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吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock codes: 175 (HKD counter) and 80175 (RMB counter)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2023 (Unaudited)	2022 (Unaudited)	
Revenue (RMB'000)	73,181,745	58,183,773	26
Profit attributable to the equity holders of the Company (RMB'000)	1,570,728	1,552,238	1
Earnings per share			
Basic (RMB cents)	14.91	14.83	1
Diluted (RMB cents)	14.75	14.71	0
Total sales volume (Units) (Note 2)	694,045	613,845	13
	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	
Total assets (RMB'000)	164,278,569	157,826,329	4
Equity attributable to the equity holders of the Company (RMB'000)	76,569,089	75,130,455	2
Net assets per share attributable to the equity holders of the Company (RMB)	7.61	7.47	2
<i>Notes:</i>			
1.	At a meeting of the Board held on 22 August 2023, the Board resolved not to pay an interim dividend to the Company's shareholders (2022: Nil).		
2.	Although the total sales volume is not directly correlated to the revenue recognised by the Group during a specific period as it includes all sales volume of 領克投資有限公司 (LYNK & CO Investment Co., Ltd.) and 重慶睿藍汽車科技有限公司 (Chongqing Livan Automotive Technology Company Limited) on a 100% consolidated basis, the Board believes it better reflects the potential demand for the Group's vehicles.		

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 2023. 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 2023

	Note	Six months ended 30 June	
		2023 RMB’000 (Unaudited)	2022 RMB’000 (Unaudited)
Revenue	3	73,181,745	58,183,773
Cost of sales		<u>(62,641,253)</u>	<u>(49,707,971)</u>
Gross profit		10,540,492	8,475,802
Other gains/(losses), net	4	640,229	896,133
Distribution and selling expenses		(4,767,790)	(3,303,773)
Administrative expenses		(4,867,108)	(4,660,511)
Reversal of impairment loss/(Impairment loss) on trade and other receivables		59,265	(24,089)
Share-based payments		(436,429)	(852,818)
Finance income, net	5(a)	160,749	214,872
Share of results of associates		132,676	(56,785)
Share of results of joint ventures		<u>12,016</u>	<u>627,682</u>
Profit before taxation	5	1,474,100	1,316,513
Taxation	6	<u>(200,592)</u>	<u>(38,665)</u>
Profit for the period		<u>1,273,508</u>	<u>1,277,848</u>
Attributable to:			
Equity holders of the Company		1,570,728	1,552,238
Non-controlling interests		<u>(297,220)</u>	<u>(274,390)</u>
Profit for the period		<u>1,273,508</u>	<u>1,277,848</u>
Earnings per share			
Basic	8	<u>RMB14.91 cents</u>	<u>RMB14.83 cents</u>
Diluted	8	<u>RMB14.75 cents</u>	<u>RMB14.71 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	1,273,508	1,277,848
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss:		
– Notes receivable at fair value through other comprehensive income (“FVOCI”)		
Change in fair value	3,410	151,860
Income tax effect	(783)	(32,358)
– Share of other comprehensive income of associate and joint venture, net of related income tax	18,815	9,343
– Exchange differences on translation of financial statements of foreign operations	(80,228)	319,559
Item that will not be reclassified subsequently to profit or loss:		
– Equity investments at FVOCI		
Change in fair value	(29,024)	–
Other comprehensive (expense)/income for the period, net of tax	(87,810)	448,404
Total comprehensive income for the period	<u>1,185,698</u>	<u>1,726,252</u>
Attributable to:		
Equity holders of the Company	1,506,117	1,986,262
Non-controlling interests	(320,419)	(260,010)
Total comprehensive income for the period	<u>1,185,698</u>	<u>1,726,252</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	35,142,763	32,201,419
Intangible assets	10	25,473,260	22,547,705
Land lease prepayments		4,073,271	3,401,795
Goodwill		64,309	61,418
Interests in associates	11	5,502,731	3,967,117
Interests in joint ventures	12	10,125,367	10,268,201
Trade and other receivables	14	1,634,599	1,457,600
Financial assets at FVOCI		254,988	284,012
Deferred tax assets		<u>5,407,340</u>	<u>4,573,149</u>
		<u>87,678,628</u>	<u>78,762,416</u>
Current assets			
Inventories	13	11,737,592	10,822,330
Trade and other receivables	14	31,010,539	34,392,326
Income tax recoverable		209,661	121,020
Restricted and pledged bank deposits		794,336	386,898
Bank balances and cash		<u>32,847,813</u>	<u>33,341,339</u>
		<u>76,599,941</u>	<u>79,063,913</u>
Current liabilities			
Trade and other payables	15	73,101,570	65,480,717
Derivative financial instruments		61,908	80,509
Lease liabilities		697,713	556,579
Bonds payable	18	–	2,062,396
Income tax payable		<u>397,229</u>	<u>773,013</u>
		<u>74,258,420</u>	<u>68,953,214</u>
Net current assets		<u>2,341,521</u>	<u>10,110,699</u>
Total assets less current liabilities		<u><u>90,020,149</u></u>	<u><u>88,873,115</u></u>

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
CAPITAL AND RESERVES			
Share capital	<i>19</i>	183,686	183,686
Perpetual capital securities	<i>20</i>	3,413,102	3,413,102
Reserves		<u>72,972,301</u>	<u>71,533,667</u>
Equity attributable to equity holders of the Company			
Non-controlling interests		<u>76,569,089</u>	75,130,455
		<u>4,634,482</u>	<u>1,065,360</u>
Total equity		<u>81,203,571</u>	<u>76,195,815</u>
Non-current liabilities			
Trade and other payables	<i>15</i>	2,584,637	1,602,020
Lease liabilities		1,587,256	1,779,429
Bank borrowings	<i>16</i>	2,903,920	2,757,960
Loan from a related company	<i>17</i>	1,200,000	6,000,000
Deferred tax liabilities		<u>540,765</u>	<u>537,891</u>
		<u>8,816,578</u>	<u>12,677,300</u>
		<u>90,020,149</u>	<u>88,873,115</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
<i>Note</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before taxation	1,474,100	1,316,513
Adjustments for non-cash items	4,223,921	4,669,073
	<hr/>	<hr/>
Operating profit before working capital changes	5,698,021	5,985,586
Net changes in working capital	6,532,670	5,140,640
	<hr/>	<hr/>
Cash generated from operations	12,230,691	11,126,226
Income taxes paid	(1,531,719)	(1,318,680)
	<hr/>	<hr/>
<i>Net cash generated from operating activities</i>	10,698,972	9,807,546
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,261,472)	(2,525,363)
Additions of intangible assets	(4,843,469)	(1,828,920)
Additions of land lease prepayments	(115,127)	(52,262)
Proceeds from disposal of property, plant and equipment	129,390	42,254
Net cash outflow on acquisition of a subsidiary	(193,198)	(666,205)
Dividend received from associates	220,387	–
Additional/initial capital injection in associates	(1,081,000)	(354,125)
Additional/initial capital injection in joint ventures	(355,825)	(373,200)
Acquisition of a loan to an associate	(387,354)	–
Advance to a joint venture	(100,000)	–
Change in restricted and pledged bank deposits	(407,438)	(269,977)
Interest received	408,792	418,627
	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	(8,986,314)	(5,609,171)
	<hr/>	<hr/>

		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Cash flows from financing activities			
Distribution paid on perpetual capital securities	7	(71,064)	(66,660)
Capital contribution from non-controlling interests		5,204,460	1,268,360
Proceeds from bank borrowings		–	615,000
Repayment of bank borrowings		–	(332,769)
Repayment of bonds payable	18	(2,068,422)	–
Advance from a related company		1,898,730	6,000,000
Repayment of loan from a related company		(6,698,730)	–
Proceeds from issuance of shares upon exercise of share options	19	–	7,977
Settlement of payables for acquisition of additional interests in a subsidiary in previous year		–	(1,807,384)
Payment of lease liabilities		(296,312)	(301,204)
Interest paid		(174,885)	(105,533)
		<u>(2,206,223)</u>	<u>5,277,787</u>
<i>Net cash (used in)/generated from financing activities</i>			
Net (decrease)/increase in cash and cash equivalents		(493,565)	9,476,162
Cash and cash equivalents at the beginning of the period		33,341,339	28,013,995
Effect of foreign exchange rate changes		39	72,088
		<u>32,847,813</u>	<u>37,562,245</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash			

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” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 22 August 2023.

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 2022.

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

New or amended HKFRSs that are effective for annual periods beginning on 1 January 2023

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 2022, except for the adoption of the following new or amended HKFRSs effective as of 1 January 2023.

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

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 its 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 HKFRS. 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. The amendments had no impact on the condensed consolidated interim financial statements of the Group.

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as “monetary amounts in the financial statements that are subject to measurement uncertainty”.

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. The amendments had no impact on the condensed consolidated interim financial statements of the Group.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 “Income Taxes” does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 “Income Taxes”.

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022 from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained profits at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments. However, the amendments require additional disclosure of deferred tax assets and liabilities which may have impact on the annual consolidated financial statements.

Accounting policy newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Revenue recognition

Subcontracting income

Revenue is generally recognised at a point in time when the customers gain possession and control of the contracted services. A receivable is recognised upon the provision of services, as it signifies the point at which the consideration becomes unconditional due to the passage of time before payment is due. Revenue excludes value-added tax (“VAT”) or related sales taxes and is presented net of discounts.

