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# GEELY

吉利汽車控股有限公司

## GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

#### FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2020 (Unaudited)	2019 (Unaudited)	
Revenue (RMB'000)	<b>36,819,775</b>	47,558,617	(23)
Profit attributable to the equity holders of the Company (RMB'000)	<b>2,296,753</b>	4,009,475	(43)
Earnings per share			
Basic (RMB cents)	<b>24.73</b>	44.39	(44)
Diluted (RMB cents)	<b>24.70</b>	43.92	(44)
Sales volume (Units) (Note 2)	<b>530,446</b>	651,680	(19)
	<b>At 30 June 2020 (Unaudited)</b>	At 31 December 2019 (Audited)	
Total assets (RMB'000)	<b>108,215,371</b>	107,927,578	0
Equity attributable to the equity holders of the Company (RMB'000)	<b>60,557,430</b>	54,435,626	11
Net assets per share attributable to the equity holders of the Company (RMB)	<b>6.17</b>	5.94	4
<i>Note:</i>			
1.	At a meeting of the Board held on 17 August 2020, the Board resolved not to pay an interim dividend to the Company's shareholders (2019: Nil).		
2.	It included the sales volume of "Lynk&Co" vehicles sold by the Group's 50%-owned joint venture.		

## 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 (the “**Group**”) for the six months ended 30 June 2020. These interim results have been reviewed by the Company’s Audit Committee, comprising solely the independent non-executive directors, one of whom chairs the committee, and the Company’s auditor, Grant Thornton Hong Kong Limited.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>36,819,775</b>	47,558,617
Cost of sales		<u><b>(30,518,177)</b></u>	<u>(39,089,518)</u>
<b>Gross profit</b>		<b>6,301,598</b>	8,469,099
Other income	4	<b>670,880</b>	612,616
Distribution and selling expenses		<b>(2,189,590)</b>	(2,256,165)
Administrative expenses, excluding share-based payments		<b>(2,674,541)</b>	(2,454,944)
Share-based payments		<b>(2,428)</b>	(3,350)
Finance income, net	5(a)	<b>88,523</b>	48,646
Share of results of associates		<b>22,092</b>	41,769
Share of results of joint ventures		<u><b>423,606</b></u>	<u>306,917</u>
<b>Profit before taxation</b>	5	<b>2,640,140</b>	4,764,588
Taxation	6	<u><b>(320,194)</b></u>	<u>(717,540)</u>
<b>Profit for the period</b>		<u><b>2,319,946</b></u>	<u>4,047,048</u>
<b>Attributable to:</b>			
Equity holders of the Company		<b>2,296,753</b>	4,009,475
Non-controlling interests		<u><b>23,193</b></u>	<u>37,573</u>
<b>Profit for the period</b>		<u><b>2,319,946</b></u>	<u>4,047,048</u>
<b>Earnings per share</b>			
Basic	8	<u><b>RMB24.73 cents</b></u>	<u>RMB44.39 cents</u>
Diluted	8	<u><b>RMB24.70 cents</b></u>	<u>RMB43.92 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<b>2,319,946</b>	<b>4,047,048</b>
<b>Other comprehensive expense (after tax of RMB Nil) for the period:</b>		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	<u>(94,971)</u>	<u>(58,586)</u>
<b>Total comprehensive income for the period</b>	<b><u>2,224,975</u></b>	<b><u>3,988,462</u></b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>2,202,605</b>	<b>3,951,490</b>
Non-controlling interests	<b><u>22,370</u></b>	<b><u>36,972</u></b>
<b>Total comprehensive income for the period</b>	<b><u>2,224,975</u></b>	<b><u>3,988,462</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

		As at <b>30 June 2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2019 <i>RMB'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	26,509,278	27,070,318
Intangible assets	10	18,091,200	17,597,628
Land lease prepayments		3,191,473	3,230,845
Goodwill		42,806	42,806
Interests in associates	11	429,285	462,387
Interests in joint ventures	12	8,800,077	8,375,076
Trade and other receivables	14	655,941	268,899
Deferred tax assets		980,542	865,606
		<u>58,700,602</u>	<u>57,913,565</u>
<b>Current assets</b>			
Inventories	13	4,231,679	4,820,776
Trade and other receivables	14	24,940,752	25,844,914
Income tax recoverable		134,488	26,714
Pledged bank deposits		33,627	40,393
Bank balances and cash		20,174,223	19,281,216
		<u>49,514,769</u>	<u>50,014,013</u>
<b>Current liabilities</b>			
Trade and other payables	15	41,956,697	47,873,315
Lease liabilities		29,536	37,223
Income tax payable		265,442	615,894
		<u>42,251,675</u>	<u>48,526,432</u>
<b>Net current assets</b>		<u>7,263,094</u>	<u>1,487,581</u>
<b>Total assets less current liabilities</b>		<u><u>65,963,696</u></u>	<u><u>59,401,146</u></u>

		<b>As at 30 June 2020</b>	As at 31 December 2019
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>18</i>	<b>179,629</b>	167,733
Perpetual capital securities	<i>19</i>	<b>3,413,102</b>	3,413,102
Reserves		<b>56,964,699</b>	50,854,791
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the Company</b>		<b>60,557,430</b>	54,435,626
<b>Non-controlling interests</b>		<b>564,921</b>	488,840
		<hr/>	<hr/>
<b>Total equity</b>		<b>61,122,351</b>	54,924,466
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Trade and other payables	<i>15</i>	<b>230,549</b>	–
Bonds payable	<i>16</i>	<b>2,111,073</b>	2,060,085
Lease liabilities		<b>15,007</b>	26,366
Bank borrowings	<i>17</i>	<b>2,121,930</b>	2,089,110
Deferred tax liabilities		<b>362,786</b>	301,119
		<hr/>	<hr/>
		<b>4,841,345</b>	4,476,680
		<hr/>	<hr/>
		<b>65,963,696</b>	59,401,146
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>			
Profit before taxation		<b>2,640,140</b>	4,764,588
Adjustments for non-cash items		<b>2,058,095</b>	1,491,101
Operating profit before working capital changes		<b>4,698,235</b>	6,255,689
Net changes in working capital		<b>(7,104,704)</b>	280,419
Cash (used in)/generated from operations		<b>(2,406,469)</b>	6,536,108
Income taxes paid		<b>(831,689)</b>	(1,381,940)
<i>Net cash (used in)/generated from operating activities</i>		<b>(3,238,158)</b>	5,154,168
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(588,191)</b>	(2,165,560)
Additions of intangible assets		<b>(1,871,040)</b>	(2,311,344)
Additions of land lease prepayments		–	(95,895)
Settlement of payables for acquisition of subsidiaries in previous year		–	(1,265,277)
Proceeds from disposal of subsidiaries in previous year		<b>507,135</b>	–
Proceeds from disposal of property, plant and equipment		<b>18,537</b>	70,469
Change in pledged bank deposits		<b>6,766</b>	(8,338)
Additional capital injection in a joint venture		–	(1,600,000)
Investment in an associate	<i>11</i>	<b>(490)</b>	–
Interest received		<b>96,769</b>	98,114
<i>Net cash used in investing activities</i>		<b>(1,830,514)</b>	(7,277,831)

