

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)



Official Prestige Partner of the 19th Asian Games Hangzhou 2022

INTERIM REPORT 2021





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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

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

Sustainability Committee:

Mr. An Cong Hui (*Committee's Chairman*)
Mr. Gui Sheng Yue
Mr. Wang Yang

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:

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Facsimile: (852) 2598 3399
Email: general@geelyauto.com.hk

Registered Office:

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

Hong Kong Share Registrars & Transfer Office:

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

Investor & Media Relations:

Prime International Consultants Limited

Listing Information:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175

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 44 which comprises the condensed consolidated statement of financial position as at 30 June 2021 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 months 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 2021 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

18 August 2021

Ng Ka Kong
Practising Certificate No.: P06919



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	45,032,091	36,819,775
Cost of sales		(37,273,044)	(30,518,177)
Gross profit		7,759,047	6,301,598
Other income	4	800,410	670,880
Distribution and selling expenses		(2,554,189)	(2,189,590)
Administrative expenses, excluding share-based payments		(3,246,377)	(2,670,328)
Impairment loss on trade and other receivables		(4,479)	(4,213)
Share-based payments	22	(640,601)	(2,428)
Finance income, net	5(a)	100,735	88,523
Share of results of associates		20,428	22,092
Share of results of joint ventures	12	685,664	423,606
Profit before taxation	5	2,920,638	2,640,140
Taxation	6	(511,550)	(320,194)
Profit for the period		2,409,088	2,319,946
Attributable to:			
Equity holders of the Company		2,381,136	2,296,753
Non-controlling interests		27,952	23,193
Profit for the period		2,409,088	2,319,946
Earnings per share			
Basic	8	RMB23.60 cents	RMB24.73 cents
Diluted	8	RMB23.59 cents	RMB24.70 cents

The notes on pages 11 to 44 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 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	2,409,088	2,319,946
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
– Notes receivable at fair value through other comprehensive income		
Change in fair value	15,152	–
Income tax effect	(1,800)	–
– Share of other comprehensive expense of joint venture, net of related income tax	(27,267)	–
– Exchange differences on translation of financial statements of foreign operations	25,381	(94,971)
Other comprehensive income/(expense) for the period, net of tax	11,466	(94,971)
Total comprehensive income for the period	2,420,554	2,224,975
Attributable to:		
Equity holders of the Company	2,392,049	2,202,605
Non-controlling interests	28,505	22,370
Total comprehensive income for the period	2,420,554	2,224,975

The notes on pages 11 to 44 are an integral part of this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	26,317,310	26,574,279
Intangible assets	10	18,303,872	18,610,115
Land lease prepayments		3,005,688	3,042,911
Goodwill		42,806	42,806
Interests in associates	11	567,390	494,498
Interests in joint ventures	12	8,967,049	9,194,017
Trade and other receivables	14	734,507	952,356
Deferred tax assets		1,116,549	970,011
		59,055,171	59,880,993
Current assets			
Inventories	13	3,947,845	3,690,631
Trade and other receivables	14	25,800,383	27,868,232
Income tax recoverable		79,776	224,608
Pledged bank deposits		116,507	174,422
Bank balances and cash		19,799,643	18,976,843
		49,744,154	50,934,736
Current liabilities			
Trade and other payables	15	37,875,318	41,516,307
Lease liabilities		36,766	30,380
Income tax payable		489,961	340,190
		38,402,045	41,886,877
Net current assets		11,342,109	9,047,859
Total assets less current liabilities		70,397,280	68,928,852



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital	18	179,740	179,672
Perpetual capital securities	19	3,413,102	3,413,102
Reserves		61,419,257	60,038,340
Equity attributable to equity holders of the Company		65,012,099	63,631,114
Non-controlling interests		557,360	582,152
Total equity		65,569,459	64,213,266
Non-current liabilities			
Trade and other payables	15	639,134	385,557
Bonds payable	16	1,933,153	1,949,735
Lease liabilities		13,982	11,915
Bank borrowings	17	1,937,220	1,959,750
Deferred tax liabilities		304,332	408,629
		4,827,821	4,715,586
		70,397,280	68,928,852

The notes on pages 11 to 44 are an integral part of this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to equity holders of the Company										
	Share capital RMB'000 (Unaudited)	Perpetual capital securities 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)	Retained profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Balance at 1 January 2020	167,733	3,413,102	7,591,592	164,790	355,638	17,640	100,301	42,624,830	54,435,626	488,840	54,924,466
Profit for the period	-	71,412	-	-	-	-	-	2,225,341	2,296,753	23,193	2,319,946
Other comprehensive expense:											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(94,148)	-	-	(94,148)	(823)	(94,971)
Total comprehensive income for the period	-	71,412	-	-	-	(94,148)	-	2,225,341	2,202,605	22,370	2,224,975
Transactions with equity holders:											
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	53,711	53,711
Shares issued under share option scheme (note 18 (a))	845	-	231,529	-	-	-	(60,306)	-	172,068	-	172,068
Shares issued upon placement (note 18(b))	11,051	-	5,926,085	-	-	-	-	-	5,937,136	-	5,937,136
Distribution paid on perpetual capital securities (note 7)	-	(71,412)	-	-	-	-	-	-	(71,412)	-	(71,412)
Equity settled share-based payments (note 22)	-	-	-	-	-	-	2,428	-	2,428	-	2,428
Transfer upon forfeiture of share options	-	-	-	-	-	-	(11,161)	11,161	-	-	-
Transfer of reserves	-	-	-	-	4,391	-	-	(4,435)	(44)	-	(44)
Final dividends declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	-	(2,120,977)	(2,120,977)	-	(2,120,977)
Total transactions with equity holders	11,896	(71,412)	6,157,614	-	4,391	-	(69,039)	(2,114,251)	3,919,199	53,711	3,972,910
Balance at 30 June 2020	179,629	3,413,102	13,749,206	164,790	360,029	(76,508)	31,262	42,735,920	60,557,430	564,921	61,122,351



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2021

	Attributable to equity holders of the Company											
	Share capital	Perpetual capital securities	Share premium	Capital reserve	Statutory reserve	Fair value reserve (recycling)	Translation reserve	Share option reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2021	179,672	3,413,102	13,780,325	164,790	707,638	(148,955)	(52,514)	23,609	45,563,447	63,631,114	582,152	64,213,266
Profit for the period	-	63,697	-	-	-	-	-	-	2,317,439	2,381,136	27,952	2,409,088
Other comprehensive income/(expense):												
Change in fair value of notes receivable at fair value through other comprehensive income	-	-	-	-	-	13,247	-	-	-	13,247	105	13,352
Share of other comprehensive expense of joint venture	-	-	-	-	-	(27,267)	-	-	-	(27,267)	-	(27,267)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	24,933	-	-	24,933	448	25,381
Total comprehensive income for the period	-	63,697	-	-	-	(14,020)	24,933	-	2,317,439	2,392,049	28,505	2,420,554
Transactions with equity holders:												
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	11,771	11,771
Shares issued under share option scheme (note 18(a))	68	-	29,880	-	-	-	-	(5,844)	-	24,104	-	24,104
Equity settled share-based payments (note 22)	-	-	-	-	-	-	-	640,601	-	640,601	-	640,601
Transfer of reserves	-	-	-	-	48,441	-	-	-	(48,609)	(168)	-	(168)
Distribution paid on perpetual capital securities (note 7)	-	(63,697)	-	-	-	-	-	-	-	(63,697)	-	(63,697)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(65,068)	(65,068)
Final dividends declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	-	-	(1,611,904)	(1,611,904)	-	(1,611,904)
Total transactions with equity holders	68	(63,697)	29,880	-	48,441	-	-	634,757	(1,660,513)	(1,011,064)	(53,297)	(1,064,361)
Balance at 30 June 2021	179,740	3,413,102	13,810,205	164,790	756,079	(162,975)	(27,581)	658,366	46,220,373	65,012,099	557,360	65,569,459

The notes on pages 11 to 44 are an integral part of this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities			
Profit before taxation		2,920,638	2,640,140
Adjustments for non-cash items		3,111,578	2,058,095
Operating profit before working capital changes		6,032,216	4,698,235
Net changes in working capital		(1,445,582)	(7,104,704)
Cash generated from/(used in) operations		4,586,634	(2,406,469)
Income taxes paid		(469,582)	(831,689)
<i>Net cash generated from/(used in) operating activities</i>		4,117,052	(3,238,158)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,881,642)	(588,191)
Additions of intangible assets		(1,776,131)	(1,871,040)
Additions of land lease prepayments		(56)	–
Proceeds from disposal of subsidiaries in previous year		–	507,135
Proceeds from disposal of property, plant and equipment		159,136	18,537
Proceeds from disposal of intangible assets		117,471	–
Change in pledged bank deposits		57,915	6,766
Additional/initial capital injection in an associate		(50,087)	(490)
Interest received		286,557	96,769
<i>Net cash used in investing activities</i>		(3,086,837)	(1,830,514)
Cash flows from financing activities			
Dividends paid to non-controlling interests		(65,068)	–
Distribution paid on perpetual capital securities	7	(63,697)	(71,412)
Proceeds from issuance of shares upon exercise of share options	18(a)	24,104	172,068
Proceeds from issuance of shares upon placement	18(b)	–	5,937,136
Payment of lease liabilities		(19,391)	(19,046)
Interest paid		(60,663)	(67,518)
<i>Net cash (used in)/generated from financing activities</i>		(184,715)	5,951,228
Net increase in cash and cash equivalents		845,500	882,556
Cash and cash equivalents at the beginning of the period		18,976,843	19,281,216
Effect of foreign exchange rate changes		(22,700)	10,451
Cash and cash equivalents at the end of the period, represented by bank balances and cash		19,799,643	20,174,223

The notes on pages 11 to 44 are an integral part of this interim financial report.





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2021

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, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 18 August 2021.

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

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 2020.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

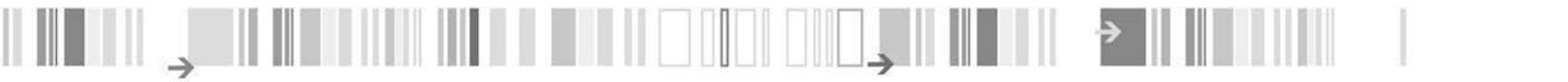
The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2020, except for the adoption of the following amended HKFRSs effective as of 1 January 2021.

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

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





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2021 *(Continued)*

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

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

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

Impact on measurement of financial assets and financial liabilities

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

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

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Issued but not yet effective HKFRSs

At the date of authorisation of this Interim Financial Report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

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

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

³ Effective date not yet determined

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

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

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

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

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

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

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents sales of automobiles, automobile parts and components, provision of research and development and related technological support services and licensing of intellectual properties, net of value-added taxes (“VAT”) or related sales taxes and net of discounts. Revenue was mainly derived from customers located in the People’s Republic of China (the “PRC”).