Subcontracting income is recognised upon the successful delivery of subcontracted services and the customers’ acceptance and attainment of control over the rendered services.

Issued but not yet effective HKFRSs

As at the date of this announcement, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective date not yet determined

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. 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 condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents sales of automobiles, automobile parts and components, battery packs and related parts, provision of subcontracting services, research and development and related technological support services and licensing of intellectual properties, net of 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	
	2023	2022
	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	60,284,330	49,202,613
– Sales of automobile parts and components	4,100,887	4,727,305
– Sales of battery packs and related parts	5,954,587	1,686,566
– Research and development and related technological support service	1,883,870	1,838,922
– Licensing of intellectual properties	823,385	728,367
– Subcontracting income	134,686	–
	<u>73,181,745</u>	<u>58,183,773</u>
Disaggregated by timing of revenue recognition		
– At a point in time	71,206,671	56,214,324
– Over time	1,975,074	1,969,449
	<u>73,181,745</u>	<u>58,183,773</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 components and battery packs and related parts, provision of subcontracting services, 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.

Information about a major customer

Revenue from a customer which individually contributed over 10% of the Group's revenue is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A [#]	<u>11,904,647</u>	<u>9,696,925</u>

[#] It includes a group of entities which are under common control by Mr. Li Shu Fu and his associates.

4. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants and subsidies (<i>note</i>)	313,835	235,282
Net foreign exchange (loss)/gain	(114,584)	38,132
Net realised and unrealised (loss)/gain on derivative financial instruments	(44,081)	406,591
Net loss on disposal/written off of property, plant and equipment and land lease payments	(55,235)	–
Fair value changes on financial assets at fair value through profit or loss	–	26,906
Logistics service income	127,790	32,499
Quality management and information technology service income	54,034	10,694
Gain on disposal of scrap materials	27,441	14,282
Net gain on written off long outstanding payable	45,153	–
Replacement service income	10,405	575
Gain on deemed disposal of investment accounted for using the equity method (<i>note 11</i>)	10,208	–
Export service income	8,497	1,203
Rental income	2,168	1,585
Sundry income	<u>254,598</u>	<u>128,384</u>
	<u>640,229</u>	<u>896,133</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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance income and costs		
Finance costs		
Effective interest expense on bonds payable	298	1,722
Coupon expense on bonds payable	5,408	35,606
Interest on discounted notes receivable	4,065	52,309
Interest on lease liabilities	31,745	30,716
Interest on loans from related companies	156,178	49,916
Interest on bank borrowings wholly repayable within five years	<u>69,890</u>	<u>38,320</u>
	<u>267,584</u>	<u>208,589</u>
Finance income		
Bank and other interest income	<u>(428,333)</u>	<u>(423,461)</u>
Net finance income	<u>(160,749)</u>	<u>(214,872)</u>
(b) Staff costs (including directors' emoluments) (note (a))		
Salaries, wages and other benefits	3,557,247	2,788,778
Retirement benefit scheme contributions (note (b))	266,367	195,669
Equity settled share-based payments	<u>436,429</u>	<u>852,818</u>
	<u>4,260,043</u>	<u>3,837,265</u>

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(c) Other items		
Depreciation (<i>note (a)</i>):		
– Owned assets	1,530,960	1,369,278
– Right-of-use assets (including land lease prepayments)	380,028	317,921
	<u>1,910,988</u>	<u>1,687,199</u>
Total depreciation		
Amortisation of intangible assets (related to capitalised product development costs)	2,146,394	2,339,000
Research and development costs	843,808	926,194
Cost of inventories recognised as an expense (<i>note (a)</i>), including:		
– Reversal of write-down of inventories to net realisable value	60,681,865	48,044,111
	(1,225)	(3,676)
Lease charges on short term leases	77,232	57,787
Net loss on disposal/written off of property, plant and equipment and land lease payments	55,235	35,462
Net foreign exchange loss/(gain)	114,584	(38,132)
	<u>114,584</u>	<u>(38,132)</u>

Notes:

- (a) Cost of inventories included RMB3,003,670,000 (six months ended 30 June 2022: RMB2,958,903,000) 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) As at 30 June 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future periods/years (as at 31 December 2022: RMBNil).

6. TAXATION

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC enterprise income tax	1,087,911	673,440
– Over-provision in prior years	(20,617)	(38,495)
	<u>1,067,294</u>	<u>634,945</u>
Deferred tax	<u>(866,702)</u>	<u>(596,280)</u>
	<u>200,592</u>	<u>38,665</u>

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 2023 and 2022.

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 2022: 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. Also, certain PRC subsidiaries of the Group located in the western region of the PRC are engaged in the encouraged businesses. Accordingly, they enjoyed a preferential income tax rate of 15% for the six months ended 30 June 2023 and 2022.

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 are entitled to claim 200% of their eligible research and development costs so incurred as tax deductible expenses when determining their assessable profits for that period (“**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 2023 and 2022.

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 2022 of Hong Kong dollars (“HK\$”) 0.21 (six months ended 30 June 2022: HK\$0.21) per ordinary share, amounting to approximately RMB1,915,763,000 (six months ended 30 June 2022: RMB1,787,669,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2022 final dividend was paid in July 2023 and reflected as dividends payable in this Interim Financial Report.

In addition, the Company made a distribution on perpetual capital securities of RMB71,064,000 (six months ended 30 June 2022: RMB66,660,000) to the securities holders during the six months ended 30 June 2023.

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 RMB1,499,664,000 (six months ended 30 June 2022: RMB1,485,578,000) and weighted average number of ordinary shares of 10,056,973,786 shares (six months ended 30 June 2022: 10,019,544,970 shares), calculated as follows:

Profit attributable to ordinary equity holders of the Company

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company	1,570,728	1,552,238
Distribution paid on perpetual capital securities (<i>note 7</i>)	<u>(71,064)</u>	<u>(66,660)</u>
Profit for the period attributable to ordinary equity holders of the Company	<u>1,499,664</u>	<u>1,485,578</u>

Weighted average number of ordinary shares

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January (<i>note 19</i>)	10,056,973,786	10,018,441,540
Effect of share options exercised	<u>–</u>	<u>1,103,430</u>
Weighted average number of ordinary shares at 30 June	<u>10,056,973,786</u>	<u>10,019,544,970</u>

(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 RMB1,499,664,000 (six months ended 30 June 2022: RMB1,485,578,000) and the weighted average number of ordinary shares of 10,167,585,286 shares (six months ended 30 June 2022: 10,096,115,647 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic) at 30 June	10,056,973,786	10,019,544,970
Effect of deemed issue of shares under the Company's share option scheme	–	59,528
Effect of dilutive potential ordinary shares arising from award shares issued under the Company's share award scheme	<u>110,611,500</u>	<u>76,511,149</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>10,167,585,286</u>	<u>10,096,115,647</u>

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 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net carrying amount		
At the beginning of the period/year	32,201,419	30,858,504
Additions	2,839,834	4,958,077
Acquisition through business combination	2,240,675	346,947
Disposals/written off	(242,092)	(186,683)
Early termination of leases	(40,728)	(138,707)
Depreciation	(1,865,042)	(3,432,870)
Impairment losses	–	(199,026)
Exchange realignment	8,697	(4,823)
At the end of the period/year	<u>35,142,763</u>	<u>32,201,419</u>

The Group has obtained the right to use office and factory premises, retail and service centres and motor vehicles through the tenancy agreements. The remaining lease term is one to eighteen years (as at 31 December 2022: one to nineteen years). The Group generally makes fixed payments during the contract period. During the six months ended 30 June 2023, the total additions to right-of-use assets were RMB286,001,000 (six months ended 30 June 2022: RMB1,085,235,000).

As at 30 June 2023, the aggregate carrying amount of the Group's right-of-use assets in relation to the buildings, plant and machinery and motor vehicles are RMB2,258,226,000 (as at 31 December 2022: RMB2,333,944,000).

