

Eco-living & Technology

# BALANCE

Interim Report 2019



# GEELY

## 吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0175)



19th Asian Games  
Hangzhou 2022



GEELY AUTO

Official Prestige Partner of the 19th Asian Games Hangzhou 2022



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# 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  
(resigned on 21 August 2019)

## 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

## Principal Bankers in Hong Kong (in alphabetical order):

Bank of America, N.A.  
Bank of China (Hong Kong) Limited  
China CITIC Bank International Limited  
Citigroup Global Markets Asia Limited  
DBS Bank Limited  
Industrial and Commercial Bank of China (Asia) Limited  
ING Bank N.A., Hong Kong Branch  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited

## Principal Bankers in the People's Republic of China (in alphabetical order):

Bank of China Limited  
China Everbright Bank Company Limited  
Industrial Bank Company Limited

## 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](mailto:general@geelyauto.com.hk)

## Registered Office:

P.O. Box 309, Ugland House,  
Grand Cayman, KY1-1104,  
Cayman Islands

## Hong Kong Share Registrars & Transfer Office:

Union Registrars Limited  
Suites 3301-04, 33/F.,  
Two Chinachem Exchange Square,  
338 King's Road, North Point  
Hong Kong

## Investor & Media Relations:

Prime International Consultants Limited

## Listing Information:

The Stock Exchange of Hong Kong Limited  
Stock Code: 0175

## Company's Website:

<http://www.geelyauto.com.hk>

# INDEPENDENT REVIEW REPORT



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

## Introduction

We have reviewed the interim financial report of Geely Automobile Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 4 to 39 which comprises the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Our responsibility is to express a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12  
28 Hennessy Road  
Wanchai  
Hong Kong

21 August 2019

### **Chiu Wing Ning**

Practising Certificate No.: P04920

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Note)
<b>Revenue</b>	3	<b>47,558,617</b>	53,708,605
Cost of sales		<b>(39,089,518)</b>	(42,871,336)
<b>Gross profit</b>		<b>8,469,099</b>	10,837,269
Other income	4	<b>612,616</b>	768,588
Distribution and selling expenses		<b>(2,256,165)</b>	(2,269,447)
Administrative expenses, excluding share-based payments		<b>(2,454,944)</b>	(1,608,650)
Share-based payments	21	<b>(3,350)</b>	(8,046)
Finance income, net	5(a)	<b>48,646</b>	17,393
Share of results of associates		<b>41,769</b>	(5,295)
Share of results of joint ventures	12	<b>306,917</b>	243,532
<b>Profit before taxation</b>	5	<b>4,764,588</b>	7,975,344
Taxation	6	<b>(717,540)</b>	(1,239,446)
<b>Profit for the period</b>		<b>4,047,048</b>	6,735,898
<b>Attributable to:</b>			
Equity holders of the Company		<b>4,009,475</b>	6,670,023
Non-controlling interests		<b>37,573</b>	65,875
<b>Profit for the period</b>		<b>4,047,048</b>	6,735,898
<b>Earnings per share</b>			
Basic	8	<b>RMB44.39 cents</b>	RMB74.33 cents
Diluted	8	<b>RMB43.92 cents</b>	RMB72.65 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 11 to 39 are an integral part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 7.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
		(Note)
<b>Profit for the period</b>	<b>4,047,048</b>	6,735,898
<b>Other comprehensive (expense)/income (after tax of RMBNil) for the period:</b>		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	<b>(58,586)</b>	46,304
<b>Total comprehensive income for the period</b>	<b>3,988,462</b>	6,782,202
<b>Attributable to:</b>		
Equity holders of the Company	<b>3,951,490</b>	6,715,853
Non-controlling interests	<b>36,972</b>	66,349
<b>Total comprehensive income for the period</b>	<b>3,988,462</b>	6,782,202

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 11 to 39 are an integral part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited) (Note)
<b>Non-current assets</b>			
Property, plant and equipment	9	23,148,155	23,422,617
Intangible assets	10	16,188,409	14,993,188
Land lease prepayments		3,392,162	3,268,035
Goodwill		26,414	26,414
Interests in associates	11	446,438	404,669
Interests in joint ventures	12	7,824,535	5,917,618
Trade and other receivables	14	262,661	–
Deferred tax assets		794,671	642,959
		<b>52,083,445</b>	48,675,500
<b>Current assets</b>			
Land lease prepayments		–	66,538
Inventories	13	3,547,999	4,097,380
Trade and other receivables	14	21,876,385	22,864,974
Income tax recoverable		4,622	–
Pledged bank deposits		27,730	19,392
Bank balances and cash		13,996,180	15,737,196
		<b>39,452,916</b>	42,785,480
<b>Current liabilities</b>			
Trade and other payables	16	40,353,829	41,438,036
Bank borrowings	17	1,373,120	1,375,280
Lease liabilities	23	22,784	–
Income tax payable		446,829	947,085
		<b>42,196,562</b>	43,760,401
<b>Net current liabilities</b>		<b>(2,743,646)</b>	(974,921)
<b>Total assets less current liabilities</b>		<b>49,339,799</b>	47,700,579



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited) (Note)
<b>CAPITAL AND RESERVES</b>			
Share capital	18	166,756	164,470
Reserves		46,369,577	44,779,507
<b>Equity attributable to equity holders of the Company</b>		<b>46,536,333</b>	44,943,977
<b>Non-controlling interests</b>		<b>452,019</b>	430,741
<b>Total equity</b>		<b>46,988,352</b>	45,374,718
<b>Non-current liabilities</b>			
Bonds payables	15	2,046,309	2,047,822
Lease liabilities	23	34,909	–
Deferred tax liabilities		270,229	278,039
		<b>2,351,447</b>	2,325,861
		<b>49,339,799</b>	47,700,579

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 11 to 39 are an integral part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Statutory reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Accumulated profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Balance at 1 January 2018	164,286	6,641,202	164,790	179,587	(123,575)	381,898	27,024,546	34,432,734	343,590	34,776,324
Profit for the period	-	-	-	-	-	-	6,670,023	6,670,023	65,875	6,735,898
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	45,830	-	-	45,830	474	46,304
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,830</b>	<b>-</b>	<b>6,670,023</b>	<b>6,715,853</b>	<b>66,349</b>	<b>6,782,202</b>
Transactions with owners:										
Share issued under share option scheme	116	32,284	-	-	-	(9,893)	-	22,507	-	22,507
Equity settled share-based payments (note 21)	-	-	-	-	-	8,046	-	8,046	-	8,046
Transfer upon forfeiture of share options	-	-	-	-	-	(1,920)	1,920	-	-	-
Final dividend declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	(2,160,828)	(2,160,828)	-	(2,160,828)
<b>Total transactions with owners</b>	<b>116</b>	<b>32,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,767)</b>	<b>(2,158,908)</b>	<b>(2,130,275)</b>	<b>-</b>	<b>(2,130,275)</b>
<b>Balance at 30 June 2018</b>	<b>164,402</b>	<b>6,673,486</b>	<b>164,790</b>	<b>179,587</b>	<b>(77,745)</b>	<b>378,131</b>	<b>31,535,661</b>	<b>39,018,312</b>	<b>409,939</b>	<b>39,428,251</b>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Share option reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Balance at 1 January 2019</b>	164,470	6,692,297	164,790	310,398	(32,117)	378,096	37,266,043	44,943,977	430,741	45,374,718
Profit for the period	-	-	-	-	-	-	4,009,475	4,009,475	37,573	4,047,048
Other comprehensive expense:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(57,985)	-	-	(57,985)	(601)	(58,586)
<b>Total comprehensive income for the period</b>	-	-	-	-	(57,985)	-	4,009,475	3,951,490	36,972	3,988,462
Transactions with owners:										
Share issued under share option scheme	2,286	622,555	-	-	-	(181,565)	-	443,276	-	443,276
Equity settled share-based payments (note 21)	-	-	-	-	-	3,350	-	3,350	-	3,350
Transfer upon forfeiture of share options	-	-	-	-	-	(13,331)	13,331	-	-	-
Transfer of reserves	-	-	-	45,240	-	-	(45,240)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(15,694)	(15,694)
Final dividend declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	(2,805,760)	(2,805,760)	-	(2,805,760)
<b>Total transactions with owners</b>	2,286	622,555	-	45,240	-	(191,546)	(2,837,669)	(2,359,134)	(15,694)	(2,374,828)
<b>Balance at 30 June 2019</b>	166,756	7,314,852	164,790	355,638	(90,102)	186,550	38,437,849	46,536,333	452,019	46,988,352

The notes on pages 11 to 39 are an integral part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Note)
<b>Cash flows from operating activities</b>			
Profit before taxation		4,764,588	7,975,344
Adjustments for non-cash items		1,491,101	1,057,219
Operating profit before working capital changes		6,255,689	9,032,563
Net changes in working capital		280,419	(1,936,818)
Cash generated from operations		6,536,108	7,095,745
Income taxes paid		(1,381,940)	(1,419,331)
<i>Net cash generated from operating activities</i>		5,154,168	5,676,414
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,165,560)	(1,830,298)
Additions of intangible assets	10	(2,311,344)	(2,140,824)
Additions of land lease prepayments		(95,895)	(44,089)
Settlement of payables for acquisition of subsidiaries		(1,265,277)	–
Proceeds from disposal of property, plant and equipment		70,469	1,048
Proceeds from disposal of intangible assets	10	–	18,459
Change in pledged bank deposits		(8,338)	34,010
Additional capital injection in a joint venture	12	(1,600,000)	(880,000)
Additional capital injection in an associate	11	–	(51,077)
Interest received		98,114	68,447
<i>Net cash used in investing activities</i>		(7,277,831)	(4,824,324)
<b>Cash flows from financing activities</b>			
Dividends paid to non-controlling interests		(15,694)	–
Proceeds from issuance of shares upon exercise of share options	18	443,276	22,507
Proceeds from issuance of bonds, net of transaction costs	15	–	1,927,161
Payment of lease liabilities		(6,366)	–
Interest paid		(57,896)	(49,413)
<i>Net cash generated from financing activities</i>		363,320	1,900,255
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,760,343)	2,752,345
Cash and cash equivalents at the beginning of the period		15,737,196	13,414,638
Effect of foreign exchange rate changes		19,327	4,442
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>		13,996,180	16,171,425

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 11 to 39 are an integral part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

## 1. BASIS OF PREPARATION

The interim financial report (the “Interim Financial Report”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 21 August 2019.