	Six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”)		
Disaggregated by major products/services		
– Sales of automobiles and related services	39,312,044	33,720,437
– Sales of automobile parts and components	4,636,222	2,675,112
– Research and development and related technological support services	446,825	–
– Licensing of intellectual properties	637,000	424,226
	45,032,091	36,819,775
Disaggregated by timing of revenue recognition		
– At a point in time	44,507,265	36,819,775
– Over time	524,826	–
	45,032,091	36,819,775

Segment information

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

4. OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government grants and subsidies (note)	626,183	615,190
Gain on disposal of scrap materials	27,139	28,867
Net foreign exchange gain	35,862	–
Rental income	17,264	9,060
Storage income	7,068	–
Sundry income	86,894	17,763
	800,410	670,880

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

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(a) Finance income and costs		
Finance costs		
Effective interest expense on bonds payable	1,658	1,826
Coupon expense on bonds payable	34,073	38,027
Interest on discounted notes receivable	86,074	–
Interest on lease liabilities	1,239	1,662
Interest on bank borrowings wholly repayable within five years	25,971	27,981
	149,015	69,496
Finance income		
Bank and other interest income	(249,750)	(158,019)
	(100,735)	(88,523)
(b) Staff costs (including directors' emoluments) (note (a))		
Salaries, wages and other benefits	2,111,412	2,150,748
Retirement benefit scheme contributions (note 21) (note (b))	177,957	119,331
Equity settled share-based payments (note 22)	640,601	2,428
	2,929,970	2,272,507



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

5. PROFIT BEFORE TAXATION (Continued)

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(c) Other items		
Depreciation (note (a)):		
– Owned assets	1,192,899	1,079,437
– Right-of-use assets (including land lease prepayments)	76,523	58,302
Total depreciation	1,269,422	1,137,739
Amortisation of intangible assets (related to capitalised product development costs)	1,964,903	1,377,468
Research and development costs	339,677	343,909
Cost of inventories (note (a))	36,880,884	30,518,177
Provision for inventories	–	17,729
Lease charges on short term leases	10,537	10,370
Net loss on disposal of property, plant and equipment	5,500	7,243
Net foreign exchange (gain)/loss	(35,862)	162,610

Notes:

- (a) Cost of inventories included RMB2,555,974,000 (six months ended 30 June 2020: RMB2,367,839,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.
- (b) Due to the impact of Covid-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme for the six months ended 30 June 2020.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

6. TAXATION

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax:		
– PRC enterprise income tax	748,707	417,315
– Under/(Over)-provision in prior years	15,478	(43,852)
	764,185	373,463
Deferred tax	(252,635)	(53,269)
	511,550	320,194

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 2021 and 2020.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the 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 2020: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the six months ended 30 June 2021 and 2020.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018, enterprises engaging in research and development activities were entitled to claim 175% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for the period up to 31 December 2020. With effect from 1 January 2021, these entities are entitled to claim 200% of their research and development costs (“Super Deduction”). The Group made its best estimate for the Super Deduction to be claimed for the Group’s PRC subsidiaries in ascertaining their assessable profits for the six months ended 30 June 2021 and 2020.

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 2020 of HK\$0.20 (six months ended 30 June 2020: HK\$0.25) per ordinary share, amounting to approximately RMB1,611,904,000 (six months ended 30 June 2020: RMB2,120,977,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2020 final dividend was paid in July 2021 and reflected as dividends payable in this Interim Financial Report.

In addition, the Company made a distribution on perpetual capital securities of RMB63,697,000 (six months ended 30 June 2020: RMB71,412,000) to the securities holders during the six months ended 30 June 2021.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on profit for the period attributable to ordinary equity holders of the Company of RMB2,317,439,000 (six months ended 30 June 2020: RMB2,296,753,000) and the weighted average number of ordinary shares of 9,819,349,883 shares (six months ended 30 June 2020: 9,288,710,418 shares), calculated as follows:

Profit attributable to ordinary equity holders of the Company

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company	2,381,136	2,296,753
Distribution paid on perpetual capital securities	(63,697)	-
	2,317,439	2,296,753

Weighted average number of ordinary shares

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January (note 18)	9,816,626,540	9,166,997,540
Effect of share options exercised	2,723,343	38,839,950
Effect of shares issued upon placement	-	82,872,928
	9,819,349,883	9,288,710,418

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit for the period attributable to ordinary equity holders of the Company of RMB2,317,439,000 (six months ended 30 June 2020: RMB2,296,753,000) and the weighted average number of ordinary shares of 9,824,357,024 shares (six months ended 30 June 2020: 9,296,957,635 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic) at 30 June	9,819,349,883	9,288,710,418
Effect of deemed issue of shares under the Company's share option scheme (excluding those share options with anti-dilutive effect)	5,007,141	8,247,217
	9,824,357,024	9,296,957,635



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment for the period/year are set out below:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net carrying amount		
At the beginning of the period/year	26,574,279	27,070,318
Additions	1,139,810	2,903,047
Disposals/written off	(164,636)	(93,703)
Disposed of through disposal of subsidiaries	-	(1,046,559)
Depreciation	(1,232,143)	(2,258,824)
At the end of the period/year	26,317,310	26,574,279

The Group has obtained the right to use office and factory premises as well as plant and machinery through the tenancy agreements. The leases typically run on initial periods from one to three years. The Group makes fixed payments during the contract period. During the six months ended 30 June 2021, the total additions to right-of-use assets were RMB27,844,000 (six months ended 30 June 2020: RMBNil).

As at 30 June 2021, the aggregate carrying amount of the Group's right-of-use assets in relation to the buildings, plant and machinery are RMB57,304,000 (as at 31 December 2020: RMB68,704,000).

10. INTANGIBLE ASSETS

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net carrying amount		
At the beginning of the period/year	18,610,115	17,597,628
Additions	1,776,131	4,191,189
Disposals/written off	(117,471)	(28,594)
Amortisation	(1,964,903)	(3,150,108)
At the end of the period/year	18,303,872	18,610,115



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

11. INTERESTS IN ASSOCIATES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Share of net assets	570,739	497,847
Impairment loss recognised	(3,349)	(3,349)
	567,390	494,498

During the six months ended 30 June 2021, 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”) 20,087,000 (equivalent to approximately RMB50,087,000) and BYN32,369,000 (equivalent to approximately RMB82,553,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN182,079,000 (equivalent to approximately RMB672,963,000) to BYN234,535,000 (equivalent to approximately RMB805,603,000). As a result of such an increase in registered capital, the Group’s equity interests in BELGEE were increased from 36.3% to 36.7% and the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

12. INTERESTS IN JOINT VENTURES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Share of net assets	8,967,049	9,194,017
Represented by:		
Cost of unlisted investments	7,279,102	7,279,102
Unrealised gain on disposal of a subsidiary to a joint venture	(14,943)	(14,943)
Share of post-acquisition results and other comprehensive income	1,702,890	1,929,858
	8,967,049	9,194,017



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

12. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's joint ventures as at 30 June 2021 and 31 December 2020 were as follows:

Name of joint ventures	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group		Principal activities
				As at 30 June 2021	As at 31 December 2020	
Genius Auto Finance Company Limited [#] ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB4,000,000,000	80%	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd. [#] ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	50%	50%	Manufacturing and sales of vehicles under the "Lynk&Co" brand
Zhejiang Geely AISIN Automatic Transmission Company Limited [#] ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司	PRC	Incorporated	United States dollars ("US\$") 117,000,000	40%	40%	Manufacturing and sale of front-wheel drive 6-speed automatic transmissions and related parts and components

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

As at 30 June 2021, the exercise price of the Call Option and the exact percentage of equity interest in the Genius AFC to be acquired by BNPP PF have not been determined and are subject to agreement by the parties. Please refer to the Company's announcement dated 12 August 2020 for further details.

[#] 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 2021

12. INTERESTS IN JOINT VENTURES (Continued)

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

	Zhejiang AISIN		LYNK & CO Group		Genius AFC	
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Non-current assets	1,284,080	1,292,789	11,213,301	11,472,910	1,445,778	1,377,922
Current assets	316,180	346,304	14,470,585	12,615,050	47,177,300	44,753,614
Current liabilities	(76,700)	(74,922)	(14,252,163)	(11,399,157)	(26,575,213)	(26,308,969)
Non-current liabilities	(868,525)	(850,000)	(3,711,485)	(3,605,660)	(15,973,041)	(14,345,417)
Net assets	655,035	714,171	7,720,238	9,083,143	6,074,824	5,477,150

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	285,498	281,310	3,927,153	660,772	5,212,698	3,866,230
Current financial liabilities (excluding trade and other payables and provisions)	-	-	(503,797)	(1,059,166)	(22,772,656)	(22,288,975)
Non-current financial liabilities (excluding trade and other payables and provisions)	(650,000)	(650,000)	(980,875)	(952,551)	(15,973,041)	(14,345,417)

	Zhejiang AISIN		LYNK & CO Group		Genius AFC	
	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	-	-	14,319,248	8,039,385	2,006,949	1,525,181
(Loss)/Profit for the period	(59,136)	(23,048)	462,357	188,594	597,674	423,160
Other comprehensive (expense)/ income for the period	-	-	(47,884)	2,791	-	-
Total comprehensive (expense)/ income for the period	(59,136)	(23,048)	414,473	191,385	597,674	423,160
Dividend from a joint venture (note 14)	-	-	888,689	-	-	-

The above loss/profit for the period including the following:

Depreciation and amortisation	(8,866)	(556)	(1,323,028)	(668,458)	(14,572)	(15,820)
Interest income	672	3,057	34,057	16,675	1,972,951	1,489,746
Interest expense	(10,465)	-	(54,515)	(17,864)	(816,415)	(612,561)
Income tax expense	-	-	(134,535)	(13,187)	(200,220)	(141,053)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

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 was as follows:

	Zhejiang AISIN		LYNK & CO Group		Genius AFC	
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Net assets of the joint ventures	655,035	714,171	7,720,238	9,083,143	6,074,824	5,477,150
The Group's effective interests in the joint ventures	40%	40%	50%	50%	80%	80%
The Group's share of the net assets of the joint ventures	262,014	285,668	3,860,119	4,541,572	4,859,859	4,381,720
Unrealised gain on disposal of a subsidiary to a joint venture	-	-	(14,943)	(14,943)	-	-
Carrying amount of the Group's interests in joint ventures	262,014	285,668	3,845,176	4,526,629	4,859,859	4,381,720

13. INVENTORIES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Raw materials	1,700,247	1,551,512
Work in progress	347,234	388,113
Finished goods	1,900,364	1,751,006
	3,947,845	3,690,631



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

14. TRADE AND OTHER RECEIVABLES

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade and notes receivables			
Trade receivables, net of loss allowance			
– Third parties		447,645	429,220
– Joint ventures		256,426	339,094
– Associates		1,473,002	976,738
– Related companies controlled by the substantial shareholder of the Company		1,403,631	2,185,944
	(a)	3,580,704	3,930,996
Notes receivable	(b)	16,539,024	20,625,550
		20,119,728	24,556,546
Deposits, prepayments and other receivables			
Prepayments to suppliers			
– Third parties		804,162	194,981
– Related companies controlled by the substantial shareholder of the Company		107,344	401,883
		911,506	596,864
Deposits paid for acquisition of property, plant and equipment		125,372	164,359
Dividend receivable from a joint venture (note 12)		888,689	–
Other contract costs	(c)	382,691	359,283
Utility deposits and other receivables		1,267,643	675,949
VAT and other taxes receivables		2,719,358	2,207,356
		6,295,259	4,003,811
Amounts due from related companies controlled by the substantial shareholder of the Company	(d)	119,903	260,231
		6,415,162	4,264,042
		26,534,890	28,820,588
Representing:			
– Current		25,800,383	27,868,232
– Non-current		734,507	952,356
		26,534,890	28,820,588

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

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 from sales of automobiles, automobile parts and components and provision of research and development and related technological support services. In respect of the trade receivables from related companies arising from the licensing of intellectual properties, it will be settled within five years in accordance with the contract terms. Ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the reporting date was as follows:

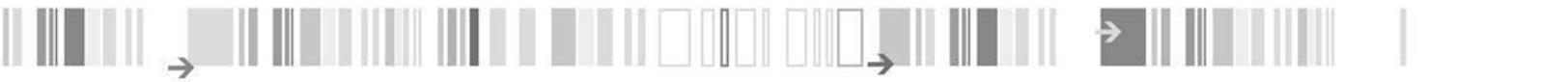
	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 – 60 days	1,063,913	2,024,533
61 – 90 days	30,167	10,291
91 – 365 days	141,995	363,989
Over 365 days	485,768	330,687
	1,721,843	2,729,500

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 – 60 days	1,084,139	478,452
61 – 90 days	191,859	212,027
91 – 365 days	486,556	416,796
Over 365 days	96,307	94,221
	1,858,861	1,201,496

As at 30 June 2021, the Group has adopted average expected loss rate of 5% (as at 31 December 2020: 5%) on the gross carrying amount of trade receivables amounted to RMB3,679,671,000 (as at 31 December 2020: RMB4,025,484,000). The loss allowance as at 30 June 2021 is RMB98,967,000 (as at 31 December 2020: RMB94,488,000).





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

14. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Notes receivable

All notes receivable are denominated in RMB. As at 30 June 2021 and 31 December 2020, all notes receivable were guaranteed by established banks in the PRC and had maturities of less than one year from the reporting date.

