	–	–	–	–	61,875	–	61,875	–	61,875
Transfer upon forfeiture of share options	–	–	–	–	–	(37,861)	37,861	–	–	–
Dividends paid to equity holders of the Company (note 11)	–	–	–	–	–	–	(173,829)	(173,829)	–	(173,829)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(1,020)	(1,020)
Total transactions with owners	8	2,502	–	12,880	–	23,239	(153,142)	(114,513)	8,220	(106,293)
Balance at 31 December 2015	161,354	5,818,466	164,790	118,993	84,684	572,962	12,602,567	19,523,816	215,707	19,739,523

Accounts

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 28)	Share premium RMB'000 (note 29(a))	Capital reserve RMB'000 (note 29(c))	Statutory reserve RMB'000 (note 29(b))	Translation reserve RMB'000 (note 29(d))	Share option reserve RMB'000 (note 29(e))	Accumulated profits RMB'000 (note 29(f))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016	161,354	5,818,466	164,790	118,993	84,684	572,962	12,602,567	19,523,816	215,707	19,739,523
Profit for the year	–	–	–	–	–	–	5,112,398	5,112,398	57,790	5,170,188
Other comprehensive loss:										
Exchange differences on translation of foreign operations recognised	–	–	–	–	(222,837)	–	–	(222,837)	(2,073)	(224,910)
Total comprehensive income for the year	–	–	–	–	(222,837)	–	5,112,398	4,889,561	55,717	4,945,278
Transactions with owners:										
Transfer of reserves	–	–	–	51,427	–	–	(62,292)	(10,865)	–	(10,865)
Share issued under share option scheme	1,354	393,859	–	–	–	(121,731)	–	273,482	–	273,482
Disposal of subsidiaries (note 30)	–	–	–	–	–	–	–	–	(1,214)	(1,214)
Equity settled share-based payments (note 33)	–	–	–	–	–	42,192	–	42,192	–	42,192
Transfer upon forfeiture of share options	–	–	–	–	–	(14,709)	14,709	–	–	–
Dividends paid to equity holders of the Company (note 11)	–	–	–	–	–	–	(280,959)	(280,959)	–	(280,959)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(21,188)	(21,188)
Total transactions with owners	1,354	393,859	–	51,427	–	(94,248)	(328,542)	23,850	(22,402)	1,448
Balance at 31 December 2016	162,708	6,212,325	164,790	170,420	(138,153)	478,714	17,386,423	24,437,227	249,022	24,686,249

The notes on pages 95 to 190 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Profit before taxation		**6,203,943**	2,874,805
Adjustments for:			
Depreciation and amortisation		**1,654,261**	1,142,678
Interest income	9(a)	**(85,429)**	(96,909)
Finance costs	9(a)	**115,534**	103,349
Share of profits of associates	18	**(31,014)**	(41,503)
Share of results of joint ventures		**39,684**	(108,492)
Gain on disposal of interests in joint ventures	19	**(374,420)**	–
Gain on deemed disposal of partial interest in a joint venture	8	**–**	(4,921)
Net loss/(gain) on disposal of property, plant and equipment	9(c)	**42,727**	(4,092)
Loss on disposal of intangible assets	9(c)	**1,047**	22,567
Net foreign exchange (gain)/loss		**(229,972)**	456,741
Gain on disposal of subsidiaries	8	**(1,277)**	(62,879)
Unrealised gain on financial assets at fair value through profit or loss	8	**–**	(1,824)
Gain on disposal of financial assets at fair value through profit or loss	8	**(491)**	–
Bargain purchase gain arising from acquisition of a subsidiary	8	**–**	(139)
Equity settled share-based payments	33	**42,192**	61,875
Write-down of inventories	9(c)	**861**	20,920
Impairment loss on interest in an associate	18	**3,349**	–
Bad debts written off	9(c)	**172,407**	–
Operating profit before working capital changes		**7,553,402**	4,362,176
Inventories		**(1,847,667)**	515,161
Trade and other receivables		**(12,740,277)**	1,930,510
Trade and other payables		**16,126,003**	1,023,997
Cash generated from operations		**9,091,461**	7,831,844
Income taxes paid		**(753,702)**	(423,018)
Net cash generated from operating activities		**8,337,759**	7,408,826

Accounts

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(486,262)**	(1,570,519)
Proceeds from disposal of property, plant and equipment		**75,899**	233,012
Proceeds from disposal of available-for-sale financial assets		**–**	16,120
Addition of land lease prepayments		**(102,583)**	(32,032)
Proceeds from disposal of land lease prepayments		**–**	4,506
Addition of intangible assets		**(2,655,180)**	(2,106,126)
Proceeds from disposal of intangible assets		**12,625**	445,627
Government grants received		**757,643**	237,677
Change in pledged bank deposits		**1,229**	6,918
Net cash outflow on acquisition of subsidiaries		**(1,383,779)**	(1,133,929)
Net cash inflow/(outflow) on disposal of subsidiaries		**9,670**	(3,047)
Investment in a joint venture		**–**	(720,000)
Proceeds from disposal of interests in joint ventures		**1,110,231**	–
Acquisition of available-for-sale financial assets		**–**	(9,500)
Proceeds from disposal of financial assets at fair value through profit or loss		**17,609**	–
Interest received		**85,429**	96,909
Net cash used in investing activities		**(2,557,469)**	(4,534,384)
Cash flows from financing activities			
Dividends paid	11(b)	**(280,959)**	(173,829)
Dividend paid to non-controlling interests		**(21,188)**	(1,020)
Proceeds from issuance of shares upon exercise of share options	28	**273,482**	1,735
Capital contribution from non-controlling interests		**–**	8,931
Proceeds from bank borrowings		**325,500**	–
Repayments of bank borrowings		**(162,750)**	(691,616)
Interest paid		**(104,627)**	(74,996)
Net cash generated from/(used in) financing activities		**29,458**	(930,795)
Net increase in cash and cash equivalents		**5,809,748**	1,943,647
Cash and cash equivalents at the beginning of the year		**9,166,926**	7,203,176
Effect of foreign exchange rate changes		**68,819**	20,103
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**15,045,493**	9,166,926

The notes on pages 95 to 190 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Geely Automobile Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section to the annual report. As at 31 December 2016, the directors consider the immediate parent of the Company to be Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the "BVI"). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司, which is incorporated in the People's Republic of China (the "PRC") and is beneficially owned by Mr. Li Shu Fu and his associate.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

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

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 87 to 190 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out in note 4 below.

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and amended HKFRSs relevant to the Group's operations that have been issued but are not yet effective.

Amendments to HKAS 7	Statement of cash flows: Disclosure Initiative[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective date not yet determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. Except for the adoption of HKFRS 9 "Financial Instruments", HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 16 "Leases" of which the directors are assessing the impact on the results and financial position of the Group, the directors anticipate that the adoption of the other new and amended HKFRSs is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the financial instruments classified as available-for-sale financial assets or financial assets at fair value through profit or loss are stated at their fair values as explained in the accounting policies set out below.

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

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

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

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

(b) Basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

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

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

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

Changes in the Group's interests in subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss (see note 4(j)) unless the investments are held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(c) Goodwill

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill (Continued)

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

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

(d) Interests in associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities measured and contingent liabilities assumed of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities measured over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate and joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

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

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between (i) the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as they would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

In the Company's statement of financial position, interests in a joint venture is stated at cost less impairment losses (see note 4(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 4(j)). Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

Research and development costs

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

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

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

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

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

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

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

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

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

Both the period and method of amortisation are reviewed annually.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

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

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

(g) Foreign currency translation

In preparing the financial statements of each individual group entity, foreign currency transactions are translated into the functional currency of the individual group entity at exchange rates prevailing at the dates of the transactions. As at each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates and not retranslated.

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary assets and liabilities that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi ("RMB")) at the exchange rates prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following categories:

– loans and receivables;

– available-for-sale financial assets; and

– financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Impairment of financial assets (other than at fair value through profit or loss)

Objective evidence of impairment of individual financial assets (other than at fair value through profit or loss) includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data including but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition), where the effect of discounting is material. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Impairment of financial assets (other than at fair value through profit or loss) (Continued)

(ii) *Financial assets carried at cost*

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and it is not reversed in subsequent periods.

Impairment losses on financial assets other than financial assets at fair value through profit or loss and other receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity investment and unquoted equity investment carried at cost are not reversed in a subsequent period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are divided into two subcategories, including financial assets held for trading and those designated as financial assets at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative, including separated embedded derivatives, that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial asset (other than a financial asset held for trading) may be designated as a financial asset at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping of financial assets is provided internally on that basis to the key management personnel; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as a financial asset at fair value through profit or loss.

At each reporting date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 4(l).

Financial liabilities

The Group's financial liabilities include bank borrowings, senior notes and trade and other payables. They are included in line items in the consolidated statement of financial position as borrowings under current or non-current liabilities or trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(r)).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial liabilities (Continued)

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

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

Interest bearing borrowings

Interest bearing borrowings, including bank borrowings and senior notes, are classified as financial liabilities and recognised initially at fair value, less attributable transaction costs. Interest bearing borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the interest bearing borrowings, together with any interest and fee payable, using the effective interest method.

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

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised on a straight-line basis over the life of the guarantee. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount (i.e. the amount initially recognised less accumulated amortisation), where appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Derecognition

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

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

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(j)). Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives less their estimated residual values, if any, using the straight-line method as follows:

Leasehold buildings	30 years
Plant and machinery	7 to 10 years
Leasehold improvements	Over the shorter of the unexpired lease terms and 3 years
Furniture and fixtures, office equipment and motor vehicles	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

(j) Impairment

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

- property, plant and equipment;
- land lease prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries and interest in a joint venture in the Company's statement of financial position.

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

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment (Continued)

– ***Recognition of impairment losses***

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

– ***Reversals of impairment losses***

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

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

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

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and value added taxes ("VAT") or related sales taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on profit or loss as follows:

Revenue from sales of automobiles and automobile parts and components and scrap materials is recognised when the products are delivered and title has been passed.

Claim income on defective materials purchased is recognised when the claim has been made to and confirmed by relevant suppliers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Interest income is recognised as it accrues using the effective interest method.

(m) Taxation

Income tax expense comprises current tax and deferred tax.

Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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

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

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

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

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

  (i) the same taxable entity; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Equity settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share premium for the shares issued) or the option expires (when it is released directly to accumulated profits).

If the share options granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

(o) Employee benefits

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

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

(ii) Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lease.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(q) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any members of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Fair value measurements of share-based payments

In valuing the share-based payments realised in the Group's consolidated financial statements, the Group has used the Binomial Option Pricing model, which makes various assumptions on factors outside the Group's control, such as share price volatility and risk-free interest rates. Details of the options and assumptions used in deriving the share-based payments are disclosed in note 33.

The directors use their judgement to determine whether valuation techniques applied are appropriate to the circumstances of the Group. For the year ended 31 December 2016, the share-based payments recognised was RMB42,192,000 (2015: RMB61,875,000).

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables (note 21). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required. Bad debts of RMB172,407,000 (2015: RMBNil) has been written off during the year.