The Interim Financial Report is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company and its subsidiaries’ (together referred to as the “Group”) annual financial statements for the year ended 31 December 2018.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

### (i) New and amended HKFRSs adopted as at 1 January 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 16 “Leases” (“HKFRS 16”) is relevant to the Group’s financial statements.

Except for HKFRS 16, none of the 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 in this Interim Financial Report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### *HKFRS 16*

HKFRS 16 replaces HKAS 17 “Leases” (“HKAS 17”) along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” (“HK(IFRIC)-Int 4”), HK(SIC) Int-15 “Operating Leases-Incentives” and HK(SIC) Int-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of accumulated profits for the current period. Prior periods have not been restated.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (i) New and amended HKFRSs adopted as at 1 January 2019 *(Continued)*

#### *HKFRS 16 (Continued)*

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4. The Group has already recognised the land lease prepayments where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Land lease prepayments" under non-current assets.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average of the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.75% per annum.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (i) New and amended HKFRSs adopted as at 1 January 2019 *(Continued)*

#### *HKFRS 16 (Continued)*

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<b>RMB'000</b>
Operating lease commitments at 31 December 2018 (note 19)	76,634
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases with remaining lease term ending on or before 31 December 2019	(7,358)
	69,276
Less: discounted using incremental borrowing rate as at 1 January 2019	(5,217)
<b>Total lease liabilities recognised at 1 January 2019</b>	<b>64,059</b>

The remaining contractual maturities of the Group's lease liabilities at the date of transition to HKFRS 16 are as follows:

	<b>As at 1 January 2019</b>	
	<b>Present value of the minimum lease payments RMB'000 (Unaudited)</b>	<b>Total minimum lease payments RMB'000 (Unaudited)</b>
Within 1 year	17,623	20,371
After 1 year but within 2 years	23,331	25,033
After 2 years but within 5 years	23,105	23,872
	46,436	48,905
	64,059	69,276
		(5,217)
		<b>64,059</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

### (i) New and amended HKFRSs adopted as at 1 January 2019 (Continued)

#### HKFRS 16 (Continued)

The following table summarises the impacts of transition to HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount as at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount as at 1 January 2019 RMB'000
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>			
Property, plant and equipment	23,422,617	68,721	23,491,338
Land lease prepayments (non-current)	3,268,035	66,538	3,334,573
<b>Total non-current assets</b>	<b>48,675,500</b>	<b>135,259</b>	<b>48,810,759</b>
Land lease prepayments (current)	66,538	(66,538)	–
Trade and other receivables	22,864,974	(4,662)	22,860,312
<b>Total current assets</b>	<b>42,785,480</b>	<b>(71,200)</b>	<b>42,714,280</b>
Lease liabilities (current)	–	17,623	17,623
<b>Total current liabilities</b>	<b>43,760,401</b>	<b>17,623</b>	<b>43,778,024</b>
<b>Net current liabilities</b>	<b>(974,921)</b>	<b>(88,823)</b>	<b>(1,063,744)</b>
<b>Total assets less current liabilities</b>	<b>47,700,579</b>	<b>46,436</b>	<b>47,747,015</b>
Lease liabilities (non-current)	–	46,436	46,436
<b>Total non-current liabilities</b>	<b>2,325,861</b>	<b>46,436</b>	<b>2,372,297</b>
<b>Net assets</b>	<b>45,374,718</b>	<b>–</b>	<b>45,374,718</b>

### (ii) Issued but not yet effective HKFRSs

In the current period, the HKICPA has issued a number of new and amended HKFRSs but not yet effective and which have not been adopted in this Interim Financial Report. These development include the following which may be relevant to the Group.

Amendments to HKFRS 3	Definition of a business <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of material <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>2</sup>

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

<sup>2</sup> Effective date not yet determined

<sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (iii) Significant accounting policies

The Interim Financial Report has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying HKFRS 16.

As described in note 2(i), the Group has applied HKFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under HKAS 17 and HK(IFRIC)-Int 4.

#### *Accounting policy applicable from 1 January 2019*

##### *The Group as a lessee*

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of office and factory premises in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

##### *Measurement and recognition of leases as a lessee*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (iii) Significant accounting policies *(Continued)*

#### *Accounting policy applicable from 1 January 2019 (Continued)*

##### *The Group as a lessee (Continued)*

##### *Measurement and recognition of leases as a lessee (Continued)*

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise small items of office equipment.

On the condensed consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns. The prepaid lease payments for leasehold land are presented as "Land lease prepayments".

##### *The Group as a lessor*

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of certain portion of its leasehold land and building and plant and machinery. Rental income is recognised on a straight-line basis over the term of lease.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 3. REVENUE AND SEGMENT INFORMATION

### Revenue

Revenue from sales of automobiles and automobile parts and components and licensing of intellectual properties, net of value-added taxes (“VAT”) or related sales taxes and net of discounts, was generally recognised at a point in time when the customers obtain possession of and control of the promised goods or the right to use of the intellectual properties in the contract. Revenue was mainly derived from customers located in the PRC.

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products		
– Sales of automobiles	<b>44,979,288</b>	52,809,518
– Sales of automobile parts and components	<b>2,151,102</b>	899,087
– Licensing of intellectual properties	<b>428,227</b>	–
	<b>47,558,617</b>	53,708,605

### Segment information

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components and licensing of its intellectual properties. 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.

## 4. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Government grants and subsidies (note)	<b>499,603</b>	691,971
Gain on disposal of scrap materials	<b>17,010</b>	11,328
Rental income	<b>12,209</b>	14,280
Sundry income	<b>83,794</b>	51,009
	<b>612,616</b>	768,588

Note: 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 5. PROFIT BEFORE TAXATION

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
		(Note)
<b>(a) Finance income and costs</b>		
<b>Finance costs</b>		
Effective interest expense on bonds payables	<b>1,194</b>	1,691
Coupon expense on bonds payables	<b>37,331</b>	30,683
Interest on lease liabilities	<b>1,489</b>	–
Interest on bank borrowings wholly repayable within five years	<b>19,625</b>	18,680
	<b>59,639</b>	51,054
<b>Finance income</b>		
Bank and other interest income	<b>(108,285)</b>	(68,447)
<b>Net finance income</b>	<b>(48,646)</b>	(17,393)
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	<b>2,726,948</b>	2,466,241
Retirement benefit scheme contributions	<b>200,666</b>	158,743
Equity settled share-based payments (note 21)	<b>3,350</b>	8,046
	<b>2,930,964</b>	2,633,030
<b>(c) Other items</b>		
Amortisation of intangible assets (related to capitalised product development costs)	<b>1,116,123</b>	594,390
Research and development costs	<b>370,958</b>	223,479
Amortisation of land lease prepayments	<b>38,306</b>	23,400
Cost of inventories	<b>39,089,518</b>	42,871,336
Depreciation		
– owned assets	<b>676,518</b>	582,051
– right-of-use assets	<b>11,665</b>	–
Impairment loss on trade and other receivables	<b>34,072</b>	–
Net foreign exchange loss	<b>1,601</b>	115,793
Net loss on disposal of property, plant and equipment	<b>17,155</b>	21,546

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 6. TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC enterprise income tax	888,100	1,392,143
– Over-provision in prior years	(11,038)	(2,054)
	<b>877,062</b>	1,390,089
Deferred tax	<b>(159,522)</b>	(150,643)
	<b>717,540</b>	1,239,446

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 six months ended 30 June 2019 and 2018.

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 period based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (six months ended 30 June 2018: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the six months ended 30 June 2019 (six months ended 30 June 2018: 15%).

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

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

## 7. DIVIDENDS

During the current period, a final dividend for the year ended 31 December 2018 of HK\$0.35 (six months ended 30 June 2018: HK\$0.29) per ordinary share, amounting to approximately RMB2,805,760,000 (six months ended 30 June 2018: RMB2,160,828,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2018 final dividend was paid in July 2019 and is reflected as dividends payable in the Interim Financial Report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB4,009,475,000 (six months ended 30 June 2018: RMB6,670,023,000) and the weighted average number of ordinary shares of 9,033,162,673 shares (six months ended 30 June 2018: 8,974,042,761 shares), calculated as follows:

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Issued ordinary shares at 1 January	8,981,612,540	8,970,514,540
Effect of shares options exercised	51,550,133	3,528,221
<b>Weighted average number of ordinary shares at 30 June</b>	<b>9,033,162,673</b>	8,974,042,761

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB4,009,475,000 (six months ended 30 June 2018: RMB6,670,023,000) and the weighted average number of ordinary shares of 9,128,450,173 shares (six months ended 30 June 2018: 9,181,127,007 shares), calculated as follows:

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Weighted average number of ordinary shares (basic) at 30 June	9,033,162,673	8,974,042,761
Effect of deemed issue of shares under the Company's share options scheme	95,287,500	207,084,246
<b>Weighted average number of ordinary shares (diluted) at 30 June</b>	<b>9,128,450,173</b>	9,181,127,007

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately RMB432,624,000 (six months ended 30 June 2018: RMB3,109,697,000). Property, plant and equipment with net book value of approximately RMB87,624,000 (six months ended 30 June 2018: RMB22,594,000) were disposed of during the period, resulting in a net loss on disposal of approximately RMB17,155,000 (six months ended 30 June 2018: RMB21,546,000).

The Group has obtained the right to use office and factory premises through the tenancy agreement. The leases typically run on an initial period of two to ten years. The Group makes fixed payments during the contract period.

As at 30 June 2019, the carrying amount of the Group's right-of-use assets in relation to the office and factory premises are RMB57,056,000 (as at 1 January 2019: RMB68,721,000).

## 10. INTANGIBLE ASSETS

During the period, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to approximately RMB2,311,344,000 (six months ended 30 June 2018: RMB2,140,824,000).

No intangible asset (six months ended 30 June 2018: net book value of approximately RMB18,459,000) was disposed during the period.