The Group manages its notes receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, notes receivable are classified as financial assets at fair value through other comprehensive income (recycling) in accordance with HKFRS 9 “Financial Instruments” and are stated at fair value. The fair value is based on the net present value as at 30 June 2021 and 31 December 2020 from expected timing of endorsements and discounting at the interest rates for the respective notes receivable. The fair value is within level 2 of the fair value hierarchy.

As at 30 June 2021, the Group endorsed certain notes receivable accepted by banks in the PRC (the “Endorsed Notes”) with carrying amount of RMB687,661,000 (as at 31 December 2020: RMB646,804,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. As at 30 June 2021, the aggregate carrying amount of the trade payables settled by the Endorsed Notes during the period to which the suppliers have recourse was RMB687,661,000 (as at 31 December 2020: RMB646,804,000).

As at 30 June 2021, the Group discounted and endorsed certain notes receivable accepted by banks in the PRC (the “Derecognised Notes”) to certain banks in order to obtain additional financing or to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amount in aggregate of RMB30,614,869,000 (as at 31 December 2020: RMB24,756,861,000). The Derecognised Notes had a maturity of less than one year (as at 31 December 2020: less than one year) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default on the Derecognised Notes (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated liabilities. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts.

(c) Other contract costs

Other contract costs capitalised as at 30 June 2021 and 31 December 2020 related to the costs incurred in providing internet connectivity services that are used to satisfy the performance obligations for providing such services to customers in the respective sales of automobile contracts at the reporting date. Contract costs are amortised in line with the recognition of the respective revenue in accordance with the terms of the contracts. There was no impairment in relation to the contract costs capitalised during the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).

(d) 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 2021

15. TRADE AND OTHER PAYABLES

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade and notes payables			
Trade payables			
– Third parties		21,889,699	27,315,141
– Associates		1,204,772	1,334,777
– Joint ventures		16,868	2,711
– Related companies controlled by the substantial shareholder of the Company		1,387,720	1,265,467
	(a)	24,499,059	29,918,096
Notes payable	(b)	143,178	311,273
		24,642,237	30,229,369
Other payables			
Receipts in advance from customers	(c)		
– Third parties		3,184,904	2,589,346
– Associates		5,362	5,004
– Joint ventures		182,986	965
– Related companies controlled by the substantial shareholder of the Company		316,025	195,696
		3,689,277	2,791,011
Deferred government grants which conditions have not been satisfied		2,100,000	900,000
Payables for acquisition of property, plant and equipment		1,719,462	2,528,125
Accrued staff salaries and benefits		550,151	1,282,871
VAT and other taxes payables		622,596	711,812
Dividends payable		1,611,904	–
Other accrued charges and payables	(d)	3,457,696	3,130,626
		13,751,086	11,344,445
Amounts due to related companies controlled by the substantial shareholder of the Company	(e)	121,129	328,050
		13,872,215	11,672,495
		38,514,452	41,901,864
Representing:			
– Current		37,875,318	41,516,307
– Non-current		639,134	385,557
		38,514,452	41,901,864



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

15. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
0 – 60 days	21,327,068	26,609,028
61 – 90 days	2,224,207	2,580,039
91 – 365 days	836,667	498,567
Over 365 days	111,117	230,462
	24,499,059	29,918,096

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

(b) Notes payable

All notes payable are denominated in RMB and are notes paid and/or payable to third parties for the settlement of trade payables. As at 30 June 2021 and 31 December 2020, all notes payable had maturities of less than six months from the reporting date.

As at 30 June 2021 and 31 December 2020, the Group had no pledged bank deposits to secure the notes payable.

(c) Receipts in advance from customers

The following amounts represent (i) the advances received from customers for the sales of automobiles, automobile parts and components; and (ii) the obligation for service agreed to be part of the sales of automobiles, that the respective revenue will be recognised when the performance obligation is satisfied after the automobiles, automobile parts and components and services were delivered to the customers.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Relating to the sales of automobiles, automobile parts and components	2,940,775	2,333,435
Relating to the obligation for service agreed to be part of the sales of automobiles	748,502	457,576
	3,689,277	2,791,011



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

15. TRADE AND OTHER PAYABLES (Continued)

(c) Receipts in advance from customers (Continued)

The increase in receipts in advance from customers (six months ended 30 June 2020: decrease) was mainly due to the increase (six months ended 30 June 2020: decrease) in advances received from customers in relation to sales of automobiles, automobile parts and components for the six months ended 30 June 2021.

Receipts in advance from customers outstanding at the beginning of the period amounting to RMB2,389,952,000 (six months ended 30 June 2020: RMB4,940,701,000) have been recognised as revenue during the period.

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within one year	109,368	72,019
More than one year	639,134	385,557
	748,502	457,576

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

(d) Other accrued charges and payables

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

(e) Amounts due to related companies

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

16. BONDS PAYABLE

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

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

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

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carrying amount		
At the beginning of the period/year	1,949,735	2,060,085
Exchange differences	(18,240)	(113,914)
Interest expenses	1,658	3,564
	<hr/>	<hr/>
At the end of the period/year	1,933,153	1,949,735

17. BANK BORROWINGS

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank loans, unsecured	1,937,220	1,959,750

As at 30 June 2021 and 31 December 2020, the Group's bank borrowings were carried at amortised cost, repayable in July 2022 and interest-bearing at the London Interbank Offered Rates plus 0.95% 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.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

18. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2020 (audited) and 30 June 2021 (unaudited)	12,000,000,000	246,720
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2020	9,166,997,540	167,733
Shares issued under share option scheme	49,629,000	888
Shares issued upon placement (note (b))	600,000,000	11,051
At 31 December 2020 and 1 January 2021	9,816,626,540	179,672
Shares issued under share option scheme (note (a))	4,050,000	68
At 30 June 2021 (unaudited)	9,820,676,540	179,740

Notes:

- (a) During the six months ended 30 June 2021, share options were exercised to subscribe for 4,050,000 ordinary shares (six months ended 30 June 2020: 45,779,000 ordinary shares) of the Company at a consideration of approximately RMB24,104,000 (six months ended 30 June 2020: RMB172,068,000) of which approximately RMB68,000 (six months ended 30 June 2020: RMB845,000) was credited to share capital and approximately RMB24,036,000 (six months ended 30 June 2020: RMB171,223,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB5,844,000 (six months ended 30 June 2020: RMB60,306,000) was transferred to the share premium account.
- (b) On 29 May 2020, the Company entered into a placing agreement (the "Placing Agreement") with placing agents, to procure not less than six placees who are independent third parties to the Company to subscribe for 600,000,000 placing shares at the placing price of HK\$10.8 per placing share (the "Placing"). All conditions of the Placing Agreement were fulfilled. The Placing was completed and fully subscribed on 5 June 2020. The gross proceeds from the Placing amounted to approximately HK\$6,480,000,000 (equivalent to approximately RMB5,967,432,000) and the related directly attributable expenses were approximately HK\$32,899,000 (equivalent to approximately RMB30,296,000).



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

19. PERPETUAL CAPITAL SECURITIES

On 9 December 2019, the Company (the “Issuer”) issued 4% senior perpetual capital securities with an aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,425,857,000) (the “Securities”) which are listed on Singapore Exchange Securities Trading Limited at an issue price of 99.641%. Transaction costs relating to the issue of the Securities amounted to approximately RMB12,755,000. Distribution is payable semi-annually in arrears in equal instalments on 9 June and 9 December of each year based on the distribution rate as defined in the subscription agreement. Distribution by the Issuer may be deferred at its sole discretion. The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer’s option on 9 December 2024, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower rank.

As the Securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32 “Financial Instruments: Presentation”, they are classified as equity for accounting purpose. Any distributions made by the Issuer to the holders of the Securities will be deducted directly to equity in the condensed consolidated financial statements.

20. COMMITMENTS

Capital commitments

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

	As at 30 June 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Contracted but not provided for, net of deposits/investment paid		
– purchase of property, plant and equipment	821,031	1,065,835
– investment in an associate (note (a))	440,510	440,510
– investment in a joint venture (note (b))	606,996	613,341
– acquisition of subsidiaries (notes (c) and (d))	3,020,000	–
	4,888,537	2,119,686



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

20. COMMITMENTS (Continued)

Capital commitments (Continued)

Notes:

- (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, Times Geely Power Battery Company Limited# 時代吉利動力電池有限公司 (“Times Geely”). Pursuant to the terms of the Investment Agreement 1, Times Geely will be owned as to 49% by Jirun Automobile and as to 51% by CATL Battery, respectively. The registered capital of Times Geely 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, respectively. As at 30 June 2021, the Group and CATL Battery contributed RMB49,490,000 and RMB51,510,000, respectively, to Times Geely.
- (b) On 12 June 2019, Shanghai Maple Guorun Automobile Company Limited# 上海華普國潤汽車有限公司 (“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 (the “JV 1”) to principally engage in the production and sales of batteries for electric vehicles. Pursuant to the terms of the Investment Agreement 2, the registered capital of the JV 1 will be US\$188,000,000 (equivalent to approximately RMB1,213,992,000), and will be contributed as to 50% (US\$94,000,000 or equivalent to approximately RMB606,996,000) and 50% (US\$94,000,000 or equivalent to approximately RMB606,996,000) by Maple Guorun and LG Chem, respectively. As at 30 June 2021, the formation of the JV 1 had not yet been completed. Please refer to the Company’s announcement dated 12 June 2019 for further details.
- (c) On 28 April 2021, Maple Guorun and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Maple Guorun conditionally agreed to acquire, and the fellow subsidiary conditionally agreed to sell the entire equity interests of Ningbo Zeekr Intelligent Technology Company Limited# 寧波極氪智能科技有限公司 (“Zeekr Technology”) for a cash consideration of approximately RMB485.3 million. Zeekr Technology is engaged in the research and development, purchase and sale of the electric mobility related products under the “Zeekr” brand. The acquisition of Zeekr Technology was completed in July 2021. Please refer to the Company’s announcement dated 28 April 2021 for further details.

However, as at the date of this Interim Financial Report, the initial accounting for the business combination has not yet been completed.

- (d) On 13 May 2021, Jirun Automobile and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile conditionally agreed to acquire, and the fellow subsidiary conditionally agreed to sell the entire equity interests of Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 (“Changxing Components”) for a cash consideration of approximately RMB2,534.7 million. Changxing Components is engaged in the research, development, production and sale of complete knock down kits, related automobile components and provision of after-sales services. The acquisition of Changxing Components was completed in July 2021. Please refer to the Company’s announcement dated 13 May 2021 for further details.

However, as at the date of this Interim Financial Report, the initial accounting for the business combination has not yet been completed.

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 2021

20. COMMITMENTS (Continued)

As lessee

As at the reporting date, the lease commitments for short-term leases were as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Office and factory premises		
– Within one year	143	322

As at 30 June 2021 and 31 December 2020, the Group leases a number of office and factory premises which are qualified to be accounted for under short-term lease exemption under HKFRS 16 “Leases”.

As lessor

As at the reporting date, the total future minimum lease receipts in respect of certain portion of buildings under non-cancellable operating leases were receivables as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Buildings		
– Within one year	1,776	5,557
– After one year but within two years	–	284
	1,776	5,841

Leases are negotiated and rental are fixed for an initial period of one to five years (as at 31 December 2020: one to five years).

21. RETIREMENT BENEFITS SCHEME

The Group participates in Mandatory Provident Fund Scheme (“MPF Scheme”) established under the Mandatory Provident Fund Schemes 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.

During the six months ended 30 June 2021, the aggregate employer’s contributions made by the Group and charged to the condensed consolidated income statement amounted to RMB177,957,000 (six months ended 30 June 2020: RMB119,331,000).



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

22. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

The Company operates a share option scheme for eligible participants of the Group. Details of the terms of the scheme were set out in the Group's annual financial statements for the year ended 31 December 2020.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015 and prior to 1 January 2021, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year after the first year of the grant date. For those share options granted after 1 January 2021, none of the share options will be vested in the first two years, one-fifth of share options granted will vest in every year after the two years of the grant date.