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

Key sources of estimation uncertainty (Continued)

Write-down of inventories

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. Inventories of RMB861,000 (2015: RMB20,920,000) has been written down during the year.

Impairment of long lived-assets

If circumstances indicate that the carrying amount of a long-lived asset, including property, plant and equipment and intangible assets (notes 14 and 15), may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. No impairment was provided for long lived-assets during the year (2015: RMBNil).

Depreciation and amortisation

Property, plant and equipment and intangible assets (notes 14 and 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

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

Key sources of estimation uncertainty (Continued)

Impairment of investments

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy as set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. Impairment loss of RMB3,349,000 (2015: RMBNil) was provided for interest in an associate during the year.

Deferred tax

As at 31 December 2016, deferred tax assets of RMB7,657,000 (2015: RMB28,144,000) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,209,828,000 (2015: RMB1,983,847,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

As at 31 December 2016, deferred tax liabilities of RMB198,072,000 (2015: RMB174,827,000) relating to the undistributed profits of the subsidiaries operated in the PRC have been recognised in the Group's consolidated statement of financial position. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB9,166,229,000 (2015: RMB8,577,099,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future. Further details are disclosed in note 27.

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

Key sources of estimation uncertainty (Continued)

Interests in joint ventures and associates

As disclosed in note 19, the Group invested in Genius Auto Finance Company Limited ("Genius AFC") as at 31 December 2016. Unanimous consent from the Group and BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC for certain key corporate matters is needed. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance, despite the Group has an equity interest of 80%. Also, the Group and BNP Paribas Personal Finance have rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC is classified as a joint venture of the Group and accounted for using equity method.

As disclosed in note 18, the Group retains significant influence over Ningbo DIPO Traffic Facilities Co., Ltd.# 寧波帝寶交通器材有限公司 and Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司, through the power to nominate representative on their respective board of directors, despite the Group's equity interests are 18% and 9% respectively. As a result, the investments are classified as associates of the Group and accounted for using equity method.

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

6. REVENUE

Revenue represents the consideration received and receivable from sales, net of discounts, returns and VAT or related sales taxes, of automobiles and automobile parts and components.

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

7. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

Geographical information

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

	2016 **RMB'000**	2015 RMB'000
Revenue from external customers		
PRC	**52,287,552**	28,301,651
Europe	**194,729**	571,751
Middle East	**583,354**	252,448
Africa	**236,041**	537,520
Central and South America	**217,672**	185,181
Other countries	**202,228**	289,705
	53,721,576	30,138,256
Specified non-current assets		
Hong Kong, place of domicile	**531**	892
PRC	**20,052,451**	16,750,055
Other countries	**70,967**	77,873
	20,123,949	16,828,820

8. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Unrealised gain on financial assets at fair value through profit or loss	–	1,824
Rental income (note a)	22,847	20,512
Gain on disposal of financial assets at fair value through profit or loss	491	–
Gain on disposal of scrap materials	8,705	52,745
Gain on disposal of subsidiaries	1,277	62,879
Gain on deemed disposal of partial interest in a joint venture (note 19)	–	4,921
Net gain on disposal of property, plant and equipment (note b)	–	4,092
Net foreign exchange gain	242,480	–
Bargain purchase gain arising from acquisition of a subsidiary	–	139
Government grants and subsidies (note c)	802,283	847,290
Sundry income	53,318	71,605
	1,131,401	1,066,007

Notes:

(a) Rental income net of outgoings for the year ended 31 December 2016 was RMB4,759,000 (2015: RMB6,999,000).

(b) Net gain on disposal of property, plant and equipment included government grants received of RMB231,773,000 (2015: RMB116,281,000).

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

9. PROFIT BEFORE TAXATION

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

		2016 RMB'000	2015 RMB'000
(a)	**Finance income and costs**		
	Finance costs		
	Effective interest expense on senior notes (note 24)	**4,658**	4,232
	Coupon expense on senior notes	**106,999**	99,063
	Interest on bank borrowings wholly repayable within five years	**3,877**	54
		115,534	103,349
	Finance income		
	Bank and other interest income	**(85,429)**	(96,909)
	Net finance costs	**30,105**	6,440
(b)	**Staff costs (including directors' emoluments (note 13)) (note a)**		
	Salaries, wages and other benefits	**2,637,856**	1,694,240
	Retirement benefit scheme contributions	**180,739**	127,954
	Equity settled share-based payments (note 33)	**42,192**	61,875
		2,860,787	1,884,069
(c)	**Other items**		
	Cost of inventories (note a)	**43,879,859**	24,667,603
	Auditor's remuneration	**6,864**	6,559
	Depreciation (note a)	**733,531**	589,078
	Amortisation of land lease prepayments	**43,857**	37,589
	Amortisation of intangible assets	**876,873**	516,011
	Net loss/(gain) on disposal of property, plant and equipment (note c)	**42,727**	(4,092)
	Loss on disposal of intangible assets (note b)	**1,047**	22,567
	Net foreign exchange (gain)/loss	**(242,480)**	472,092
	Net claims paid on defective materials purchased	**9,470**	78,930
	Operating leases charges on premises	**22,463**	18,892
	Research and development costs	**211,531**	258,769
	Impairment loss on interest in an associate	**3,349**	–
	Bad debts written off	**172,407**	–
	Write-down of inventories	**861**	20,920

Notes:

(a) Cost of inventories included RMB2,379,447,000 (2015: RMB1,581,125,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.

(b) Loss on disposal of intangible assets included government grants received of RMB525,870,000 (2015: RMB121,396,000).

(c) Net loss/(gain) on disposal of property, plant and equipment included government grants received of RMB231,773,000 (2015: RMB116,281,000).

10. TAXATION

	2016 RMB'000	2015 RMB'000
Current tax:		
PRC enterprise income tax	**1,131,039**	592,848
(Over)/Under-provision in prior years	**(26,560)**	9,782
	1,104,479	602,630
Deferred tax (note 27)	**(70,724)**	(16,487)
	1,033,755	586,143

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2016 and 2015.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2015: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15%.

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

10. TAXATION (Continued)

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

	2016	2015
	RMB'000	RMB'000
Profit before taxation	**6,203,943**	2,874,805
Tax at the PRC enterprise income tax rate of 25% (2015: 25%)	**1,550,986**	718,701
Tax effect of expenses not deductible in determining taxable profit	**56,047**	11,973
Tax effect of non-taxable income	**(4,614)**	(7,443)
Tax effect of unrecognised tax losses	**128,857**	165,368
Utilisation of previously unrecognised tax losses	**(52,158)**	(18,439)
Tax effect of different tax rates of entities operating in other jurisdictions	**27,046**	56,363
Deferred tax charge on distributable profits withholding tax (note 27)	**23,245**	26,092
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	**(669,094)**	(376,254)
(Over)/Under-provision in prior years	**(26,560)**	9,782
Tax expense for the year	**1,033,755**	586,143

The Group is also liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liabilities of RMB23,245,000 (2015: RMB26,092,000) was recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

11. DIVIDENDS

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

	2016 RMB'000	2015 RMB'000
Final dividend proposed after the reporting date of HK$0.12 (2015: HK$0.038) per ordinary share	**960,054**	280,959

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2016.

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

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.038 (2015: HK$0.025) per ordinary share	**280,959**	173,829

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB5,112,398,000 (2015: RMB2,260,529,000) and weighted average number of ordinary shares of 8,820,613,787 shares (2015: 8,801,663,773 shares), calculated as follows:

Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares as at 1 January	**8,801,986,540**	8,801,446,540
Effect of shares options exercised	**18,627,247**	217,233
Weighted average number of ordinary shares as at 31 December	**8,820,613,787**	8,801,663,773

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB5,112,398,000 (2015: RMB2,260,529,000) and the weighted average number of ordinary shares (diluted) of 8,917,049,937 shares (2015: 8,809,512,286 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2016	2015
Weighted average number of ordinary shares (basic) as at 31 December	**8,820,613,787**	8,801,663,773
Effect of deemed issue of shares under the Company's share option scheme	**96,436,150**	7,848,513
Weighted average number of ordinary shares (diluted) as at 31 December	**8,917,049,937**	8,809,512,286

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

(a) Directors' and chief executive's remuneration

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

2016

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note a)	Total RMB'000
Executive directors								
Mr. An Cong Hui	8	–	–	–	–	8	362	370
Mr. Ang Siu Lun, Lawrence	–	2,503	545	–	30	3,078	2,066	5,144
Mr. Gui Sheng Yue (Chief Executive Officer)	–	2,699	588	594	30	3,911	2,349	6,260
Mr. Li Dong Hui, Daniel (Vice Chairman) (note b)	4	–	–	–	–	4	460	464
Mr. Li Shu Fu (Chairman)	–	328	–	–	15	343	–	343
Mr. Liu Jin Liang (note c)	5	–	–	–	–	5	371	376
Ms. Wei Mei	8	–	–	–	–	8	726	734
Mr. Yang Jian (Vice Chairman)	8	–	–	–	–	8	766	774
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster	–	–	–	–	–	–	244	244
Independent non-executive directors								
Mr. An Qing Heng	151	–	–	–	–	151	244	395
Mr. Fu Yu Wu (note d)	61	–	–	–	–	61	–	61
Mr. Lee Cheuk Yin, Dannis	151	–	–	–	–	151	206	357
Mr. Wang Yang	151	–	–	–	–	151	244	395
Mr. Yeung Sau Hung, Alex	151	–	–	–	–	151	206	357
	698	5,530	1,133	594	75	8,030	8,244	16,274

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

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

2015

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note a)	Total RMB'000
Executive directors								
Mr. An Cong Hui	8	–	–	–	–	8	2,140	2,148
Mr. Ang Siu Lun, Lawrence	–	2,220	403	–	30	2,653	4,700	7,353
Mr. Gui Sheng Yue (Chief Executive Officer)	–	2,395	435	551	30	3,411	5,235	8,646
Mr. Li Shu Fu (Chairman)	–	308	–	–	14	322	–	322
Mr. Liu Jin Liang	8	–	–	–	–	8	2,140	2,148
Ms. Wei Mei	8	–	–	–	–	8	2,596	2,604
Mr. Yang Jian (Vice Chairman)	8	–	–	–	–	8	2,854	2,862
Non-executive directors								
Mr. Carl Peter Edmund Moriz Forster	–	–	–	–	–	–	417	417
Mr. Ran Zhang (note e)	3	–	–	–	–	3	–	3
Independent non-executive directors								
Mr. An Qing Heng	142	–	–	–	–	142	417	559
Mr. Fu Yu Wu	142	–	–	–	–	142	–	142
Mr. Lee Cheuk Yin, Dannis	142	–	–	–	–	142	655	797
Mr. Wang Yang	142	–	–	–	–	142	417	559
Mr. Yeung Sau Hung, Alex	142	–	–	–	–	142	655	797
	745	4,923	838	551	74	7,131	22,226	29,357

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the years ended 31 December 2015 and 2016. No other director waived any emoluments during the years ended 31 December 2015 and 2016.