10. INTANGIBLE ASSETS

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Net carrying amount		
At the beginning of the period/year	22,547,705	20,901,178
Additions	5,069,984	6,424,582
Acquisition through business combination	1,965	20,511
Amortisation	(2,146,394)	(4,799,250)
Exchange realignment	—	684
	<u>25,473,260</u>	<u>22,547,705</u>
At the end of the period/year	<u>25,473,260</u>	<u>22,547,705</u>

11. INTERESTS IN ASSOCIATES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cost of unlisted investments	3,944,375	2,332,668
Share of post-acquisition results and other comprehensive income	(140,746)	(64,653)
Gain on bargain purchase upon subscription for an associate	1,749,734	1,749,734
Impairment loss recognised	(3,349)	(3,349)
Exchange realignment	(47,283)	(47,283)
	<u>5,502,731</u>	<u>3,967,117</u>

Details of the Group's interests in associates as at 30 June 2023 and 31 December 2022, are as follows:

Name of associates	Place of establishments and operations	Form of business structure	Particulars of issued and paid up/ registered capital	Attributable equity interest held by the Group		Principal activities
				As at 30 June 2023	As at 31 December 2022	
Hanna Mando (Ningbo) Automobile Chassis System Technology Co., Limited [#] 漢拿萬都(寧波)汽車底盤系統科技有限公司	PRC	Incorporated	United States dollars (“US\$”) 85,000,000	35%	35%	Manufacturing of key components and electronic devices of automobile chassis
Closed Joint Stock Company BELGEE	Republic of Belarus	Incorporated	Belarusian Ruble 234,535,000	36.7%	36.7%	Production, marketing and sales of vehicles
PT Geely Mobil Indonesia	Republic of Indonesia	Incorporated	US\$3,260,200	30%	30%	Production, marketing and sales of vehicles
Times Geely Power Battery Company Limited [#] 時代吉利動力電池有限公司	PRC	Incorporated	RMB501,000,000	49%	49%	Research and development, manufacturing and sales of battery cells, battery modules and battery packs
Zhejiang Haohan Energy Technology Company Limited [#] 浙江浩瀚能源科技有限公司	PRC	Incorporated	RMB500,000,000	30%	30%	Research and development of automobile charging systems and technologies, provision of automobile charging services and operation of automobile charging points and network
Wuxi Xingqu Technology Company Limited [#] 無錫星驅科技有限公司	PRC	Incorporated	RMB61,250,000	27.6%	27.6%	Research and development of automobile parts and components
Zhejiang Shuangli Automobile Intelligent Technology Company Limited [#] 浙江雙利汽車智能科技有限公司	PRC	Incorporated	RMB90,000,000	35%	35%	Not yet commenced the business

Name of associates	Place of establishments and operations	Form of business structure	Particulars of issued and paid up/ registered capital	Attributable equity interest held by the Group		Principal activities
				As at 30 June 2023	As at 31 December 2022	
Renault Korea Motors Co., Ltd. (“ Renault Korea ”)	Republic of Korea	Incorporated	South Korean Won 666,875,000,000	34.02%	34.02%	Design, development, manufacturing, production, assembly, sales, distribution, import, export and marketing of automobiles, related parts and accessories
Chongqing Livan Automotive Technology Company Limited [#] (“ Chongqing Livan ”) 重慶睿藍汽車科技有限公司	PRC	Incorporated	RMB1,450,000,000 (as at 31 December 2022: RMB600,000,000)	45%	(Note 12)	Research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles)
Zhejiang Xingchuang Automobile Software Technology Co., Ltd. [#] (“ Xingchuang ”) 浙江星創汽車軟件科技有限公司	PRC	Incorporated	RMB40,000,000	45%	–	Not yet commenced the business
PROTON Holdings Berhad (“ PROTON ”)	Malaysia	Incorporated	Malaysian Ringgit (“ RM ”) 1,009,513,000	49.9%	–	Manufacturing and sales of vehicles under the “PROTON” brand in Southeast Asia
DRB-HICOM Geely Sdn. Bhd. (“ DHG ”)	Malaysia	Incorporated	RM1,000	49.9%	–	Investment holding

PROTON and DHG

On 20 January 2023, the Group had entered into acquisition agreements with a fellow subsidiary owned by the Company’s ultimate holding company pursuant to which the Group conditionally agreed to acquire 49.9% of the issued and paid-up ordinary share capital of PROTON and DHG for a cash consideration of approximately RMB1,450.4 million (of which US\$56,390,000 (equivalent to approximately RMB387.4 million) was related to the loan receivable to be sold to the Group) and a nominal consideration of US\$1 (equivalent to approximately RMB7), respectively. PROTON is principally engaged in manufacturing and sale of motor vehicles of its own brand in Southeast Asia. DHG is principally engaged in investment holding.

The acquisition of PROTON provides a valuable opportunity for the Group to enter the passenger vehicle market of right-hand drive models in Southeast Asia. By leveraging the resources and experiences of PROTON, the Group will be able to further strengthen its business development in Southeast Asia after completion of the acquisition. The Group will continue to collaborate with PROTON in the development of electric vehicle models under PROTON brand in the future.

DHG was incorporated by DRB-HICOM Berhad and Geely International (Hong Kong) Limited to restructure the intercompany debt in the amount of approximately RM1,616.4 million (equivalent to approximately RMB2,551.3 million) (the “**Debt**”) between PROTON (as borrower) and Perusahaan Otomobil Nasional Sdn. Bhd. (“**PONSB**”) (a wholly-owned subsidiary of PROTON, as lender). In order to set off against the Debt, PROTON issued non-convertible redeemable preference shares to DHG and DHG issued the same number of non-convertible redeemable preference shares to PONS B at the same consideration equivalent to the Debt amount. No voting right is attached to the aforesaid non-convertible redeemable preference shares, which can only be redeemed at the discretion of the issuer when it has sufficient funds. The acquisition of DHG is intertwined with the acquisition of PROTON because the incorporation of DHG is solely for the purpose of PROTON’s internal debt restructuring.

Chongqing Livan

On 13 December 2021, the Group entered into the investment cooperation agreement with Lifan Technology (Group) Company Limited# 力帆科技(集團)股份有限公司 (“**Lifan Technology**”), pursuant to which the Company and Lifan Technology agreed to form Chongqing Livan, to engage in the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles). Pursuant to the terms of the investment cooperation agreement, the registered capital of Chongqing Livan will be RMB600 million, and will be contributed as to 50% (equivalent to RMB300 million) by the Group and as to 50% (equivalent to RMB300 million) by Lifan Technology, respectively. Shareholder’s meeting is the highest authority, and the voting rights in the meeting are in proportion to respective subscribed ratio.

Therefore, the Group’s investment in Chongqing Livan as at 31 December 2022 was classified as a joint venture and accounted for using the equity method.

During the six months ended 30 June 2022, the Group and Lifan Technology contributed RMB300,000,000 and RMB300,000,000, respectively, to Chongqing Livan.

On 20 June 2023, the Group entered into a capital injection agreement with Lifan Technology, pursuant to which the Group agreed to inject approximately RMB355,825,000 and Lifan Technology agreed to inject approximately RMB494,175,000. As a result of the capital injection, the Group’s equity interests in Chongqing Livan were diluted from 50% to 45% and the Group can only exert significant influence over the financial and operating activities of Lifan Technology.

Therefore, the Group’s investment in Chongqing Livan was reclassified from the joint venture to the associate. Besides, the gain on deemed disposal of investment in Chongqing Livan of RMB10,208,000 was recognised in “Other gains/(losses), net” in the condensed consolidated income statement during the six months ended 30 June 2023.

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

Xingchuang

During the six months ended 30 June 2023, the Group and other investor established an associate company, Xingchuang. Pursuant to the articles of association of Xingchuang, the registered capital of Xingchuang will be RMB40,000,000, and is contributed as to 45% (equivalent to RMB18,000,000) by the Group and as to 55% (equivalent to RMB22,000,000) by an independent third party, respectively. The Group completed the capital contribution in March 2023.

Summarised financial information of PROTON and its subsidiaries (“**PROTON Group**”), Renault Korea and Chongqing Livan and its subsidiaries (“**Chongqing Livan Group**”), the Group’s material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the condensed consolidated financial statements, are disclosed below:

	PROTON Group		Renault Korea		Chongqing Livan Group	
	As at	As at	As at	As at	As at	As at
	30 June	30 June	31 December	30 June	31 December	30 June
	2023	2023	2022	2023	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)
Non-current assets	10,014,757	4,969,880	5,188,477	1,146,737	389,842	
Current assets	5,234,609	7,244,782	8,858,630	4,595,952	3,369,318	
Current liabilities	(5,338,221)	(2,737,320)	(4,033,161)	(4,547,000)	(3,126,272)	
Non-current liabilities	(2,742,235)	(417,721)	(646,950)	(16,341)	(11,212)	
Net assets	<u>7,168,910</u>	<u>9,059,621</u>	<u>9,366,996</u>	<u>1,179,348</u>	<u>621,676</u>	

	PROTON Group		Renault Korea		Chongqing Livan Group	
	For the period	For the period	For the period	For the period	For the period	For the period
	from 28 April	from 28 April	from 28 April	from 24 January	from 24 January	from 24 January
	2023 (date of	2023 (date of	2023 (date of	2022 (date of	2022 (date of	2022 (date of
	acquisition) to	acquisition) to	acquisition) to	incorporation) to	incorporation) to	incorporation) to
	30 June 2023	30 June 2023	30 June 2023	30 June 2022	30 June 2022	30 June 2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	2,699,271	10,512,043	1,159,363	1,648,207		
Profit/(Loss) for the period	56,348	221,708	(297,582)	2,583		
Other comprehensive income for the period	–	1,120	–	–		
Total comprehensive income/ (expenses) for the period	56,348	222,828	(297,582)	2,583		
Movement of capital reserve	–	–	5,254	–		
Dividends received from an associate	–	180,375	–	–		
	<u>–</u>	<u>180,375</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in PROTON Group, Renault Korea and Chongqing Livan Group recognised in the condensed consolidated financial statements:

	PROTON Group	Renault Korea		Chongqing Livan Group	
	As at	As at	As at	As at	As at
	30 June	30 June	31 December	30 June	31 December
	2023	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Net assets of the associates	7,168,910	9,059,621	9,366,996	1,179,348	621,676
Adjustment (<i>note</i>)	(5,808,547)	—	—	—	—
	1,360,363	9,059,621	9,366,996	1,179,348	621,676
The Group's effective interests in the associates	49.9%	34.02%	34.02%	45%	50%
	678,821	3,082,083	3,186,652	530,707	310,838
Goodwill	403,701	—	—	—	—
Carrying amount of the Group's interests in associates	<u>1,082,522</u>	<u>3,082,083</u>	<u>3,186,652</u>	<u>530,707</u>	<u>310,838</u>

Note: The amounts represented the non-controlling interests in the subsidiary of PROTON and cumulative preference shares that are held by parties other than the Group in PROTON and the related undeclared dividend.