2021 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Exercised during the period	Outstanding at 30 June
Directors	23 March 2012 to 22 March 2022	4.07	2,400,000	-	(1,400,000)	1,000,000
	15 January 2023 to 14 January 2028	32.70	-	62,500,000	-	62,500,000
			2,400,000	62,500,000	(1,400,000)	63,500,000
Employees	23 March 2012 to 22 March 2022	4.07	3,600,000	-	(1,150,000)	2,450,000
	7 September 2019 to 6 September 2023	15.96	600,000	-	-	600,000
	15 January 2023 to 14 January 2028	32.70	-	566,610,000	-	566,610,000
			4,200,000	566,610,000	(1,150,000)	569,660,000
Other eligible participants	31 March 2018 to 30 March 2022	12.22	3,100,000	-	(1,500,000)	1,600,000
	14 January 2021 to 13 January 2025	16.04	800,000	-	-	800,000
			3,900,000	-	(1,500,000)	2,400,000
			10,500,000	629,110,000	(4,050,000)	635,560,000



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

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

2020 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June
Directors	23 March 2012 to 22 March 2022	4.07	2,400,000	–	–	–	2,400,000
Employees	18 January 2010 to 17 January 2020	4.07	34,132,000	–	(33,132,000)	(1,000,000)	–
	21 April 2010 to 20 April 2020	4.07	4,060,000	–	(4,000,000)	(60,000)	–
	23 March 2012 to 22 March 2022	4.07	5,200,000	–	(150,000)	–	5,050,000
	2 June 2016 to 1 June 2020	4.08	300,000	–	(300,000)	–	–
	7 September 2019 to 6 September 2023	15.96	600,000	–	–	–	600,000
			44,292,000	–	(37,582,000)	(1,060,000)	5,650,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	8,197,000	–	(8,197,000)	–	–
	31 March 2018 to 30 March 2022	12.22	5,500,000	–	–	–	5,500,000
	14 January 2021 to 13 January 2025	16.04	–	800,000	–	–	800,000
			13,697,000	800,000	(8,197,000)	–	6,300,000
			60,389,000	800,000	(45,779,000)	(1,060,000)	14,350,000

During the six months ended 30 June 2021, 629,110,000 options were granted on 15 January 2021 with total estimated fair values of approximately RMB5,091,294,000. The closing price of the Company's shares on the date on which the options were granted was HK\$31.20. The exercise price of the share options granted was HK\$32.70 per share.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

22. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

During the six months ended 30 June 2020, 800,000 options were granted on 14 January 2020 with total estimated fair values of approximately RMB3,731,000. The closing price of the Company's shares on the date on which the options were granted was HK\$16.04. The exercise price of the share options granted was HK\$16.04 per share.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair values were measured based on Binomial Option Pricing Model. The inputs into the model are as follows:

Grant date	15 January 2021	14 January 2020
Share price	HK\$31.20	HK\$16.04
Exercise price	HK\$32.70	HK\$16.04
Expected volatility	38.95%	48.08%
Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model)	7 years	5 years
Risk-free interest rate	0.55%	1.48%
Expected dividend yield	2%	1.40%

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share options granted.

During the six months ended 30 June 2021, the Group recognised a total expense of RMB640,601,000 (six months ended 30 June 2020: RMB2,428,000) 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 2021

23. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Related companies (notes (a) and (b))			
Zhejiang Geely Automobile Company Limited [#] 浙江吉利汽車有限公司	Sales of complete knock down kits	17,102,812	12,127,771
	Sales of complete buildup units, complete knock down kits and related after-sales parts	376,540	-
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	-	382,590
	Claims income on defective materials purchased	101,091	69,834
	Purchase of complete buildup units	17,718,344	12,649,753
	Claims paid on defective materials sold	105,103	71,669
	Sales of automobile parts and components	25,665	2,656
	Research, development and technology licensing service income	38,321	-
Zhejiang Geely Business Services Company Limited [#] 浙江吉利商務服務有限公司	Business travel services expense	32,269	33,864
Zhejiang Haoqing Automobile Manufacturing Company Limited [#] 浙江豪情汽車製造有限公司	Sales of complete knock down kits	14,600,158	17,070,104
	Sales of complete buildup units, complete knock down kits and related after-sales parts	551,870	-
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	-	16,669
	Claims income on defective materials purchased	97,665	87,032
	Purchase of complete buildup units	14,980,186	17,747,191
	Claims paid on defective materials sold	90,586	86,203
Zhejiang Geely Automobile Parts and Components Company Limited [#] 浙江吉利汽車零部件採購有限公司	Acquisition of property, plant and equipment (note (e))	56,491	-
	Purchase of automobile parts and components	283,766	313,245
Linyi Lingji Chunhua Automobile Sales Service Company Ltd. [#] 臨沂領吉春華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	81,070	53,680
Feixian Lingji Chunhua Automobile Sales Service Company Ltd. [#] 費縣領吉春華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	25,978	22,081



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

23. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in the 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Related companies (notes (a) and (b)) (Continued)			
Yishui Lingji Yuantong Automobile Sales Service Company Ltd. [#] 沂水領吉遠通汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	15,652	15,970
Dongying Lingji Kaihua Automobile Sales Service Company Ltd. [#] 東營領吉凱華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	28,865	18,211
Sichuan Lingji Automobile Manufacturing Company Limited (formerly know as Sichuan Geely Automobile Parts Company Limited) [#] 四川領吉汽車製造有限公司 (前稱四川吉利汽車部件有限公司)	Sales of powertrain and related components	563,668	24,119
	Purchase of complete knock down kits and automobile components	578,509	-
Linyi Lingji Maohua Automobile Sales Service Company Ltd. [#] 臨沂領吉茂華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	122,763	55,966
Ningbo Geely Automobile R&D Company Limited [#] 寧波吉利汽車研究開發有限公司	License fee income receivables	-	470,000
	Research, development and technology support service income	-	109,983
	Research, development and technology support service fee	-	2,058
	Research, development and technology licensing service income	1,032,706	-
	Research, development and technology licensing service fee	413,680	-
	Sales of powertrain and related components Acquisition of property, plant and equipment (note (e))	10,558 11,002	6,180 47
Viridi E-Mobility Technology (Suzhou) Co., Ltd. [#] 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	41,572	25,366
Viridi E-Mobility Technology (Ningbo) Co. Ltd. [#] 威睿電動汽車技術(寧波)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	285,531	18,625
Hubei Ecarx Company Limited [#] 湖北億咖通科技有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	39,605	458,254



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

23. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in the 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Related companies (notes (a) and (b)) (Continued)			
Shanxi New Energy Automobile Industrial Company Limited [#] 山西新能源汽車工業有限公司	Sales of complete knock down kits	1,975,027	421,011
	Purchase of complete buildup units	1,985,709	354,385
Volvo Personvagnar AB	Sales of powertrain and related components	456,698	201,139
Shanghai Meihuan Trade Company Limited [#] 上海美寰貿易有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts	344,610	–
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	–	88,088
	Operational service income	72,159	5,193
Geely Automobile Group Company Limited [#] 吉利汽車集團有限公司	Operational service fee	37,848	14,606
Changsha Geely New Energy Automobile Sales Company Limited [#] 長沙吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	12,965	71,879
Zhejiang Jichuang Automobile Parts Company Limited [#] 浙江吉創汽車零部件有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	1,340,959	906
Hangzhou Xuanyu Human Resources Company Limited [#] 杭州軒宇人力資源有限公司	Operational service fee	25,903	–
Chengdu Gaoyuan Automobile Industries Company Limited [#] (“Chengdu Automobile”) 成都高原汽車工業有限公司 (note (c))	Sales of complete knock down kits	716,380	–
	Purchase of complete buildup units	743,674	–
	Acquisition of property, plant and equipment (note (e))	30,441	–
Ningbo Hangzhou Bay Geely Automobile Components Company Limited [#] 寧波杭州灣吉利汽車部件有限公司	Purchase of complete buildup units	44,165	–
Xian Geely Automobile Company Limited [#] 西安吉利汽車有限公司	Acquisition of property, plant and equipment (note (e))	51,743	–
	Sales of powertrain and related components	95,162	–
	Purchase of complete buildup units	32,728	–
	Purchase of complete knock down kits and automobile components	478,254	–



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

23. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in the 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Related companies (notes (a) and (b)) (Continued)			
Zhejiang Jirun Meishan Automobile Parts Company Limited [#] 浙江吉潤梅山汽車部件有限公司	Purchase of complete buildup units	20,870	–
Lingji Automobile Trading Company Limited [#] 領吉汽車商貿有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	18,636	–
Shandong Geely New Energy Commercial Vehicle Co., Ltd. [#] 山東吉利新能源商用車有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts	21,855	–
Ningbo Jining Automobile Components Co., Ltd. [#] ("Ningbo Jining") 寧波吉寧汽車零部件有限公司 (note (d))	Purchase of automobile components (Automobile Components Procurement Agreement)	23,251	–
Beijing Lingjisheng Automobile Sales Service Co., Ltd. [#] 北京領吉盛汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	27,644	–
Jizhi (Hangzhou) Cultural Creativity Co., Ltd. [#] 吉智(杭州)文化創意有限公司	Business travel services expenses	60,412	–
Shanghai Jijin Mechanical and Electrical Equipment Company Limited [#] 上海吉津機電設備有限公司	Acquisition of property, plant and equipment (note (e))	31,254	–
Associates			
Mando (Ningbo) Automotive Parts Co., Limited [#] 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	711,492	477,018
BELGEE	Sales of automobile parts and components	400,824	306,794



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

23. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in the 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Joint ventures			
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd. ^{#^} 凱悅汽車大部件製造(張家口)有限公司	Sales of powertrain and related components	610,444	667,280
	Purchase of complete buildup units	13,102	5
	Operational service income	61,812	2,225
LYNK & CO Automobile Sales Company Limited ^{#^} 領克汽車銷售有限公司	Operational service income	80,361	67,996
	Purchase of complete buildup units	13,763	9,230
	Sales of complete buildup units and related after-sales parts, components and accessories	14,082	-
Yuyao LYNK & CO Auto Parts Company Limited ^{#^} 余姚領克汽車部件有限公司	Sales of powertrain and related components	493,178	122,949
	Operational service income	51,133	797
LYNK & CO (Zhangjiakou) Co., Ltd. ^{#^} 領克汽車(張家口)有限公司	Operational service income	50,104	-
LYNK & CO International Sales (Yuyao) Co., Ltd. ^{#^} 領克汽車國際銷售(余姚)有限公司	Operational service income	17,178	-
Genius AFC 吉致汽車金融	Interest income	136,452	62,442

Notes:

- The Group and the related parties are under the common control of the substantial shareholder, namely Zhejiang Geely Holding Group Company Limited[#] 浙江吉利控股集團有限公司 ("Geely Holding"), the Company's ultimate holding company.
- 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 and therefore the sales of complete knock down 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.
- Chengdu Automobile has been disposed by the Group in July 2020. The transactions represented sales, purchases and acquisition of property, plant and equipment after disposal.
- Ningbo Jining has been disposed by the Group in August 2020. The transactions represented purchases after disposal.
- Pursuant to the acquisition agreement dated 4 November 2020, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding, together with its subsidiaries ("Geely Holding Group") agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software for a maximum consideration of approximately RMB743,918,000.

[#] 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.

[^] The companies are the wholly-owned subsidiaries of LYNK & CO Investment.





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

24. EVENTS AFTER THE REPORTING DATE

Disposal of Maple Guorun

On 28 April 2021, Value Century Group Limited (“Value Century”) and Zhejiang Fulin Guorun Automobile Parts Company Limited# 浙江福林國潤汽車零部件有限公司 (“Zhejiang Fulin”), both wholly owned subsidiaries of the Company, a fellow subsidiary owned by the Company’s ultimate holding company and Zeekr Intelligent Technology Holding Limited (“Zeekr Holding”), an indirect 51% owned subsidiary of the Company, entered into a disposal agreement pursuant to which Zeekr Holding conditionally agreed to acquire through its indirect wholly foreign-owned subsidiary, and Value Century, Zhejiang Fulin and the fellow subsidiary conditionally agreed to sell, their respective 91%, 8% and 1% equity interest(s) of Maple Guorun, for a cash consideration of approximately RMB980.4 million in total. The disposal of Maple Guorun was completed in August 2021. Please refer to the Company’s announcement dated 28 April 2021 for further details.