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

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

Notes:

(a) They represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for equity settled share-based payments as set out in note 4(n) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the Directors' Report and in note 33 to the consolidated financial statements.

(b) Mr. Li Dong Hui, Daniel was appointed as a director and Vice Chairman of the Company on 15 July 2016.

(c) Mr. Liu Jin Liang resigned as a director of the Company on 15 July 2016.

(d) Mr. Fu Yu Wu retired as a director of the Company on 27 May 2016.

(e) Mr. Ran Zhang resigned as a director of the Company on 29 May 2015.

(b) Employees' emoluments

Of the five individuals with the highest emoluments, two (2015: three) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the other three (2015: two) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Basic salaries and allowances	**4,135**	2,314
Retirement scheme contributions	**61**	44
Equity settled share-based payments	**2,265**	5,175
	6,461	7,533

The emoluments of the three (2015: two) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–
HK$3,000,001 – HK$3,500,000	**1**	1
HK$6,000,001 – HK$6,500,000	**–**	1
	3	2

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Leasehold buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and fixtures, office equipment and motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2015	1,251,208	2,623,983	3,926,663	6,250	529,900	8,338,004
Exchange differences	–	–	1,126	–	(131)	995
Additions	1,560,951	25,582	74,450	–	120,803	1,781,786
Transfer	(848,533)	610,434	225,063	–	13,036	–
Disposals	(17,222)	(3,760)	(488,892)	–	(34,928)	(544,802)
Disposed of through disposal of subsidiaries	(59)	(201,508)	(181,596)	–	(4,086)	(387,249)
Acquisition through business combinations	83,360	643,954	771,086	–	9,133	1,507,533
At 31 December 2015 and 1 January 2016	2,029,705	3,698,685	4,327,900	6,250	633,727	10,696,267
Additions	985,808	29,008	47,824	1,608	136,539	1,200,787
Transfer	(3,009,604)	897,617	2,038,982	–	73,005	–
Disposals	(45,321)	(19,717)	(307,994)	(685)	(33,389)	(407,106)
Disposed of through disposal of subsidiaries	(2,591)	–	(27,830)	(61)	(2,862)	(33,344)
Acquisition through business combinations (note 35)	2,361,895	–	154,761	–	5,766	2,522,422
At 31 December 2016	**2,319,892**	**4,605,593**	**6,233,643**	**7,112**	**812,786**	**13,979,026**
DEPRECIATION						
At 1 January 2015	–	433,876	1,750,184	5,038	288,201	2,477,299
Exchange differences	–	–	222	–	(41)	181
Charge for the year	–	105,041	408,035	424	75,578	589,078
Written back on disposals	–	(327)	(288,839)	–	(26,716)	(315,882)
Disposed of through disposal of subsidiaries	–	(25,817)	(60,616)	–	(2,403)	(88,836)
At 31 December 2015 and 1 January 2016	–	512,773	1,808,986	5,462	334,619	2,661,840
Charge for the year	–	121,672	521,748	817	89,294	733,531
Written back on disposals	–	(3,268)	(33,775)	(685)	(18,979)	(56,707)
Disposed of through disposal of subsidiaries	–	–	(9,197)	(61)	(693)	(9,951)
At 31 December 2016	**–**	**631,177**	**2,287,762**	**5,533**	**404,241**	**3,328,713**
NET BOOK VALUE						
At 31 December 2016	**2,319,892**	**3,974,416**	**3,945,881**	**1,579**	**408,545**	**10,650,313**
At 31 December 2015	2,029,705	3,185,912	2,518,914	788	299,108	8,034,427

As at 31 December 2016, the Group's property, plant and equipment of RMB135,734,000 (2015: RMB141,297,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

15. INTANGIBLE ASSETS

	Capitalised development costs RMB'000
COST	
At 1 January 2015	5,196,707
Additions	2,106,126
Disposals	(623,203)
Disposed of through disposal of subsidiaries	(91,968)
At 31 December 2015 and 1 January 2016	6,587,662
Additions	2,655,180
Acquisition through business combinations (note 35)	1,998
Disposals	(630,433)
Disposed of through disposal of subsidiaries	(46,147)
At 31 December 2016	**8,568,260**
AMORTISATION	
At 1 January 2015	988,477
Charge for the year	516,011
Disposals	(155,009)
Disposed of through disposal of subsidiaries	(22,058)
At 31 December 2015 and 1 January 2016	1,327,421
Charge for the year	876,873
Disposals	(90,891)
Disposed of through disposal of subsidiaries	(6,952)
At 31 December 2016	**2,106,451**
NET BOOK VALUE	
At 31 December 2016	**6,461,809**
At 31 December 2015	5,260,241

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

16. LAND LEASE PREPAYMENTS

	2016 RMB'000	2015 RMB'000
The Group's land lease prepayments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**2,045,770**	1,574,714
Analysed for reporting purposes as:		
Current assets	**42,875**	37,001
Non-current assets	**2,002,895**	1,537,713
	2,045,770	1,574,714
Opening net carrying amount	**1,574,714**	1,160,044
Additions	**102,583**	32,032
Acquisition through business combinations (note 35)	**412,330**	436,931
Disposals	**–**	(4,506)
Disposed of through disposal of subsidiaries	**–**	(12,198)
Annual amortisation charges of land lease prepayments	**(43,857)**	(37,589)
Closing net carrying amount	**2,045,770**	1,574,714

As at 31 December 2016, the Group's land lease prepayments of RMB76,754,000 (2015: RMB78,588,000) have been pledged to secure the banking facilities granted to the Company's ultimate holding company (note 34(c)).

17. GOODWILL

	2016 RMB'000	2015 RMB'000
Carrying amount		
At 1 January	**2,584**	6,222
Disposal of subsidiaries	**–**	(6,222)
Arising on business combinations (note 35)	**4,332**	2,584
At 31 December	**6,916**	2,584

17. GOODWILL (Continued)

Goodwill arose on business combination of the entire interests in Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司 and Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司 in 2016 and Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 in 2015 (note 35). The carrying amount of goodwill is allocated to the cash-generating units of manufacturing of complete knock down kits in Baoji District in Shaanxi Province, Jinzhong District in Shanxi Province and Chunxiao District in Zhejiang Province, the PRC, respectively. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segments. The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. During the year ended 31 December 2016, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2015: RMBNil).

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

18. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Share of net assets	**308,035**	284,774
Goodwill	**663**	663
Impairment loss recognised	**(4,012)**	(663)
	304,686	284,774
Represented by:		
Cost of unlisted investments	**271,391**	271,391
Share of post-acquisition results and other comprehensive income	**53,871**	22,857
Impairment loss recognised	**(4,012)**	(663)
Exchange realignment	**(16,564)**	(8,811)
	304,686	284,774

18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entity whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2016 and 2015, are as follows:

Name of associate	Place of establishments and operations	Form of business structure	Particulars of registered capital	Attributable equity interest held by the Group 2016	2015	Principal activities
Mando (Ningbo) Automotive Parts Co., Limited ("Mando (Ningbo)") 萬都(寧波)汽車零部件有限公司	PRC	Incorporated	United States dollars ("USD") 85,000,000	**35%**	35%	Manufacturing of automobile parts and components
Ningbo DIPO Traffic Facilities Co., Ltd.# 寧波帝寶交通器材有限公司	PRC	Incorporated	USD11,100,000	**18%**	18%	Manufacturing of traffic facilities
Hangzhou Xuan You Network Technology Limited# 杭州軒優網路技術有限公司	PRC	Incorporated	RMB1,000,000	**29.5%**	29.5%	Provision of webpage design and related technology support services
Closed Joint Stock Company BELGEE	Republic of Belarus	Incorporated	USD27,350,000	**35.6%**	35.6%	Production, marketing and sales of vehicles
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司	PRC	Incorporated	USD7,331,200	**9%**	9%	Manufacturing of emission control systems
PT Geely Mobil Indonesia	Republic of Indonesia	Incorporated	USD3,260,200	**30%**	30%	Production, marketing and sales of vehicles

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

All associates are indirectly held by the Company.

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

The Group retains significant influence over Ningbo DIPO Traffic Facilities Co., Ltd. and Faurecia Emissions Control Technologies (Ningbo) Co., Ltd. through the power to nominate representative on their respective board of directors.

18. INTERESTS IN ASSOCIATES (Continued)

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

	2016 **RMB'000**	2015 RMB'000
Non-current assets	**233,326**	244,013
Current assets	**2,227,258**	1,212,284
Current liabilities	**(1,821,048)**	(906,633)
Non-current liabilities	**(9,167)**	(6,246)
Net assets	**630,369**	543,418
Revenue	**2,150,710**	1,232,811
Profit for the year	**86,951**	41,211
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**86,951**	41,211
Dividend received from the associate	**–**	–

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

	2016 **RMB'000**	2015 RMB'000
Net assets of Mando (Ningbo)	**630,369**	543,418
The Group's effective interests in Mando (Ningbo)	**35%**	35%
Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of Mando (Ningbo)	**220,629**	190,196

Aggregate financial information of associates that are not individually material:

	2016 **RMB'000**	2015 RMB'000
Aggregate amounts of the Group's share of profits for the year	**581**	27,079
Aggregate amounts of the Group's share of other comprehensive income for the year	**–**	–
Aggregate carrying amount of the Group's interests in these associates	**84,057**	94,578

19. INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets	**697,330**	1,709,081
Represented by:		
Cost of unlisted investments	**720,000**	1,720,000
Gain on deemed disposal of interest in a joint venture	**–**	4,921
Share of post-acquisition results and other comprehensive income	**(22,670)**	118,639
Unrealised gain on disposal of land lease prepayments to a joint venture	**–**	(71,600)
Unrealised gain on disposal of a subsidiary to a joint venture	**–**	(62,879)
	697,330	1,709,081

Details of the Group's principal joint ventures, which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2016 and 2015, are as follows:

Name of joint venture	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group 2016	2015	Principal activities
Kandi Electric Vehicles Group Co., Ltd.# ("Kandi Electric") 康迪電動汽車集團有限公司	PRC	Incorporated	RMB1,000,000,000	**–**	50%	Manufacture of electric vehicles and investment holding
Ninghai Zhidou Electric Vehicles Company Limited# ("Ninghai Zhidou") 寧海知豆電動汽車有限公司	PRC	Incorporated	RMB1,111,110,000	**–**	45%	Research and production of automobile parts, components and engines, production of electric vehicles and the provision of related after-sale services
Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB900,000,000	**80%**	80%	Vehicles financing business

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

Genius AFC is directly held by the Company.

19. INTERESTS IN JOINT VENTURES (Continued)

The Company entered into a joint venture agreement ("JV Agreement") with BNP Paribas Personal Finance, an independent third party, for the establishment of a joint venture, Genius AFC, to engage in the vehicles financing business in the PRC in December 2013. Genius AFC was established in August 2015. Genius AFC was held as to 80% by the Company and as to 20% by BNP Paribas Personal Finance. Pursuant to the JV Agreement, the board of directors of Genius AFC consists of five directors, of whom four are nominated by the Group, and one is nominated by BNP Paribas Personal Finance, respectively. As specified in the JV Agreement between the Company and BNP Paribas Personal Finance, unanimous consent from the Company and the joint venture partners is needed as certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNP Paribas Personal Finance. Both of the Group and BNP Paribas Personal Finance have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method.