## 11. INTERESTS IN ASSOCIATES

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Share of net assets	<b>449,787</b>	408,018
Goodwill	<b>663</b>	663
Impairment loss recognised	<b>(4,012)</b>	(4,012)
	<b>446,438</b>	404,669

During the six months ended 30 June 2018, Closed Joint Stock Company BELGEE ("BELGEE") effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to Belarusian ruble ("BYN") 15,350,000 (equivalent to approximately RMB51,077,000) and BYN18,018,000 (equivalent to approximately RMB60,405,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN97,565,000 (equivalent to approximately RMB394,249,000) to BYN130,933,000 (equivalent to approximately RMB505,731,000).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 12. INTERESTS IN JOINT VENTURES

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Share of net assets	<b>7,824,535</b>	5,917,618
Represented by:		
Cost of unlisted investments	<b>7,047,522</b>	5,447,522
Unrealised gain on disposal of a subsidiary to a joint venture	<b>(14,943)</b>	(14,943)
Share of post-acquisition results and other comprehensive income	<b>791,956</b>	485,039
	<b>7,824,535</b>	5,917,618

Details of the Group's joint ventures as at 30 June 2019 and 31 December 2018 are as follows:

Name of joint venture	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group		Principal activities
				As at		
				30 June 2019	31 December 2018	
Genius Auto Finance Company Limited <sup>#</sup> ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB4,000,000,000 (as at 31 December 2018: RMB2,000,000,000)	<b>80%</b>	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd. <sup>#</sup> ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	<b>50%</b>	50%	Manufacturing and sales of vehicles under the "Lynk&Co" brand
Zhejiang Geely AISIN Automatic Transmission Company Limited <sup>^</sup> ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司	PRC	Incorporated	US\$117,000,000	<b>40%</b>	40%	Manufacturing and sale of front-wheel drive 6-speed automatic transmissions and related parts and components

<sup>#</sup> 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.

<sup>^</sup> On 24 April 2018, the Group entered into a joint venture agreement with AISIN AW Co., Ltd. ("AISIN AW"), an independent third party and a subsidiary of AISIN SEIKI Company Limited, pursuant to which the parties agreed to establish a joint venture company, Zhejiang AISIN. Pursuant to the joint venture agreement, the Group and AISIN AW will contribute to the capital of Zhejiang AISIN by cash as to 40% (equivalent to US\$46,800,000) and 60% (equivalent to US\$70,200,000), respectively. As at 30 June 2019, the Group contributed US\$14,000,000 (equivalent to approximately RMB97,522,000) to Zhejiang AISIN. Details of the capital commitments as at 30 June 2019 are set out in note 19.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 12. INTERESTS IN JOINT VENTURES *(Continued)*

During the six months ended 30 June 2019, the registered capital of Genius AFC had been increased by RMB2,000,000,000 from RMB2,000,000,000 as at 31 December 2018 to RMB4,000,000,000 as at 30 June 2019 whereby the Company and the joint venture partner injected additional capital in proportional to their existing shareholding to Genius AFC amounted to RMB1,600,000,000 and RMB400,000,000, respectively.

During the six months ended 30 June 2018, the registered capital of Genius AFC had been increased by RMB1,100,000,000 from RMB900,000,000 as at 31 December 2017 to RMB2,000,000,000 as at 30 June 2018 whereby the Company and the joint venture partner injected additional capital in proportional to their existing shareholding to Genius AFC amounted to RMB880,000,000 and RMB220,000,000, respectively.

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

	LYNK & CO Group		Genius AFC	
	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets	9,474,440	7,011,983	600,309	614,708
Current assets	7,532,036	7,802,938	25,490,252	21,237,842
Current liabilities	(7,492,782)	(6,345,875)	(17,884,039)	(15,134,857)
Non-current liabilities	(1,150,253)	(371,789)	(3,737,607)	(4,481,478)
<b>Net assets</b>	<b>8,363,441</b>	<b>8,097,257</b>	<b>4,468,915</b>	<b>2,236,215</b>
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	830,839	774,368	2,259,525	2,225,622
Current financial liabilities (excluding trade and other payables and provisions)	-	-	(15,785,265)	(13,160,936)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	(3,737,607)	(4,481,478)

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 12. INTERESTS IN JOINT VENTURES (Continued)

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

	Zhejiang AISIN	
	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets	106,935	322
Current assets	132,160	241,626
Current liabilities	(32,532)	(4,547)
Non-current liabilities	-	-
Net assets	206,563	237,401

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	123,328	240,872
Current financial liabilities (excluding trade and other payables and provisions)	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-

	LYNK & CO Group		Genius AFC		Zhejiang AISIN
	Six months ended 30 June				2019
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	7,609,439	7,358,921	1,002,965	571,607	-
Profit/(loss) for the period	266,184	341,863	232,700	90,751	(30,838)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income/(expense) for the period	266,184	341,863	232,700	90,751	(30,838)
Dividend received from the joint venture	-	-	-	-	-

The above profits/(losses) for the period including the following:

Depreciation and amortisation	(455,804)	(274,160)	(6,248)	(3,864)	(93)
Interest income	5,253	3,452	978,305	563,353	463
Interest expense	(31)	(15)	(470,764)	(240,237)	-
Income tax expense	(95,815)	(109,692)	(77,567)	(30,250)	-

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 12. INTERESTS IN JOINT VENTURES (Continued)

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

	LYNK & CO Group		Genius AFC	
	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Net assets of the joint venture	<b>8,363,441</b>	8,097,257	<b>4,468,915</b>	2,236,215
The Group's effective interests in the joint venture	<b>50%</b>	50%	<b>80%</b>	80%
The Group's share of the net assets of the joint venture	<b>4,181,721</b>	4,048,629	<b>3,575,132</b>	1,788,972
Unrealised gain on disposal of a subsidiary to a joint venture	<b>(14,943)</b>	(14,943)	-	-
Carrying amount of the Group's interests in the joint venture	<b>4,166,778</b>	4,033,686	<b>3,575,132</b>	1,788,972
			<b>Zhejiang AISIN</b>	
			As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Net assets of the joint venture			<b>206,563</b>	237,401
The Group's effective interests in the joint venture			<b>40%</b>	40%
Carrying amount of the Group's interests in the joint venture			<b>82,625</b>	94,960

## 13. INVENTORIES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Raw materials	<b>2,280,486</b>	1,890,315
Work in progress	<b>256,004</b>	328,753
Finished goods	<b>1,011,509</b>	1,878,312
	<b>3,547,999</b>	4,097,380

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 14. TRADE AND OTHER RECEIVABLES

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
<b>Trade and notes receivables</b>			
Trade receivables, net of loss allowance			
– Third parties		473,358	338,158
– Joint ventures		77,375	145,183
– Associates		414,862	269,538
– Related companies controlled by the substantial shareholder of the Company		797,677	330,812
	(a)	1,763,272	1,083,691
Notes receivables	(b)	16,013,097	16,988,253
		17,776,369	18,071,944
<b>Deposits, prepayment and other receivables</b>			
Prepayment to suppliers			
– Third parties		380,086	151,444
– Related companies controlled by the substantial shareholder of the Company		7,918	1,974
		388,004	153,418
Deposits paid for acquisition of property, plant and equipment		408,596	609,953
VAT and other taxes receivables		2,573,530	3,592,041
Utility deposits and other receivables		981,002	414,586
		4,351,132	4,769,998
Amounts due from related companies controlled by the substantial shareholder of the Company	(c)	11,545	23,032
		4,362,677	4,793,030
		22,139,046	22,864,974
<i>Representing:</i>			
– Current		21,876,385	22,864,974
– Non-current		262,661	–
		22,139,046	22,864,974

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 14. 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. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the reporting date:

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
0 – 60 days	<b>1,211,643</b>	478,099
61 – 90 days	<b>17,847</b>	26,919
Over 90 days	<b>44,290</b>	80,998
	<b>1,273,780</b>	586,016

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 and net of loss allowance, at the reporting date:

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
0 – 60 days	<b>207,898</b>	285,290
61 – 90 days	<b>111,043</b>	10,233
91 – 365 days	<b>138,909</b>	148,989
Over 365 days	<b>31,642</b>	53,163
	<b>489,492</b>	497,675

### (b) Notes receivables

All notes receivables are denominated in RMB. As at 30 June 2019 and 31 December 2018, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

### (c) Amounts due from related companies

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 15. BONDS PAYABLES

On 18 January 2018, the Company issued bonds with an aggregate principal amount of United States dollars (“US\$”) 300,000,000 (equivalent to approximately RMB1,944,690,000) (the “Bonds”). The Bonds carried interest at 3.625% per annum, payable semi-annually in arrears on 25 January and 25 July of each year, and the maturity date was 25 January 2023.

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

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

The movements of the Bonds for the period/year are set out below:

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
<b>Carrying amount</b>		
At the beginning of the period/year	<b>2,047,822</b>	–
Initial fair value on the date of issuance	–	1,927,161
Exchange differences	<b>(2,707)</b>	112,037
Interest expenses	<b>1,194</b>	8,624
	<hr/>	<hr/>
At the end of the period/year	<b>2,046,309</b>	2,047,822

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 16. TRADE AND OTHER PAYABLES

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
<b>Trade and notes payables</b>			
Trade payables			
– Third parties		<b>24,375,710</b>	23,562,370
– Associates		<b>1,108,796</b>	726,074
– Related companies controlled by the substantial shareholder of the Company		<b>912,660</b>	916,316
	(a)	<b>26,397,166</b>	25,204,760
Notes payables	(b)	<b>1,436,914</b>	2,076,400
		<b>27,834,080</b>	27,281,160
<b>Other payables</b>			
Receipts in advance from customers	(c)		
– Third parties		<b>1,709,751</b>	1,885,021
– Related companies controlled by the substantial shareholder of the Company		<b>1,158</b>	5,751
		<b>1,710,909</b>	1,890,772
Deferred government grants which conditions have not been satisfied		<b>1,713,530</b>	3,190,186
Payables for acquisition of property, plant and equipment		<b>1,559,507</b>	2,017,144
Payables for acquisition of subsidiaries		–	1,265,277
Accrued staff salaries and benefits		<b>587,259</b>	1,224,556
VAT and other taxes payables		<b>137,502</b>	167,710
Dividends payable		<b>2,810,195</b>	–
Other accrued charges		<b>3,776,742</b>	2,427,879
		<b>12,295,644</b>	12,183,524
Amounts due to related companies controlled by the substantial shareholder of the Company	(d)	<b>183</b>	1,752,809
Amount due to ultimate holding company	(d)	<b>223,922</b>	220,543
		<b>12,519,749</b>	14,156,876
		<b>40,353,829</b>	41,438,036

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 16. 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:

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
0 – 60 days	<b>22,016,466</b>	20,013,747
61 – 90 days	<b>1,673,374</b>	2,586,200
Over 90 days	<b>2,707,326</b>	2,604,813
	<b>26,397,166</b>	25,204,760

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 30 June 2019 and 31 December 2018, all notes payables have maturities of less than six months from the reporting date.