**Six months ended 30 June**

		<b>2020</b>	2019
		<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<i>Note</i>	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from financing activities</b>			
Dividends paid to non-controlling interests		–	(15,694)
Distribution paid on perpetual capital securities	7	<b>(71,412)</b>	–
Proceeds from issuance of shares upon exercise of share options	18(a)	<b>172,068</b>	443,276
Proceeds from issuance of shares upon placement	18(b)	<b>5,937,136</b>	–
Payment of lease liabilities		<b>(19,046)</b>	(6,366)
Interest paid		<b>(67,518)</b>	(57,896)
		<hr/>	<hr/>
<i>Net cash generated from financing activities</i>		<b>5,951,228</b>	363,320
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>882,556</b>	(1,760,343)
Cash and cash equivalents at the beginning of the period		<b>19,281,216</b>	15,737,196
Effect of foreign exchange rate changes		<b>10,451</b>	19,327
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>		<b>20,174,223</b>	13,996,180
		<hr/> <hr/>	<hr/> <hr/>

## NOTES

### 1. BASIS OF PREPARATION

The interim financial report (the “**Interim Financial Report**”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**SEHK**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 17 August 2020.

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 2019.

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

#### (i) **New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020**

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 2019, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

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

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

(ii) 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 <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

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

<sup>5</sup> Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products		
– Sales of automobiles	33,720,437	44,979,288
– Sales of automobile parts and components	2,675,112	2,151,102
– Licensing of intellectual properties	424,226	428,227
	<u>36,819,775</u>	<u>47,558,617</u>

## 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 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 reportable segment results by operating segment is necessary.

### 4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants and subsidies ( <i>note</i> )	615,190	499,603
Gain on disposal of scrap materials	28,867	17,010
Rental income	9,060	12,209
Sundry income	17,763	83,794
	<u>670,880</u>	<u>612,616</u>

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

### 5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>(a) Finance income and costs</b>		
<b>Finance costs</b>		
Effective interest expense on bonds payable	1,826	1,194
Coupon expense on bonds payable	38,027	37,331
Interest on lease liabilities	1,662	1,489
Interest on bank borrowings wholly repayable within five years	27,981	19,625
	<u>69,496</u>	<u>59,639</u>
<b>Finance income</b>		
Bank and other interest income	<u>(158,019)</u>	<u>(108,285)</u>
<b>Net finance income</b>	<u>(88,523)</u>	<u>(48,646)</u>

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	2,150,748	2,726,948
Retirement benefit scheme contributions	119,331	200,666
Equity settled share-based payments	<u>2,428</u>	<u>3,350</u>
	<b><u>2,272,507</u></b>	<b><u>2,930,964</u></b>
<b>(c) Other items</b>		
Depreciation:		
– Owned assets	1,079,437	676,518
– Right-of-use assets (including land lease prepayments)	<u>58,302</u>	<u>49,971</u>
<b>Total depreciation</b>	<b><u>1,137,739</u></b>	<b><u>726,489</u></b>
Amortisation of intangible assets (related to capitalised product development costs)	1,377,468	1,116,123
Research and development costs	343,909	370,958
Cost of inventories	30,518,177	39,089,518
Provision for inventories	17,729	–
Lease charges on short term leases and leases with lease term shorter than 12 months	10,370	10,956
Net loss on disposal of property, plant and equipment	7,243	17,155
Net foreign exchange loss	<u>162,610</u>	<u>1,601</u>

## 6. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax:		
– PRC enterprise income tax	417,315	888,100
– Over-provision in prior years	<u>(43,852)</u>	<u>(11,038)</u>
	<b>373,463</b>	<b>877,062</b>
Deferred tax	<u>(53,269)</u>	<u>(159,522)</u>
	<b><u>320,194</u></b>	<b><u>717,540</u></b>

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 2020 and 2019.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the 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 2019: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the six months ended 30 June 2020 and 2019.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018, enterprises engaging in research and development activities were entitled to claim 175% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group made its best estimate for the Super Deduction to be claimed for the Group’s PRC subsidiaries in ascertaining their assessable profits for the six months ended 30 June 2020 and 2019.

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 2019 of HK\$0.25 (six months ended 30 June 2019: HK\$0.35) per ordinary share, amounting to approximately RMB2,120,977,000 (six months ended 30 June 2019: RMB2,805,760,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2019 final dividend was paid in July 2020 and reflected as dividends payable in the Interim Financial Report.

In addition, the Company made a distribution on perpetual capital securities of RMB71,412,000 (six months ended 30 June 2019: RMB Nil) to the securities holders during the six months ended 30 June 2020.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB2,296,753,000 (six months ended 30 June 2019: RMB4,009,475,000) and the weighted average number of ordinary shares of 9,288,710,418 shares (six months ended 30 June 2019: 9,033,162,673 shares), calculated as follows:

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Issued ordinary shares at 1 January ( <i>note 18</i> )	9,166,997,540	8,981,612,540
Effect of share options exercised	38,839,950	51,550,133
Effect of shares issued upon placement	82,872,928	—
	<u>9,288,710,418</u>	<u>9,033,162,673</u>

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB2,296,753,000 (six months ended 30 June 2019: RMB4,009,475,000) and the weighted average number of ordinary shares of 9,296,957,635 shares (six months ended 30 June 2019: 9,128,450,173 shares), calculated as follows:

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Weighted average number of ordinary shares (basic) at 30 June	9,288,710,418	9,033,162,673
Effect of deemed issue of shares under the Company's share options scheme	8,247,217	95,287,500
	<u>9,296,957,635</u>	<u>9,128,450,173</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

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

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
<b>Net carrying amount</b>		
At the beginning of the period/year	27,070,318	23,422,617
Adjustment from the adoption of new HKFRS	<u>–</u>	<u>68,721</u>
Restated at the beginning of the period/year	27,070,318	23,491,338
Additions	563,107	3,836,414
Acquisition through business combinations	–	1,713,308
Disposals	(25,780)	(64,145)
Disposed of through disposal of subsidiaries	–	(468,147)
Depreciation	<u>(1,098,367)</u>	<u>(1,438,450)</u>
At the end of the period/year	<u><u>26,509,278</u></u>	<u><u>27,070,318</u></u>

The Group has obtained the right to use office and factory premises through the tenancy agreement. The leases typically run on an initial period of two to ten years. The Group makes fixed payments during the contract period. There was no addition to right-of-use assets during the six months ended 30 June 2020 and 2019.