On 25 July 2016, the Company entered into a master disposal agreement with its ultimate holding company to dispose of the Group's entire interests in Kandi Electric and Ninghai Zhidou at an aggregate cash consideration of approximately RMB1,346,487,000, of which RMB725,413,000 and RMB621,074,000 are for the disposal of Kandi Electric and Ninghai Zhidou, respectively. The disposals were completed on 31 October 2016. The carrying amount of the Group's interests in Kandi Electric and Ninghai Zhidou at the disposal date were RMB512,381,000 and RMB459,686,000, respectively and a gain on disposal of interests in joint ventures of RMB374,420,000 was recognised in the consolidated income statement.

On 8 January 2015, the Group entered into a joint venture agreement with independent third parties for the establishment of a joint venture, Ninghai Zhidou, to engage in the research and production of automobile parts, components and engines, electric vehicles and the provision of related after-sale services in the PRC. The Group has contributed its entire shareholding in Lanzhou Zhidou Electric Vehicles Company Limited (formerly known as "Lanzhou Geely Automobile Industrial Company Limited") ("Lanzhou Zhidou"), which was owned as to 99% by the Group. The registered capital of Ninghai Zhidou was RMB1,000,000,000, and Ninghai Zhidou was owned as to 50% by the Group and as to 50% by the joint venture partners. All decisions need unanimous consent of the Group and the joint venture parties and both of them have the rights to the net assets of Ninghai Zhidou.

In September 2015, Ninghai Zhidou effected an increase in registered capital whereby the other joint venture partners injected additional capital to Ninghai Zhidou amounting to RMB111,110,000. Upon the completion of the capital increase, the registered capital of Ninghai Zhidou changed from RMB1,000,000,000 to RMB1,111,110,000. As a result of such an increase in registered capital, the Group's equity interest in Ninghai Zhidou was diluted from 50% to 45% and a dilution gain of RMB4,921,000 was recognised during the year. The capital increase contributed a deemed disposal for the Group. Despite the dilution in equity interest, the Group was still able to exert joint control over the financial and operating activities on Ninghai Zhidou. Accordingly, the Group continues to account for such investment as a joint venture.

19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Genius AFC		Ninghai Zhidou	Kandi Electric
	2016	2015	2015	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**63,530**	28,857	896,003	1,239,611
Current assets	**3,395,115**	1,136,904	3,343,936	2,991,142
Current liabilities	**(2,586,983)**	(291,278)	(3,022,912)	(2,795,147)
Non-current liabilities	**–**	(1,038)	–	(241,323)
Net assets	**871,662**	873,445	1,217,027	1,194,283
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	**1,025,575**	1,024,357	467,167	942,553
Current financial liabilities (excluding trade and other payables and provisions)	**(2,300,560)**	(274,100)	(486,418)	(1,782,983)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	(1,038)	–	(241,323)
Revenue	**97,375**	19,602	3,397,588	1,818,376
(Loss)/profit for the year	**(1,783)**	(26,555)	103,040	166,736
Other comprehensive income for the year	**–**	–	–	–
Total comprehensive (loss)/income for the year	**(1,783)**	(26,555)	103,040	166,736
Dividend received from the joint ventures	**–**	–	–	–
The above (losses)/profits for the year include the following:				
Depreciation and amortisation	**(5,146)**	(1,374)	(25,338)	(70,790)
Interest income	**94,505**	19,468	–	13,439
Interest expense	**(14,621)**	(425)	(9,149)	(55,170)
Income tax credit/(expense)	**8,147**	–	(4,513)	(46,354)

19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

	Genius AFC		**Ninghai Zhidou**	**Kandi Electric**
	2016	2015	2015	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Net assets of the joint venture	**871,662**	873,445	1,217,027	1,194,283
The Group's effective interests in the joint venture	**80%**	80%	45%	50%
The Group's share of the net assets of the joint venture	**697,330**	698,756	547,662	597,142
Unrealised gain on disposal of land lease prepayments to a joint venture	**–**	–	–	(71,600)
Unrealised gain on disposal of a subsidiary to a joint venture	**–**	–	(62,879)	–
Carrying amount of the Group's interests in the joint venture	**697,330**	698,756	484,783	525,542

20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016 **RMB'000**	2015 RMB'000
Raw materials	**790,037**	394,917
Work in progress	**340,130**	244,098
Finished goods	**1,935,640**	587,154
	3,065,807	1,226,169

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2016 **RMB'000**	2015 RMB'000
Carrying amount of inventories sold	**43,879,859**	24,667,603
Write-down of inventories	**861**	20,920
	43,880,720	24,688,523

21. TRADE AND OTHER RECEIVABLES

	Note	2016 RMB'000	2015 RMB'000
Trade and notes receivables			
Trade receivables			
– Third parties		**794,960**	890,920
– A joint venture		**–**	53,256
– Associates		**247,904**	111,757
– Related companies controlled by the substantial shareholder of the Company		**194,496**	537,203
	(a)	**1,237,360**	1,593,136
Notes receivables	(b)	**24,864,054**	10,203,692
		26,101,414	11,796,828
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		**89,691**	82,609
– Related companies controlled by the substantial shareholder of the Company		**376,129**	750,645
		465,820	833,254
Deposits paid for acquisition of property, plant and equipment		**355,077**	558,920
VAT and other taxes receivables		**1,396,907**	1,187,706
Utility deposits and other receivables		**454,657**	370,875
		2,672,461	2,950,755
Amounts due from related companies controlled by the substantial shareholder of the Company	(c)	**27,345**	62,605
Amount due from ultimate holding company	(c)	**236,256**	27
Amount due from a joint venture	(d)	**3,155**	26,224
		2,939,217	3,039,611
		29,040,631	14,836,439

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers. Further details on the Group's credit policy are set out in note 37. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date, at the reporting date:

	2016 RMB'000	2015 RMB'000
0 – 60 days	**441,619**	275,711
61 – 90 days	**30,417**	95,013
Over 90 days	**50,288**	745,188
	522,324	1,115,912

For overseas customers, the Group allows credit periods ranged from 30 days to 720 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date, at the reporting date:

	2016 RMB'000	2015 RMB'000
0 – 60 days	**295,659**	178,886
61 – 90 days	**25,726**	17,208
91 – 365 days	**237,934**	125,509
Over 365 days	**155,717**	155,621
	715,036	477,224

As at 31 December 2016, 7% (2015: 24%) of the total trade receivables was due from the Group's five largest customers.

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	RMB'000
1 – 30 days past due	**129,699**	31,621
31 – 60 days past due	**65,569**	95,737
61 – 90 days past due	**43,516**	25,484
Over 90 days past due	**258,094**	785,053
	496,878	937,895

As at 31 December 2016, trade receivables of RMB740,482,000 (2015: RMB655,241,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

The Group does not charge interest on overdue balances. Included in the Group's trade receivables were receivables with a carrying amount of RMB496,878,000 (2015: RMB937,895,000) which were past due at the reporting date for which the Group has not provided for impairment loss. The Group held certain property, plant and equipment of an overseas customer with carrying amount of approximately USD9,535,000 (equivalent to approximately RMB68,263,000) as collateral over certain overdue balances for over 90 days amounted to RMB68,263,000 as at 31 December 2016 (2015: RMB199,277,000). The Group did not hold any collateral over the remaining balances. No impairment has been made to the trade receivables. Receivables that were past due but not impaired were mainly related to large corporations that have long trading history with the Group and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable.

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2016 and 2015, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

As at 31 December 2016, none of the Group's notes receivables (2015: RMB23,365,000) were pledged to banks to secure the Group's notes payables (note 25(b)).

(c) Amounts due from related companies/ultimate holding company

The amounts due from related companies/ultimate holding company are unsecured, interest-free and repayable on demand.

(d) Amount due from a joint venture

The amount due from a joint venture is unsecured, interest-free and repayable on demand.

Except for trade and other receivables of RMB146,263,000 (2015: RMB116,789,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **RMB'000**	2015 RMB'000
Listed investments		
– Equity securities listed outside Hong Kong	**–**	17,118

The fair value of the listed investments is based on the quoted market price available.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	RMB'000	RMB'000
Unlisted investments		
– Equity securities	**21,779**	21,650

The unlisted equity securities are stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. SENIOR NOTES

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of USD300,000,000 (equivalent to approximately RMB1,836,750,000) (the "Senior Notes"). The Senior Notes carry interest at 5.25% per annum, payable semi-annually in arrears on 6 April and 6 October, and will mature on 6 October 2019, unless redeemed earlier.

The Senior Notes are listed on the SEHK. They are unsecured, have senior obligations and guaranteed by certain of the Company's subsidiaries operating in the PRC. The guarantee is effectively subordinated to all existing and future secured obligations of the Company to the extent of the value of the collateral securing such obligations.

At any time on or after 6 October 2017, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if they are redeemed during the twelve-month period beginning on 6 October of the years indicated below:

Period	**Redemption Price**
2017	102.625%
2018 and thereafter	101.313%

24. SENIOR NOTES (Continued)

The carrying amount of the Senior Notes at initial recognition net of transaction costs amounted to USD296,311,000 (equivalent to approximately RMB1,814,165,000) and the effective interest rate is 5.54% per annum. The Senior Notes are carried at amortised cost and are not expected to be settled within one year.

The movement of the Senior Notes during the year is set out below:

	2016 **RMB'000**	2015 RMB'000
Carrying amount		
At 1 January	**1,928,856**	1,820,138
Interest expenses	**4,658**	4,232
Exchange differences	**134,802**	104,486
At 31 December	**2,068,316**	1,928,856

The Senior Notes are subject to the fulfilment of certain financial and non-financial covenants, as commonly found in lending arrangements in senior notes. If the Group was to breach the covenants, the principal, and, accrued and unpaid interest of the Senior Notes would become payable on demand. The directors consider that none of the covenants had been breached as at 31 December 2016 and 2015.

25. TRADE AND OTHER PAYABLES

	Note	2016 RMB'000	2015 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		**21,083,397**	9,001,560
– Associates		**1,627,710**	737,199
– Related companies controlled by the substantial shareholder of the Company		**330,157**	1,394,491
	(a)	**23,041,264**	11,133,250
Notes payables	(b)	**99,540**	71,655
		23,140,804	11,204,905
Other payables			
Receipts in advance from customers			
– Third parties		**7,909,709**	2,064,772
– Related companies controlled by the substantial shareholder of the Company		**723**	234,574
		7,910,432	2,299,346
Deferred government grants which conditions have not been satisfied		**1,572,863**	2,737,519
Payables for acquisition of property, plant and equipment		**714,524**	211,267
Accrued staff salaries and benefits		**514,534**	419,020
VAT and other taxes payables		**85,063**	171,957
Other accrued charges		**1,950,900**	1,534,742
		12,748,316	7,373,851
Amounts due to related companies controlled by the substantial shareholder of the Company	(c)	**3,889,874**	1,535,585
Amount due to ultimate holding company	(c)	**–**	30
		16,638,190	8,909,466
		39,778,994	20,114,371

25. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

The following is an ageing analysis of trade payables, based on invoice date, at the reporting date:

	2016 **RMB'000**	2015 RMB'000
0 – 60 days	**20,638,859**	8,746,578
61 – 90 days	**1,624,387**	1,090,495
Over 90 days	**778,018**	1,296,177
	23,041,264	11,133,250

Trade payables do not carry interest. The average credit period on purchase of goods is 60 days.