Following the completion of the disposal, Maple Guorun continues to be a subsidiary of the Company and its financial results continues to be consolidated into the consolidated financial statements of the Group. As the disposal of Maple Guorun does not lead to a loss of the Group’s control over Maple Guorun, such disposal does not result in the recognition of any gain or loss in the consolidated income statement of the Group.

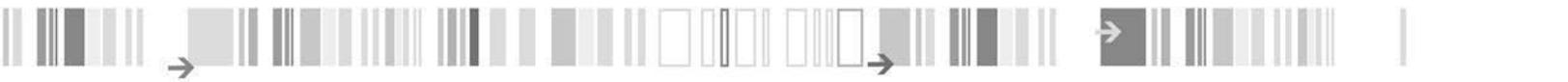
Acquisition of China-Euro Vehicle Technology AB (“CEVT”)

On 2 July 2021, Zeekr Holding and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Zeekr Holding conditionally agreed to acquire 100% of the equity interests in CEVT for a cash consideration of approximately 1,057.8 million Swedish Krona (equivalent to approximately RMB809.7 million). CEVT principally engaged in automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and provision of mobility technology solutions. The acquisition of CEVT has not yet been completed as at the date of this Interim Financial Report. Please refer to the Company’s announcement dated 2 July 2021 for further details.

Acquisition of Zhejiang Haohan Energy Technology Company Limited# 浙江浩瀚能源科技有 限公司 (“Haohan Energy”)

On 2 July 2021, Zeekr Holding and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Zeekr Holding conditionally agreed to acquire 30% of the equity interests in Haohan Energy for a cash consideration of approximately RMB9.0 million. Haohan Energy is principally engaged in the research and development of automobile charging systems and technologies, provision of automobile charging services and operation of automobile charging points and network. The acquisition of Haohan Energy has not yet been completed as at the date of this Interim Financial Report. Please refer to the Company’s announcement dated 2 July 2021 for further details.





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2021

24. EVENTS AFTER THE REPORTING DATE *(Continued)*

Subscription for additional capital in Viridi E-Mobility Technology (Ningbo) Co., Ltd.[#] 威睿 電動汽車技術（寧波）有限公司 (“Ningbo Viridi”)

On 2 July 2021, Zeekr Holding and fellow subsidiaries owned by the Company’s ultimate holding company entered into a subscription agreement pursuant to which Zeekr Holding conditionally agreed to subscribe for additional capital in Ningbo Viridi at a cash consideration of approximately RMB860.7 million. Upon completion of the subscription in Ningbo Viridi, Zeekr Holding will hold 51% of the enlarged share capital of Ningbo Viridi. Ningbo Viridi is principally engaged in the research, development, production and sale of automobile components including electric powertrain and battery systems and related products and provision of after-sales services. The subscription in Ningbo Viridi has not yet been completed as at the date of this Interim Financial Report. Please refer to the Company’s announcement dated 2 July 2021 for further details.

Formation of Joint Venture

On 27 July 2021, Jirun Automobile entered into the joint venture agreement with Sunwoda Electric Vehicle Battery Co., Ltd.[#] 欣旺達電動汽車電池有限公司 and a fellow subsidiary owned by the Company’s ultimate holding company, pursuant to which the parties agreed to form a joint venture (the “JV 2”) to engage in the development, production and sales of hybrid battery cells, battery modules and battery packs. The formation of the JV 2 has not yet been completed as at the date of this Interim Financial Report. Please refer to the Company’s announcement dated 28 July 2021 for further details.

[#] 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.

MANAGEMENT DISCUSSION AND ANALYSIS

2021 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 2021. 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 sales performance in the first half of 2021 was in line with the management’s expectations. The Group’s total sales volume in the China market increased 13% YoY to 576,815 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 2021, compared with a 27.0% YoY jump in the overall passenger vehicle sales volume in the China market during the same period, according to the data of China Association of Automobile Manufacturers (“CAAM Data”). The Group’s export sales volume surged 173% YoY to 53,422 units in the first half of 2021, helped by the robust recovery of demand in its major export markets as the impact of Covid-19 temporarily subsided. The Group sold a total of 630,237 units of vehicles (including the sales volume[#] of “Lynk&Co” vehicles sold by the Lynk&Co JV) in the first six months of 2021, representing a 19% YoY increase from 2020. Total revenue (excluding the revenue of the Lynk&Co JV) increased by 22% to RMB45.03 billion during the period. Gross margin ratio in the first half of 2021 was relatively stable as the impact from higher raw materials costs was largely offset by improving product mix. The 22% increase in administrative expenses (excluding share-based payments) during the period was primarily attributable to the increase in amortisation expenses as a result of substantial investment in research and development over the past years. Despite the inclusion of share-based payments amounted to RMB641 million under staff costs during the period, profit attributable to the equity holders of the Company in the first half of 2021 was still up 4% YoY to RMB2.38 billion. Excluding share-based payments, the profit attributable to the equity holders of the Company was actually up 31% to RMB3.02 billion during the period. However, diluted earnings per share (EPS) was down 4% to RMB23.59 cents, primarily attributable to the 600 million placing shares issued in early June 2020.

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

Financial Resources

As a result of higher revenue and operating profit in the first half of 2021, the Group’s financial position remained very strong at the end of June 2021. The Group’s total cash level (bank balances and cash + pledged bank deposits) increased by 4% from the end of 2020 to RMB19.92 billion at the end of June 2021, while its total borrowings (including bank loans and the 5-year US\$300 million 3.625% bonds due 2023 (the “Bonds”)) stayed at RMB3.87 billion, which was at similar level at the end of 2020. Net cash on hand (total cash level – total borrowings – perpetual capital securities) was up to RMB12.6 billion, versus a net cash level of RMB11.8 billion six months ago. In addition, net notes receivable (bank notes receivable – bank notes payable) at the end of June 2021 amounted to RMB16.4 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivable with the banks.

The Group has been assigned credit ratings from both Standard & Poor’s Ratings Services and Moody’s Investors Service. Standard & Poor’s corporate credit rating on the Group is currently “BBB-/Negative”. Separately, Moody’s Investors Service assigned the Group’s credit rating as “Baa3” issuer rating with “stable” outlook.



MANAGEMENT DISCUSSION AND ANALYSIS

Placing of 600 million new shares

On 29 May 2020, the Company and the placing agents entered into the placing agreement, pursuant to which the Company agreed to appoint the placing agents, and the placing agents agreed to act (on a several but not joint nor joint and several basis) as placing agents for procuring, on a best effort basis, as agents of the Company, placees for 600,000,000 placing shares at the placing price of HK\$10.8 per placing share on the terms and subject to the conditions set out in the placing agreement.

The placing was completed on 5 June 2020 and a total of 600 million placing shares have been successfully placed by the placing agents. The net proceeds received by the Company from the placing, after deducting related fees and expenses, are approximately HK\$6,447 million. The Company applied such net proceeds for business development and general working capital of the Group.

As at the date of this report, the net proceeds have been fully utilized as below:

	Intended allocation of proceeds RMB('000)	Actual use of proceeds as disclosed in last annual report RMB('000)	Actual use of proceeds since the publication date of last annual report till 30 June 2021 RMB('000)
Business developments			
- addition to property, plant and equipment		1,484,920	433,033
- addition to intangible assets (i.e. capitalised product development costs)		2,205,776	629,659
- research and product development costs (i.e. not qualified for capitalisation)		153,713	123,677
General working capital (i.e. remuneration of directors and employees, legal and professional fees and other administrative expenses)		700,726	205,632
Total	5,937,136	4,545,135	1,392,001

Proposed RMB Share Issue

Reference is made to the announcements dated 17 June 2020, 24 June 2020, 1 September 2020, 17 September 2020 & 28 September 2020 and the circular dated 6 July 2020 (the "Circular") of the Company in relation to, among other things, the Proposed RMB Share Issue under the Specific Mandate to be listed on the Sci-Tech Board. Unless otherwise stated, terms defined in the Circular shall have the same meanings when used in this section.

In view of the Company's business decisions and strategic adjustments, after careful studies and discussion with the professional parties involved in the Proposed RMB Share Issue and as considered and approved by the Board in the Board meeting held on 25 June 2021, the Company decided to withdraw the application for the Proposed RMB Share Issue on the Sci-Tech Board.

Thanks to the healthy business operation of the Group, withdrawing the application for the Proposed RMB Share Issue on the Sci-Tech Board would not give rise to any material adverse impact on the financial position or operation of the Group. When the relevant conditions are met, the Company would actively promote the listing work of Renminbi share issuance.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Combination and Collaboration with Volvo Cars

On 24 February 2021, the Company announced that it and Volvo Car AB (publ) (“Volvo Cars”) (hereinafter collectively referred to as the “Parties”) have found the best combination solution. While maintaining their existing independent corporate structure, the Parties will carry out the following series of business combination and collaboration (hereinafter collectively referred to as “Business Combination and Collaboration” or “Combination Solution”):

- **Powertrain**

To combine powertrain operations through equity merger in order to provide powertrain products to the Parties and to develop powertrain products and next-generation dual-motor hybrid system (applicable to hybrid electric vehicles and plug-in hybrid electric vehicles) for the Parties. The post-merger powertrain company will commence operation this year and will offer products and services to other automobile companies.

- **Electrification**

To jointly develop the next-generation modular electric vehicle architecture for use by the Parties, the “Lynk&Co” brand (an automobile brand operated by a joint venture of the Parties and their substantial shareholder, 浙江吉利控股集团有限公司 (Zhejiang Geely Holding Group Company Limited) (“Geely Holding”)) and the Polestar brand (an automobile brand operated by a joint venture of Volvo Cars and Geely Holding), on the basis of the current sharing of two modular electric vehicle architectures, namely Sustainable Experience Architecture (SEA) and Scalable Product Architecture 2 (SPA 2). Also, to share technologies on electrification (including battery packs and electric drive systems) and intelligent connectivity and carry out joint procurement to reduce costs.

- **Autonomous driving**

To jointly develop advanced autonomous driving solution under the lead of Zenseact AB, an autonomous driving software development company and a subsidiary of Volvo Cars.

- **Operational collaboration**

The “Lynk&Co” brand was officially launched in Europe at the end of last year, and will gradually provide its service to global customers through overseas sales channels and after-sales network of Volvo Cars.

Both Parties believe that the above Business Combination and Collaboration is made based on their close collaboration and good synergies in the past 10 years, and is formulated based on the existing foundation in order to cope with tremendous changes in the global automobile industry. This best Combination Solution continues to explore the synergetic business areas of the Parties. While enjoying the advantages of a business combination, the Parties could continue to maintain their existing merits of effective decision-making, capitalize on familiar market segments and regional advantages, and protect the interests of their respective shareholders. Meanwhile, the above Combination Solution could eliminate the uncertainty that will bring to their respective shareholders and potential investors from equity merger of the Parties. In addition, the above Combination Solution will allow the Parties to achieve better sustainable development in their respective business areas, enabling the Parties to truly realize the maximum value of combination synergy and seek maximum return for the respective shareholders of the Parties.

Save for disclosed above, as at the date of this report, no concrete timetable or detailed plans of the above Business Combination and Collaboration have been concluded.



MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development

During the first six months ended 30 June 2021, the Group recognised a total expense of RMB2,304.6 million (six months ended 30 June 2020: RMB1,721.4 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:

	2021	2020	YoY change
	RMB('000)	RMB('000)	(%)
Amortisation of intangible assets (i.e. capitalised product development costs)	1,964,903	1,377,468	43
Research and product development costs (i.e. not qualified for capitalisation)	339,677	343,909	(1)
Total research and development costs charged to profit or loss	2,304,580	1,721,377	34

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

Vehicle Manufacturing

The Group sold a total of 630,237 units of vehicles (including the sales volume of “Lynk&Co” vehicles sold by the Lynk&Co JV) in the first half of 2021, up 19% YoY, driven by strong rebound of passenger vehicle demand in the China market and despite the Group’s decision to phase out some older models since the beginning of this year. As most of the Group’s new model launches in 2021 would cluster towards the second half of the year, the Group’s lack of new products in the first half of 2021 also restricted the Group’s sales performance during the period, resulting in much slower sales growth as compared to the overall passenger vehicle market in China during the same period.