As at 30 June 2020, the carrying amount of the Group's right-of-use assets in relation to the buildings are RMB48,000,000 (as at 31 December 2019: RMB66,930,000).

## 10. INTANGIBLE ASSETS

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

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
<b>Net carrying amount</b>		
At the beginning of the period/year	17,597,628	14,993,188
Additions	1,871,040	4,606,090
Acquisition through business combinations	–	356,393
Disposed of through disposal of subsidiaries	–	(141,358)
Amortisation	<u>(1,377,468)</u>	<u>(2,216,685)</u>
At the end of the period/year	<u><u>18,091,200</u></u>	<u><u>17,597,628</u></u>

## 11. INTERESTS IN ASSOCIATES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Share of net assets	432,634	465,736
Goodwill	–	663
Impairment loss recognised	<u>(3,349)</u>	<u>(4,012)</u>
	<u><b>429,285</b></u>	<u><b>462,387</b></u>

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**”) 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, namely 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, 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.

During the six months ended 30 June 2020, the Group and CATL Battery contributed RMB490,000 and RMB510,000, respectively, to Times Geely.

During the six months ended 30 June 2020, dividends amounting to RMB40,361,000 (six months ended 30 June 2019: RMB Nil) were declared by an associate to the Group.

# 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.

## 12. INTERESTS IN JOINT VENTURES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Share of net assets	<u><b>8,800,077</b></u>	<u>8,375,076</u>
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	<u><b>1,535,918</b></u>	<u>1,110,917</u>
	<u><b>8,800,077</b></u>	<u><b>8,375,076</b></u>

Details of the Group's joint ventures as at 30 June 2020 and 31 December 2019 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 2020	As at 31 December 2019	
Genius Auto Finance Company Limited <sup>#</sup> ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB4,000,000,000	80%	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd. <sup>#</sup> ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	50%	50%	Manufacturing and sales of vehicles under the "Lynk&Co" brand
Zhejiang Geely AISIN Automatic Transmission Company Limited <sup>#</sup> ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司	PRC	Incorporated	US\$117,000,000	40%	40%	Manufacturing and sale of front-wheel drive 6-speed automatic transmissions and related parts and components

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

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

	Genius AFC		LYNK & CO Group	
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current assets	964,121	977,093	11,425,782	9,808,742
Current assets	37,559,367	34,403,287	10,222,573	8,443,630
Current liabilities	(23,959,124)	(23,826,322)	(9,394,875)	(7,193,560)
Non-current liabilities	<u>(9,395,903)</u>	<u>(6,808,757)</u>	<u>(3,478,970)</u>	<u>(2,475,687)</u>
Net assets	<u>5,168,461</u>	<u>4,745,301</u>	<u>8,774,510</u>	<u>8,583,125</u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	3,193,569	3,225,994	2,585,956	1,595,023
Current financial liabilities (excluding trade and other payables and provisions)	(21,079,865)	(20,869,696)	(1,007,505)	(6,313)
Non-current financial liabilities (excluding trade and other payables and provisions)	<u>(9,395,903)</u>	<u>(6,808,757)</u>	<u>(1,001,458)</u>	<u>(3,205)</u>

	Zhejiang AISIN	
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current assets	1,151,165	210,524
Current assets	472,285	570,611
Current liabilities	(131,796)	(25,597)
Non-current liabilities	<u>(759,164)</u>	<u>—</u>
Net assets	<u>732,490</u>	<u>755,538</u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	329,704	544,347
Current financial liabilities (excluding trade and other payables and provisions)	—	—
Non-current financial liabilities (excluding trade and other payables and provisions)	<u>(540,164)</u>	<u>—</u>

	Genius AFC		LYNK & CO Group	
	Six months ended 30 June			
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	1,525,181	1,002,965	8,039,385	7,609,439
Profit for the period	423,160	232,700	188,594	266,184
Other comprehensive income for the period	–	–	2,791	–
Total comprehensive income for the period	423,160	232,700	191,385	266,184
Dividend received from the joint ventures	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
The above profit for the period including the following:				
Depreciation and amortisation	(15,820)	(6,248)	(668,458)	(455,804)
Interest income	1,489,746	978,305	16,675	5,253
Interest expenses	(612,561)	(470,764)	(17,864)	(31)
Income tax expense	(141,053)	(77,567)	(13,187)	(95,815)
	<u>(141,053)</u>	<u>(77,567)</u>	<u>(13,187)</u>	<u>(95,815)</u>

	Zhejiang AISIN	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	–	–
Loss for the period	(23,048)	(30,838)
Other comprehensive income for the period	–	–
Total comprehensive expense for the period	(23,048)	(30,838)
Dividend received from the joint venture	–	–
	<u>–</u>	<u>–</u>
The above loss for the period including the following:		
Depreciation and amortisation	(556)	(93)
Interest income	3,057	463
Interest expenses	–	–
Income tax expense	–	–
	<u>–</u>	<u>–</u>

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:

	<b>Genius AFC</b>		<b>LYNK &amp; CO Group</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Net assets of the joint ventures	<b>5,168,461</b>	4,745,301	<b>8,774,510</b>	8,583,125
The Group's effective interests in the joint ventures	<u><b>80%</b></u>	<u>80%</u>	<u><b>50%</b></u>	<u>50%</u>
The Group's share of the net assets of the joint ventures	<b>4,134,769</b>	3,796,241	<b>4,387,255</b>	4,291,563
Unrealised gain on disposal of a subsidiary to a joint venture	<u>—</u>	<u>—</u>	<u><b>(14,943)</b></u>	<u>(14,943)</u>
Carrying amount of the Group's interests in joint ventures	<u><b>4,134,769</b></u>	<u>3,796,241</u>	<u><b>4,372,312</b></u>	<u>4,276,620</u>
			<b>Zhejiang AISIN</b>	
			<b>As at</b>	<b>As at</b>
			<b>30 June</b>	<b>31 December</b>
			<b>2020</b>	<b>2019</b>
			<b>RMB'000</b>	<b>RMB'000</b>
			<b>(Unaudited)</b>	<b>(Audited)</b>
Net assets of the joint venture			<b>732,490</b>	755,538
The Group's effective interests in the joint venture			<u><b>40%</b></u>	<u>40%</u>
Carrying amount of the Group's interests in joint venture			<u><b>292,996</b></u>	<u>302,215</u>