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2016 and 2015, all notes payables have maturities of less than six months from the reporting date.

As at 31 December 2016, the Group pledged notes receivables and pledged bank deposits of RMBNil (2015: RMB23,365,000) and RMB39,304,000 (2015: RMB40,533,000) respectively to secure the notes payables.

(c) Amounts due to related companies/ultimate holding company

The amounts due to related companies/ultimate holding company are unsecured, interest-free and repayable on demand.

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

26. BANK BORROWINGS

	2016	2015
	RMB'000	RMB'000
Bank loans, unsecured	**174,375**	-

As at 31 December 2016, the Group's bank borrowings were carried at amortised cost, repayable within three months and interest bearing at the London Interbank Offered rates plus 1% per annum. Also, there is a repayable on demand clause in the banking facilities.

All of the Group's banking facilities are subject to the fulfilment of covenants that are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2016 and 2015, none of the covenants relating to drawn down facilities had been breached.

Further details of the Group's management of liquidity risk were set out in note 37.

27. DEFERRED TAX ASSETS AND LIABILITIES

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

	2016 **RMB'000**	2015 RMB'000
At 1 January	**80,689**	97,026
Exchange differences	**–**	150
Credit to the consolidated income statement (note 10)	**(70,724)**	(16,487)
At 31 December	**9,965**	80,689

Deferred tax assets

	Unused tax losses RMB'000	**Intangible assets RMB'000**	**Others RMB'000**	**Total RMB'000**
At 1 January 2015	–	18,114	33,595	51,709
Exchange differences	–	–	(150)	(150)
Credit to the consolidated income statement	28,144	13,547	888	42,579
At 31 December 2015 and 1 January 2016	28,144	31,661	34,333	94,138
(Charge)/Credit to the consolidated income statement	(20,487)	94,378	20,078	93,969
At 31 December 2016	**7,657**	**126,039**	**54,411**	**188,107**

27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities

	Withholding tax on undistributed profits from the PRC subsidiaries RMB'000
At 1 January 2015	148,735
Net charge to the consolidated income statement (note 10)	26,092
At 31 December 2015 and 1 January 2016	174,827
Net charge to the consolidated income statement (note 10)	23,245
At 31 December 2016	**198,072**

The deferred tax assets have been offset against certain deferred tax liabilities in the consolidated statement of financial position as they are related to the same entity and related to tax levied by the same tax authority. The amounts recognised in the consolidated statement of financial position are as follows:

	2016 RMB'000	2015 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**(188,107)**	(94,138)
Deferred tax liabilities recognised in the consolidated statement of financial position	**198,072**	174,827
Net deferred tax liabilities	**9,965**	80,689

27. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB9,166,229,000 (2015: RMB8,577,099,000).

As at the reporting date, the Group has unused tax losses of approximately RMB2,209,828,000 (2015: RMB1,983,847,000) available for offset against future profits. Of the total tax losses, approximately RMB282,204,000 (2015: RMB352,000,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

28. SHARE CAPITAL

	2016		2015	
	Number of shares	**Nominal value RMB'000**	Number of shares	Nominal value RMB'000
Authorised:				
Ordinary shares of HK$0.02 each				
At 31 December	**12,000,000,000**	**246,720**	12,000,000,000	246,720
Issued and fully paid:				
Ordinary shares of HK$0.02 each				
At 1 January	**8,801,986,540**	**161,354**	8,801,446,540	161,346
Shares issued under share option scheme (note)	**80,875,000**	**1,354**	540,000	8
At 31 December	**8,882,861,540**	**162,708**	8,801,986,540	161,354

Note:

During the year ended 31 December 2016, share options were exercised to subscribe for 80,875,000 ordinary shares (2015: 540,000 ordinary shares) of the Company at a consideration of approximately RMB273,482,000 (2015: RMB1,735,000) of which approximately RMB1,354,000 (2015: RMB8,000) was credited to share capital and approximately RMB272,128,000 (2015: RMB1,727,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB121,731,000 (2015: RMB775,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(n).

29. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Statutory reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

(c) Capital reserve

Capital reserve represents differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the subsidiaries of the Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company, and its subsidiaries in prior years.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(g).

(e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(n).

(f) Accumulated profits

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

30. DISPOSALS OF SUBSIDIARIES

Disposal of Zhejiang Shou La Shou Automobile Services Company Limited# ("Shou La Shou") 浙江手拉手汽車服務有限公司 and Hangzhou Ha Man Automobile Services Company Limited# ("Ha Man") 杭州哈曼汽車服務有限公司

On 28 January 2016, the Group entered into an equity transfer agreement with an independent third party for the disposal of the entire interests in Shou La Shou and Ha Man, the indirectly owned subsidiaries with 64.4% equity interests (the "Disposal"), which are engaged in sales of vehicles and provision of automobile services. The Disposal was completed on the same date. The aggregate consideration for the Disposal was RMB2,110,000 and a gain on disposal of subsidiaries of RMB72,000 was recorded in "Other income" in the consolidated income statement. The carrying amount of total net assets disposed of and non-controlling interests at the disposal date were RMB3,147,000 and RMB1,109,000, respectively.

Disposal of Hangzhou Xuan Yu Human Resources Company Limited# ("Xuan Yu") 杭州軒宇人力資源有限公司

In December 2016, the Group entered into an equity transfer agreement for the disposal of the entire interests in Xuan Yu, a wholly owned subsidiary, to a related party controlled by the substantial shareholder of the Company ("Xuan Yu Disposal"). Xuan Yu Disposal was completed on 26 December 2016. The consideration for Xuan Yu Disposal was RMB500,000 and a gain on disposal of subsidiaries of RMB154,000 was recorded in "Other income" in the consolidated income statement. The carrying amount of net assets disposed of at the disposal date was RMB346,000.

Disposal of Zhejiang Geely Gearbox Limited# ("Zhejiang Gearbox") 浙江吉利變速器有限公司

In December 2016, the Group entered into an equity transfer agreement for the disposal of 99% equity interest in Zhejiang Gearbox, an indirectly owned subsidiary with 99% equity interest, to an independent third party ("Zhejiang Gearbox Disposal"). Zhejiang Gearbox Disposal was completed on 30 December 2016. The consideration for Zhejiang Gearbox Disposal was RMB11,260,000 and a gain on disposal of subsidiaries of RMB1,051,000 was recorded in "Other income" in the consolidated income statement. The retained interest of 1% in Zhejiang Gearbox of RMB129,000 was recorded in "Available-for-sale financial assets" in the consolidated statement of financial position. The carrying amount of net assets disposed of and non-controlling interests at the disposal date were RMB10,443,000 and RMB105,000, respectively.

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

31. COMMITMENTS

Capital expenditure commitments

As at the reporting date, the capital commitments not provided for in the consolidated financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Contracted but not provided for, net of deposits paid – purchase of property, plant and equipment	**2,281,468**	1,514,991

Operating lease commitments – as lessee

As at the reporting date, the total future minimum lease payments in respect of office and factory premises and other assets under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Office and factory premises		
Within one year	**5,516**	6,126
In the second to fifth years inclusive	**10,564**	12,349
After five years	**3,961**	6,602
	20,041	25,077
Other assets		
Within one year	**–**	136
	20,041	25,213

Leases are negotiated and rental are fixed for an initial period of one to three years (2015: one to three years) with an option to renew the leases when all terms are renegotiated.

31. COMMITMENTS (Continued)

Operating lease commitments – as lessor

As at the reporting date, the total future minimum lease receipts in respect of leasehold land and buildings, motor vehicles and plant and machinery under non-cancellable operating leases are receivable as follows:

	2016 **RMB'000**	2015 RMB'000
Leasehold land and buildings		
Within one year	**7,101**	4,391
In the second to fifth years inclusive	**26,679**	16,877
After five years	**22,038**	26,235
	55,818	47,503
Motor vehicles and plant and machinery		
Within one year	**4,001**	4,001
In the second to fifth years inclusive	**16,004**	16,004
After five years	**21,005**	25,006
	41,010	45,011
	96,828	92,514

Leases are negotiated and rental are fixed for an initial period of one to fourteen years (2015: one to fourteen years).

32. RETIREMENT BENEFITS SCHEME

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

For members of the MPF Scheme, the Group contributes 5% of the employees' relevant income to the scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB24,000) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employee's basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in these countries.

During the year, the aggregate employer's contributions made by the Group amounted to RMB180,739,000 (2015: RMB127,954,000).

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the "Old Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the "New Share Option Scheme") was adopted to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the "Scheme". After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the Board of Directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within five business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of each share option is HK$1.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year from the second year of the grant date.

The subscription price for the shares under the Scheme is a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons:

2016

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Directors								
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	–	11,000,000
	9 January 2016 to 8 January 2020	2.79	5,000,000	–	–	–	–	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	9,000,000	–	(4,300,000)	–	–	4,700,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	–	1,000,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	–	11,500,000
	9 January 2016 to 8 January 2020	2.79	6,000,000	–	–	–	–	6,000,000
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	–	–	(3,500,000)	–	7,000,000	3,500,000
Mr. Liu Jin Liang	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	(9,000,000)	–
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	3,000,000	–	(2,100,000)	–	–	900,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	–	–	–	–	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	12,000,000	–	(3,000,000)	–	–	9,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	1,000,000	–	(700,000)	–	–	300,000
	9 January 2016 to 8 January 2020	2.79	1,000,000	–	(250,000)	–	–	750,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	1,000,000	–	(700,000)	–	–	300,000
	9 January 2016 to 8 January 2020	2.79	1,000,000	–	(250,000)	–	–	750,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	–	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	–	1,000,000
			78,500,000	–	(14,800,000)	–	(2,000,000)	61,700,000

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

2016 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Employees	18 January 2010 to 17 January 2020	4.07	284,760,000	–	(61,455,000)	(7,800,000)	9,000,000	224,505,000
	21 April 2010 to 20 April 2020	4.07	13,000,000	–	(920,000)	(300,000)	–	11,780,000
	23 March 2012 to 22 March 2022	4.07	16,500,000	–	(2,250,000)	–	(7,000,000)	7,250,000
	25 June 2012 to 24 June 2022	4.07	9,000,000	–	–	(9,000,000)	–	–
	17 January 2013 to 16 January 2023	4.11	4,100,000	–	–	(4,100,000)	–	–
	9 January 2016 to 8 January 2020	2.79	16,900,000	–	(1,350,000)	(1,150,000)	–	14,400,000
	2 June 2016 to 1 June 2020	4.08	1,000,000	–	–	–	–	1,000,000
			345,260,000	–	(65,975,000)	(22,350,000)	2,000,000	258,935,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	20,400,000	–	(100,000)	–	–	20,300,000
			444,160,000	–	(80,875,000)	(22,350,000)	–	340,935,000