As at 30 June 2019, the Group has no pledged bank deposits (as at 31 December 2018: RMB19,392,000) to secure the notes payables.

### (c) Receipts in advance from customers

The amounts represent the advance payments from customers for goods, which revenue will be recognised when the performance obligation was satisfied through the goods were transferred to the customers.

	<b>Six months ended 30 June 2019 RMB'000 (Unaudited)</b>	2018 RMB'000 (Unaudited)
Revenue recognised during the period that was included in the receipts in advance from customers at the beginning of the period	<b>(1,890,772)</b>	(7,984,472)

The Group's contracts with customers are for period of one year or less. The entire receipts in advance from customer balance at the period end would be recognised into revenue in the next period. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

### (d) Amounts due to related companies/ultimate holding company

The amounts due 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.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 17. BANK BORROWINGS

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Bank loans, unsecured	<b>1,373,120</b>	1,375,280

As at 30 June 2019 and 31 December 2018, the Group's bank borrowings were carried at amortised cost, repayable in October 2019 and interest-bearing at the London Interbank Offered Rates plus 1.05% per annum. Pursuant to the facility agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

## 18. SHARE CAPITAL

	<b>Number of shares</b>	<b>Nominal value RMB'000</b>
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2018 and 30 June 2019 (unaudited)	<b>12,000,000,000</b>	<b>246,720</b>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2018	8,970,514,540	164,286
Shares issued under share option scheme	11,098,000	184
At 31 December 2018 and 1 January 2019	8,981,612,540	164,470
Shares issued under share option scheme (note)	129,911,000	2,286
At 30 June 2019 (unaudited)	<b>9,111,523,540</b>	<b>166,756</b>

Note:

During the six months ended 30 June 2019, share options were exercised to subscribe for 129,911,000 ordinary shares (six months ended 30 June 2018: 7,031,000 ordinary shares) of the Company at a consideration of approximately RMB443,276,000 (six months ended 30 June 2018: RMB22,507,000) of which approximately RMB2,286,000 (six months ended 30 June 2018: RMB116,000) was credited to share capital and approximately RMB440,990,000 (six months ended 30 June 2018: RMB22,391,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB181,565,000 (six months ended 30 June 2018: RMB9,893,000) has been transferred to the share premium account.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 19. COMMITMENTS

### Capital commitments

At the reporting date, the Group had the following capital commitments:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Contracted but not provided for		
– purchase of property, plant and equipment	3,394,271	4,070,570
– investments in joint ventures (notes 12 and (c))	870,558	225,546
– investment in an associate (note (a))	490,000	490,000
– acquisition of a subsidiary (note (b))	322,206	–
	<b>5,077,035</b>	4,786,116

Note:

- (a) On 20 December 2018, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 (“Jirun Automobile”), an indirect 99% owned subsidiary of the Company, entered into an investment agreement (the “Investment Agreement 1”) with Contemporary Amperex Technology Company Limited# 寧德時代新能源科技股份有限公司 (“CATL Battery”), an independent third party, pursuant to which the parties agreed to establish an associate company (the “Associate Company”) to principally engage in the research and development, manufacture and sale of battery cells, battery modules and battery packs. Pursuant to the terms of the Investment Agreement 1, the Associate Company will be owned as to 49% by Jirun Automobile and as to 51% by CATL Battery. The registered capital of the Associate Company will be RMB1,000,000,000, and will be contributed as to 49% (equivalent to RMB490,000,000) in cash by Jirun Automobile and as to 51% (equivalent to RMB510,000,000) in cash by CATL Battery. As at 30 June 2019, the formation of the Associate Company was not yet completed. Please refer to the Company’s announcement dated 20 December 2018 for further details.
- (b) On 29 April 2019, Zhejiang Geely Powertrain Company Limited# 浙江吉利動力總成有限公司 (“Zhejiang Powertrain”), an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Zhejiang Powertrain has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司 (“Yiwu Powertrain”) for a cash consideration of approximately RMB322,206,000. Yiwu Powertrain is engaged in the technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC. As at 30 June 2019, the acquisition of Yiwu Powertrain was not yet completed. Please refer to the Company’s announcement and circular dated 29 April 2019 and 22 May 2019, respectively, for further details.
- (c) On 12 June 2019, Shanghai Maple Guorun Automobile Company Limited# 上海華普國潤汽車有限公司 (“Shanghai Maple Guorun”), an indirect 99% owned subsidiary of the Company, entered into an investment agreement (the “Investment Agreement 2”) with LG Chem Ltd. (“LG Chem”), an independent third party, pursuant to which the parties agreed to establish a joint venture company (the “JV”) to principally engage in the production and sales of batteries for electric vehicles. Pursuant to the terms of the Investment Agreement 2, the JV will be owned as to 50% by Shanghai Maple Guorun and as to 50% by LG Chem. The registered capital of the JV will be US\$188,000,000 (equivalent to approximately RMB1,290,732,000), and will be contributed as to 50% (US\$94,000,000 or equivalent to approximately RMB645,366,000) and 50% (US\$94,000,000 or equivalent to approximately RMB645,366,000) by Shanghai Maple Guorun and LG Chem, respectively. As at 30 June 2019, the formation of the JV was not yet completed. Please refer to the Company’s announcement dated 12 June 2019 for further details.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 19. COMMITMENTS (Continued)

### Operating lease commitments – as lessee

At 31 December 2018, the total future minimum lease payments in respect of office and factory premises under non-cancellable operating leases are payable as follows:

	As at 31 December 2018 RMB'000 (Audited)
Office and factory premises	
– Within one year	26,561
– In the second to fifth years inclusive	50,073
	<hr/> 76,634

The Group is the lessee in respect of office and factory premises held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2(iii), and the details regarding the Group's future lease payments are disclosed in note 23.

### Operating lease commitments – as lessor

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Leasehold land and buildings		
– Within one year	8,098	7,021
– In the second to fifth years inclusive	19,614	21,026
– After five years	11,544	13,642
	<hr/> 39,256	41,689
Plant and machinery		
– Within one year	6,811	4,001
– In the second to fifth years inclusive	16,004	16,004
– After five years	11,003	13,003
	<hr/> 33,818	33,008
	<hr/> 73,074	74,697

Leases are negotiated and rental are fixed for an initial period of five to fourteen years (31 December 2018: five to fourteen years).

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 20. RETIREMENT BENEFITS SCHEME

The Group participates in Mandatory Provident Fund Scheme (“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 RMB25,000) per employee. Contributions to the plan vest immediately.

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

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

For the six months ended 30 June 2019, the aggregate employer’s contributions made by the Group and charged to the condensed consolidated income statement amounted to RMB200,666,000 (six months ended 30 June 2018: RMB158,743,000).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 21. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has operated a share option scheme for eligible participants of the Group. Details of the terms of the scheme have been set out in the Group's annual financial statements for the year ended 31 December 2018.

### 2019 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Exercised during the period	Forfeited during the period	Outstanding at 30 June
<b>Directors</b>	18 January 2010 to 17 January 2020	4.07	37,300,000	(37,200,000)	–	100,000
	23 March 2012 to 22 March 2022	4.07	8,500,000	(6,100,000)	–	2,400,000
	9 January 2016 to 8 January 2020	2.79	14,130,000	(13,280,000)	–	850,000
			59,930,000	(56,580,000)	–	3,350,000
<b>Employees</b>	18 January 2010 to 17 January 2020	4.07	150,134,000	(64,873,000)	(10,000)	85,251,000
	21 April 2010 to 20 April 2020	4.07	4,210,000	–	–	4,210,000
	23 March 2012 to 22 March 2022	4.07	5,850,000	(600,000)	–	5,250,000
	9 January 2016 to 8 January 2020	2.79	7,670,000	(6,275,000)	–	1,395,000
	2 June 2016 to 1 June 2020	4.08	800,000	–	–	800,000
7 September 2019 to 6 September 2023	15.96	600,000	–	–	600,000	
			169,264,000	(71,748,000)	(10,000)	97,506,000
<b>Other eligible participants</b>	2 June 2016 to 1 June 2010	4.08	11,450,000	(1,583,000)	–	9,867,000
	31 March 2018 to 30 March 2022	12.22	5,500,000	–	–	5,500,000
			16,950,000	(1,583,000)	–	15,367,000
			<b>246,144,000</b>	<b>(129,911,000)</b>	<b>(10,000)</b>	<b>116,223,000</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 21. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2018 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Exercised during the period	Forfeited during the period	Outstanding at 30 June
<b>Directors</b>	18 January 2010 to 17 January 2020	4.07	37,500,000	(200,000)	–	37,300,000
	23 March 2012 to 22 March 2022	4.07	8,500,000	–	–	8,500,000
	9 January 2016 to 8 January 2020	2.79	14,750,000	(620,000)	–	14,130,000
			60,750,000	(820,000)	–	59,930,000
<b>Employees</b>	18 January 2010 to 17 January 2020	4.07	159,477,000	(5,561,000)	(125,000)	153,791,000
	21 April 2010 to 20 April 2020	4.07	4,710,000	–	(500,000)	4,210,000
	23 March 2012 to 22 March 2022	4.07	6,450,000	(100,000)	(400,000)	5,950,000
	9 January 2016 to 8 January 2020	2.79	8,820,000	(550,000)	–	8,270,000
	2 June 2016 to 1 June 2020	4.08	800,000	–	–	800,000
			180,257,000	(6,211,000)	(1,025,000)	173,021,000
<b>Other eligible participants</b>	2 June 2016 to 1 June 2010	4.08	11,450,000	–	–	11,450,000
	31 March 2018 to 30 March 2022	12.22	5,500,000	–	–	5,500,000
			16,950,000	–	–	16,950,000
			257,957,000	(7,031,000)	(1,025,000)	249,901,000