### 13. INVENTORIES

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Raw materials	<b>2,058,558</b>	2,840,999
Work in progress	<b>354,333</b>	422,734
Finished goods	<u><b>1,836,517</b></u>	<u>1,557,043</u>
	<b>4,249,408</b>	4,820,776
Less: provision for inventories	<u><b>(17,729)</b></u>	<u>—</u>
	<u><b>4,231,679</b></u>	<u>4,820,776</u>

## 14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
<b>Trade and notes receivables</b>		
Trade receivables, net of loss allowance		
– Third parties	397,568	622,228
– Joint ventures	253,285	261,436
– An associate	532,907	489,970
– Related companies controlled by the substantial shareholder of the Company	<u>914,826</u>	<u>1,179,681</u>
	(a) 2,098,586	2,553,315
Notes receivable	(b) <u>17,809,137</u>	<u>17,210,523</u>
	<u>19,907,723</u>	<u>19,763,838</u>
<b>Deposits, prepayments and other receivables</b>		
Prepayments to suppliers		
– Third parties	180,502	277,245
– A joint venture	<u>63</u>	<u>–</u>
	180,565	277,245
Deposits paid for acquisition of property, plant and equipment	139,694	457,691
Dividends receivable from an associate (note 11)	40,361	–
Other contract costs	(c) 307,622	–
Utility deposits and other receivables	773,367	1,270,529
VAT and other taxes receivables	<u>4,112,315</u>	<u>4,304,742</u>
	5,553,924	6,310,207
Amounts due from joint ventures	(d) 81,335	–
Amounts due from related companies controlled by the substantial shareholder of the Company	(d) <u>53,711</u>	<u>39,768</u>
	<u>5,688,970</u>	<u>6,349,975</u>
	<u>25,596,693</u>	<u>26,113,813</u>
<i>Representing:</i>		
– Current	24,940,752	25,844,914
– Non-current	<u>655,941</u>	<u>268,899</u>
	<u>25,596,693</u>	<u>26,113,813</u>

(a) **Trade receivables**

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers from sales of automobiles, automobile parts and components. In respect of the trade receivables from related companies arising from the licensing of intellectual properties, they will be settled within five years in accordance with the contract terms. Ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the reporting date was as follows:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
0 – 60 days	<b>354,458</b>	1,128,532
61 – 90 days	<b>32,764</b>	117,568
91 – 365 days	<b>605,279</b>	262,680
Over 365 days	<b>369,495</b>	323,616
	<b><u>1,361,996</u></b>	<b><u>1,832,396</u></b>

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

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
0 – 60 days	<b>452,687</b>	119,792
61 – 90 days	<b>22,835</b>	90,208
91 – 365 days	<b>160,754</b>	410,858
Over 365 days	<b>100,314</b>	100,061
	<b><u>736,590</u></b>	<b><u>720,919</u></b>

As at 30 June 2020, the Group has adopted average expected loss rate of 5% (as at 31 December 2019: 5%) on the gross carrying amounts of trade receivables amounted to RMB2,172,754,000 (as at 31 December 2019: RMB2,639,209,000). The loss allowance as at 30 June 2020 is RMB74,168,000 (as at 31 December 2019: RMB85,894,000).

**(b) Notes receivable**

All notes receivable are denominated in RMB. As at 30 June 2020 and 31 December 2019, all notes receivable were guaranteed by established banks in the PRC and had maturities of less than six months from the reporting date.

The Group does not hold the notes receivable until maturity but endorses or discounts these notes receivable before maturity for the settlement of the Group's creditors. Accordingly, notes receivable are classified as financial assets at fair value through other comprehensive income – (recycling) in accordance with HKFRS 9 and are stated at fair value. The fair value is based on the net present value at 30 June 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.

**(c) Other contract costs**

Other contract costs capitalised as at 30 June 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 term of the contracts. There was no impairment in relation to the contract cost capitalised during the period.

**(d) Amounts due from joint ventures/related companies**

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

## 15. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Trade and notes payables</b>		
Trade payables		
– Third parties	23,994,401	30,544,446
– Associates	748,187	726,376
– Related companies controlled by the substantial shareholder of the Company	–	253,879
	<u>–</u>	<u>253,879</u>
	(a) 24,742,588	31,524,701
Notes payable	(b) 2,756,543	2,233,280
	<u>27,499,131</u>	<u>33,757,981</u>
<b>Other payables</b>		
Receipts in advance from customers	(c) 4,481,371	4,940,701
– Third parties	1,356	–
– An associate	5,651	–
– A joint venture	395,694	–
– Related companies controlled by the substantial shareholder of the Company	<u>–</u>	<u>–</u>
	4,884,072	4,940,701
Deferred government grants which conditions have not been satisfied	965,937	1,459,964
Payables for acquisition of property, plant and equipment	2,452,641	2,795,722
Accrued staff salaries and benefits	575,992	1,253,715
VAT and other taxes payables	300,670	145,941
Dividends payable	2,125,598	–
Other accrued charges and payables	3,383,205	3,519,291
	<u>14,688,115</u>	<u>14,115,334</u>
	<u>42,187,246</u>	<u>47,873,315</u>
<i>Representing:</i>		
– Current	41,956,697	47,873,315
– Non-current	230,549	–
	<u>42,187,246</u>	<u>47,873,315</u>

**(a) Trade payables**

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

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
0 – 60 days	<b>23,447,142</b>	28,851,143
61 – 90 days	<b>1,122,033</b>	1,389,265
91 – 365 days	<b>121,560</b>	1,224,451
Over 365 days	<b>51,853</b>	59,842
	<b><u>24,742,588</u></b>	<b><u>31,524,701</u></b>

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 2020 and 31 December 2019, all notes payable had maturities of less than six months from the reporting date.

As at 30 June 2020 and 31 December 2019, the Group had no pledged bank deposits to secure the notes payable.

**(c) Receipts in advance from customers**

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

	<b>Six months ended 30 June 2020 RMB'000 (Unaudited)</b>	<b>2019 RMB'000 (Unaudited)</b>
Revenue recognised during the period that was included in the receipts in advance from customers at the beginning of the period	<b><u>(4,940,701)</u></b>	<b><u>(1,890,772)</u></b>

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

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within one year	95,778	–
More than one year	<u>230,549</u>	<u>–</u>
	<u><b>326,327</b></u>	<u><b>–</b></u>

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

## 16. BONDS PAYABLE

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

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

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

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

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2019 <i>RMB'000</i> (Audited)
<b>Carrying amount</b>		
At the beginning of the period/year	2,060,085	2,047,822
Exchange differences	49,162	8,689
Interest expenses	<u>1,826</u>	<u>3,574</u>
At the end of the period/year	<u><b>2,111,073</b></u>	<u><b>2,060,085</b></u>

## 17. BANK BORROWINGS

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Bank loans, unsecured	<u>2,121,930</u>	<u>2,089,110</u>

As at 30 June 2020 and 31 December 2019, 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.