Aggregate financial information of associates that are not individually material:

	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Aggregate amounts of the Group's share of profit/(loss) for the period/year	37,729	(206,388)
Aggregate amounts of the Group's share of other comprehensive income/(expense) for the period/year	11,237	(25,154)
Aggregate carrying amount of the Group's interests in these associates	<u>807,419</u>	<u>497,134</u>

12. INTERESTS IN JOINT VENTURES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cost of unlisted investments	7,505,706	7,805,706
Unrealised gain on disposal of a subsidiary to a joint venture	(14,943)	(14,943)
Share of post-acquisition results and other comprehensive income (including reserves)	2,773,236	2,616,070
Impairment loss recognised	(138,632)	(138,632)
	10,125,367	10,268,201

Details of the Group's joint ventures which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the condensed consolidated financial statements as at 30 June 2023 and 31 December 2022 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 2023	As at 31 December 2022	
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 [#] 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 sales of front-wheel drive 8-speed automatic transmissions and related parts and components
Shandong Geely Sunwoda Power Battery Company Limited [#] 山東吉利欣旺達動力電池有限公司	PRC	Incorporated	RMB100,000,000	41.5%	41.5%	Development, production, sales and after-sales service of hybrid battery cells, battery modules and battery packs

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 2023	As at 31 December 2022	
Guangdong Xinyueng Semiconductor Company Limited [#] 廣東芯粵能半導體有限公司	PRC	Incorporated	RMB400,000,000	40%	40%	Provision of integrated circuit design, manufacturing, sales and the manufacturing of semiconductors
Chongqing Livan	PRC	Incorporated	RMB1,450,000,000 (As at 31 December 2022: RMB600,000,000)	- (Note 11)	50%	Research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles)

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

Genius AFC

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%.

On 11 July 2022, the Company entered into the equity transfer agreement (the “**Equity Transfer Agreement**”) with BNPP PF and its wholly-owned subsidiary as purchaser in relation to the exercise of the Call Option by BNPP PF, pursuant to which the wholly-owned subsidiary of BNPP PF has conditionally agreed to purchase from the Company and the Company has conditionally agreed to sell to the wholly-owned subsidiary of BNPP PF an interest of 5% in the registered capital of Genius AFC at an initial cash consideration of approximately RMB420,706,000, which will be subsequently adjusted for any change in the book value of Genius AFC between 31 July 2020 and the completion date which will be determined and confirmed in the audited financial statements of Genius AFC as of the completion date (the “**Disposal**”). The Disposal was completed in August 2023. Please refer to the Company’s announcement dated 11 July 2022 for further details.

Summarised financial information of 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:

	LYNK & CO Group		Genius AFC	
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current assets	16,489,367	16,879,085	1,896,294	1,900,081
Current assets	21,377,335	16,801,102	57,708,684	56,651,975
Current liabilities	(25,871,637)	(22,449,072)	(31,035,472)	(30,564,197)
Non-current liabilities	(4,639,597)	(3,229,351)	(20,662,673)	(20,728,964)
Net assets	<u>7,355,468</u>	<u>8,001,764</u>	<u>7,906,833</u>	<u>7,258,895</u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	2,481,209	2,894,042	6,859,731	5,557,605
Current financial liabilities (excluding trade and other payables and provisions)	(3,512,502)	(2,014,539)	(27,947,938)	(27,069,302)
Non-current financial liabilities (excluding trade and other payables and provisions)	<u>(3,388,788)</u>	<u>(1,988,666)</u>	<u>(20,662,673)</u>	<u>(20,728,964)</u>

	LYNK & CO Group		Genius AFC	
	2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	12,462,437	12,457,018	2,228,668	2,217,306
(Loss)/Profit for the period	(660,691)	200,205	647,938	741,353
Other comprehensive income/ (expense) for the period	14,395	(6,868)	–	–
Total comprehensive (expense)/ income for the period	(646,296)	193,337	647,938	741,353
Dividend from a joint venture	–	–	–	400,000

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

Depreciation and amortisation	(1,743,459)	(1,434,927)	(24,695)	(19,512)
Interest income	37,480	26,018	2,139,418	2,167,619
Interest expenses	(116,420)	(37,866)	(820,120)	(889,969)
Income tax credit/(expense)	<u>134,532</u>	<u>(71,010)</u>	<u>(215,979)</u>	<u>(247,118)</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:

	LYNK & CO Group		Genius AFC	
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Net assets of the joint ventures	7,355,468	8,001,764	7,906,833	7,258,895
The Group's effective interests in the joint ventures	<u>50%</u>	<u>50%</u>	<u>80%</u>	<u>80%</u>
The Group's share of the net assets of the joint ventures	3,677,734	4,000,882	6,325,466	5,807,116
Unrealised gain on disposal of a subsidiary to a joint venture	<u>(14,943)</u>	<u>(14,943)</u>	<u>–</u>	<u>–</u>
Carrying amount of the Group's interests in joint ventures	<u>3,662,791</u>	<u>3,985,939</u>	<u>6,325,466</u>	<u>5,807,116</u>

Aggregate financial information of joint ventures that are not individually material:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Aggregate amounts of the Group's share of loss for the period/year	(175,988)	(157,858)
Aggregate amounts of the Group's share of other comprehensive expense and reserve for the period/year	2,627	–
Aggregate carrying amount of the Group's interests in these joint ventures	<u>137,110</u>	<u>164,308</u>

13. INVENTORIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Raw materials	3,941,694	3,737,758
Work in progress	544,302	405,513
Finished goods	<u>7,253,113</u>	<u>6,681,801</u>
	11,739,109	10,825,072
Less: provision for inventories	<u>(1,517)</u>	<u>(2,742)</u>
	<u>11,737,592</u>	<u>10,822,330</u>

14. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade and notes receivables			
Trade receivables, net of loss allowance			
– Third parties		1,268,425	914,002
– Joint ventures		1,027,520	1,491,801
– Associates		2,887,580	1,083,478
– Related companies controlled by the substantial shareholder of the Company		<u>7,146,376</u>	<u>8,176,897</u>
	<i>(a)</i>	12,329,901	11,666,178
Notes receivable	<i>(b)</i>	<u>11,658,159</u>	<u>17,047,131</u>
		<u>23,988,060</u>	<u>28,713,309</u>
Deposits, prepayments and other receivables			
Prepayments to suppliers			
– Third parties		799,176	1,323,349
– Associates		41,618	85,635
– Related companies controlled by the substantial shareholder of the Company		<u>593,752</u>	<u>158,635</u>
		1,434,546	1,567,619
Deposits paid for acquisition of property, plant and equipment		439,991	382,489
Other contract costs	<i>(c)</i>	590,579	547,731
Utility deposits and other receivables		1,941,207	1,921,466
Loan to an associate	<i>(d)</i>	391,511	–
Loan to a joint venture	<i>(e)</i>	100,000	–
VAT and other taxes receivables		<u>3,336,944</u>	<u>2,334,275</u>
		8,234,778	6,753,580
Amounts due from related companies controlled by the substantial shareholder of the Company	<i>(f)</i>	<u>422,300</u>	<u>383,037</u>
		<u>8,657,078</u>	<u>7,136,617</u>
		<u>32,645,138</u>	<u>35,849,926</u>
<i>Representing:</i>			
– Current		31,010,539	34,392,326
– Non-current		<u>1,634,599</u>	<u>1,457,600</u>
		<u>32,645,138</u>	<u>35,849,926</u>

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days (as at 31 December 2022: 30 days to 90 days) to its PRC customers from sales of automobiles, automobile parts and components and battery packs and related parts, provision of subcontracting services, research and development and related technological support services. In respect of the trade receivable 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 end of the reporting period was as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
0 – 60 days	5,573,621	7,240,582
61 – 90 days	73,523	285,072
91 – 365 days	1,377,237	390,635
Over 365 days	<u>92,542</u>	<u>298,372</u>
	<u><u>7,116,923</u></u>	<u><u>8,214,661</u></u>

For overseas customers, the Group allows credit periods ranged from 30 days to 210 days (as at 31 December 2022: 30 days to 210 days). Ageing analysis of the trade receivables of the overseas customers, based on invoice date and net of loss allowance, at the end of the reporting period was as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
0 – 60 days	4,121,206	2,585,390
61 – 90 days	796,852	607,106
91 – 365 days	<u>294,920</u>	<u>259,021</u>
	<u><u>5,212,978</u></u>	<u><u>3,451,517</u></u>

As at 30 June 2023, the Group has adopted average expected loss rate of 0.3% to 3.6% (as at 31 December 2022: 0.3% to 3.5%) on the gross carrying amount of trade receivables amounted to RMB12,496,082,000 (as at 31 December 2022: RMB11,891,624,000). The loss allowance as at 30 June 2023 was RMB166,181,000 (as at 31 December 2022: RMB225,446,000).