	Outstanding at 1 January HK$	Granted during the year HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	3.98	–	4.04	4.01	3.96
Weighted average remaining contractual life of options outstanding as at 31 December 2016					3.18 years
Number of options exercisable as at 31 December 2016					165,291,000
Weighted average exercise price per share of options exercisable as at 31 December 2016					HK$4.07

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

2015

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon resignation	Outstanding at 31 December
Directors								
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	–	11,000,000
	9 January 2016 to 8 January 2020	2.79	–	5,000,000	–	–	–	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	–	9,000,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	–	1,000,000	–	–	–	1,000,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	–	11,500,000
	9 January 2016 to 8 January 2020	2.79	–	6,000,000	–	–	–	6,000,000
Mr. Liu Jin Liang	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	–	9,000,000
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	3,000,000	–	–	–	–	3,000,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	–	–	–	–	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	12,000,000	–	–	–	–	12,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	1,000,000	–	–	–	–	1,000,000
	9 January 2016 to 8 January 2020	2.79	–	1,000,000	–	–	–	1,000,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	1,000,000	–	–	–	–	1,000,000
	9 January 2016 to 8 January 2020	2.79	–	1,000,000	–	–	–	1,000,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	–	1,000,000	–	–	–	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	–	1,000,000	–	–	–	1,000,000
			62,500,000	16,000,000	–	–	–	78,500,000

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

2015 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon resignation	Outstanding at 31 December
Employees	18 January 2010 to 17 January 2020	4.07	306,750,000	–	(540,000)	(21,450,000)	–	284,760,000
	21 April 2010 to 20 April 2020	4.07	14,000,000	–	–	(1,000,000)	–	13,000,000
	23 March 2012 to 22 March 2022	4.07	16,500,000	–	–	–	–	16,500,000
	25 June 2012 to 24 June 2022	4.07	9,000,000	–	–	–	–	9,000,000
	17 January 2013 to 16 January 2023	4.11	4,100,000	–	–	–	–	4,100,000
	9 January 2016 to 8 January 2020	2.79	–	16,900,000	–	–	–	16,900,000
	2 June 2016 to 1 June 2020	4.08	–	1,000,000	–	–	–	1,000,000
			350,350,000	17,900,000	(540,000)	(22,450,000)	–	345,260,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	–	20,400,000	–	–	–	20,400,000
			412,850,000	54,300,000	(540,000)	(22,450,000)	–	444,160,000

	Outstanding at 1 January HK$	Granted during the year HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	4.07	3.30	4.07	4.07	3.98
Weighted average remaining contractual life of options outstanding as at 31 December 2015					4.25 years
Number of options exercisable as at 31 December 2015					226,586,000
Weighted average exercise price per share of options exercisable as at 31 December 2015					HK$4.07

The Group recognised a total of RMB42,192,000 (2015: RMB61,875,000) in relation to share options granted by the Company and the share-based payments were shown as a separate line item on the face of the consolidated income statement.

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties:

(a) Transactions

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
Related companies (notes a and b)			
Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司	Sales of complete knock down kits and sedan tool kits (note f)	**26,768,993**	14,554,461
	Sales of automobile parts and components (note f)	**1,009**	15,397
	Claims income on defective materials purchased	**114,687**	80,610
	Purchase of complete buildup units (note f)	**27,039,398**	15,270,192
	Purchase of automobile parts and components (note f)	**6,066**	21,645
	Sub-contracting fee paid (note f)	**31,188**	31,709
	Claims paid on defective materials sold	**114,619**	73,151
	Acquisition of property, plant and equipment	**3,369**	6,343
	Research and development services rendered	**64**	6,567
	Disposal of property, plant, and equipment	**1,364**	1,026
	Disposal of intangible assets	**13,386**	-
Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司	Sales of automobile parts and components (note f)	**521**	479
	Claims income on defective materials purchased	**-**	244
	Rental income	**66**	178
	Research and development services rendered	**68**	1,480

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
Related companies (notes a and b)			
Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司	Sales of complete knock down kits and sedan tool kits (note f)	**23,859,407**	11,132,964
	Sales of complete knock down kits (Electric Vehicles) (note f)	**128,283**	–
	Sales of automobile parts and components (note f)	**1,139**	772
	Claims income on defective materials purchased	**110,864**	101,606
	Purchase of complete buildup units (note f)	**24,619,656**	11,661,224
	Purchase of automobile parts and components (note f)	**35**	333
	Sub-contracting fee paid (note f)	**14,850**	17,575
	Claims paid on defective materials sold	**110,914**	103,850
	Acquisition of property, plant and equipment	**2,261**	1,241
	Rental income	**154**	290
Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司	Claims income on defective materials purchased	**36,319**	25,316
	Purchase of automobile parts and components (note f)	**9,070,513**	4,601,237
	Acquisition of property, plant and equipment	**939**	1,758
Taizhou Haoqing Automobile Sales Company Limited# 台州豪情汽車銷售有限公司	Sales of after sales car parts	**–**	3,254
	Sales of complete buildup units (note f)	**507,913**	186,964
	Sales of automobiles parts and components (note f)	**5,782**	–
	Claims income on defective materials purchased	**2,546**	–
	Claims paid on defective materials sold	**–**	1,611
	Acquisition of property, plant and equipment	**–**	581
Shanghai LTI Automobile Components Company Limited# 上海英倫帝華汽車部件有限公司	Sales of automobile parts and components (note f)	**4**	33
	Purchase of automobile parts and components (note f)	**7,883**	4,424
	Rental income	**7,494**	4,198

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
Related companies (notes a and b)			
Hunan Jisheng International Drivetrain System Company Limited# ("Hunan Jisheng") (note (c)) 湖南吉盛國際動力傳動系統有限公司	Purchase of automobile parts and components	**–**	69,574
	Claims income on defective materials purchased	**–**	11,188
Geely Automobile Research Development Co., Ltd# 寧波吉利汽車研究開發有限公司	Sales of complete knock down kits and sedan tool kits (note f)	**973**	12,159
	Sales of automobile parts and components (note f)	**3,631**	2,391
Volvo Car Technology (Shanghai) Co., Ltd# 沃爾沃汽車技術(上海)有限公司	Service fee income	**–**	2,151
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (Electric Vehicles) (note f)	**2,218,473**	–
	Claims income on defective materials purchased	**38**	–
Shenzhen Geely Automobile Sales Company Limited# 深圳吉利汽車銷售有限公司	Sales of complete buildup units (Electric Vehicles) (note f)	**11,435**	–

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
Related companies (notes a and b)			
Shanxi New Energy Automobile Industrial Company Limited# 山西新能源汽車工業有限公司	Sales of automobile parts and components (note f)	**2,015**	–
	Acquisition of a subsidiary (note 35) (note f)	**720,244**	–
Baoji Geely Automobile Company Limited# 寶雞吉利汽車有限公司	Acquisition of a subsidiary (note 35) (note f)	**702,207**	–
Hangzhou Geely Yiyun Technology Company Limited# 杭州吉利易雲科技有限公司	IT services expenses (note f)	**28,919**	–
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expenses (note f)	**30,110**	–
Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note d) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components (note f)	**15,563**	–
	Purchase of automobile parts and components (note f)	**973**	–
Associates			
Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	**1,199,332**	1,169,254
	Service fee income	**5,257**	4,015

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2016 RMB'000	2015 RMB'000
Associates			
Ningbo DIPO Traffic Facilities Co., Ltd# 寧波帝寶交通器材有限公司	Purchase of automobile parts and components	**–**	38,676
Closed Joint Stock Company BELGEE	Sales of complete buildup units	**214,541**	15,601
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司	Purchase of automobile parts and components	**–**	180,922
Joint venture and its subsidiary			
Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note d) 康迪電動汽車(上海)有限公司	Sales of complete buildup units	**303**	–
	Sales of automobile parts and components	**65,880**	71,802
	Purchase of automobile parts and components	**308**	–
Genius Auto Finance Company Limited# 吉致汽車金融有限公司	Service fee income	**9,920**	6,030
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司	Disposal of joint ventures (note 19) (note f)	**1,346,487**	–

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

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Notes:

(a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue license and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(c) In May 2015, the Company's ultimate holding company has disposed of Hunan Jisheng to an independent third party. Subsequently, Hunan Jisheng was no longer a related company of the Group. The transactions in 2015 represented purchases and claims income before the disposal.

(d) In October 2016, the Company has disposed of Kandi Electric to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries became related companies of the Group.

(e) The related party transactions were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third parties of the Group.

(f) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Directors' Report" section to this annual report.

(b) Compensation of key management personnel

The remuneration of directors (as disclosed in note 13) and other members of key management during the year are as follows:

	2016	2015
	RMB'000	RMB'000
Short-term benefits	**14,402**	12,796
Retirement scheme contribution	**220**	216
Equity settled share-based payments	**42,192**	61,875
	56,814	74,887

The remuneration of directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends. Total remuneration is included in "staff costs" (see note 9(b)).

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(c) Financial guarantee contracts

As at 31 December 2016, the Group has provided guarantees with respect to banking facilities granted to the Company's ultimate holding company of RMB590,000,000 (2015: RMB320,000,000), and bank borrowings and notes payables of the Group's related companies totalling RMB101,180,000 (2015: RMB143,690,000). Without taking into account any collateral held, this represented the Group's maximum exposure under the financial guarantee contracts at the reporting date. As at 31 December 2016, the Group's maximum exposure under the financial guarantee contracts was determined to be RMB691,180,000 (2015: RMB463,690,000). As at the reporting date, the Company's ultimate holding company will provide 100% counter guarantees to the Group by way of cash in respect of the above guarantees provided by the Group to the respective banks.

Under the financial guarantee contracts, land lease prepayments and property, plant and equipment of the Group with carrying amounts of RMB76,754,000 (2015: RMB78,588,000) and RMB135,734,000 (2015: RMB141,297,000), respectively have been pledged to the banks as at 31 December 2016.

The Group would only be liable to pay the banks if the banks are unable to recover the loans. No provision for the Group's obligation under the financial guarantee contracts have been made as it was not probable that the repayment of the bank borrowings by the Company's ultimate holding company and settlement of bank borrowing and notes payables by the related companies would be in default. According to the terms of the bank loans, the earliest repayment dates of the bank loans of RMB620,000,000 and RMB270,000,000 are in 2017 and 2018, respectively (2015: RMB400,000,000 and RMB220,000,000 are in 2016 and 2017, respectively), and the notes payables of the related companies would be repayable within one year. The financial guarantee is measured at fair value in initial recognition. The fair value of the guarantee is insignificant.

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

35. BUSINESS COMBINATIONS

Baoji Geely Automobile Components Company Limited# ("Baoji Geely") 寶雞吉利汽車部件有限公司

On 1 June 2016, Zhejiang Jirun Automobile Company Limited# ("Jirun Automobile") 浙江吉潤汽車有限公司, a 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Baoji Geely for a cash consideration of approximately RMB702,207,000. Baoji Geely is engaged in provision of research, development, production and marketing services and sales of vehicles and related automobile components in the PRC. The acquisition of Baoji Geely was completed on 18 August 2016. Please refer to the Company's circular dated 21 July 2016 for further details.