## 18. SHARE CAPITAL

	Number of shares	Nominal value <i>RMB'000</i>
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2019 and 30 June 2020 (unaudited)	<u>12,000,000,000</u>	<u>246,720</u>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2019	8,981,612,540	164,470
Shares issued under share option scheme	<u>185,385,000</u>	<u>3,263</u>
At 31 December 2019 and 1 January 2020	9,166,997,540	167,733
Shares issued under share option scheme ( <i>note (a)</i> )	45,779,000	845
Shares issued upon placement ( <i>note (b)</i> )	<u>600,000,000</u>	<u>11,051</u>
At 30 June 2020 (unaudited)	<u>9,812,776,540</u>	<u>179,629</u>

### Notes:

- (a) During the six months ended 30 June 2020, share options were exercised to subscribe for 45,779,000 ordinary shares (six months ended 30 June 2019: 129,911,000 ordinary shares) of the Company at a consideration of approximately RMB172,068,000 (six months ended 30 June 2019: RMB443,276,000) of which approximately RMB845,000 (six months ended 30 June 2019: RMB2,286,000) was credited to share capital and approximately RMB171,223,000 (six months ended 30 June 2019: RMB440,990,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB60,306,000 (six months ended 30 June 2019: RMB181,565,000) 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).

## 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. EVENTS AFTER THE REPORTING DATE

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

On 8 July 2020, the Group and the companies owned by the Company’s ultimate holding company (“**Ultimate Holding Companies**”) entered into certain disposal agreements pursuant to which the Group conditionally agreed to sell, and the Ultimate Holding Companies conditionally agreed to acquire the entire equity interests of Chengdu Automobile, Ningbo Beilun and Ningbo Jining for total cash considerations of approximately RMB76.3 million, RMB729.4 million and RMB30.5 million, respectively.

As at 30 June 2020, the disposals had not yet been completed. Please refer to the Company’s announcement dated 9 July 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.

## **Exercise of call option by BNP Paribas Personal Finance (“BNPP PF”)**

As per the Company’s announcement dated 16 December 2013, a call option (the “**Call Option**”) associated with the agreement entered into between the Company and BNPP PF for the establishment of Genius AFC, to engage in the vehicles financing business in the PRC. 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 the Genius AFC to increase its equity interest in Genius AFC up to 50%.

As at 30 June 2020, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

The Group's sales performance in the first half of 2020 was adversely affected by the outbreak of Covid-19 in early 2020. Its financial results were therefore below the management's expectations. Total sales volume of passenger vehicles from Chinese indigenous brands recorded a 29.0% year-on-year (“YoY”) decline during the period, compared with a 22.4% YoY drop 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 total sales volume in the China market decreased 17% YoY to 510,873 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 2020. The Group's export sales volume slid 49% YoY to 19,573 units in the first half of 2020, as a result of the lockdown caused by the outbreak of Covid-19 worldwide. The Group sold a total of 530,446 units of vehicles (including the sales volume of “Lynk&Co” vehicles sold by the Lynk&Co JV) in the first six months of 2020, representing a 19% YoY decline from the same period in 2019. Total revenue (excluding the revenue of the Lynk&Co JV) decreased by 23% to RMB36.82 billion during the period, mainly due to the lower sales volume and the production disruption caused by the partial lockdown in most areas in China in early 2020. Gross margin ratio in the first half of 2020 was slightly affected but still relatively stable. The 9% increase in administrative expenses during the period was primarily attributable to the increase in amortisation and depreciation expenses as a result of the substantial investment in research and development and new manufacturing facilities over the past years. As a result, profit attributable to the equity holders of the Company for the first half of 2020 was down 43% YoY to RMB2.30 billion. Diluted earnings per share (EPS) was down 44% to RMB24.70 cents.

### Financial Resources

Despite the lower revenues and operating profits in the first half of 2020, the Group's financial position remained healthy at the end of June 2020. During the period, the Group settled more trade payables to its suppliers to mitigate the negative impact from the production disruption, resulting in net cash outflows from operating activities. Thanks to the placing of 600 million new shares completed in early June 2020, the Group's total cash level (bank balances and cash + pledged bank deposits) increased slightly by 5% from the end of 2019 to RMB20.21 billion at the end of June 2020, while its total borrowings (including bank loans and the 5-year US\$300 million 3.625% bonds due 2023 (the “Bonds”)) stayed at RMB4.23 billion, similar level as at the end of 2019. 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, offering a healthy cushion to protect the Group from any further weakening in vehicle demand in the China market. In addition, net notes receivable (bank notes receivable – bank notes payable) at the end of June 2020 amounted to RMB15.1 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivable with the banks.

The Covid-19 pandemic has resulted in huge political and economic uncertainties globally, posing significant challenge to the Group’s business activities and thus its future cash flow. To safeguard its financial strength and to further enrich the Group’s financial cushion to cope with a possible prolonged disruption to business activities, on 29 May 2020, the Group announced to issue and place 600 million new shares through placing agents to various investors to raise net proceeds of HK\$6,447 million. On 17 June 2020, the Company approved a preliminary proposal for the possible issue of RMB Shares and listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange (the “**Sci-Tech Board**”) (the “**Proposed RMB Share Issue**”). The Proposed RMB Share Issue is conditional upon and subject to, among other things, market conditions, the approval of the shareholders at the general meeting of the Company and the necessary regulatory approval(s). The relevant shareholders’ approval was obtained at an extraordinary general meeting held on 29 July 2020.

The Group has been assigned credit ratings from both Standard & Poor’s Ratings Services and Moody’s Investors Service. Standard & Poor’s corporate credit rating on the Group is currently “BBB-/Stable” and such rating has been placed on “creditwatch negative” since 3 April 2020 due to challenging industry conditions after the global outbreak of Covid-19. On 12 June 2020, Moody’s Investors Service confirmed the Group’s credit rating as “Baa3” issuer rating and upgraded the outlook of the Company’s ratings from “rating under review” to “stable” on strong recovery of the Group’s sales in China since April 2020.

## Research and Development

During the first six months ended 30 June 2020, the Group recognised a total expense of RMB1,721.4 million (six months ended 30 June 2019: RMB1,487.1 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:

	2020 <i>RMB('000)</i>	2019 <i>RMB('000)</i>	YoY change (%)
Amortisation of intangible assets (i.e. capitalised product development costs)	<b>1,377,468</b>	1,116,123	23
Research and product development costs (i.e. not qualified for capitalisation)	<b>343,909</b>	370,958	(7)
<b>Total research and development costs charged to profit or loss</b>	<b><u>1,721,377</u></b>	<b><u>1,487,081</u></b>	<b><u>16</u></b>

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 530,446 units of vehicles (including the sales volume of “Lynk&Co” vehicles sold by the Lynk&Co JV) in the first half of 2020, down 19% YoY, mainly caused by the partial lockdown and disruption to business activities after the outbreak of Covid-19 in China.