(b) Notes receivable

All notes receivable are denominated in RMB. As at 30 June 2023 and 31 December 2022, all notes receivable were guaranteed by established banks in the PRC and had maturities of less than one year from the end of the reporting period.

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 FVOCI (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 2023 and 31 December 2022 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 2023, the Group endorsed certain notes receivable accepted by banks in the PRC (the “**Endorsed Notes**”) with a carrying amount of RMB167,568,000 (as at 31 December 2022: RMB686,835,000) 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 2023, the aggregate carrying amount of the trade payables settled by the Endorsed Notes during the period to which the suppliers have recourse was RMB167,568,000 (as at 31 December 2022: RMB686,835,000).

As at 30 June 2023, 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 RMB60,682,723,000 (as at 31 December 2022: RMB62,809,820,000). The Derecognised Notes had a maturity of less than one year (as at 31 December 2022: 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 (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 2023 and 31 December 2022 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 end of the reporting period. 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 2023 (six months ended 30 June 2022: RMBNil).

(d) Loan to an associate

As at 30 June 2023, the loan to an associate was unsecured, repayable in 2024 and carried interest rate at 6.0% per annum.

(e) Loan to a joint venture

As at 30 June 2023, the loan to a joint venture was unsecured, repayable in 2024 and carried interest rate at 3.65% per annum. The Group has the right to convert any unpaid loan amount into equity of the joint venture at any time after the loan matures, based on the latest round of financing valuation of the joint venture.

(f) Amounts due from related companies

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

15. TRADE AND OTHER PAYABLES

	<i>Note</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade and notes payables			
Trade payables			
– Third parties		32,499,889	34,052,204
– Associates		334,237	319,766
– Joint ventures		188,031	69,403
– Related companies controlled by the substantial shareholder of the Company		<u>12,565,388</u>	<u>7,749,791</u>
	<i>(a)</i>	45,587,545	42,191,164
Notes payable	<i>(b)</i>	<u>4,749,245</u>	<u>3,365,739</u>
		<u>50,336,790</u>	<u>45,556,903</u>

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Other payables			
Receipts in advance from customers			
– Third parties		8,900,543	6,241,266
– Associates		227,808	444,649
– Joint ventures		104,958	47,536
– Related companies controlled by the substantial shareholder of the Company		<u>187,458</u>	<u>540,736</u>
	(c)	9,420,767	7,274,187
Deferred government grants which conditions have not been satisfied		891,135	887,754
Payables for acquisition of property, plant and equipment		2,102,731	1,881,966
Payables for capitalised product development costs from related companies	(d)	1,173,253	1,091,552
Accrued staff salaries and benefits		1,737,167	2,192,518
VAT and other taxes payables		1,814,092	1,834,242
Consideration payable for acquisition of a subsidiary (note 21)		152,980	–
Dividends payable		1,915,763	–
Other accrued charges and payables	(e)	<u>5,661,113</u>	<u>5,475,817</u>
		24,869,001	20,638,036
Amounts due to related companies controlled by the substantial shareholder of the Company	(f)	<u>480,416</u>	<u>887,798</u>
		<u>25,349,417</u>	<u>21,525,834</u>
		<u>75,686,207</u>	<u>67,082,737</u>
<i>Representing:</i>			
– Current		73,101,570	65,480,717
– Non-current		<u>2,584,637</u>	<u>1,602,020</u>
		<u>75,686,207</u>	<u>67,082,737</u>

(a) Trade payables

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

	As at 30 June 2023	As at 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 – 60 days	39,189,142	37,969,510
61 – 90 days	5,570,898	3,428,072
91 – 365 days	708,495	690,776
Over 365 days	119,010	102,806
	<u>45,587,545</u>	<u>42,191,164</u>

Trade payables are non-interest bearing. The average credit periods on the settlement of purchase invoice ranged from 60 days to 90 days (as at 31 December 2022: 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 2023 and 31 December 2022, all notes payable had maturities of less than six months from the end of the reporting period.

(c) Receipts in advance from customers

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

	As at 30 June 2023	As at 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Relating to the sales of automobiles, automobile parts and components and battery packs and related parts	6,910,549	5,476,109
Relating to the obligation for service agreed to be part of the sales of automobiles	<u>2,510,218</u>	<u>1,798,078</u>
	<u>9,420,767</u>	<u>7,274,187</u>

The increase (six months ended 30 June 2022: decrease) in receipts in advance from customers was mainly due to the increase (six months ended 30 June 2022: decrease) in advances received from customers in relation to sales of automobiles, automobile parts and components and battery packs and related parts for the six months ended 30 June 2023.

Receipts in advance from customers outstanding at the beginning of the period amounting to RMB5,574,138,000 (six months ended 30 June 2022: RMB6,995,671,000) have been recognised as revenue during the period.

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

	As at 30 June 2023	As at 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within one year	475,586	196,058
More than one year	<u>2,034,632</u>	<u>1,602,020</u>
	<u><u>2,510,218</u></u>	<u><u>1,798,078</u></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 battery packs and related parts and licensing of intellectual properties, that have an original expected duration of one year or less.

(d) Payables for capitalised product development costs from related companies

The credit terms for payables for capitalised product development costs from related companies generally ranged from 60 days to 90 days (as at 31 December 2022: 60 days to 90 days).

(e) Other accrued charges and payables

The amounts mainly comprised (1) deposits provided by automobile dealers and other third parties which amounted to RMB1,420,138,000 (as at 31 December 2022: RMB1,307,122,000) and (2) payables for warranty, advertising and promotion, transportation and general operations which amounted to RMB2,094,496,000 (as at 31 December 2022: RMB2,171,991,000).

(f) Amounts due to related companies

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

16. BANK BORROWINGS

As at 30 June 2023 and 31 December 2022, the Group's bank loans were repayable as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Carrying amount repayable (<i>note (i)</i>)		
In the third to fifth year	<u>2,903,920</u>	<u>2,757,960</u>

Notes:

- (i) The amounts are based on the scheduled repayment dates set out in the loan agreements.
- (ii) As at 30 June 2023 and 31 December 2022, the bank loans were unsecured, carried at amortised cost, repayable in August 2025 and interest-bearing at Secured Overnight Financing Rate plus 0.7% per annum.
- (iii) Pursuant to the facility agreements, 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.
- (iv) During the six months ended 30 June 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

17. LOAN FROM A RELATED COMPANY

As at 30 June 2023 and 31 December 2022, the loan from a fellow subsidiary was granted to the Group's subsidiary in the PRC and was unsecured, repayable within ten years and carried interest rate at 4.5% per annum.

18. 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 “**Maturity Date**”).

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 end of the reporting period.

On the Maturity Date, the Company redeemed the Bonds in full at the outstanding principal amount of US\$300,000,000 (equivalent to approximately RMB2,068,422,000) together with interest in an amount equal to US\$5,439,000 (equivalent to approximately RMB37,501,000) accrued to (but not including) the Maturity Date.

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Carrying amount		
At the beginning of the period/year	2,062,396	1,901,137
Exchange differences	5,728	157,727
Interest expenses	298	3,532
Redeemed during the period/year	<u>(2,068,422)</u>	<u>–</u>
At the end of the period/year	<u>–</u>	<u>2,062,396</u>
<i>Representing:</i>		
– Current	<u>–</u>	<u>2,062,396</u>

19. SHARE CAPITAL

	Number of shares	Nominal value <i>RMB'000</i>
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2022 (audited) and 30 June 2023 (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 2022	10,018,441,540	183,015
Shares issued under share option scheme	2,405,000	39
Shares issued under share award scheme	<u>36,127,246</u>	<u>632</u>
At 31 December 2022, 1 January 2023 and 30 June 2023 (unaudited)	<u>10,056,973,786</u>	<u>183,686</u>

Note:

During the six months ended 30 June 2023, no share option was exercised to subscribe for ordinary share of the Company.

During the six months ended 30 June 2022, share options were exercised to subscribe for 2,405,000 ordinary shares of the Company at a consideration of approximately RMB7,977,000 of which approximately RMB39,000 was credited to share capital and approximately RMB7,938,000 was credited to the share premium account. As a result of the exercise of share options, share-based compensation reserve of RMB3,543,000 was transferred to the share premium account.

20. 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.

21. BUSINESS COMBINATION

Acquisition of Xi'an Geely Automobile Company Limited# (“Xi'an Geely”) 西安吉利汽車有限公司

On 12 December 2022, Zhejiang Jirun Automobile Company Limited# (“Jirun Automobile”) 浙江吉潤汽車有限公司, an indirect non wholly-owned subsidiary of the Company, entered into an acquisition agreement with a fellow subsidiary owned by the Company's ultimate holding company, pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the 100% equity interests of Xi'an Geely for a cash consideration of RMB382,450,000. Xi'an Geely is engaged in the manufacture and sale of complete knock down kits, automobile parts and components in the PRC. The acquisition of Xi'an Geely was completed in April 2023. Please refer to the Company's announcements dated 12 December 2022 and 10 March 2023 for further details.