The Group’s domestic sales volume in the first half of 2021 increased 13% YoY to 576,815 units (including the sales volume of “Lynk&Co” vehicles sold by the Lynk&Co JV). Also, the Group’s export sales volume recorded 173% YoY increase to 53,422 units in the first half of 2021, helped by the robust recovery of demand in its major export markets as the impact of Covid-19 temporarily subsided. Export sales accounted for 8.5% of the Group’s total sales volume in the first half of 2021, compared with 3.7% in the same period of 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

The total sales volume of the Group's sport utility vehicle ("SUV") and cross-over models, amounted to 382,230 units, up 18% YoY and accounted for 61% of the Group's total sales volume in the first half of 2021. During the same period, the sales volume of the Group's sedan models was up 22% YoY to 240,708 units, accounting for 38% of the Group's total sales volume. The sales volume of the Group's only multi-purpose vehicle ("MPV") model (i.e. "Jiaji" (嘉际)) was down 22% YoY to 7,299 units, accounting for only 1% of the Group's total sales volume in the first half of 2021.

In the first half of 2021, the Group sold a total of 30,071 units of new energy and electrified vehicles ("NEEVs") models (including the sales volume of "Lynk&Co" vehicles sold by the Lynk&Co JV), up around 3% from the same period in 2020. Amongst the NEEVs sold in the first half of 2021, the best-selling models were "ICON MHEV", "Emgrand EV" and "Geometry C", which together accounted for around 58% of the total sales volume of NEEVs.

The Group's average ex-factory selling price ("ASP") increased by 6% YoY in the first half of 2021. After incorporating the sales of "Lynk&Co" vehicles sold by the Lynk&Co JV on a proforma basis, the Group's combined ASP recorded a 10% YoY increase.

In the first half of 2021, the Group's products were 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 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 2021, the Group had 975 dealers in China, marketing vehicles under "Geely" brand. The "Geometry" brand had 234 dealers in China. The Lynk&Co JV adopted a different marketing and distribution system in China. It served its customers via 278 Lynk&Co Centres and 10 Lynk&Co Spaces in China. The Lynk&Co JV started its official operation in the European market in the first half of 2021, shipping a total of 3,646 units of its "01" HEV and "01" PHEV models there during the period.

New Products

New energy vehicles and vehicle models featured smart and intelligent capabilities would be the Group's focus in new products offering in the second half of 2021. In the future, for brand new product launches, new energy version will be offered at the same time as the internal combustion engine ("ICE") version. Under the Lynk&Co brand, PHEV version of the cross-over model "05" was successfully launched in May 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group plans to launch the following new products in the second half of 2021:

Under the “Geely” brand:

- A compact sedan model; and
- A compact SUV model, developed under the Compact Modular Architecture (“CMA”).

Under the “Lynk&Co” brand:

- A full size SUV model, developed under the Scalable Platform Architecture (“SPA”).

Under the “Geometry” brand:

- An electric A00 SUV model.

Under the “Zeekr” brand:

- An electric shooting brake model (“Zeekr001”), developed under the Sustainable Experience Architecture (“SEA”).

Genius AFC

Genius Auto Finance Company Limited (“Genius AFC”), the Group’s 80%-owned vehicle financing joint-venture with BNP Paribas Personal Finance (“BNPP PF”), is principally engaged in the provision of auto wholesales financing solutions to auto dealers and retail financing solutions to end customers, mainly supporting three key auto brands under Geely Holding Group, including “Geely”, “Lynk&Co” and “Volvo Car”. Helped by the strong recovery in China’s vehicle market after the outbreak of Covid-19, Genius AFC’s auto finance business continued to exhibit strong growth, with 30% YoY increase in the number of new retail financing contracts in the first half of 2021. By the end of June 2021, its total outstanding loan assets were RMB42.6 billion, with 22% YoY increase. With a healthy level of interest rate spread and a relatively low default rate as a result of enhanced sales management and effective risk control, Genius AFC achieved good earnings performance with its net profit increasing 41% YoY to RMB598 million in the first six months of 2021.

Despite intensive competitions from commercial banks, Genius AFC still achieved its milestone in the first half of 2021 by actively managing funding costs and expanding into new business areas. During the period, Genius AFC continued to broaden its diversity on external funds channels including syndicated loans, bilateral bank facilities, and asset-backed security (“ABS”). During the six months ended 30 June 2021, Genius AFC had successfully launched two ABS issuances with cumulative amount of RMB9.2 billion, providing further support to its business growth. In the remaining period of 2021, Genius AFC will strive to develop new financing solutions for other new brands under the Geely Holding Group like “Zeekr”.

On 11 August 2020, BNPP PF served a written notice to the Company on the exercise of the call option pursuant to which, subject to the agreement on the exercise price and other terms, BNPP PF will acquire from the Company such additional equity interest in Genius AFC to increase its equity interest in Genius AFC up to 50%. As at the date of this report, the exercise price of the call option and other terms have not been concluded by the Company and BNPP PF.



MANAGEMENT DISCUSSION AND ANALYSIS

LYNK&CO JV

Lynk&Co JV, the Group's 50%-owned joint venture with Volvo Car Corporation ("VCC") and Geely Holding (together with its subsidiaries, the "Geely Holding Group"), was incorporated in October 2017 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 Compact Modular Architecture ("CMA"), which is jointly developed by Geely Holding and VCC and licensed to the Lynk&Co JV.

Thanks to the full-period sales volume contribution of "05" & "06" models, during the first half of 2021, the total sales volume of the Lynk&Co JV amounted to 107,873 units, up 97% YoY. A brand new full size SUV model is scheduled to be launched in the second half of 2021.

Apart from the sales volume disclosed above, Lynk&Co JV started to deliver vehicles to its customers in the European market under its innovative subscription model[#] in the month of June 2021, during which a total of 231 units of vehicles were delivered to its subscription customers.

In the first half of 2021, Lynk&Co JV posted a net profit of RMB462 million, up 145% YoY. 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 278 stores called "Lynk&Co Centres" and 10 display and customer service centres called "Lynk&Co Spaces" in China at the end of June 2021. Outside China, Lynk&Co JV has 2 Clubs, namely "The Amsterdam Club" and "The Gothenburg Club", offering innovative mobility services to customers in Europe.

[#]: Subscription means that consumers use vehicles and ancillary services during the subscription service period through regular payment of vehicle subscription fees, including vehicle insurance, daily maintenance, data services, road assistance, etc..

Exports

The Group exported a total of 53,422 units of vehicles in the first six months of 2021, up 173% from the same period last year, and accounted for 8.5% of the Group's total sales volume during the period. The strong export sales performance was mainly helped by the robust recovery of demand in its major export markets after the impact of Covid-19 temporarily subsided. "Geely Boyue" and "Binyue" SUV models were the Group's most important export models in terms of sales volume in the first half of 2021, accounting for 82% of the Group's total export sales volume during the period. At the end of June 2021, the Group exported its products to 25 countries through 24 sales agents and 233 sales and service outlets.

Developing countries in Asia, Eastern Europe and the Middle East were the most important markets for the Group's exports in the first half of 2021. 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.

Formation of joint venture with Sunwoda and Geely Holding Automobile to engage in the development, production and sales of hybrid battery cells, battery modules and battery packs

On 27 July 2021, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Jirun Automobile"), an indirect 99% owned subsidiary of the Company, entered into the joint venture agreement with 欣旺達電動汽車電池有限公司 (Sunwoda Electric Vehicle Battery Co., Ltd. or "Sunwoda") and 吉利汽車集團有限公司 (Geely Automobile Group Company Limited or "Geely Holding Automobile", a wholly owned subsidiary of Geely Holding), pursuant to which the parties agreed to form the joint venture to engage in the development, production and sales of hybrid battery cells, battery modules and battery packs.

Pursuant to the joint venture agreement, the registered capital of the joint venture will be RMB100 million, and will be contributed as to 41.50%, 30% and 28.50% by Jirun Automobile, Sunwoda and Geely Holding Automobile, respectively. Upon the completion of the formation of the joint venture, the financial results of the joint venture will be accounted for using the equity method in the consolidated financial statements of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

The establishment of the joint venture will leverage on the strength, resources and expertise of all parties in the manufacturing of batteries for new energy vehicles in the PRC, which in turn will ensure a stable supply of the electric vehicle batteries to the Group in the future. In line with the government's initiative in transforming and upgrading vehicle by using energy-saving technology, the Group has been making efforts in developing vehicles which could reduce carbon emission and conserve more energy. The Company believes through establishment of the joint venture, the Group will be able to enhance its supply chain capability and effectively reduce costs.

Acquisition of Changxing Components

On 13 May 2021, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Jirun Automobile"), an indirect 99% owned subsidiary of the Company, entered into an acquisition agreement with 吉利長興新能源汽車有限公司 (Geely Changxing New Energy Automobile Company Limited or "Changxing New Energy"), which is an indirect 70% owned subsidiary of Geely Holding, pursuant to which Jirun Automobile agreed to acquire, Changxing New Energy agreed to sell, the entire registered capital of 長興吉利汽車部件有限公司 (Changxing Geely Automobile Components Company Limited or "Changxing Components"), for a cash consideration of approximately RMB2,534.7 million.

The consideration for the acquisition of Changxing Components was determined after arm's length negotiations between Jirun Automobile and Changxing New Energy with reference to (i) the net asset value of Changxing Components prepared under the Hong Kong Financial Reporting Standards ("HKFRS") as at 1 April 2021 of approximately RMB2,534.0 million; and (ii) the valuation premium of the properties entitled to Changxing Components ("Changxing Properties") of approximately RMB0.7 million, being the difference between (a) the market value of Changxing Properties as at 1 April 2021 as stated in the independent valuation report of approximately RMB2,694.9 million; and (b) the carrying value of the Changxing Properties of approximately RMB2,694.2 million as at 1 April 2021. Upon completion of the acquisition in July 2021, Changxing Components becomes an indirect subsidiary of the Company and its financial results are consolidated into the consolidated financial statements of the Group.

The acquisition of Changxing Components is expected to enhance the production capabilities of the Group to manufacture a new sedan model under Geely Brand. It is also expected that the commercial production of the Changxing Components will commence in the third quarter of 2021. The new models to be built by Changxing Components will further expand the Group's products offering and enhance the overall competitive strength of the Group's products in the market.

Creation of Zeekr Holding to compete in the intelligent electric vehicle market

On 23 March 2021, the Company entered into the framework agreement with Geely Holding, pursuant to which the Company and Geely Holding agreed to form a joint venture company ("JV Company") to engage in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the Zeekr brand and the provision of service relating thereto in the PRC.

Pursuant to the framework agreement, the JV Company will issue 2 billion shares. The Company and Geely Holding will make capital contributions of RMB2 billion in total, and will subscribe for 51% (representing RMB1.02 billion or its US\$ equivalent) and 49% (representing RMB980 million or its US\$ equivalent) of the total shares to be issued by the JV Company, respectively. After its formation in late March 2021, the JV Company becomes a subsidiary of the Company, and its financial results are consolidated into the consolidated financial statements of the Group. The capital contribution for the Group's interests in the JV Company will be funded by internal cash reserve of the Group.

The JV Company, now named Zeekr Intelligent Technology Holding Ltd. ("Zeekr Holding"), together with its subsidiaries ("JV Group") will thoroughly consolidate the initial layout and incubated intelligent and electrified technologies of the joint venture parties ("JV Parties"), and will strategically lay out the intelligent electric vehicles and its upstream and downstream industrial chain to further improve the users' experience and customer satisfaction with digitalized and intelligentized services. The JV Group will focus on the research and development of such advanced technologies like technologies used for electric vehicles, technologies used for "power batteries, electric engines and electronic control systems", other relevant upstream and downstream technologies for intelligent electric vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

Subsequent to the formation of Zeekr Holding on 31 March 2021, the following restructuring and acquisitions were announced by Zeekr Holding to facilitate the commencement of full operation by the JV Group before the end of 2021:

Acquisition of Maple Guorun by Zeekr Holding for business integration

On 28 April 2021, Value Century Group Limited (“Value Century”) and 浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts Company Limited or “Zhejiang Fulin”), wholly owned subsidiaries of the Company, entered into a disposal agreement with 上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited or “Shanghai Maple”) and Zeekr Holding, pursuant to which Zeekr Holding agreed to acquire through its indirect wholly foreign-owned subsidiary, and Value Century, Zhejiang Fulin and Shanghai Maple (collectively, “Maple Guorun Vendors”) agreed to sell, their respective 91%, 8% and 1% equity interest(s) of 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Ltd. or “Maple Guorun”), for a cash consideration of approximately RMB980.4 million in total.