The Group’s domestic sales volume in the first half of 2020 decreased 17% YoY to 510,873 units (including the sales volume of “Lynk&Co” vehicles sold by the Lynk&Co JV). Despite this, the Group’s wholesale market share in the overall Chinese passenger vehicle market still increased from 6.1% in the first half of 2019 to 6.5% in the first half of 2020, based on the CAAM Data. The Group’s market share amongst China’s indigenous passenger vehicle brands increased even more from 15.3% in the first half of 2019 to 17.9% in the first half of 2020. As a result, the Group maintained its number one position in terms of sales volume amongst all Chinese indigenous passenger vehicle manufacturers during the period. Further, the Group’s export sales volume recorded 49% YoY decline to 19,573 units in the first half of 2020, as a result of the lockdown caused by the outbreak of Covid-19 worldwide. Export sales accounted for 3.7% of the Group’s total sales volume in the first half of 2020, compared with around 5.9% in the same period in 2019.

The total sales volume of the Group’s sport utility vehicle (“SUV”) and cross-over models, amounted to 324,061 units, down 15% YoY and accounted for 61% of the Group’s total sales volume in the first half of 2020. During the same period, the sales volume of the Group’s sedan models was down 23% YoY to 197,030 units, accounting for 37% of the Group’s total sales volume. The sales volume of the Group’s only multi-purpose vehicle (“MPV”) model (i.e. “Jiaji” (嘉際)) was down 42% YoY to 9,355 units, accounting for only 2% of the Group’s total sales volume in the first half of 2020.

In the first half of 2020, the Group sold a total of 29,214 units of new energy and electrified vehicles (“NEEV”) models (including the sales volume of “01 PHEV”, “02 PHEV” and “03 PHEV” sold by the Lynk&Co JV), down around 49% from the same period in 2019. Amongst the NEEVs sold in the first half of 2020, the best-selling models were “ICON MHEV”, “Emgrand EV”, “Xingyue MHEV”, “Borui GE MHEV” and “Jiaji MHEV”, which together accounted for around 80% of the total sales volume of NEEVs.

As higher discounts and incentives were offered by the Group to its dealers under the stagnant vehicle market in China since mid 2019, the Group’s average ex-factory selling price decreased by around 6% YoY in the first half of 2020.

## **New Products**

New energy vehicles and SUV models remained the Group's focus in new products offering in the first half of 2020. In addition to PHEV and MHEV versions being offered under its existing major product lines, the Group successfully launched a new compact SUV model "ICON" and its MHEV version in January 2020. Further, to strengthen the Group's market position in the highly competitive SUV market in China and to supplement its existing SUV product offering, the Group launched its first seven-seat SUV model "Geely Haoyue" (吉利豪越) in June 2020. Under the Lynk&Co brand, a new cross-over model "05" was successfully launched in May 2020.

The Group plans to launch the following new products in the second half of 2020:

### *Under the "Geely" brand:*

- A brand new compact mid to high end sedan model, developed under the Compact Modular Architecture ("CMA") platform; and
- New generation of "Borui GE" model.

### *Under the "Lynk&Co" brand:*

- A brand new compact SUV model; and
- New generation of "01" model.

### *Under the "Geometry" brand:*

- A brand new compact electrified SUV model ("**Geometry C**"); and
- A compact electrified sedan model, targeting at mobility market.

## **Genius AFC**

Genius Auto Finance Company Limited ("**Genius AFC**"), the Group's 80%-owned vehicle financing joint venture formed 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 the three key auto brands for Geely Holding Group, including "Geely", "Lynk&Co" and "Volvo Car".

Despite the weakening demand in Chinese passenger vehicle market since the later part of last year, Genius AFC continued to post considerable growth in the first half of 2020. The total outstanding loan assets increased from RMB31.6 billion at the end of 2019 to RMB34.8 billion at the end of June 2020. With steady increase in high quality outstanding loan assets and relatively low funding costs, Genius AFC achieved good financial performance with net profit increasing 82% YoY to RMB423 million in the first half of 2020. Although the default rate for outstanding loan assets increased in the first quarter of 2020 due to the outbreak of Covid-19, Genius AFC promptly reacted and managed to bring down the default rate to a healthy level. Notwithstanding the Group's lower-than-expected vehicle sales volume so far this year and the fierce competition in the auto finance market in China, Genius AFC is still on track to meet its annual target for the year of 2020.

During the first half of 2020, Genius AFC secured more external funds through different means like bilateral bank facilities and asset-backed security issuances. In addition, Genius AFC successfully piloted the used-car financing business for retail customers. Genius AFC was ranked the highest in the retail credit segment of 2020 China Dealer Financing Satisfaction (DFS) Study by J.D. Power, reflecting the positive recognition from its customers about its finance provider offerings, approval process and sales representative relationship.

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 announcement, the exercise price of the call option and the exact percentage of equity interest in Genius AFC to be acquired by BNPP PF have not been determined and are subject to agreement by both parties.

## **LYNK&CO JV**

Lynk&Co Investment Co., Ltd. ("**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.

In the first half of 2020, the total sales volume of the Lynk&Co JV amounted to 54,763 units, down 2% YoY. During the period, Lynk&Co JV further strengthened its SUV product offering by adding a new cross-over model "05" in May 2020. Initial market response to the "05" model was encouraging with a total of 7,418 units of "05" model being sold during the two months ended 30 June 2020. A brand new compact and sporty SUV model is scheduled to be launched in the second half of 2020. Despite the drastic slowdown in vehicle sales in China at the beginning of 2020 and the relatively small size of Lynk&Co's sales volume, which should make the company more vulnerable to declining sales, Lynk&Co JV posted a net profit of RMB189 million in the first half of 2020. 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 259 stores called "Lynk&Co Centres" and 16 display and customer service centres called "Lynk&Co Spaces" in China.

## Exports

The Group exported a total of 19,573 units of vehicles in the first six months of 2020, down 49% from the same period last year, and accounted for 3.7% of the Group's total sales volume during the period. The weak export sales performance was mainly due to the lockdown in our major export markets caused by the outbreak of Covid-19 worldwide. "Geely Boyue" and "Binyue" SUV models were the Group's most important export models in terms of sales volume in the first half of 2020, accounting for 75% of the Group's total export sales volume during the period. At the end of June 2020, the Group exported its products to 24 countries through 26 sales agents and 334 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 2020. 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.