During the six months ended 30 June 2019, the Group recognised a total expense of RMB3,350,000 (six months ended 30 June 2018: RMB8,046,000) in relation to share options granted by the Company and the share-based payments were shown as a separate line item on the condensed consolidated income statement.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 22. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these Interim Financial Report, during the period, the Group had the following material transactions with related parties:

Name of related parties	Nature of transactions	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Related companies</b> (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 vehicle tool kits	<b>13,558,826</b>	14,331,475
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	<b>2,239,586</b>	–
	Claims income on defective materials purchased	<b>121,954</b>	82,393
	Purchase of complete buildup units	<b>14,032,557</b>	14,978,160
	Sub-contracting fee paid	–	9,960
	Claims paid on defective materials sold	<b>66,888</b>	93,047
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)	<b>385,296</b>	33,752
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expense	<b>44,122</b>	37,610
Yaou Automobile Manufacturing (Taizhou) Company Limited# 亞歐汽車製造(台州)有限公司	Sales of powertrain and related components	<b>75,125</b>	98,528
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 vehicle tool kits	<b>25,917,888</b>	32,612,847
	Sales of complete knock down kits (electric vehicles)	–	174,334
	Claims income on defective materials purchased	<b>153,641</b>	88,973
	Purchase of complete buildup units	<b>24,594,159</b>	33,441,168
	Claims paid on defective materials sold	<b>153,714</b>	119,176
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	<b>14,774</b>	32,476
	Purchase of automobile parts and components	<b>2,184,136</b>	8,263,981
Guangzhou Geely New Energy Automobile Sales Company Limited# 廣州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	<b>374,715</b>	–
Xian Geely New Energy Automobile Sales Company Limited# 西安吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	<b>115,611</b>	–
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	<b>129,487</b>	1,475,309

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 22. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these Interim Financial Report, during the period, the Group had the following material transactions with related parties: (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Viridi E-Mobility Technology (Suzhou) Co., Ltd. <sup>#</sup> 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components	3,929	19,327
Fuzhou Geely Emgrand New Energy Automobile Sales Company Limited <sup>#</sup> 福州吉利帝豪新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	146,529	–
Hangzhou Youhang Technology Company Limited <sup>#</sup> 杭州優行科技有限公司	Sales of complete buildup units (electric vehicles)	555,893	–
Hubei Ecarx Company Limited <sup>#</sup> 湖北億咖通科技有限公司	Purchase of automobile parts and components	503,732	–
Ningbo Geely Automobile Research Development Co., Ltd. <sup>#</sup> 寧波吉利汽車研究開發有限公司	License fee income receivable	480,000	–
<b>Associate</b>			
Mando (Ningbo) Automotive Parts Co., Limited <sup>#</sup> 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	648,672	939,221
<b>Joint venture</b>			
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd. <sup>#</sup> 凱悅汽車大部件製造(張家口)有限公司	Sales of powertrain and related components	545,317	101,732

Note:

- (a) The Group and the related parties are under the common control of the substantial shareholder of Zhejiang Geely Holding Group Company Limited<sup>#</sup> 浙江吉利控股集團有限公司, 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 licence and therefore the sales of complete knock down kits and vehicle 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 condensed 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.

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2019

## 23. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	As at 30 June 2019		As at 1 January 2019	
	Present value of the minimum lease payments RMB'000 (Unaudited)	Total minimum lease payments RMB'000 (Unaudited)	Present value of the minimum lease payments RMB'000 (Unaudited)	Total minimum lease payments RMB'000 (Unaudited)
Within 1 year	22,784	25,033	17,623	20,371
After 1 year but within 2 years	22,958	24,102	23,331	25,033
After 2 years but within 5 years	11,951	12,286	23,105	23,872
	34,909	36,388	46,436	48,905
	57,693	61,421	64,059	69,276
		(3,728)		(5,217)
		57,693		64,059

During the six months ended 30 June 2019, the total cash outflows for the leases are RMB7,855,000.

## 24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018 due to their short-term maturities.

## 25. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2019 Interim Results

The Board of Directors (the “Board”) of Geely Automobile Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019. These interim results have been reviewed by the Board’s audit committee, comprising solely the independent non-executive directors of the Company, one of whom chairs the committee, and the Company’s auditor, Grant Thornton Hong Kong Limited.

## Overall Performance

The Group’s performance in the first half of 2019 was below the management’s expectations. Total sales volume of passenger vehicles for Chinese indigenous brands recorded a 21.7% year-on-year (“YoY”) decline during the period, compared with a 14.0% YoY drop in the overall passenger vehicle sales volume in China market during the same period, according to the data of China Association of Automobile Manufacturers (“CAAM Data”). The Group’s total sales volume in the China market decreased 19% YoY to 613,061 units (including the sales volume of “Lynk&Co” vehicles sold by the Group’s 50%-owned joint venture, namely 領克投資有限公司 (Lynk&Co Investment Co., Ltd. or “Lynk&Co JV”) in the first half of 2019. The Group’s export sales volume, however, grew strongly at 344% YoY to 38,619 units in the first half of 2019, as a result of the introduction of more updated products to the export markets. The Group sold a total of 651,680 units of vehicles (including the sales volume of “Lynk&Co” vehicles sold by the Lynk&Co JV) in the first six months of 2019, representing a 15% YoY decline from the same period in 2018. Total revenue (excluding the revenue of the Lynk&Co JV) decreased by 11% to RMB47.56 billion during the period as continued product mix improvement more than offset the pricing pressure caused by weak demand and fierce market competition. Gross margin ratio in the first half of 2019 was negatively affected by higher discounts and incentives to reduce dealers’ inventories ahead of the official implementation of China VI (國六) emission standards in some areas in China in July 2019. Further, the selling and distribution expenses during the same period had to be kept at relatively high levels to maintain the competitiveness of the Group’s products in a weak market. The 53% increase in administrative expenses during the period was primarily attributable to the increase in amortization and depreciation expenses as a result of the substantial investment in research and development over the past years. As a result, profit attributable to the equity

holders of the Company for the first half of 2019 was down 40% YoY to RMB4.01 billion. Diluted earnings per share (EPS) was down 40% to RMB43.92 cents.

## Financial Resources

Despite the lower revenues and operating profits in the first half of 2019, the Group’s financial position remained healthy at the end of June 2019. The Group’s total cash level (bank balances and cash + pledged bank deposits) decreased by 11% from the end of 2018 to RMB14.02 billion at the end of June 2019, while its total borrowings (including bank loans and the 5-year US\$300 million 3.625% bonds due 2023 (the “Bonds”)) stayed at RMB3.42 billion, at similar level at the end of 2018. Net cash on hand (total cash level – total borrowings) was down to RMB10.60 billion, versus a net cash level of RMB12.33 billion six months ago, but still offering a healthy cushion to protect the Group from any further weakening in vehicle demand in the China market. In addition, net notes receivables (bank notes receivables – bank notes payables) at the end of June 2019 amounted to RMB14.57 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivables with the banks.

On 2 July 2019, the Company entered into a facility agreement with Citigroup Global Markets Asia Limited as the coordinator and agent for a syndicate of banks pursuant to which a term loan facility in the principal amount of up to US\$300,000,000 has been extended to the Company for a term of three years. The main purposes of the loan facility are (i) to refinance the existing indebtedness of the Group and (ii) for general corporate purposes of the Group.

The Group has been assigned credit ratings from both Standard & Poor’s Ratings Services and Moody’s Investors Service. Standard & Poor’s corporate credit rating on the Group is currently “BBB-/Stable”. On 5 June 2019, Moody’s Investors Service upgraded the Group’s credit rating from “Ba1” with positive outlook to “Baa3” issuer rating with stable outlook.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Research and Development

During the first six months ended 30 June 2019, the Group recognized a total expense of RMB1,487.1 million (2018: RMB817.9 million) in relation to its research and development activities and such expense was included in “Administrative expenses” in the condensed consolidated income statement. Further details were illustrated in the table below:

	<b>2019</b>	2018	
	<b>RMB'000</b>	RMB'000	YoY change (%)
Amortization of intangible assets (i.e. capitalized products development costs)	<b>1,116,123</b>	594,390	88
Research and development costs (i.e. not qualified for capitalization)	<b>370,958</b>	223,479	66
<b>Total research and development costs charged to profit or loss</b>	<b>1,487,081</b>	817,869	82

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

## Vehicle Manufacturing

The Group sold a total of 651,680 units of vehicles (including the sales volume of “Lynk&Co” vehicles sold by the Lynk&Co JV) in the first half of 2019, down 15% YoY. The drop was mainly due to the greater-than-expected decrease in the overall sales volume of the Chinese vehicle market and the Group’s decision to proactively reduce the aggregate inventories of its dealers to help prepare the Group for possible persistent weakness in China’s vehicle market in the near future. However, the corresponding retail sales volume still recorded a mild YoY growth during the same period, reflecting the strong competitiveness of the Group’s products.

The Group’s domestic sales volume in the first half of 2019 decreased 19% YoY to 613,061 units (including the sales volume of “Lynk&Co” vehicles sold by the Lynk&Co JV). Despite this, the Group’s market share amongst China’s indigenous passenger vehicle brands still increased from 14.8% in the first half of 2018 to 15.3% in the first half of 2019. As a result, the Group still ranked the top in terms of sales volume amongst all Chinese indigenous passenger vehicle manufacturers during the period. However, given the relatively weak sales performance by the Chinese indigenous brands in the first six months of 2019, the Group’s market share in the overall Chinese passenger vehicle market was down slightly from 6.4% in the first half of 2018 to 6.1% in the first half of 2019, based on the CAAM Data. However, based on retail sales volume, the Group’s market share in China still recorded a mild increase in the first half of 2019. Despite this, the Group’s export sales volume surged significantly by 344% to 38,619 units in the first half of 2019, as a result of the successful introduction of more updated models to the export markets and the upgrading of our sales network and channels in the major export markets. Export sales accounted for 5.9% of the Group’s total sales volume in the first half of 2019, compared with only 1.1% in the same period in 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2019, “Geely Boyue” (吉利博越) was the Group’s most popular model with a sales volume of 101,254 units, representing a decrease of 20% YoY, and accounting for 16% of the Group’s total sales volume during the period. The Group’s “Emgrand” series sedans were also key contributors to the Group’s overall sales volume. The combined sales volume of “Emgrand” series sedans was 102,842 units, which was down 11% YoY and constituted 16% of the Group’s overall sales volume during the period. The total sales volume of the Group’s sport utility vehicle (“SUV”) models, which included three mid-size SUV models namely “Geely Boyue” (吉利博越), “Vision SUV” and “01” (under “Lynk&Co” brand), four compact SUV models “Vision X3”, “Vision X1”, “Vision S1” and “Binyue” (繽越), and three cross-over models “Emgrand GS”, “Xingyue” (星越) and “02” (under “Lynk&Co” brand), amounted to 379,728 units, down 16% YoY and accounted for 58% of the Group’s total sales volume in the first half of 2019. In the first half of 2019, the sales volume of the Group’s sedan models was down 19% YoY to 255,700 units, accounting for 39% of the Group’s total sales volume during the period. The Group’s first multi-purpose vehicle (“MPV”) model “Jiaji” (嘉際) was launched in March 2019 and received positive response from the customers. A total of 16,252 units of “Jiaji” (嘉際) were sold in the last four months of the first half in 2019. Almost half of the “Jiaji” (嘉際) sold were PHEV or MHEV versions, reflecting the improved popularity of NEEV models amongst the Group’s customers.