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

	Pre-acquisition carrying amounts <i>RMB'000</i>	Fair value adjustments <i>RMB'000</i>	Recognised fair values on acquisition <i>RMB'000</i>
The net assets acquired:			
Property, plant and equipment (<i>note 9</i>)	2,243,007	(2,332)	2,240,675
Intangible assets (<i>note 10</i>)	1,907	58	1,965
Land lease prepayments	385,529	232,331	617,860
Trade and other receivables	6,524,674	–	6,524,674
Inventories	936,928	851	937,779
Deferred tax assets	34	–	34
Bank balances and cash	36,272	–	36,272
Trade and other payables	(9,945,064)	–	(9,945,064)
Deferred tax liabilities	–	(34,636)	(34,636)
	<u>183,287</u>	<u>196,272</u>	<u>379,559</u>
Goodwill arising on acquisition:			
Cash consideration transferred			229,470
Consideration payable (<i>note 15</i>)			152,980
Fair value of identifiable net assets acquired			<u>(379,559)</u>
			<u>2,891</u>
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(229,470)
Bank balances and cash acquired			<u>36,272</u>
			<u>(193,198)</u>

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

22. FINANCIAL INFORMATION OF ZEEKR INTELLIGENT TECHNOLOGY HOLDING LIMITED (“ZEEKR”) AND ITS SUBSIDIARIES

The following table lists out the financial information related to subgroup of ZEEKR, the subsidiary of the Group. The summarised financial information presented below represents the amounts before any inter-company elimination.

	ZEEKR	
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-controlling interests percentage	45.17%	41.69%
Non-current assets	16,917,877	13,729,613
Current assets	16,290,792	15,717,521
Current liabilities	(22,279,560)	(18,432,832)
Non-current liabilities	<u>(3,189,120)</u>	<u>(7,772,477)</u>
Net assets	<u><u>7,739,989</u></u>	<u><u>3,241,825</u></u>

	ZEEKR	
	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	21,282,799	8,828,040
Loss for the period	(808,627)	(759,129)
Other comprehensive income/(expense) for the period	44,937	(20,438)
Total comprehensive expense for the period	(763,690)	(779,567)
Loss allocated to non-controlling interests	(317,544)	(286,414)
Other comprehensive income/(expense) allocated to non-controlling interests	<u><u>18,732</u></u>	<u><u>(8,519)</u></u>

23. EVENTS AFTER THE REPORTING DATE

Formation of a joint venture company

On 8 November 2022, the Company, its ultimate holding company and Renault s.a.s. (collectively, the “**Parties**”) entered into a framework agreement pursuant to which the Parties proposed to set up a joint venture company (the “**Proposed JV**”) for the purpose of integrating each Party’s respective expertise and strengths in relation to internal combustion engine, hybrid and plug-in hybrid powertrains and transmissions activities and related technologies. Pursuant to the framework agreement, the Company and its ultimate holding company on the one hand and Renault s.a.s. on the other hand, will each tentatively be interest in 50%, in the Proposed JV.

On 2 March 2023, the Parties and Saudi Arabian Oil Company (“**Saudi Aramco**”) entered into a letter of intent pursuant to which Saudi Aramco intended to invest for a minority stake in the Proposed JV in cash. It is expected that the respective shareholding of the Company and its ultimate holding company on the one hand and Renault s.a.s. on the other hand, will be identical in the remaining stake of the Proposed JV.

On 11 July 2023, the Parties entered into the contribution agreement and the joint venture agreement, pursuant to which the Parties conditionally agreed to establish the joint venture company (the “**JV**”) to engage in the powertrain business and to contribute all of their respective shares in respective owned subsidiary to the JV in exchange for the share capital of the JV (the “**Contribution**”). After the completion of the Contribution, the JV will be owned as to 33% by the Company, 17% by its ultimate holding company and 50% by Renault s.a.s.

As at the date of this announcement, the Contribution and formation of the JV have not yet been completed. Please refer to the Company’s announcements dated 8 November 2022, 2 March 2023 and 11 July 2023 for further details.

Issuance of RMB1,500,000,000 medium-term notes due 2026

On 17 August 2023, the Company issued medium-term notes (the “**MTNs**”) on the China Interbank Bond Market in the PRC, with an aggregate principal amount of RMB1,500,000,000. These notes are set to mature on 17 August 2026, unless terminated earlier according to their terms. The proceeds from the MTNs’ issuance will be entirely invested domestically in China, aiming to supplement the working capital of the Company’s subsidiary, Jirun Automobile.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The sales performance of the Group in the first half of 2023 was basically in line with the management's expectation. Despite the weaker-than-expected recovery in demand during the period and the competitive pricing trend in the automobile industry, the Group still achieved a total sales volume of 694,045 units in the first half of the year, representing a 13% year-on-year (“YoY”) increase (including the total sales volume[#] of “Lynk&Co” and “Livan” brand vehicles sold respectively by Lynk&Co Investment Co., Ltd. (“Lynk&Co JV”, the Group's 50%-owned joint venture) and Chongqing Livan Automotive Technology Company Limited (“Livan Associate”, the Group's 45%-owned associate) held by the Group). During the same period, China's passenger vehicle market grew by 8.8% in sales volume, according to China Association of Automobile Manufacturers (“CAAM”). In terms of new energy vehicles, the Group sold a total of 157,889 units of pure electric vehicles and plug-in hybrid electric vehicles in the first half of the year, representing a YoY increase of 44%, and the proportion of new energy vehicles reached 23%. The export market continued to grow strongly, with export volume increased to 121,185 units in the first half of the year, an increase of 38% over the same period last year.

Benefiting from the continuous improvement of brand image and the rapid growth in the proportion of new energy vehicles, the Group's revenue in the first half of 2023 (excluding the total revenue of Lynk&Co JV and Livan Associate) increased by 26% YoY to RMB73.2 billion, where the growth rate outperformed the overall sales volume growth. The decline of the price of lithium carbonate in the first half of the year resulted in the decrease of battery price, which exerted positive influence on the cost control of new energy vehicles. However, the Group's gross profit margin was still impacted by the new energy transformation and the intensified competition in the automobile market. Compared to the same period last year, it remained relatively stable at 14%, maintaining a reasonable level.

In terms of cost control, despite the Group continued to implement strict cost control, the increase of expenses generated by the new energy transformation and the execution of the new sales business model to enhance competitiveness still resulted in the distribution and selling expenses and administrative expenses increased by 21% over the same period last year. Among which, distribution and selling expenses increased by 44% YoY to RMB4.8 billion, mainly due to the development and operation of the direct sales channels of ZEEKR. Administrative expenses (excluding share-based payments) increased by 4% YoY to RMB4.9 billion, mainly attributable to the Group's vigorous development and investment of new energy business. In the first half of the year, the Group's share-based payment expenses were RMB436 million.

The results of Lynk&Co brand declined due to its active expansion of innovative business model in overseas markets and the new energy transformation, which had a certain negative impact on the Group's results. However, the Group's overall profitability of the fuel vehicle sales business remained satisfactory, coupled with the continuous diversification of income sources, providing stable support for the Group's performance.

In the first half of 2023, the Group's net profit attributable to shareholders of the parent company was RMB1.57 billion, which slightly increased by 1% as compared to the corresponding period last year; diluted earnings per share was RMB14.75 cents.

In general, the Group is in a critical period of turning into new energy transformation and is still facing various challenges at the operation level during the transformation period. However, the overall profitability of the Group remains solid and the Group is actively responding to various challenges to maintain the sustainable and healthy development of the Group's business.

#: 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 Lynk&Co JV and the Livan Associate on a 100% consolidated basis, the Board believes it is more indicative of the underlying demand of the Group's vehicles.

Financial Resources

As at 30 June 2023, the Group's financial position remained stable. The cash reserve was sufficient, and the total cash level (including bank balances, cash and restricted and pledged bank deposits) was RMB33.6 billion, it remained healthy as compared to RMB33.7 billion as at the end of December 2022.

During the period, the Group repaid a loan of relatively substantial amount from our parent company Zhejiang Geely Holding Group Company Limited ("**Geely Holding**") and senior notes of United States Dollar ("**US\$**") 300 million. As at 30 June 2023, the Group's total borrowings (including loans of all kind) reduced by 62% to RMB4.1 billion as compared to the end of December 2022. In addition, on 12 February 2023, ZEEKR entered into an agreement with five investors and was expected to issue a total of 139,375,669 Series A preferred shares, thereby receiving a financing funding of US\$750 million (representing approximately RMB5.4 billion). As at 30 June 2023, the subscription of 134,992,983 Series A preferred shares was completed, which involved a total amount of US\$726 million (representing approximately RMB5.2 billion). Therefore, as at 30 June 2023, the Group's net cash (total cash level minus total borrowings and perpetual capital securities) amounted to RMB26.1 billion, representing an increase of 34% as compared to the net cash of RMB19.5 billion as at the end of December 2022.

As at the end of June 2023, the Group's net notes receivable (notes receivable minus notes payable) amounted to RMB6.9 billion. The Group can receive additional cash reserves through discounting the notes receivable with the banks if necessary.

The Group has been assigned credit ratings from both Standard & Poor's Ratings Services and Moody's Investors Service. The corporate credit rating of the Group assigned by Standard & Poor is "BBB-/Negative". On the other hand, Moody's Investors Service assigns an issuer rating of "Baa3" to the Group, and its rating outlook is "Negative".