### Disposal of 3 subsidiaries – Chengdu Automobile, Ningbo Beilun and Ningbo Jining

On 8 July 2020, the Group and the Geely Holding Group entered into the following three agreements:

- *The Chengdu Automobile Disposal Agreement*

The Company entered into the Chengdu Automobile Disposal Agreement with Geely Holding to dispose the Group's 100% interests in 成都高原汽車工業有限公司(Chengdu Gaoyuan Automobile Industries Company Ltd. or "**Chengdu Automobile**"), pursuant to which (i) 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "**Jirun Automobile**") agreed to sell 90% of the registered capital of Chengdu Automobile; (ii) 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited or "**Shanghai Maple Guorun**") agreed to sell 10% of the registered capital of Chengdu Automobile; and (iii) Geely Holding agreed to acquire the entire registered capital of Chengdu Automobile through its two wholly-owned subsidiaries namely 城堡汽車國際有限公司 (Chengbao Automobile International Company Ltd. or "**Chengbao International**") and 吉利汽車集團有限公司(Geely Automobile Group Company Limited or "**Geely Automobile**") with each holding 50% of the registered capital of Chengdu Automobile for a net cash consideration of approximately RMB76.3 million.

The disposal consideration for the Chengdu Automobile was determined after arm's length negotiations between the Company and Geely Holding based on the market value of the net assets of Chengdu Automobile which amounts to approximately RMB133.0 million. It consists of (i) the carrying value of the net assets of Chengdu Automobile prepared under the Hong Kong Financial Reporting Standard ("**HKFRSs**") as at 31 May 2020 of approximately RMB87.2 million; (ii) the valuation premium of the Chengdu Automobile properties of approximately RMB47.6 million, being the difference between the market value of Chengdu Automobile properties of RMB363.0 million as stated in the valuation report based on comparison approach and the carrying value of the Chengdu Automobile properties of approximately RMB315.4 million as at 31 May 2020; and (iii) the net valuation impairment of machinery and equipment held by Chengdu Automobile of approximately RMB1.8 million.

On the other hand, the consideration of approximately RMB56.7 million to be paid by the Group for the grant of right to continuously use the manufacturing facilities of Chengdu Automobile upon completion of the disposal of Chengdu Automobile will partially offset the consideration for the disposal of Chengdu Automobile, which results in a net consideration of approximately RMB76.3 million to be received by the Group.

- *The Ningbo Beilun Disposal Agreement*

Jirun Automobile entered into the Ningbo Beilun Disposal Agreement with Geely Automobile, pursuant to which (i) Jirun Automobile agreed to sell 100% of the registered capital of 寧波北侖吉利汽車製造有限公司 (Ningbo Beilun Geely Automotive Manufacturing Co. Ltd. or “**Ningbo Beilun**”); and (ii) Geely Automobile agreed to acquire the entire registered capital of Ningbo Beilun for a cash consideration of approximately RMB729.4 million

The disposal consideration for the Ningbo Beilun was determined after arm’s length negotiations between Jirun Automobile and Geely Automobile with reference to the market value of the net assets of the Ningbo Beilun. The market value of the Ningbo Beilun consists of (i) the carrying value of the net assets of Ningbo Beilun prepared under the HKFRS as at 31 May 2020 of approximately RMB718.3 million; (ii) the capital injection of RMB10 million completed by Jirun Automobile on 12 June 2020 which further increased the net assets of Ningbo Beilun subsequent to 31 May 2020; and (iii) the valuation premium of the Ningbo Beilun properties of approximately RMB1.1 million, being the difference between the market value of Ningbo Beilun properties of approximately RMB685.1 million as stated in the valuation report based on comparison approach and the carrying value of the Ningbo Beilun properties of approximately RMB684.0 million as at 31 May 2020.

- *The Ningbo Jining Disposal Agreement*

Jirun Automobile entered into the Ningbo Jining Disposal Agreement with 浙江吉創汽車零部件有限公司 (Zhejiang Jichuang Automobile Parts Company Limited or “**Zhejiang Jichuang**”), pursuant to which (i) Jirun Automobile agreed to sell 100% of the registered capital of 寧波吉寧汽車零部件有限公司 (Ningbo Jining Automobile Components Co. Ltd. or “**Ningbo Jining**”); and (ii) Zhejiang Jichuang agreed to acquire the entire registered capital of Ningbo Jining for a cash consideration of approximately RMB30.5 million.

The consideration for the Ningbo Jining Disposal was determined after arm’s length negotiations between Jirun Automobile and Zhejiang Jichuang with reference to the market value of the net assets of the Ningbo Jining. The market value of Ningbo Jining consists of (i) the carrying value of the net assets of Ningbo Jining prepared under the HKFRS as at 31 May 2020 of approximately RMB23.2 million; (ii) the valuation premium of the Ningbo Jining properties of approximately RMB7.9 million, being the difference between the market value of Ningbo Jining properties of approximately RMB134.4 million as stated in the valuation report based on comparison approach and the carrying value of the Ningbo Jining properties of approximately RMB126.5 million as at 31 May 2020; and (iii) the net valuation impairment of machinery and equipment held by Ningbo Jining of approximately RMB0.6 million.

Following completion of the above three disposals, the Group will cease to have any interest in Chengdu Automobile, Ningbo Beilun and Ningbo Jining, and the financial results of Chengdu Automobile, Ningbo Beilun and Ningbo Jining will cease to be consolidated with the financial statements of the Group.

### **Issuance of US\$500 million 4% Senior Perpetual Capital Securities**

On 9 December 2019, the Company 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 Issue**”) which are listed on Singapore Exchange Securities Trading Limited at an issue price of 99.641%. 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 Company may be deferred at its sole discretion.

As at the date of this announcement, the net proceeds of the Securities Issue have been partially utilized as below:

	<b>Intended allocation of proceeds RMB('000)</b>	<b>Actual use of proceeds RMB('000)</b>	<b>Unutilised proceeds RMB('000)</b>
Business development			
- addition to property, plant and equipment		334,305	
- addition to intangible assets (i.e. capitalised product development costs)		1,357,337	
- research and product development costs (i.e. not qualified for capitalisation)		<u>135,493</u>	
Sub-total		1,827,135	
General working capital (i.e. remuneration of directors and employees, legal and professional fees and other administrative expenses)		<u>281,955</u>	
<b>Total</b>	<b><u>3,413,102</u></b>	<b><u>2,109,090</u></b>	<b><u>1,304,012</u></b>

## **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, places 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 intends to apply such net proceeds for business development and general working capital of the Group.

As at the date of this announcement, the net proceeds have not been utilized and will be used as intended.