As the continued product mix improvement more than offset the higher discounts and incentives offered by the Group to defend its market share in China, the Group’s average ex-factory selling price increased by around 3% YoY in the first half of 2019.

Over the past few years, the Group’s sales and marketing system in China had undergone a major upgrading, enabling it to provide better sales and after-sales services to its customers. The Group’s products are currently sold under the “Geely” brand, “Geometry” brand (through an independent distribution channel) and the “Lynk&Co” brand (through an independent distribution channel under the Lynk&Co JV), targeting at different market segments. “Geely” brand is the Group’s main stream mass market brand, “Geometry” brand is the Group’s new pure electric brand, whereas “Lynk&Co” is a joint-venture brand between the Group and Volvo Car Corporation (“VCC”), targeting at global premium market. At the end of June 2019, the Group had more than 980 dealers in China, marketing vehicles under “Geely” brand. The “Geometry” brand was launched early this year with 118 dealers in China. The Lynk&Co JV adopted a different marketing and distribution system in China. It served its customers via 243 Lynk&Co Centres and 20 Lynk&Co Spaces in China.

# MANAGEMENT DISCUSSION AND ANALYSIS

## New Products

New energy vehicles continued to be the Group's focus in new products offering in the first half of 2019. In addition to the launch of a new premium electric vehicle sedan model "Geometry A" in April 2019, the Group successfully added more PHEV and MHEV models to its existing major product lines in the first half of 2019. To further expand its market share in China's passenger vehicle market, the Group launched its first multi-purpose vehicle (MPV) model "Jiaji" (嘉際) in March 2019, offering petroleum, PHEV and MHEV versions initially. Further, to strengthen the Group's market position in the highly competitive SUV market in China and to supplement its existing SUV product offering, a new higher end crossover SUV model "Xingyue" (星越) was launched in May 2019. "Xingyue" (星越) would be the first Geely model developed from Compact Modular Architecture ("CMA"), a sophisticated product architecture jointly developed by Geely Holding and VCC.

The Group plans to launch the following new products in the next twelve months:

Under the "Geely" brand:

- A MPV model targeted at business and corporate users;
- A compact SUV model;
- A compact sedan model; and
- "NEEV" versions for major existing models.

Under the "Lynk&Co" brand:

- Two brand new models for "Lynk&Co"; and
- "NEEV" versions for "02" and "03" models.

Under the "Geometry" brand:

- A brand new model for "Geometry".

With the launches of more NEEV models in 2019 and more government policies to promote the use of NEEVs in China, we expect the sales of NEEVs to account for a significantly larger proportion of the Group's total sales volume in the coming few years.

## New Energy Vehicles Strategy

The Group announced and implemented its New Energy Vehicle ("NEV") strategy namely "Blue Geely Initiatives" in November 2015. "Blue Geely Initiatives" is a 5-year campaign demonstrating the Group's dedication to transformation into the industry leader in NEV technologies. The initiative's target is to ensure that up to 90% of the Group's total sales volume could be in the form of new energy and electrified vehicles (NEEVs), which include the electric vehicles ("EVs"), battery electric vehicles ("BEVs"), hybrid electric vehicles ("HEVs"), mild hybrid electric vehicles ("MHEVs") and plug-in hybrid electric vehicles ("PHEVs") by 2020.

Enriching our NEEV products offering will continue to be the core focus of the Group in the first half of 2019, during which NEEV version will be added to all the Group's major product line. In the first half of 2019, the NEEV versions for Emgrand GS/GL (known as Emgrand GS MHEV, Emgrand GL PHEV and Emgrand GL MHEV), Binyue (known as Binyue PHEV and Binyue MHEV), Xingyue (known as Xingyue PHEV and Xingyue MHEV) and Jiaji (known as Jiaji PHEV and Jiaji MHEV) were launched in the China market. These NEEV models have so far achieved good customer satisfaction in China. The initial success of these NEEV products should put the Group in a good position to achieve its ambitious target set under the "Blue Geely Initiatives". In the first half of 2019, the Group sold a total of 57,600 units of NEEV models (including the sales volume of "01 PHEV" and "02 PHEV" sold by the Lynk&Co JV), up around threefold from the same period in 2018. Amongst the NEEVs sold in the first half of 2019, the best-selling models were "Emgrand EV", "Emgrand GSe", "Borui GE MHEV" and "Jiaji MHEV", which together accounted for around 81% of the total sales volume of NEEVs.

# MANAGEMENT DISCUSSION AND ANALYSIS

Further, the Group launched its pure electric brand “Geometry” and the brand’s first sedan model “Geometry A” in April 2019. The move signified the Group’s strategy to quickly help expand NEEV sales via tailor-made products and services to its NEEV customers.

## Genius AFC

Genius Auto Finance Company Limited (“Genius AFC”), the Group’s 80%-owned vehicle financing joint venture formed with BNP Paribas Personal Finance, commenced operation in September 2015. Located in Shanghai, Genius AFC is principally engaged in the provision of auto wholesales financing solutions to auto dealers and retail financing solutions to end customers, mainly supporting the three key auto brands for Geely Holding Group, including “Geely”, “Lynk&Co” and “Volvo Car”.

Despite the weakening demand in Chinese passenger vehicle market since the later part of last year, Genius AFC continued to post considerable growth in the first half of 2019. The total outstanding loan assets increased from RMB19.26 billion at the end of 2018 to RMB23.55 billion at the end of June 2019. With the improved sales and marketing management, enhanced operation efficiency and tight risk control, Genius AFC achieved good financial performance with net profit increasing 156% YoY to RMB232.70 million in the first half of 2019. Notwithstanding the Group’s lower-than-expected vehicle sales volume so far this year and the increasingly fierce competition in the auto finance market in China, Genius AFC is still on track to meet its annual target for the year of 2019.

To support the continued growth of Genius AFC’s auto finance business, Genius AFC’s registered capital was further increased from RMB2 billion to RMB4 billion in May 2019. The Group contributed 80% (or RMB1.6 billion) of the additional capital injection according to its shareholding in Genius AFC. Besides, Genius AFC secured more external funds through different means like bilateral bank facilities and asset-backed security (“ABS”) issuance in the first half of 2019. Further, Genius AFC started to make use of the inter-bank offered credit market to obtain additional funding in April 2019.

## LYNK&CO JV

Lynk&Co Investment Co., Ltd. (“Lynk&Co JV”), established in October 2017, is an indirect 50%-owned joint venture of the Group (the remaining interests were held as to 20% by a subsidiary of Geely Holding, and as to 30% by a subsidiary of Volvo Car Corporation or “VCC”, which is also majority-owned by Geely Holding). The Lynk&Co JV was set up to facilitate the development, manufacture, sales and servicing of high-end passenger vehicles in both the China and international market under the “Lynk&Co” brand.

Positioned as a global brand with state-of-the-art design and manufacturing capabilities, Lynk&Co JV aims to target at the premium mobility market segment globally through the provision of both passenger vehicles and mobility services. The innovative business model of Lynk&Co JV is supported by new vehicle models developed from the CMA, which is jointly developed by Geely Holding and VCC and licensed to the Lynk&Co JV.

The first vehicle model called “01” under the Lynk&Co JV was offered to the China market at the end of 2017. In 2018, two more new models namely “02” and “03” and the first NEEV model called “01 PHEV” were launched in the China market.

In the first half of 2019, the total sales volume of the Lynk&Co JV amounted to 55,877 units, up 21% YoY. “NEEV” versions for “02” and “03” are scheduled to be launched in the second half of 2019. Despite its initial manufacturing capacity constraints and a drastic slowdown in vehicle demand in China recently, Lynk&Co JV managed to post a net profit of RMB266.18 million in the first half of 2019. In view of Chinese consumers’ current preference over physical dealer shops to support sales and services, Lynk&Co JV maintains a dealer network in China with 243 stores called “Lynk&Co Centres” and 20 display and customer service centres called “Lynk&Co Spaces” in China.

## Exports

The Group exported a total of 38,619 units of vehicles in the first six months of 2019, up 344% from the same period last year, and accounted for 5.9% of the Group’s total sales volume during the period. The strong export sales performance was mainly driven by enhanced sales network and channels and the Group’s introduction of more updated products in its major export markets. “Geely Boyue” and “Vision SUV” were the Group’s most important export models in terms of sales volume in the first half of 2019, accounting for 91% of the Group’s total export sales volume during the period. At the end of June 2019, the Group exported its products to 16 countries through 16 sales agents and 249 sales and service outlets.

# MANAGEMENT DISCUSSION AND ANALYSIS

Developing countries in the Asia, Eastern Europe and Middle East were the most important markets for the Group's exports in the first half of 2019. In addition to export of vehicles from China, the Group also assembles some models sold overseas using contract manufacturing arrangements and joint-venture manufacturing plants with local partners.