The total consideration for the disposal of Maple Guorun was determined after arm’s length negotiations between Zeekr Holding and Maple Guorun Vendors with reference to the net asset value of Maple Guorun prepared under the HKFRS as at 1 April 2021 of approximately RMB980.4 million.

Following the completion of the disposal, Maple Guorun continues to be a subsidiary of the Company and its financial results continues to be consolidated into the consolidated financial statements of the Group. As the disposal of Maple Guorun does not lead to a loss of the Group’s control over Maple Guorun, such disposal does not result in the recognition of any gain or loss in the consolidated income statement of the Group.

Acquisition of Zeekr Technology from Geely Holding Automobile by Zeekr Holding

On 28 April 2021, 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Ltd. or “Maple Guorun”) entered into an acquisition agreement with 吉利汽車集團有限公司 (Geely Automobile Group Company Limited or “Geely Holding Automobile”), pursuant to which Maple Guorun agreed to acquire, and Geely Holding Automobile agreed to sell, the entire registered capital of 寧波極氫智能科技有限公司 (Ningbo Zeekr Intelligent Technology Company Limited or “Zeekr Technology”), for a cash consideration of approximately RMB485.3 million.

The consideration for the acquisition of Zeekr Technology was determined after arm’s length negotiations between Maple Guorun and Geely Holding Automobile with reference to the net asset value of Zeekr Technology prepared under the HKFRS as at 1 April 2021 of approximately RMB485.3 million. Upon completion of the acquisition in July 2021, Zeekr Technology becomes an indirect subsidiary of the Company and its financial results are consolidated into the consolidated financial statements of the Group.

Maple Guorun and Zeekr Technology under Zeekr Holding

Upon completion of the acquisition of Maple Guorun by Zeekr Holding, Maple Guorun becomes as an investment holding company under Zeekr Holding to consolidate assets required for the establishment of an intelligent vehicle ecosystem. The acquisition of Zeekr Technology, which owns the technologies used for a new electric vehicle model under the Zeekr brand (i.e. Zeekr001 model), will form the initial step for the Zeekr Holding Group (which comprises Zeekr Holding and its subsidiaries) to implement its plan. Upon completions of the acquisitions of Maple Guorun and Zeekr Technology in August 2021 and July 2021, respectively, the Zeekr Holding Group possesses the technologies for further development of the Zeekr001 model.





MANAGEMENT DISCUSSION AND ANALYSIS

Acquisitions of CEVT and Haohan Energy and Subscription of Ningbo Viridi by Zeekr Holding

On 2 July 2021, Zeekr Holding and group members of Geely Holding entered into the following three agreements:

- **The CEVT Acquisition Agreement**

Zeekr Holding, a 51% owned subsidiary of the Company, entered into the CEVT Acquisition Agreement with 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited or “Zhejiang Geely”), an 71% owned subsidiary of Geely Holding, pursuant to which Zeekr Holding agreed to acquire 100% equity interests in CEVT for a cash consideration of approximately SEK1,057.8 million, which was arrived at after arm’s length negotiations between Zhejiang Geely and Zeekr Holding with reference to the appraised value for 100% equity interests of CEVT as at 30 April 2021 as determined by an independent valuer based on the assets approach. Upon completion of the acquisition, CEVT will become a wholly owned subsidiary of Zeekr Holding and its financial results will be consolidated into the consolidated financial statements of the Group.

CEVT is a world-class automotive research and development institute located in Sweden. It has a complete research and development system for the development of new energy vehicles including but not limited to the functions of automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and the provision of mobility technology solutions. After the acquisition of CEVT, the Zeekr Holding Group could greatly increase the speed of update and iteration of the vehicles under Zeekr brand, vehicles and provide continuous and stable technical support for product research and development.

- **The Haohan Energy Acquisition Agreement**

Zeekr Holding entered into the Haohan Energy Acquisition Agreement with Geely Holding Automobile, a wholly owned subsidiary of Geely Holding, pursuant to which Zeekr Holding agreed to acquire through a subsidiary 30% of the equity interests in 浙江浩瀚能源科技有限公司 (Zhejiang Haohan Energy Technology Company Limited or “Haohan Energy”) for a cash consideration of approximately RMB9.0 million which was arrived at after arm’s length negotiations between Geely Holding Automobile and Zeekr Holding with reference to the appraised value for 100% equity interests of Haohan Energy as at 30 April 2021 as determined by an independent valuer using the assets approach. Upon completion of acquisition, the financial results of Haohan Energy will be accounted for using the equity method in the consolidated financial statements of the Group.

Haohan Energy is mainly engaged in the research and development of automobile charging facilities and technologies, provision of automobile charging services and operation of automobile charging points and network, focusing on the development on charging services under different situations, including at home, on a road trip and mobile rescue. It is believed that it is an industry norm for new energy automobile manufacturers to invest in automobile charging facilities and technology, as customers are increasingly considering the importance of automobile charging services. Such services form an integral part for providing a greater level of convenience and comfort to the customers. Considering the heavy maintenance and depreciation expenses incurred for operating the automobile charging facilities, the acquisition of 30% equity interests in Haohan Energy through the Zeekr Holding Group will provide an opportunity for the Group to benefit from this growing segment in an asset-light way.

MANAGEMENT DISCUSSION AND ANALYSIS

- **The Ningbo Viridi Subscription Agreement**

Zeekr Holding entered into the Ningbo Viridi Subscription Agreement with 浙江吉創汽車零部件有限公司 (Zhejiang Jichuang Automobile Parts Company Limited or “Zhejiang Jichuang”) and 威睿電動汽車技術(寧波)有限公司 (Viridi E-Mobility Technology (Ningbo) Co., Ltd. or “Ningbo Viridi”), each a wholly owned subsidiary of Geely Holding pursuant to which Zeekr Holding agreed to subscribe through a subsidiary for additional capital in Ningbo Viridi at a cash consideration of approximately RMB860.7 million.

The consideration for the subscription of Ningbo Viridi at approximately RMB860.7 million was arrived at after arm’s length negotiations among Zeekr Holding, Zhejiang Jichuang and Ningbo Viridi based on 51% equity interests in Ningbo Viridi on a post-subscription basis, which was determined with reference to the (i) appraised value of Ningbo Viridi as at 30 April 2021 as determined by an independent valuer using the assets approach; (ii) the 49% equity interests in Ningbo Viridi owned by Zhejiang Jichuang after the Ningbo Viridi Subscription; and (iii) the 51% equity interests in Ningbo Viridi subscribed by Zeekr Holding in the Ningbo Viridi Subscription. Upon completion of the subscription, Zeekr Holding and Zhejiang Jichuang will hold 51% and 49% of the enlarged share capital of Ningbo Viridi, respectively, and Ningbo Viridi will be accounted for as a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

Ningbo Viridi is engaged in the research, development, production and sale of electric powertrain and battery systems and related components, and the provision of after-sales services. Throughout the development process of electric vehicles, electric powertrain and battery systems are considered the core elements for the electric vehicle, as the level of performance and duration of the batteries directly affect the driving range and safety of the electric vehicles. By acquiring and consolidating Ningbo Viridi, the Zeekr Holding Group will benefit from having a continuous and stable supply of the electric powertrain and battery systems which are the key to the manufacture and sale of vehicles under Zeekr brand.

Outlook

We believe the rise in raw material prices should subside in the remainder of the year but chip shortage could persist during the period. Despite these, the upcoming launch of more new and competitive vehicle models, should enable the Group to perform better in the second half of the year. Longer-term, the transformation from conventional vehicles to NEEVs and intelligent/connected vehicles and the scheduled relaxation of foreign investment restrictions in China’s automobile industry over the next few years should represent additional challenges to the Chinese passenger vehicle manufacturers. The Group’s response to these challenges is the creation of the Zeekr Holding Group early this year to fully consolidate the Group’s resources to strive for better performance in the highly competitive market for electric vehicles.

Over the last few years, the Group has secured its leading position in China’s passenger vehicle market. Further, the Group’s financial position remains strong 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 rapid market changes promptly.

In view of the huge challenges ahead, we should stay at our original intention, keep our proven strategy and maintain our development pace. The Group will continue to increase the proportion of NEEVs in its total sales volume by introducing more competitive NEEV products. The amount of new product offerings should stay at high levels in the coming years, providing sufficient momentum for the Group to maintain growth in the longer run.

The Group had largely completed the rebranding and restructuring of its distribution channels in its major export markets. Localisation of production to reduce costs and currency risk already started to yield positive results in markets like Belarus and Malaysia, where customer feedback and demand for the Group’s products improved considerably. In a few years’ time, exports would not only become a key driver to the Group’s growth, but also help to further enhance the Group’s economies of scale. In the second half of 2021, the Group will go ahead to further expand its export sales to new markets in Southeast Asia and Western Europe.





MANAGEMENT DISCUSSION AND ANALYSIS

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

With the satisfactory sales performance of the Group's products in the first half of 2021 and the strong market feedback for the upcoming new models to be launched in the remainder of the year, the Group's management team is still determined to achieve our 2021 full year sales volume target of 1,530,000 units, representing a growth of 16% from previous year, although the recent worsening of chip shortage and the resurgence of Covid-19 cases globally could pose significant threat to our sales performance over the next few months, thus undermining our chance to achieve the target.

CAPITAL STRUCTURE AND TREASURY POLICIES

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

As at 30 June 2021, the Group's shareholders' funds amounted to approximately RMB65.0 billion (as at 31 December 2020: approximately RMB63.6 billion). The Company issued 4.05 million ordinary shares upon exercise of share options during the six months ended 30 June 2021.





MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FOREIGN EXCHANGE RISK

During the six months ended 30 June 2021, the Group's operations were principally related to domestic sales of automobiles and related automobile parts and components in China and the Group's assets and liabilities were mainly denominated in Renminbi (RMB), the functional currency of the Company and its key subsidiaries.

In terms of export operations, most of the Group's export sales were denominated in United States dollars (US\$) during the 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 build additional overseas plants to increase the proportion of its costs in local currencies to engage in local business activities. Also, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations displaying comparative advantages with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group's current ratio (current assets/current liabilities) was about 1.30 (as at 31 December 2020: 1.22) and the gearing ratio of the Group was about 6.0% (as at 31 December 2020: 6.1%) which was calculated on the Group's total borrowings (excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). The Group's total cash level (bank balances and cash + pledged bank deposits) increased by 4% from RMB19.2 billion at the end of December 2020 to RMB19.9 billion at the end of June 2021.

Total borrowings (excluding trade and other payables and lease liabilities) as at 30 June 2021 amounted to approximately RMB3.9 billion (as at 31 December 2020: approximately RMB3.9 billion) were mainly the Group's borrowings and bonds payable. At the end of June 2021, the Group's total borrowings were denominated in United States Dollars (US\$). They were well matched by the currency mix of the Group's export revenues, which were mainly denominated in US\$. For the borrowings, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 30 June 2021, the total number of employees of the Group was about 34,000 (as at 31 December 2020: 38,000). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme 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 2021, 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	
Shares				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporations	4,019,478,000	–	40.93
Mr. Li Shu Fu	Personal	23,140,000	–	0.24
Mr. Yang Jian	Personal	6,000,000	–	0.06
Mr. Li Dong Hui, Daniel	Personal	4,504,000	–	0.05
Mr. Gui Sheng Yue	Personal	17,365,000	–	0.18
Mr. An Cong Hui	Personal	7,526,000	–	0.08
Mr. Ang Siu Lun, Lawrence	Personal	4,000,000	–	0.04
Mr. Lee Cheuk Yin, Dannis	Personal	900,000	–	0.009
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	
Share Options				
Mr. Yang Jian	Personal	3,000,000 (Note 3)	–	0.03
Mr. Gui Sheng Yue	Personal	13,500,000 (Note 3)	–	0.14
Mr. Li Dong Hui, Daniel	Personal	14,000,000 (Note 3)	–	0.14
Mr. An Cong Hui	Personal	22,000,000 (Note 3)	–	0.22
Mr. Ang Siu Lun, Lawrence	Personal	3,000,000 (Note 3)	–	0.03
Ms. Wei Mei	Personal	1,000,000 (Note 2)	–	0.01
Ms. Wei Mei	Personal	7,000,000 (Note 3)	–	0.07

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (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 40.93% of the issued share capital of the Company as at 30 June 2021. 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 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 2021.
- (3) The interest relates to share options granted on 15 January 2021 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$32.70 for each Share during the period from 15 January 2023 to 14 January 2028. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of total issued share capital of the Company when the options are exercised is the same as that as 30 June 2021.