## **Proposed RMB Share Issue**

On 17 June 2020, the Company has approved a preliminary proposal for the possible issue of RMB Shares and listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange (the “**Sci-Tech Board**”) (the “**Proposed RMB Share Issue**”). The Proposed RMB Share Issue is conditional upon and subject to, among other things, market conditions, the approval of the shareholders at the general meeting of the Company and the necessary regulatory approval(s).

It is proposed that the initial number of RMB Shares to be issued will not exceed 1,731,666,448 Shares, representing not more than 15% of the Company’s issued share capital as at 23 June 2020 (being the date immediately preceding the date of the Board meeting held on 24 June 2020 approving, among others, the Proposed RMB Share Issue) as enlarged by the issue and allotment of the RMB Shares contemplated under the Proposed RMB Share Issue. The RMB Shares will all be new Shares, and no conversion of the existing Share will be involved. On 29 July 2020, the Proposed RMB Share Issue was approved by the Company’s shareholders at the extraordinary general meeting.

After deducting the issuance expenses, the proceeds of the Proposed RMB Share Issue are currently intended to be used for (a) research and development of new automobile products; (b) prospective technology research and development; (c) industrial acquisition; and (d) replenishment of working capital.

## Outlook

The global outbreak of Covid-19 had caused serious disruption to the Group's operations since the beginning of 2020. The current headwind is expected to persist in the remainder of the year, making 2020 amongst the most difficult year in the Group's history. Further, the intense market competition in China could worsen further in current difficult market condition and should continue to put pressure on the sales performance and profitability of Chinese vehicle manufacturers in 2020. Longer-term, the transformation from conventional vehicles to NEEVs and intelligent/connected vehicles and the scheduled relaxation of foreign investment in China's automobile industry over the next few years should represent additional challenges to the Chinese passenger vehicle manufacturers.

However, as reflected by the consistent rise in its market share in China over the last few years, the Group has firmly secured its leading position in China's passenger vehicle market. The Group's financial position has strengthened considerably as a result of the recent successful moves to further strengthen its capital base. These should enable the Group to continue investing for the future and respond to the abrupt 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 has started to yield positive results in markets like Belarus and Malaysia, where customer feedback and demand for the Group's products improved significantly. In a few years' time, exports would not only become a key driver to the Group's growth, but also help to further enhance the Group's economies of scale. In the second half of 2020, the Group will go ahead to further expand its export sales to new market in Southeast Asia and Western Europe.

The few major acquisitions in the automobile sector by the Group's parent, namely Geely Holding, over the past few years has 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 should provide the Group substantial opportunities for technologies and costs sharing, economies of scale and new market penetration. Longer-term, these acquisitions should provide additional sources for growth for the Group. To further enhance its long-term competitiveness and to prepare the Group for the major changes ahead, the Group started preliminary discussion with the management of Volvo Car AB (publ) regarding a possible restructuring through a business combination of the two companies. Should the proposed restructuring materialise, it would lead into a stronger global Group that could realise synergies in cost structure and new technology development.

Although the Chinese vehicle demand was adversely affected by the outbreak of Covid-19 in the first quarter of 2020, the Group's sales performance started to recover strongly since the beginning of the second quarter. However, the recovery has so far been slower than expected. Further, near term uncertainties remain in the global macro environment. The Group's management therefore decided to revise downward our 2020 full year sales volume target by around 6% from 1,410,000 units to 1,320,000 units.

## **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.

On 9 December 2019, the Company 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 Company may be deferred at its sole discretion. The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Company'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.

As at 30 June 2020, the Group's shareholders' funds amounted to approximately RMB60.6 billion (As at 31 December 2019: approximately RMB54.4 billion). On 29 May 2020, the Group announced to issue and place 600 million new shares through placing agents to various investors to raise net proceeds of HK\$6,447 million. Also, the Company issued 45.779 million ordinary shares upon exercise of share options during the six months ended 30 June 2020.

## **EXPOSURE TO FOREIGN EXCHANGE RISK**

During the six months ended 30 June 2020, the Group's operations were principally related to domestic sales of automobiles and related automobile parts and components in the Mainland China and the Group's assets and liabilities were mainly denominated in Renminbi (RMB), the functional currency of the Company and its key subsidiaries.

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

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2020, the Group's current ratio (current assets/current liabilities) was about 1.17 (As at 31 December 2019: 1.03) and the gearing ratio of the Group was about 7.0% (As at 31 December 2019: 7.6%) which was calculated on the Group's total borrowings (excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). During the period, the Group settled more trade payables to its suppliers to mitigate the negative impact from the production disruption, resulting in net cash outflows from operating activities. Thanks to the placing of 600 million new shares of the Company completed in early June 2020, the Group's total cash level (bank balances and cash + pledged bank deposits) increased by 5% from RMB19.3 billion at the end of December 2019 to RMB20.2 billion at the end of June 2020.

Total borrowings (excluding trade and other payables and lease liabilities) as at 30 June 2020 amounted to approximately RMB4.2 billion (As at 31 December 2019: approximately RMB4.1 billion) were mainly the Group's borrowings and bonds payable. At the end of June 2020, the Group's total borrowings were denominated in United States Dollars (US\$). They were well matched by the currency mix of the Group's revenues, which were mainly denominated in US\$. For the borrowings, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

## **EMPLOYEES' REMUNERATION POLICY**

As at 30 June 2020, the total number of employees of the Group was about 38,000 (As at 31 December 2019: 43,000). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

## **INTERIM DIVIDEND**

At a meeting of the Board held on 17 August 2020, the Board resolved not to pay an interim dividend to the Company's shareholders (2019: Nil).

## **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 2020.

## **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 2020, except for CP E.1.2 as explained below:

CP E.1.2 provides that the chairman of the Board (the "**Chairman**") and the chairman of respective Board committees should attend the annual general meeting of the Company. During the period ended 30 June 2020, 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 25 May 2020. Due to conflict of his schedules and other prior business engagement in the PRC, the Chairman was unable to attend the general meeting physically. One independent non-executive Director and two executive Directors and the Company's external auditor attended and answered questions raised by the Shareholders at the meeting physically. The Chairman, three other independent non-executive directors and four 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 2020, 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.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020.

## **PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE OF HONG KONG LIMITED**

Pursuant to the requirements of the Listing Rules, the 2020 interim report will set out all information disclosed in the interim results announcement for the first half of 2020 and will be disclosed on the websites of the Company (<http://www.geelyauto.com.hk>) and The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) in due course.

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

Hong Kong, 17 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Yang Jian (Vice Chairman), Mr. Li Dong Hui, Daniel (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence and Ms. Wei Mei, and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang.*