Acquisition of 100% Equity of Xi'an Geely

On 12 December 2022, Zhejiang Jirun Automobile Company Limited, an indirect 99%-owned subsidiary of the Group (“**Zhejiang Jirun**”), entered into an acquisition agreement with Zhejiang Geely Automobile Manufacturing Company Limited (“**Geely Manufacturing**”, indirectly owned as to 72.40% interest by Geely Holding, the parent company of the Company) with regard to the acquisition of the entire equity interest of Xian Geely Automobile Company Limited (“**Xi'an Geely**”). The cash consideration for this transaction is RMB382.45 million. Such transaction was approved by the independent shareholders of the Company at the extraordinary general meeting held on 28 April 2023 with the majority approval rate, and was settled by the end of the month.

For further details of the above transaction, (including the determination basis of the consideration, business of Xi'an Geely and the rationale of the acquisition of Xi'an Geely), please see pages 014 to 015 of the annual report for the year ended 31 December 2022 of the Company.

Acquisitions of 49.9% Shares of Proton and 49.9% Shares of DHG held by GIHK

On 20 January 2023, Linkstate Overseas Limited (“**Linkstate**”), a wholly-owned subsidiary of the Company, and Geely International (Hong Kong) Limited (“**GIHK**”, to which Geely Holding being the only shareholder), entered into the Proton agreement. Pursuant to the agreement, GIHK conditionally agreed to sell 49.9% equity and loan of Proton at the consideration of RMB1,063 million and US\$56,390,000 (approximately RMB393.7 million) respectively. On the same day, Linkstate and GIHK also entered into the DHG agreement. Pursuant to the agreement, GIHK conditionally agreed to sell the DHG Shares to Linkstate at a nominal consideration of US\$1.00. These transactions were approved by the independent shareholders of the Company at the extraordinary general meeting held on 28 April 2023 with the majority approval rate, and was settled by the end of the month.

Upon the completion of the acquisition of Proton and DHG equity, the Group has held 49.9% issued and paid-up ordinary capital of each of Proton and DHG, and their financial results are accounted for by way of equity method.

For further details of the above transactions, (including the determination basis of the considerations, business of each of Proton and DHG and the rationale of the acquisition of Proton and DHG), please see pages 015 to 016 of the annual report for the year ended 31 December 2022 of the Company.

Formation of Powertrain Joint Venture

On 11 July 2023, the Company, Geely Holding, and Renault (collectively known as the “**Parties**”) entered into the contribution agreement and the joint venture agreement, pursuant to which the Parties conditionally agreed to establish the powertrain business joint venture (“**Powertrain JV**”). The Company, Geely Holding and Renault will directly or indirectly hold 33%, 17% and 50% interest of Powertrain JV, respectively.

The Parties will contribute all issued shares of the relevant entities engaging powertrain business into the Powertrain JV. The total contribution value of each party is measured by the enterprise value of the relevant entity, the debt, cash, minority interest, the difference between the working capital and the normalized working capital and other adjustments, if any, as of the closing date. The enterprise value of the relevant entities contributed to the Powertrain JV by the Company, Geely Holding and Renault is EUR3.066 billion (approximately RMB23.736 billion), EUR934 million (approximately RMB7.231 billion) and EUR4 billion (approximately RMB30.967 billion), respectively.

The Powertrain JV will be integrated with the internal combustion engine (“ICE”), hybrid, and plug-in hybrid engine and transmission activities of the Parties. The Powertrain JV will benefit from significant strategic, product and geographic complementarity, as well as economies of scale between the businesses of the Parties, enabling the offering of a wide range of powertrain products and solutions to meet customer needs and comply with future regulations in different regions.

The Powertrain JV will achieve several areas of potential synergies including increasing top-line sales through external sales to third-party original equipment manufacturers, and standardizing product features and production processes.

Following the formation of the Powertrain JV, Aurobay Technology Co., Ltd. will no longer be a subsidiary of the Group. This will allow the Group to reduce exposure to its ICE powertrain products manufacturing business while still maintaining control over its powertrain products supplies, which will enable the Company’s management to be more concentrated on developing the next-generation battery electric vehicle product portfolio, thus accelerating its transformation into the leader in new energy vehicle sector.

On 2 March 2023, the Parties and Saudi Aramco entered into a letter of intent, pursuant to which Saudi Aramco intended to invest for a minority stake in the Powertrain JV in cash. As of the date of this announcement, the Parties and Saudi Aramco have not entered into any binding definitive agreement.

Launch of RMB Counter

The Company submitted an application to add a Renminbi (“RMB”) trading counter to The Stock Exchange of Hong Kong Limited on 9 March 2023. The quotation has been in effect officially on 19 June 2023 with a stock code of 80175. The English short name is GEELY AUTO-R, and the Chinese short name is 吉利汽車-R. Each trading lot involves 1,000 shares. The Company believes that the launch of RMB counter will offer more investment choices and more liquidity for its shareholders and potential investors, and will facilitate the expansion of investor base.

Issuance of RMB1,500,000,000 Medium-Term Notes Due 2026

On 17 August 2023, the Company successfully issued a total of RMB1.5 billion medium-term notes in the China Interbank Bond Market. Unless terminated prematurely in accordance with their terms, these medium-term notes have a tenure of three years and will mature on 17 August 2026. The medium-term notes are issued at par with a face value of RMB100 each. The fixed annual interest rate for these

medium-term notes is 3.25%, as determined by way of centralised book building. The medium-term notes will pay simple interest annually, without compound interest, and the principal will be repaid in full upon maturity. The entire proceeds from the issue of these medium-term notes will be invested domestically in China, to supplement the working capital of the Company's subsidiary, namely Zhejiang Jirun Automobile Company Limited.

Research & Development Investment

In the first six months of 2023, the Group's total research and development expenses were approximately RMB3.0 billion (approximately RMB3.3 billion in the same period of 2022), which have been included in "Administrative expenses" in the condensed consolidated income statement.

	2023	2022	YoY change
	RMB'000	RMB'000	(%)
Amortisation of intangible assets (i.e. capitalised product development costs)	2,146,394	2,339,000	(8)
Product research and development costs (i.e. not qualified for capitalisation)	843,808	926,194	(9)
Total research and development costs charged to profit or loss	<u>2,990,202</u>	<u>3,265,194</u>	<u>(8)</u>

As most of the ongoing research and development projects are aimed for new products that have not yet been launched into the market, a majority of the relevant expenditures have been capitalised and will only be gradually amortised by way of expense when the products are launched into the market. In the first half of 2023, the Group's capitalised product research and development expenses increased by 87% YoY to RMB5.1 billion (included in intangible assets in the condensed consolidated statement of financial position). Among them, as an important strategic layout of the Group in the high-end smart pure electric field, the ZEEKR brand recorded a rapid growth in research and development expenditure in the first half of the year, which was one of the main reasons for the significant YoY increase in the capitalised product research and development expenditure.

The Group's research and development investment continued to focus on the research and development of new energy complete build-up units and key technologies, especially the innovation of forward-looking technologies such as intelligent interconnection and digitalization. The Group will continue to increase its investment in research and development to further enhance its core competitiveness and consolidate its leading position in the industry.

Vehicle manufacturing

According to the statistics of the CAAM, the sales volume of China's passenger vehicle market in the first half of 2023 grew by 8.8% as compared with the same period of the previous year, reaching 11.268 million units. Due to factors such as lower-than-expected demand recovery and lower subsidies, the sales growth of new energy vehicles in China's passenger vehicle market slowed down with an increase of 44%, while the sales of fuel vehicles continued the significant decline trend from last year.

Under such market environment, the sales volume of automobiles of the Group in the first half of the year reached 694,045 units, representing a YoY increase of 13%, which outperformed the overall market, mainly driven by the good brand influence and the hot sales of new models. Among them, the sales volume of new energy vehicles was 157,889 units, accounting for a proportion of 23%, representing a rapid increase of 44% YoY.

In the first half of 2023, the Geely brand launched a new exclusive "Galaxy" series of new energy vehicles, made a strong entry into the new energy market and gained widespread attention. The delivery volume of high-end smart pure electric vehicle models under the ZEEKR brand grew rapidly and has become a leader in the premium sub-market segment. Under the continuous downturn of the fuel vehicle market, the Group adjusted its product mix and the sales volume of fuel vehicles increased by 6% YoY, which was significantly better than the industry's performance.

Despite the fierce price war in the Chinese automobile market in the first half of the year, the Group's fuel vehicles still maintained a good profit margin, which provided a good support for the Group's profitability. Through brand improvement and product mix optimisation, the Group's average ex-factory selling price of automobiles increased by approximately 7% YoY to RMB101,168 in the first half of 2023.