35. BUSINESS COMBINATIONS (Continued)

Baoji Geely Automobile Components Company Limited# ("Baoji Geely") 寶雞吉利汽車部件有限公司 (Continued)

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

	Baoji Geely RMB'000
The net assets acquired:	
Property, plant and equipment (note 14)	**1,492,996**
Land lease prepayments (note 16)	**189,180**
Trade and other receivables	**223,548**
Inventories	**3,362**
Bank balances and cash	**31,323**
Trade and other payables	**(1,241,361)**
	699,048
Goodwill arising on acquisition (note 17):	
Cash consideration transferred	**702,207**
Fair value of identifiable net assets acquired	**(699,048)**
	3,159
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	**(702,207)**
Bank balances and cash acquired	**31,323**
	(670,884)

There is no difference between the pre-acquisition carrying amounts and fair value of the assets acquired and liabilities recognised. No acquisition-related costs had been incurred in relation to the acquisition.

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

35. BUSINESS COMBINATIONS (Continued)

Baoji Geely Automobile Components Company Limited# ("Baoji Geely") 寶雞吉利汽車部件有限公司 (Continued)

Baoji Geely has contributed revenue and loss of RMBNil and RMB132,090,000, respectively from the acquisition date to 31 December 2016.

If the acquisition had occurred on 1 January 2016, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2016 would be RMB53,721,576,000 and RMB5,165,979,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2016 and could not serve as a basis for the forecast of future operation results.

Shanxi Geely Automobile Components Company Limited# ("Shanxi Geely") 山西吉利汽車部件有限公司

On 1 June 2016, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Shanxi Geely for a cash consideration of approximately RMB720,244,000. Shanxi Geely is engaged in provision of research, development, production and marketing services and sales of vehicles and related automobile components in the PRC. The acquisition of Shanxi Geely was completed on 12 August 2016. Please refer to the Company's circular dated 21 July 2016 for further details.

35. BUSINESS COMBINATIONS (Continued)

Shanxi Geely Automobile Components Company Limited# ("Shanxi Geely") 山西吉利汽車部件有限公司 (Continued)

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

	Shanxi Geely RMB'000
The net assets acquired:	
Property, plant and equipment (note 14)	**1,029,426**
Intangible assets (note 15)	**1,998**
Land lease prepayments (note 16)	**223,150**
Trade and other receivables	**128,413**
Inventories	**1,554**
Bank balances and cash	**7,350**
Trade and other payables	**(672,820)**
	719,071
Goodwill arising on acquisition (note 17):	
Cash consideration transferred	**720,244**
Fair value of identifiable net assets acquired	**(719,071)**
	1,173
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	**(720,244)**
Bank balances and cash acquired	**7,350**
	(712,894)

There is no difference between the pre-acquisition carrying amounts and fair value of the assets acquired and liabilities recognised. No acquisition-related costs had been incurred in relation to the acquisition.

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

35. BUSINESS COMBINATIONS (Continued)

Shanxi Geely Automobile Components Company Limited# ("Shanxi Geely") 山西吉利汽車部件有限公司 (Continued)

Shanxi Geely has contributed revenue and loss of RMBNil and RMB26,206,000, respectively from the acquisition date to 31 December 2016.

If the acquisition had occurred on 1 January 2016, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2016 would be RMB53,721,576,000 and RMB5,168,457,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2016 and could not serve as a basis for the forecast of future operation results.

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

36. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes Senior Notes and bank borrowings) and equity attributable to equity holders of the Company, comprises issued share capital and reserves.

Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

The gearing ratio as at the reporting date was as follows:

	2016 **RMB'000**	2015 RMB'000
Debt	**2,242,691**	1,928,856
Equity attributable to equity holders of the Company	**24,437,227**	19,523,816
Debt to equity ratio	**9%**	10%

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit and liquidity risks arises in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2016	2015
	RMB'000	RMB'000
Financial assets		
Available-for-sale financial assets		
– Unlisted equity securities	**21,779**	21,650
Financial assets at fair value through profit or loss		
– Listed equity securities	**–**	17,118
Loans and receivables		
– Trade and other receivables	**26,822,827**	12,256,559
– Pledged bank deposits	**39,304**	40,533
– Bank balances and cash	**15,045,493**	9,166,926
	41,929,403	21,502,786
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**30,295,699**	15,077,506
– Bank borrowings	**174,375**	–
– Senior notes	**2,068,316**	1,928,856
	32,538,390	17,006,362

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank balances and cash of the Group have been deposited into established banks in countries that the Group operates.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers except as disclosed in note 21(a). In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, excluding financial assets at fair value through profit or loss, in the consolidated statement of financial position after deducting any impairment allowance. In addition, as set out in note 34(c) to the consolidated financial statements, some of the Group's assets have been pledged and the Group also provided guarantees to secure banking facilities granted to the Company's ultimate holding company and to secure the bank borrowings and notes payables to the Group's related companies. The directors consider the Company's ultimate holding company and the related companies have sufficient financial strength and the probability of default is low. The Group does not provide any other guarantees which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2016						
Financial liabilities at amortised cost						
Trade and other payables	–	30,295,699	–	–	30,295,699	30,295,699
Bank borrowings	1.83	177,566	–	–	177,566	174,375
Senior notes	5.54	109,363	109,363	2,166,705	2,385,431	2,068,316
Financial guarantee issued						
Maximum amount guaranteed (note 34(c))	–	691,180	–	–	691,180	–
		31,273,808	109,363	2,166,705	33,549,876	32,538,390

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate	Within one year or on demand	More than one year but less than two years	More than two years	Total contractual undiscounted cash flows	Total carrying amount as at 31 December
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015						
Financial liabilities at amortised cost						
Trade and other payables	–	15,077,506	–	–	15,077,506	15,077,506
Senior notes	5.54	102,229	102,229	2,127,580	2,332,038	1,928,856
Financial guarantee issued						
Maximum amount guaranteed (note 34(c))	–	463,690	–	–	463,690	–
		15,643,425	102,229	2,127,580	17,873,234	17,006,362

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the guarantee arrangement if that amounts are claimed by the counterparty to the guarantee on bank borrowings and notes payables procured by the ultimate holding company of the Company and the Group's related companies respectively. Based on the expectations at the reporting date, the Group considers that no amount will be payable under the guarantee contracts.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Group's interest rate risk relates primarily to Senior Notes (note 24) and bank borrowings (note 26). The Group does not apply any derivatives to hedge the interest rate risk. The Group's cash flow interest rate risk relates primarily to bank borrowings.

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note.

As at 31 December 2016, it is estimated that an increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and accumulated profits by approximately RMB1,744,000 (2015: RMBNil).

Currency risk

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest-bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollars, USD, Australian dollars and Euro.

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2016				2015			
	Hong Kong dollars RMB'000	**USD RMB'000**	**Australian dollars RMB'000**	**Euro RMB'000**	Hong Kong dollars RMB'000	USD RMB'000	Australian dollars RMB'000	Euro RMB'000
Bank balances and cash	**333,447**	**1,906,336**	**371**	**7,453**	45,028	125,828	17,941	3,980
Trade and other receivables	**535**	**642,947**	**–**	**–**	546	719,211	–	1,110
Senior Notes	**–**	**(2,068,316)**	**–**	**–**	–	(1,928,856)	–	–
Bank borrowings	**(174,375)**	**–**	**–**	**–**	–	–	–	–
Trade and other payables	**–**	**(110,045)**	**–**	**–**	–	(67,208)	–	–
Net exposure arising from recognised assets and liabilities	**159,607**	**370,922**	**371**	**7,453**	45,574	(1,151,025)	17,941	5,090

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Currency risk (Continued)

As the Group is mainly exposed to the effects of fluctuation in Hong Kong dollars/USD/Australian dollars/Euro, the following table indicates the approximate change in the Group's profit after taxation and accumulated profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and accumulated profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

	Impact of Hong Kong dollars		Impact of USD		Impact of Australian dollars		Impact of Euro	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit after taxation/Accumulated profits	**7,980**	2,279	**14,644**	(43,163)	**19**	897	**279**	191

Fair value measurements of financial instruments

Fair value of financial assets and liabilities carried at other than fair value

For which the trading volume of the Senior Notes in public market is low, management estimated the fair value of the Senior Notes to be approximately RMB2,165,518,000 (2015: RMB2,000,875,000) by reference to the 30-day average closing market price of the Senior Notes. The fair value measurement was categorised as Level 2 of fair value hierarchy.

Except for the Senior Notes, the carrying amounts of the other financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015 due to their short-term maturities.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current assets		
Property, plant and equipment	**531**	889
Investments in subsidiaries	**–**	–
Interest in a joint venture	**697,330**	698,756
	697,861	699,645
Current assets		
Other receivables	**1,651**	1,162
Amounts due from subsidiaries	**4,491,780**	4,486,871
Bank balances and cash	**326,894**	106,134
	4,820,325	4,594,167
Current liabilities		
Other payables	**208,736**	27,746
Bank borrowings	**174,375**	-
	383,111	27,746
Net current assets	**4,437,214**	4,566,421
Total assets less current liabilities	**5,135,075**	5,266,066
Capital and reserves		
Share capital	**162,708**	161,354
Reserves (note)	**2,904,051**	3,175,856
Total equity	**3,066,759**	3,337,210
Non-current liabilities		
Senior notes	**2,068,316**	1,928,856
	5,135,075	5,266,066

Approved and authorised for issue by the Board of Directors on 22 March 2017.

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

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015	5,815,964	549,723	(2,856,345)	3,509,342
Loss for the year	–	–	(223,259)	(223,259)
Transaction with owners:				
Equity settled share-based payments (note 33)	–	61,875	–	61,875
Share issued under share option scheme (note 28(a))	2,502	(775)	–	1,727
Transfer upon forfeiture of share options	–	(37,861)	37,861	–
Dividends paid to equity holders of the Company (note 11)	–	–	(173,829)	(173,829)
Total transactions with owners	2,502	23,239	(135,968)	(110,227)
Balance at 31 December 2015	5,818,466	572,962	(3,215,572)	3,175,856
Balance at 1 January 2016	**5,818,466**	**572,962**	**(3,215,572)**	**3,175,856**
Loss for the year	**–**	**–**	**(305,166)**	**(305,166)**
Transaction with owners:				
Equity settled share-based payments (note 33)	**–**	**42,192**	**–**	**42,192**
Share issued under share option scheme (note 28(a))	**393,859**	**(121,731)**	**–**	**272,128**
Transfer upon forfeiture of share options	**–**	**(14,709)**	**14,709**	**–**
Dividends paid to equity holders of the Company (note 11)	**–**	**–**	**(280,959)**	**(280,959)**
Total transactions with owners	**393,859**	**(94,248)**	**(266,250)**	**33,361**
Balance at 31 December 2016	**6,212,325**	**478,714**	**(3,786,988)**	**2,904,051**

As at 31 December 2016, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB2,425,337,000 (2015: RMB2,602,894,000).

39. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up capital/ registered capital	Percentage of equity interests held in 2016		Percentage of equity interests held in 2015		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Centurion Industries Limited	British Virgin Islands	USD1	**100%**	**-**	100%	–	Investment holding
Value Century Group Limited	British Virgin Islands	USD1	**100%**	**-**	100%	–	Investment holding
Geely International Limited 吉利國際貿易有限公司	Hong Kong	2 shares	**100%**	**-**	100%	–	Investment holding and export of vehicles outside the PRC
Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd#* 浙江福林國潤汽車零部件有限公司	PRC	USD15,959,200	**-**	**100%**	–	100%	Research, production, marketing and sales of automobile parts and related components in the PRC
Linkstate Overseas Limited	British Virgin Islands	USD1	**100%**	**-**	100%	–	Inactive
Luckview Group Limited	British Virgin Islands	USD1	**100%**	**-**	100%	–	Investment holding
Luck Empire Investment Limited 帝福投資有限公司	Hong Kong	1 share	**-**	**100%**	–	100%	Investment holding
Zhejiang Kingkong Automobile Parts & Components R&D Company Limited*# 浙江金剛汽車零部件研究開發有限公司	PRC	USD14,900,000	**-**	**100%**	–	100%	Research and development of automobile parts and components in the PRC

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up capital/ registered capital	Percentage of equity interests held in 2016		Percentage of equity interests held in 2015		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司	PRC	RMB15,000,000	-	99%	–	99%	Sales of automobile parts and components in the PRC
Zhejiang Jirun Automobile Company Limited ("Jirun Automobile")^# 浙江吉潤汽車有限公司	PRC	USD476,636,575	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Maple Guorun Automobile Company Limited^# 上海華普國潤汽車有限公司	PRC	USD121,363,600	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Geely Holding Group Automobile Sales Company Limited#^ 浙江吉利控股集團汽車銷售有限公司	PRC	RMB60,559,006	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Geely International Corporation# 上海吉利美嘉峰國際貿易股份有限公司	PRC	RMB100,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Zhejiang Geely Automobile Research Institute Limited# 浙江吉利汽車研究院有限公司	PRC	RMB30,000,000	-	99%	–	99%	Research and development of vehicles and related automobile components in the PRC
Ningbo Geely Engine Research Institute Limited# (note 2) 寧波吉利發動機研究所有限公司	PRC	RMB10,000,000	-	-	–	99%	Research and development of automobile engines in the PRC
Shanghai Maple Automobile Sales Company Limited# 上海華普汽車銷售有限公司	PRC	RMB20,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Zhejiang Ruhoo Automobile Company Limited^# 浙江陸虎汽車有限公司	PRC	RMB418,677,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Kingkong Automobile Company Limited^# 浙江金剛汽車有限公司	PRC	RMB413,000,000	-	99%	–	99%	Research, development, production and sales of vehicles and related automobile components in the PRC

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up capital/ registered capital	Percentage of equity interests held in 2016		Percentage of equity interests held in 2015		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Geely Gearbox Limited# (note 1) 浙江吉利變速器有限公司	PRC	RMB10,000,000	**-**	**1%**	–	99%	Production of automobile components in the PRC
Hunan Geely Automobile Components Company Limited^# 湖南吉利汽車部件有限公司	PRC	USD88,500,000	**-**	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Jichong Power Technology Company Limited (formerly known as Guilin Geely Stars Oil Electric Hybrid Engine Company Limited)# 上海吉聰動力技術有限公司 (formerly known as 桂林吉星電子等平衡動力有限公司)	PRC	RMB80,000,000	**-**	**99%**	–	99%	Research and development of electric hybrid engines in the PRC
Zhejiang Vision Auto-parts Fittings Company Limited# 浙江遠景汽配有限公司	PRC	RMB50,000,000	**-**	**99%**	–	99%	Procurement of automobile parts and components in the PRC
Zhejiang Shou La Shou Automobile Services Company Limited#@ (note 1) 浙江手拉手汽車服務有限公司	PRC	RMB5,000,000	**-**	**-**	–	64.4%	Sales of vehicles and provision of automobile services
Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司	PRC	RMB50,000,000	**-**	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Hunan Luoyou Engine Components Company Limited# 湖南羅佑發動機部件有限公司	PRC	RMB150,000,000	**-**	**99%**	–	99%	Production of automobile components in the PRC
Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司	PRC	RMB360,000,000	**-**	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and sales of related automobile components in the PRC

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up capital/ registered capital	Percentage of equity interests held in 2016		Percentage of equity interests held in 2015		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Jinan Geely Automobile Parts and Components Company Limited# 濟南吉利汽車零部件有限公司	PRC	RMB10,000,000	-	99%	–	99%	Research, development, production, marketing and sales of related automobile components in the PRC
Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司	PRC	RMB96,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Hangzhou Xuan Yu Human Resources Company Limited# (note 1) 杭州軒宇人力資源有限公司	PRC	RMB500,000	-	-	–	100%	Not yet commenced business
Limited Liability Company "Geely Motors"	Russia	Russian Rouble 10,000	-	99%	–	99%	Marketing and sales of vehicles in Russia
Fewin S.A.	Uruguay	USD8,010,418	-	100%	–	100%	Marketing and sales of vehicles in South America
Zhejing Fengrui Engine Company Limited# 浙江鋒銳發動機有限公司	PRC	RMB100,000,000 (2015: RMB69,210,000)	-	99%	–	99%	Production of automobile engines in the PRC
Zhejiang Geely Luoyou Engine Company Limited# 浙江吉利羅佑發動機有限公司	PRC	RMB500,000,000	-	99%	–	99%	Production of automobile engines in the PRC
Hangzhou Ha Man Automobile Services Company Limited# (note 1) 杭州哈曼汽車服務有限公司	PRC	RMB500,000	-	-	–	64.4%	Sales of vehicles and provision of automobile services
Ningbo Geely Vision Auto-parts Fittings Company Limited# 寧波吉利遠景汽配有限公司	PRC	RMB10,000,000	-	99%	–	99%	Not yet commenced business
Geely Ukraine, LLC	Ukraine	Ukrainian hryvnia 61,000	-	99%	–	99%	Not yet commenced business

39. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid up capital/ registered capital	Percentage of equity interests held in 2016 Directly	Percentage of equity interests held in 2016 Indirectly	Percentage of equity interests held in 2015 Directly	Percentage of equity interests held in 2015 Indirectly	Principal activities
Ningbo Geely Luoyou Engine Components Company Limited# 寧波吉利羅佑發動機零部件有限公司	PRC	RMB282,800,000	-	99%	–	99%	Production of automobile components in the PRC
Taizhou Geely International Limited# 台州吉利美嘉峰貿易有限公司	PRC	RMB10,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Xiangtan Geely International Limited# 湘潭吉利美嘉峰貿易有限公司	PRC	RMB10,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司	PRC	RMB1,100,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi New Energy Automobile Sales Company Limited# 山西新能源汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	99%	Not yet commenced business
Baoji Geely Automobile Sales Company Limited# 寶雞吉利汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	–	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司	PRC	RMB700,000,000	-	99%	–	–	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司	PRC	RMB600,000,000	-	99%	–	–	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Geely International Limited# 浙江吉利汽車國際貿易有限公司	PRC	RMB10,000,000	-	99%	–	–	Export of vehicles outside the PRC
Geely Automobile Research Institute (Ningbo) Company Limited# 吉利汽車研究院(寧波)有限公司	PRC	RMB40,000,000	-	99%	–	–	Research and development of vehicles and related automobile components in the PRC

39. INVESTMENTS IN SUBSIDIARIES (Continued)

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

@ The Company has control over this subsidiary through contractual agreement with the non-controlling shareholder.

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

Note 1: These subsidiaries have been disposed of during the year. Further details are disclosed in note 30.

Note 2: This subsidiary has been deregistered during the year.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

39. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information related to subgroup of Jirun Automobile, the subsidiary of the Group which has material non-controlling interest. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016	2015
	RMB'000	RMB'000
Non-controlling interest percentage	**1%**	1%
Non-current assets	**12,469,430**	9,569,300
Current assets	**48,801,393**	22,319,612
Current liabilities	**(43,159,462)**	(17,717,473)
Non-current liabilities	**(718,214)**	(570,512)
Net assets	**17,393,147**	13,600,927
Carrying amount of non-controlling interest	**169,796**	132,122
Revenue	**64,203,964**	36,511,061
Profit for the year	**4,085,187**	2,220,825
Other comprehensive (loss)/income for the year	**(196,414)**	91,302
Total comprehensive income for the year	**3,888,773**	2,312,127
Profit allocated to non-controlling interest	**40,852**	22,208
Other comprehensive (loss)/income allocated to non-controlling interest	**(1,964)**	913
Dividend paid to non-controlling interest	**–**	(1,020)
Cash flows generated from operating activities	**5,536,060**	5,222,215
Cash flows used in investing activities	**(2,130,104)**	(2,325,710)
Cash flows (used in)/generated from financing activities	**(72,704)**	82,104
Net cash inflows	**3,333,252**	2,978,609

CORPORATE INFORMATION

Executive Directors:

Mr. Li Shu Fu *(Chairman)*
Mr. Yang Jian *(Vice Chairman)*
Mr. Li Dong Hui, Daniel *(Vice Chairman)*
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei

Non-executive Director:

Mr. Carl Peter Edmund Moriz Forster

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Audit Committee:

Mr. Lee Cheuk Yin, Dannis *(Committee's Chairman)*
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Remuneration Committee:

Mr. Yeung Sau Hung, Alex *(Committee's Chairman)*
Ms. Wei Mei
Mr. Lee Cheuk Yin, Dannis
Mr. Wang Yang

Nomination Committee:

Mr. Wang Yang *(Committee's Chairman)*
Mr. Gui Sheng Yue
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex

Company Secretary:

Mr. Cheung Chung Yan, David

Auditor:

Grant Thornton Hong Kong Limited

Legal Advisor on Hong Kong Law:

Sidley Austin

Legal Advisor on Cayman Islands Law:

Maples and Calder

CORPORATE INFORMATION

Principal Bankers in Hong Kong:

Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited
ING Bank N.A.

Principal Bankers in the People's Republic of China:

Bank of China Limited
Industrial Bank Company Limited
China Everbright Bank Company Limited

Head Office and Principal Place of Business:

Room 2301, 23rd Floor, Great Eagle Centre,
23 Harbour Road, Wan Chai,
Hong Kong
Telephone: (852) 2598 3333
Facsimile: (852) 2598 3399
Email: general@geelyauto.com.hk

Registered Office:

P.O. Box 309, Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

Hong Kong Share Registrars & Transfer Office:

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square,
338 King's Road, North Point
Hong Kong

Investor & Media Relations:

Prime International Consultants Limited

Listing Information:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175
Senior Notes: 5810 (GEELYAUTO N1910)

Company's Website:

http://www.geelyauto.com.hk

♻ This annual report is printed on recyclable paper

Designed & Produced by **HeterMedia Services Limited**

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 23 號鷹君中心 23 樓 2301 室