## Acquisitions of 100% interests in Yiwu Geely Powertrain Company Limited (義烏吉利動力總成有限公司 or "Yiwu Target")

On 29 April 2019, Zhejiang Geely Powertrain Company Limited (浙江吉利動力總成有限公司 or "Zhejiang Powertrain"), an indirect 99.1% owned subsidiary of the Company, entered into the YW Acquisition Agreement with Yiwu Geely Engines Company Limited (義烏吉利發動機有限公司 or "Yiwu Engines"), a wholly owned subsidiary of Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司 or "Zhejiang Geely"), pursuant to which Zhejiang Powertrain agreed to acquire, and Yiwu Engines agreed to sell, the entire registered capital of the YW Target, for a cash consideration of RMB322,205,872. The consideration was determined with reference to (i) the net asset value of the YW Target prepared under the Hong Kong Financial Reporting Standards ("HKFRS") as at 31 March 2019; and (ii) the valuation premium over the carrying value of the YW Properties as at 31 March 2019. The acquisition would be funded by internal resources of the Group.

The acquisition had been duly approved by the independent shareholders of the Company at the extraordinary general meeting held on 10 June 2019 and it had been subsequently completed by end of July 2019. Upon completion of the acquisition, the YW Target becomes an indirect subsidiary of the Company and its financial results are consolidated into the financial statements of the Group.

The vehicle engines to be manufactured by the YW Target will be used in the Group's top-end vehicle models and will also be sold to the Geely Holding Group for use in the Volvo-branded vehicles and to the Lynk&Co JV and its subsidiaries (collectively, the "Lynk&Co Group") for use in "Lynk&Co" vehicles. The vehicle engines to be manufactured by the YW Target will possess superior performance in terms of power output and fuel consumption as well as characteristics of low carbon emission, which are targeted to meet the needs of the Group, the Lynk&Co Group and the Geely Holding Group for high performance and multi-functional vehicles.

## Formation of a joint venture company for EVs batteries

On 12 June 2019, Shanghai Maple Guorun Automobile Company Limited (上海華普國潤汽車有限公司 or "Shanghai Maple Guorun"), an indirect 99% owned subsidiary of the Company, entered into the joint venture agreement with LG Chem Ltd. ("LG Chem", Korean Stock Exchange stock code: 051910), pursuant to which the parties agreed to establish the joint venture to principally engage in the production and sales of batteries for EVs.

The joint venture will be owned as to 50% by Shanghai Maple Guorun and as to 50% by LG Chem. The registered capital of the joint venture will be US\$188,000,000, and will be contributed as to 50% (equivalent to US\$94,000,000) in cash by Shanghai Maple Guorun and as to 50% (equivalent to US\$94,000,000) in cash by LG Chem. The financial results of the joint venture will be accounted for in the consolidated financial statements of the Group using the equity method.

The establishment of the joint venture will leverage on the strength, resources and expertise of both parties in the manufacturing of batteries for new energy vehicles in China, which in turn will ensure a stable supply of the EV batteries to the Group in the future.

## Outlook

China's passenger vehicle market weakened further in the first half of 2019. In particular, demand for SUVs deteriorated significantly from rapid growth over the past few years to negative growth since the middle of 2018. The uncertain economic environment caused by trade dispute between China and the USA, the rush by local governments to implement new emission standards, namely China VI (國六), in major cities in China and the completed elimination of purchase tax subsidies for fuel efficient vehicles at the beginning of 2019 are believed to be the key reasons behind the lower vehicle demand in China. Although the Chinese government had started to introduce measures to stimulate automobile demand, the passenger vehicle market in China has shown little sign of improvement. Recently, the China-US trade dispute appears to have worsened further, resulting in huge uncertainties for passenger vehicle demand in China in the remainder of the year. Longer-term, there are additional challenges to be faced by Chinese passenger vehicle manufacturers including the transformation from conventional vehicles to NEEVs and intelligent/connected vehicles, the completed elimination of government subsidies for NEEVs over the next 12 months and the scheduled relaxation of foreign investment in China's automobile industry over the next few years.

# MANAGEMENT DISCUSSION AND ANALYSIS

On the positive front, the Group's overall competitiveness and management capabilities have strengthened significantly over the past few years following its successful strategic transformation to improve brand image, product quality, customer service satisfaction, technology and innovation, as reflected by the encouraging market acceptance for the Group's new products and the continual increase in its market share. Also, the Group's financial position remained healthy as a result of good operational cash inflow over the past few years. These should enable the Group to continue investing for the future and respond to the abrupt market changes timely.

The Group has broadened its product portfolio through more quality offerings across different vehicle segments, including sedan, SUV, crossover and MPV, leading to higher market share, better economies of scale and improved brand recognition. In the coming 12 months, the Group plans to launch its second MPV model, which should provide the Group with additional growth momentum for growth. A new compact SUV model would also be launched to further enrich the Group's products portfolio in the SUV segment, enabling the Group to offer SUV models in every sub-segment of the important SUV sector in China. Upgraded versions and NEEV versions for all major existing models are also scheduled to be launched in the second half of 2019 to help maintain the Group's leading position in A-segment sedan and SUV markets in China. So far in 2019, all the Group's new product launches have been well received by the market. In view of more quality new products offering ahead, the Group should be in a good position to secure higher market share in China's passenger vehicle market in the years ahead.

With substantial efforts and resources invested in the research and development, together with the continuous technological collaboration with VCC over the past few years, the Group is ahead of its competitors to become one of the most innovative companies in the automobile sector, offering our customers with intelligent vehicles, which are smarter, more fuel-efficient, safer and fully connected. The launches of the Group's "INTEC" technology platform, "GKUI" customer interface platform and high-performance smart chip for vehicles and the extensive application of these technologies or advanced components in our products should facilitate the Group to address the radical technological changes and customers' needs in the automobile sector. Despite the recent weakness in China's passenger vehicle market, the Group will continue to invest in research and development to maintain its competitiveness in technologies and innovation.

On the NEEV front, the Group would significantly increase the proportion of new energy and electrified vehicles in its sales volume by adding more new energy and electrified versions for most of its major product lines in the remainder of the year. To facilitate large scale production of electrified vehicles, the Group has so far set up two strategic investment entities with leading industrial players for the production and sales of batteries for electrified vehicles.

Additional growth could be generated by the upcoming launch of more new models under the "Lynk&Co" brand in the second half of 2019. The "Lynk&Co" brand, which emphasizes key brand concepts like "personalized"; "open platform" and "full connectivity", are key parts of the Group's strategy to expand into the premium vehicle segment in the global market. The "Lynk&Co" brand is on track to enter the European market in 2020 with an innovative mobility business model. "Lynk&Co" shares product architecture with VCC and the Group. Future increase in sales at the Lynk&Co JV could create huge synergies and benefits from economies of scale for the Group.

Despite the recent uncertainties caused by the trade friction between China and the USA, the devaluation of RMB against US dollar recently and the fall in passenger vehicle demand in China, the timely transformation of the Group over the past few years should have prepared the Group well in advance to meet these challenges. With the Group's negligible dependence on imported vehicle components and exports sales, the impact of current trade tension on the Group's operation should be minimal and manageable. To prepare for a possible prolonged weakness in China's passenger vehicle demand, the Group has already embarked on a major restructuring to streamline its sales management structure, aiming to speed up decision making in response to rapid change in market condition recently.

Given the greater-than-expected decrease in the overall sales volume of the Chinese passenger vehicle market so far this year and the Group's determination to contain risk by proactively reducing the aggregate inventories of its dealers, the Group's total sales volume in the first half of 2019 was lower than our original expectations. This, coupled with continued uncertainties in China's passenger vehicle demand, have prompted the Group's management team to revise downwards our 2019 full year sales volume target by 10% from 1,510,000 units to 1,360,000 units. Despite this, the Group's management team is confident that the Group is still on track of becoming a leading global automobile group with good reputation and integrity, winning respects from our customers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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, shareholders' loan from its parent Geely Holding Group and fund raising exercises in the capital market. As at 30 June 2019, the Group's shareholders' fund amounted to approximately RMB46.5 billion (as at 31 December 2018: approximately RMB44.9 billion). Upon exercise of share options, 129.911 million new shares were issued by the Group during the six months ended 30 June 2019.

## Exposure to Foreign Exchange Risk

During the six months ended 30 June 2019, 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 Group's key subsidiaries.

In terms of export operations, most of the Group's export sales were denominated in United States Dollars (US\$) during the period. 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 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 30 June 2019, the Group's current ratio (current assets/current liabilities) was 0.93 (as at 31 December 2018: 0.98) and the gearing ratio of the Group was 7.3% (as at 31 December 2018: 7.6%) which was calculated on the Group's total borrowings (including the bank loans and the 5-year US\$300 million 3.625% bonds due 2023 (the "Bonds") but excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). Total borrowings (including the bank loans, the Bonds but excluding trade and other payables and lease liabilities) as at 30 June 2019 amounted to approximately RMB3.4 billion (as at 31 December 2018: approximately RMB3.4 billion) were the Group's bank loans and the Bonds. At the end of June 2019, the Group's total borrowings were denominated in US\$. They aligned with the currency mix of the Group's revenues from export business, which were mainly denominated in US\$. For the Bonds, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the board of directors of the Company (the "Board") believes the Group is in a good position to obtain such financing.

## Employees' Remuneration Policy

As at 30 June 2019, the total number of employees of the Group was about 45,500 (as at 31 December 2018: approximately 52,400). 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Directors' and Chief Executives' Interests and Short Positions in the Securities of the Company and its Associated Corporations

As at 30 June 2019, the interests and short positions of the directors of the Company (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 or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
<b>Shares</b>				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporations	4,019,478,000	–	44.11
Mr. Li Shu Fu	Personal	23,140,000	–	0.25
Mr. Yang Jian	Personal	6,000,000	–	0.07
Mr. Li Dong Hui, Daniel	Personal	600,000	–	0.007
Mr. Gui Sheng Yue	Personal	10,500,000	–	0.12
Mr. An Cong Hui	Personal	108,000	–	0.001
Mr. Ang Siu Lun, Lawrence	Personal	4,000,000	–	0.04
Mr. Lee Cheuk Yin, Dannis	Personal	900,000	–	0.01
Mr. Wang Yang	Personal	1,000,000	–	0.01

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

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
<b>Share Options</b>				
Mr. Li Dong Hui, Daniel	Personal	1,400,000 (Note 3)	–	0.02
Ms. Wei Mei	Personal	1,000,000 (Note 3)	–	0.01
Mr. Carl Peter Edmund Moriz Forster	Personal	600,000 (Note 4)	–	0.007
Mr. Yeung Sau Hung, Alex	Personal	100,000 (Note 2)	–	0.001
Mr. Yeung Sau Hung, Alex	Personal	250,000 (Note 4)	–	0.003

# MANAGEMENT DISCUSSION AND ANALYSIS

Note:

- (1) Proper Glory Holding Inc. (“Proper Glory”) and its concert parties in aggregate hold securities’ interest of 4,019,478,000 shares (excluding those held directly by Mr. Li Shu Fu), representing approximately 44.11% of the issued share capital of the Company as at 30 June 2019. 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 and as to 32% by Geely Group Limited.
- (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 30 June 2019.
- (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 30 June 2019.
- (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 30 June 2019.