(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	
Share Options				
Mr. Li Shu Fu	Proper Glory Holding Inc.	100 (Note 1)	–	100
Mr. Li Shu Fu	Geely Group Limited	30,000	–	60
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	RMB847,000,000 (Note 2)	–	91.08
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	RMB2,031,307,340 (Note 3)	–	71.05
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	RMB240,000,000 (Note 4)	–	100
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	RMB3,530,000,000 (Note 5)	–	100
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	US\$7,900,000 (Note 6)	–	1
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	US\$1,213,636 (Note 7)	–	1
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	RMB5,216,770 (Note 8)	–	1
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	US\$885,000 (Note 9)	–	1



MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“Geely Holding”) and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, the elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (2) Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (3) Zhejiang Geely Automobile Company Limited (“Zhejiang Geely”) is a private company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li’s interested entities and as to 25.99% by independent third parties.
- (4) Shanghai Maple Automobile Company Limited (“Shanghai Maple”) 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 (“Jirun Automobile”) is incorporated in the PRC and is 1%-owned by Zhejiang Geely.
- (7) Shanghai Maple Guorun Automobile Company Limited (“Maple Guorun”) is incorporated in the PRC and is 1%-owned by Shanghai Maple.
- (8) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.
- (9) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.

Save as disclosed above, as at 30 June 2021, 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.



MANAGEMENT DISCUSSION AND ANALYSIS

Directors' Right to Acquire Shares

As at 30 June 2021, 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 2021	Date of grant	Exercise period	Exercise price HK\$
Mr. Yang Jian	3,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Mr. Gui Sheng Yue	13,500,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Mr. Li Dong Hui, Daniel	14,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Mr. An Cong Hui	22,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Mr. Ang Siu Lun, Lawrence	3,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Ms. Wei Mei	7,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Ms. Wei Mei	1,000,000	23.3.2012	23.3.2012 – 22.3.2022	4.07
	63,500,000			

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 2020 annual report.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015 and prior to 1 January 2021, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year after the first year of the grant date. For those share options granted after 1 January 2021, none of the share options will be vested in the first two years, one-fifth of share options granted will vest in every year after the two years of the grant date.

Based on the Company's records as at 30 June 2021, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 572,060,000 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 18 August 2021, the Board resolved not to pay an interim dividend to the Company's shareholders (2020: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Connected companies (notes (a) and (b))			
Zhejiang Geely Automobile Company Limited [#] 浙江吉利汽車有限公司	Sales of complete knock down kits	17,102,812	12,127,771
	Sales of complete buildup units, complete knock down kits and related after-sales parts	376,540	–
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	–	382,590
	Claims income on defective materials purchased	101,091	69,834
	Purchase of complete buildup units	17,718,344	12,649,753
	Claims paid on defective materials sold	105,103	71,669
	Sales of automobile parts and components	25,665	2,656
	Research, development and technology licensing service income	38,321	–
Zhejiang Geely Business Services Company Limited [#] 浙江吉利商務服務有限公司	Business travel services expense	32,269	33,864
Zhejiang Haoqing Automobile Manufacturing Company Limited [#] 浙江豪情汽車製造有限公司	Sales of complete knock down kits	14,600,158	17,070,104
	Sales of complete buildup units, complete knock down kits and related after-sales parts	551,870	–
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	–	16,669
	Claims income on defective materials purchased	97,665	87,032
	Purchase of complete buildup units	14,980,186	17,747,191
	Claims paid on defective materials sold	90,586	86,203
	Acquisition of property, plant and equipment (note (e))	56,491	–
Zhejiang Geely Automobile Parts and Components Company Limited [#] 浙江吉利汽車零部件採購有限公司	Purchase of automobile parts and components	283,766	313,245
Linyi Lingji Chunhua Automobile Sales Service Company Ltd. [#] 臨沂領吉春華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	81,070	53,680
Ningbo Geely Automobile R&D Company Limited [#] 寧波吉利汽車研究開發有限公司	License fee income receivable	–	470,000
	Research, development and technology support service income	–	109,983
	Research, development and technology support service fee	–	2,058
	Research, development and technology licensing service income	1,032,706	–
	Research, development and technology licensing service fee	413,680	–
	Sales of powertrain and related components	10,558	6,180
	Acquisition of property, plant and equipment (note (e))	11,002	47



MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Viridi E-Mobility Technology (Suzhou) Co., Ltd. [#] 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	41,572	25,366
Hubei Ecarx Company Limited [#] 湖北億咖通科技有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	39,605	458,254
Shanxi New Energy Automobile Industrial Company Limited [#] 山西新能源汽車工業有限公司	Sales of complete knock down kits	1,975,027	421,011
	Purchase of complete buildup units	1,985,709	354,385
Volvo Personvagnar AB	Sales of powertrain and related components	456,698	201,139
Shanghai Meihuan Trade Company Limited [#] 上海美寰貿易有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts	344,610	–
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement)	–	88,088
	Operational service income	72,159	5,193
Viridi E-Mobility Technology (Ningbo) Co. Ltd. [#] 威睿電動汽車技術(寧波)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	285,531	18,625
Geely Automobile Group Company Limited [#] 吉利汽車集團有限公司	Operational service fee	37,848	14,606
Feixian Lingji Chunhua Automobile Sales Service Company Ltd. [#] 費縣領吉春華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	25,978	22,081
Yishui Lingji Yuantong Automobile Sales Service Company Ltd. [#] 沂水領吉遠通汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	15,652	15,970
Dongying Lingji Kaihua Automobile Sales Service Company Ltd. [#] 東營領吉凱華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	28,865	18,211
Sichuan Lingji Automobile Manufacturing Company Limited (formerly known as Sichuan Geely Automobile Components Company Limited) [#] 四川領吉汽車製造有限公司 (前稱四川吉利汽車部件有限公司)	Sales of powertrain and related components	563,668	24,119
	Purchase of complete knock down kits and automobile components	578,509	–
Changsha Geely New Energy Automobile Sales Company Limited [#] 長沙吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	12,965	71,879



MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Linyi Lingji Maohua Automobile Sales Service Company Ltd.# 臨沂領吉茂華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	122,763	55,966
Zhejiang Jichuang Auto Parts Company Limited# 浙江吉創汽車零部件有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	1,340,959	906
Hangzhou Xuanyu Human Resources Company Limited# 杭州軒宇人力資源有限公司	Operational service fee	25,903	—
Chengdu Gaoyuan Automobile Industries Company Limited# (“Chengdu Automobile”) 成都高原汽車工業有限公司 (note (c))	Sales of complete knock down kits	716,380	—
	Purchase of complete buildup units	743,674	—
	Acquisition of property, plant and equipment (note (e))	30,441	—
Ningbo Hangzhou Bay Geely Automobile Company Limited# 寧波杭州灣吉利汽車部件有限公司	Purchase of complete buildup units	44,165	—
Xian Geely Automobile Company Limited# 西安吉利汽車有限公司	Acquisition of property, plant and equipment (note (e))	51,743	—
	Sales of powertrain and related components	95,162	—
	Purchase of complete buildup units	32,728	—
	Purchase of complete knock down kits and automobile components	478,254	—
Zhejiang Jirun Meishan Automobile Parts Company Ltd.# 浙江吉潤梅山汽車部件有限公司	Purchase of complete buildup units	20,870	—
Lingji Automobile Trading Company Limited# 領吉汽車商貿有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	18,636	—
Shandong Geely New Energy Commercial Vehicle Co., Ltd.# 山東吉利新能源商用車有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts	21,855	—
Ningbo Jining Automobile Components Co., Ltd.# (“Ningbo Jining”) 寧波吉寧汽車零部件有限公司 (note (d))	Purchase of automobile components (Automobile Components Procurement Agreement)	23,251	—
Beijing Lingjisheng Automobile Sales Service Co., Ltd.# 北京領吉盛汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	27,644	—



MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Jizhi (Hangzhou) Cultural Creativity Co., Ltd. [#] 吉智(杭州)文化創意有限公司	Business travel services expenses	60,412	–
Shanghai Jijin Mechanical and Electrical Equipment Company Limited [#] 上海吉津機電設備有限公司	Acquisition of property, plant and equipment (note (e))	31,254	–
Joint ventures			
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd. ^{#^} 凱悅汽車大部件製造(張家口)有限公司	Sales of powertrain and related components	610,444	667,280
	Purchase of complete buildup units	13,102	5
	Operational service income	61,812	2,225
LYNK & CO Automobile Sales Company Limited ^{#^} 領克汽車銷售有限公司	Operational service income	80,361	67,996
	Purchase of complete buildup units	13,763	9,230
	Sales of complete buildup units and related after-sales parts, components and accessories	14,082	–
Yuyao LYNK & CO Auto Parts Company Limited ^{#^} 余姚領克汽車部件有限公司	Sales of powertrain and related components	493,178	122,949
	Operational service income	51,133	797
LYNK & CO (Zhangjiakou) Co., Ltd. ^{#^} 領克汽車(張家口)有限公司	Operational service income	50,104	–
LYNK & CO International Sales (Yuyao) Co., Ltd. ^{#^} 領克汽車國際銷售(余姚)有限公司	Operational service income	17,178	–



MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (a) The Group and the connected parties are under the common control of the substantial shareholder, namely Geely Holding, 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 connected parties referred to above have the relevant automobile catalogue and therefore the sales of complete knock down kits to and purchase of complete buildup units from connected 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 connected 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 connected parties have also been presented on a net basis as long as they are back-to-back transactions.
- (c) Chengdu Automobile had been disposed by the Group in July 2020. The transactions represented sales, purchases and acquisition of property, plant and equipment after disposal.
- (d) Ningbo Jining had been disposed by the Group in August 2020. The transactions represented purchases after disposal.
- (e) Pursuant to the acquisition agreement dated 4 November 2020, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding Group agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB743,918,000.
- # 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.
- ^ The companies are the wholly-owned subsidiaries of LYNK & CO Investment.

Facility Agreements with Covenant of the Controlling Shareholders

On 2 July 2019, the Company as the borrower entered into a facility agreement (the "Facility Agreement") with Citigroup Global Markets Asia Limited (the "Agent") 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, 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 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.

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

As at 30 June 2021, 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:



MANAGEMENT DISCUSSION AND ANALYSIS

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	26.85
Zhejiang Geely Holding Group Company Limited (Note 1)	Interest in controlled corporation	4,019,391,000	40.93
Geely Group Limited (Note 1)	Beneficial owner	87,000	0.001
	Interest in controlled corporation	2,636,705,000	26.85
Zhejiang Geely Automobile Company Limited (Note 2)	Beneficial owner	796,562,000	8.11

Notes:

- (1) Proper Glory Holding Inc. ("Proper Glory") is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, the elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive Director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (2) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") is a private company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li's interested entities and as to 25.99% by independent third parties.

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 each of Geely Holding and Zhejiang Geely. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

Save as disclosed above, as at 30 June 2021, 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.

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 2021.





MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, 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 six months ended 30 June 2021, 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 24 May 2021. Due to conflict of his schedules and other prior business engagement in the PRC, the Chairman was unable to attend the general meeting. One independent non-executive Director and one executive Director and the Company’s external auditor attended and answered questions raised by the Shareholders at the meeting physically. One other independent non-executive Director and five 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 2021, the audit committee comprises Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang who are the independent non-executive Directors.

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
18 August 2021