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

Name of director	Name of the associated corporations	Number of shares in the 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 Ruhoo Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 9)	–	(Note 9)
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 10)	–	(Note 10)

# MANAGEMENT DISCUSSION AND ANALYSIS

Name of director	Name of the associated corporations	Number of shares in the associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	(Note 11)	–	(Note 11)
Mr. Li Shu Fu	Baoji Geely Automobile Components Company Limited	(Note 12)	–	(Note 12)
Mr. Li Shu Fu	Shanxi Geely Automobile Components Company Limited	(Note 13)	–	(Note 13)
Mr. Li Shu Fu	Zhejiang Jirun Chunxiao Automobile Components Company Limited	(Note 14)	–	(Note 14)

Note:

- (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, a 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 owned as to (i) 71.05% by Mr. Li Shu Fu and his associate; and (ii) 28.95% by other Mr. Li’s interested entities.
- (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 owned as to (i) 71.05% by Mr. Li Shu Fu and his associate; and (ii) 28.95% by other Mr. Li’s interested entities.
- (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 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.
- (9) 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.
- (10) 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. Zhejiang Geely is a private company incorporated in the PRC and is owned as to (i) 71.05% by Mr. Li Shu Fu and his associate; and (ii) 28.95% by other Mr. Li’s interested entities. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

# MANAGEMENT DISCUSSION AND ANALYSIS

- (11) 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. Zhejiang Geely is a private company incorporated in the PRC and is owned as to (i) 71.05% by Mr. Li Shu Fu and his associate; and (ii) 28.95% by other Mr. Li's interested entities. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (12) Baoji Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is owned as to (i) 71.05% by Mr. Li Shu Fu and his associate; and (ii) 28.95% by other Mr. Li's interested entities.
- (13) Shanxi Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is owned as to (i) 71.05% by Mr. Li Shu Fu and his associate; and (ii) 28.95% by other Mr. Li's interested entities.
- (14) Zhejiang Jirun Chunxiao Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is owned as to (i) 71.05% by Mr. Li Shu Fu and his associate; and (ii) 28.95% by other Mr. Li's interested entities.

Save as disclosed above, as at 30 June 2019, none of the directors nor the chief executives of the Company or their associates had or was deemed to have any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or 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 of 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.

## Directors' Right to Acquire Shares

As at 30 June 2019, the directors and chief executive of the Company have the following options to subscribe for the shares of the Company under the Company's old share option scheme approved and adopted on 31 May 2002 (the "Old Share Option Scheme") and the Company's new share option scheme approved and adopted on 18 May 2012 (the "New Share Option Scheme"):

Name of Director	Outstanding options as at 30 June 2019	Date of Exercise grant period		Exercise price HK\$
Mr. Li Dong Hui, Daniel	1,400,000	23.3.2012	23.3.2012 – 22.3.2022	4.07
Ms. Wei Mei	1,000,000	23.3.2012	23.3.2012 – 22.3.2022	4.07
Mr. Carl Peter Edmund Moriz Forster	600,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. Yeung Sau Hung, Alex	100,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Yeung Sau Hung, Alex	250,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
	3,350,000			

# MANAGEMENT DISCUSSION AND ANALYSIS

## Share Option Scheme

The Old Share Option Scheme that was approved and adopted on 31 May 2002 was valid and effective for a period of ten years from the date of adoption. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, the New Share Option Scheme was adopted by the Company. The New Share Option Scheme replaced the Old Share Option Scheme. After the adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated and no further options can be granted under it.

Pursuant to the New Share Option Scheme, the Company may grant options to inter alia, directors and employees of the Company and its subsidiaries and other participants

to subscribe for shares of the Company. Further details of the New Share Option Scheme were disclosed in the Company's 2018 annual report.

Based on the Company's records as at 30 June 2019, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 112,873,000 share options were granted by the Company to the employees and other eligible participants and remain outstanding.

## Interim Dividend

At a meeting of the Board held on 21 August 2019, the Board resolved not to pay an interim dividend to the Company's shareholders (2018: Nil).

## Connected Transactions

During the period, the Group had the following material transactions with connected parties:

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Related companies</b> (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 vehicle tool kits	<b>13,558,826</b>	14,331,475
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	<b>2,239,586</b>	–
	Claims income on defective materials purchased	<b>121,954</b>	82,393
	Purchase of complete buildup units	<b>14,032,557</b>	14,978,160
	Sub-contracting fee paid	–	9,960
	Claims paid on defective materials sold	<b>66,888</b>	93,047
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)	<b>385,296</b>	33,752
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expense	<b>44,122</b>	37,610
Yaou Automobile Manufacturing (Taizhou) Company Limited# 亞歐汽車製造(台州)有限公司	Sales of powertrain and related components	<b>75,125</b>	98,528

# MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
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 vehicle tool kits	<b>25,917,888</b>	32,612,847
	Sales of complete knock down kits (electric vehicles)	–	174,334
	Claims income on defective materials purchased	<b>153,641</b>	88,973
	Purchase of complete buildup units	<b>24,594,159</b>	33,441,168
	Claims paid on defective materials sold	<b>153,714</b>	119,176
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	<b>14,774</b>	32,476
	Purchase of automobile parts and components	<b>2,184,136</b>	8,263,981
Guangzhou Geely New Energy Automobile Sales Company Limited# 廣州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	<b>374,715</b>	–
Xian Geely New Energy Automobile Sales Company Limited# 西安吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	<b>115,611</b>	–
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	<b>129,487</b>	1,475,309
Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components	<b>3,929</b>	19,327
Fuzhou Geely Emgrand New Energy Automobile Sales Company Limited# 福州吉利帝豪新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	<b>146,529</b>	–
Hangzhou Youhang Technology Company Limited# 杭州優行科技有限公司	Sales of complete buildup units (electric vehicles)	<b>555,893</b>	–
Hubei Ecarx Company Limited# 湖北億咖通科技有限公司	Purchase of automobile parts and components	<b>503,732</b>	–
Ningbo Geely Automobile Research Development Co., Ltd# 寧波吉利汽車研究開發有限公司	License fee income receivable	<b>480,000</b>	–

# MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Associate</b>			
Mando (Ningbo) Automotive Parts Co., Limited <sup>#</sup> 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	648,672	939,221
<b>Joint venture</b>			
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd. <sup>#</sup> 凱悅汽車大部件製造(張家口)有限公司	Sales of powertrain and related components	545,317	101,732

Note:

- (a) The Group and the related parties are under the common control of the substantial shareholder of Zhejiang Geely Holding Group Company Limited<sup>#</sup> 浙江吉利控股集團有限公司, 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 licence and therefore the sales of complete knock down kits and vehicle 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 condensed 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.

<sup>#</sup> 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.

## Facility Agreements with Covenant of the Controlling Shareholders

On 31 October 2017, the Company as the borrower entered into a facility agreement (the "Facility Agreement A") with The Hongkong and Shanghai Banking Corporation Limited (the "Agent A") as the coordinator and agent for a syndicate of banks pursuant to which a term loan facility in the principal amount of up to US\$200,000,000 has been granted to the Company for a term of two years. The purpose of the loan facility is to refinance the existing indebtedness of the

Group. The term loan with the principal of US\$200,000,000 pursuant to the Facility Agreement A was early repaid on 31 July 2019.

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

On 2 July 2019, the Company as the borrower entered into a facility agreement (the "Facility Agreement B") with Citigroup Global Markets Asia Limited (the "Agent B") as the coordinator and agent for a syndicate of banks pursuant to which a term loan facility in the principal amount of up to US\$300,000,000 has been extended to the Company for a term of three years. The main purposes of the loan facility is to (i) refinance the existing indebtedness of the Group and (ii) for general corporate purposes of the Group.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Interests and Short Positions in Shares and Underlying Shares of Other Persons

As at 30 June 2019, 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 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 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 Long position	Approximate percentage of shareholding (%)
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	28.94
Zhejiang Geely Holding Group Company Limited (Note 1)	Interest in controlled corporation	4,019,391,000	44.11
Geely Group Limited (Note 1)	Beneficial owner	87,000	0.001
	Interest in controlled corporation	2,636,705,000	28.94
Zhejiang Geely Automobile Company Limited (Note 2)	Beneficial owner	796,562,000	8.74

Note:

- (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, a 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 owned as to (i) 71.05% by Mr. Li Shu Fu and his associate; and (ii) 28.95% by other Mr. Li's interested entities.

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 30 June 2019, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

## Corporate Governance

The Company has complied with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2019, except for CP E.1.2 as explained below:

CP E.1.2 provides that the chairman of the Board (the "Chairman") and the chairman of respective Board committees should attend the annual general meeting of the Company. During the period ended 30 June 2019, the Chairman did not attend the annual general meeting of the Company in person 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 of the Company (the "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 on 27 May 2019. Due to conflict of his schedules and other prior business engagement in the PRC, the Chairman was unable to attend the general meeting physically. One independent non-executive Director and two executive Directors and the Company's external auditor attended and answered questions raised by the Shareholders at the meeting physically. The Chairman, one non-executive Director, two other independent non-executive Directors and three other executive Directors attended the meeting via conference call.

In the interim period under review, the Company has 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 code of conduct for securities transactions by officers (the "Code"). All Directors have confirmed their compliance during the review period with the required standards set out in both the Model Code and the Code.

## Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes, risk management systems and internal controls. As at 30 June 2019, the audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Yeung Sau Hung, Alex, An Qing Heng and Wang Yang who are the independent non-executive Directors.

## Appreciation

On behalf of the Board, I wish to express my gratitude to our management team and staff members for their hard work, dedication and support throughout the period.

ON BEHALF OF THE BOARD

**Li Shu Fu**  
*Chairman*

Hong Kong  
21 August 2019