In the first half of 2023, the Group mainly served different sub-market segments through different sales channels under the "Geely Star" series, "Geely Geometry" series, "Geely Galaxy" series, "ZEEKR" brand, "Lynk&Co" brand and "Livan" brand. The "Geely Star" series is a traditional fuel-powered vehicle series for the mainstream mass market under the Geely brand, the "Geely Geometry" series is a mass pure electric vehicle series under the Geely brand, the "Geely Galaxy" series is a mid-to-high end new energy series under the Geely brand, the "ZEEKR" brand is a luxury intelligent pure electric vehicle brand of the Group, and the "Lynk&Co" brand is a joint venture brand between the Group and Volvo Car Corporation ("**Volvo Car**") targeting at the global high-end market, and the "Livan" brand is a joint venture brand between the Group and Lifan Technology targeting at the battery swapping vehicle market. Currently, the Group has 1,037 dealers in China, selling the "Geely Star" series. The "Geely Geometry" series has 386 dealers in China. The sales channels of "Geely Galaxy" series are also being actively deployed. ZEEKR serves its customers in the PRC through 18 ZEEKR Centres, 219 ZEEKR Spaces, 40 ZEEKR Houses and 29 delivery centres. Lynk&Co serves its customers through 362 Lynk&Co Centres, 246 Lynk&Co stations, 28 Lynk&Co Spaces and 1 quick service station in China. Livan Associate has 172 independent dealer stores in China.

New Products

During the first half of 2023, the Group launched the following new products:

The “Geely” brand:

- “Geely Galaxy L7”
- “Geely Geometry Panda Mini”
- “Boyue Cool”

The “ZEEKR” brand:

- “ZEEKR X”

In the second half of the year, the Group will continue to focus on launching a number of new energy models, especially the expansion of the hybrid market. Major new models include:

The “Geely” brand:

- “Geely Galaxy L6”: A compact plug-in hybrid A-segment sedan model, developed under the Compact Modular Architecture (“CMA”) platform with NordThor powertrain.
- “Geely Galaxy E8”: A battery electric vehicle sedan model, developed under the Pure Modular Architecture.
- “Geely Star Series”: Brand New Xingyue L hybrid electric vehicle (“HEV”).
- “Geely Star Series”: Brand New Xingrui L HEV.

The “ZEEKR” brand:

- A battery electric vehicle sedan model, developed under the Sustainable Experience Architecture (“SEA”) platform.

The “Lynk&Co” brand:

- “Lynk&Co 08”: A full-size plug-in hybrid SUV model, developed under the CMA platform with Emotive Hybrid powertrain.

The “Livan” brand:

- “Livan 7”: A battery swapping battery electric model

ZEEKR

ZEEKR Intelligent Technology Holding Limited (“ZEEKR”) was established in March 2021 as a non-wholly owned subsidiary of the Group. Currently, ZEEKR is jointly held by the Group, Geely Holding and external investors, which predominately focuses on the research and development, purchase and sales of intelligent pure electric vehicles and related products, as well as the provision of related services. ZEEKR strives on the research and development of forward-looking technologies for intelligent pure electric mobility. Based on the SEA, ZEEKR has launched three existing models, namely, luxury shooting brake coupe-ZEEKR 001, luxury pure electric MPV – ZEEKR 009 and new luxury versatile SUV – ZEEKR X. ZEEKR adopts an innovative business model, establishes a brand-new direct sales terminal, establishes its own full-scenario charging service system, and designs an innovative user interests plan to realise the integration of trendy life with luxury technology, user ecology and industry ecology, to create and share together with users, and create greater value.

As at 30 June 2023, the accumulated delivery of ZEEKR brand exceeded 120,000 units of vehicle. From January to June this year, a total of 42,633 units were delivered, representing a YoY increase of 124%. In the pure electric vehicle market of pricing above RMB300,000, ZEEKR accounted for 27.4% of market share. Among them, as the first Chinese brand to deliver pure electric luxury cars of over 10,000 units in a single month, ZEEKR 001 has created four Guinness records in the world. With its outstanding product competitiveness, ZEEKR 001 has become the first luxury car in the world to deliver more than 100,000 units, with an average order value of more than RMB336,000, and ranked “Champion of the Sales Volume of Pure Electric Vehicles above RMB300,000 among Chinese brands” again in the first half of 2023. Furthermore, the average order value of our flagship model ZEEKR 009 reached RMB527,000, making it the best seller of all categories of luxury MPV of over RMB500,000. For every 3 units of luxury MPV sold in the Chinese market, one of them is ZEEKR 009. Pioneering a new standard in the compact luxury market, the third model ZEEKR X was launched on 12 April and has been officially delivered since 12 June. At the same time, ZEEKR continues the acceleration of its intelligent technology evolution. As at 30 June 2023, ZEEKR 001 and ZEEKR 009 have carried out 12 Over-the-air (“OTA”) pushes in total, with a total upgrade of over 500,000 vehicles, achieving over 250 function updates and nearly 2,500 experience optimisations.

In addition to the breakthrough in product delivery, the construction of the ZEEKR user service ecosystem has also reached new milestones successively. As at 30 June 2023, there were 306 directly-operated stores of ZEEKR (including offline stores such as ZEEKR Centres, ZEEKR Spaces and delivery centres), covering 75 cities nationwide. There are nearly 750 ZEEKR energy charging stations in over 120 cities across the country, ranking among the top three pure electric brands in China, with an average of 1.2 charging stations built per day. Third-party charging network covers over 340 cities and provides over 520,000 gun chargers. Delivery services of ZEEKR covers over 330 cities across the country. It has nearly 300 quality service centres in 208 cities in 31 provinces across the country.

For the first half of the year ended 30 June 2023, the net loss of ZEEKR was RMB810 million.

* *OTA stands for “Over-the-air”, is a technology that enables remote management technology to mobile terminal and SIM card data through the aerial interface of mobile communication.*

LYNK&CO JV

Lynk&Co JV (“**Lynk&Co**”), a joint venture jointly owned by the Group, Volvo Car and Geely Holding, was established in October 2017, which is owned as to 50% by the Group, aiming at the development, manufacture, sales and servicing of high-end passenger vehicles in both the Chinese and international markets under the “Lynk&Co” brand. Positioned as a global brand with the state-of-the-art design and manufacturing capabilities, Lynk&Co aims to provide both quality passenger vehicles and mobility services to the global premium mobility market segment.

As at the first half of 2023, the sales volume of Lynk&Co was 82,037 units, representing a YoY increase of approximately 6.2%. Since its launch, the accumulated sales volume of Lynk&Co has exceeded 900,000 units, and its share in China’s high-end automobile brand market has steadily increased. In addition, in the first half of 2023, Lynk&Co expanded its business in various locations across Europe, including countries such as the Netherlands, France, Italy, Germany, Sweden, Belgium, and Spain. Its subscription business model has become a disruptive player in the industry. As at June 2023, there were more than 220,000 registered members and the number of subscriptions reached 25,667 units. In the first half of the year, the number of new subscriptions increased nearly one-fold as compared to the same period last year.

In the first half of 2023, Lynk&Co recorded a net loss of RMB660 million. The main reasons for the decline in performance were attributed to significant investments in accelerating the new energy transformation and the expansion of Lynk&Co’s business in the European market.

Livan Associate

Livan Associate (“**Livan**”) was established in January 2022 and was a joint venture jointly invested by the Group and Lifan Technology. As at 30 June 2023, its equity interest is owned as to 45% by the Group and is an associate of the Group. The principal business of Livan is the research and development, sales and operation of vehicles (including battery swapping vehicles). Livan is committed to creating a user-centric, recyclable and battery-swapping ecosystem. By continuously upgrading vehicles, charging station, cloud technology and optimising the business model, Livan has solved the core issues of the new energy market, provided users with convenient and worry-free mobility experience and intelligent battery swapping ecology, and at the same time brought competitive battery swapping products and services to the market.

2023 is the second year since the establishment of Livan, with a total sales volume reaching 16,125 units in the first half of the year. During this period, the Group and Lifan Technology jointly increased the capital investment in Livan by RMB850 million, raising its registered capital from RMB600 million to RMB1.45 billion. The Group's ownership stake in Livan decreased from 50% to 45% as a result of this capital increase. The capital increase will enhance Livan's financial strength and operational capabilities, driving the transformation and upgrade of its automotive industry.

In the first half of 2023, Livan launched a variety of new products and released technological achievements such as the GBRC crystal architecture, forming a competitive battery swapping ecosystem. Moving forward, Livan will continue to increase its market share in the B2B market, focusing on convenience, cost-effectiveness, and cutting-edge technological experiences, all aimed at providing customers with a worry-free battery usage experience.

Genius AFC

Genius Auto Finance Company Limited ("**Genius AFC**"), a vehicle financing joint-venture jointly established by the Group and BNP Paribas Personal Finance ("**BNPP PF**"), which is owned as to 80% by the Group, is principally engaged in the provision of auto wholesales financing solutions to auto dealers and retail financing solutions to end customers, mainly supporting brands such as "Geely", "Geometry", "ZEEKR", "Lynk&Co", "Livan" and "Volvo Car".

In the first half of 2023, under the complex and ever-changing economic environment, Genius AFC actively maintained steady development momentum in various businesses. During the period, Genius AFC's accumulated vehicle loan turnover reached RMB18.7 billion, representing an increase of 6% as compared to the corresponding period last year. One thing worth noting, the scale of the retail loan of new energy vehicles grew rapidly, representing 36% of the total retail loan volume (calculated by the retail loan value of new energy vehicles divided by the total retail loan value). However, in order to comply with regulatory requirement and the increasing marketing expenses, after experiencing an increase of loan provision ratio in the first half of the year, the net profit of Genius AFC decreased 13% YoY to RMB648 million.

Leveraging on its quantitative data analysis capabilities in the vehicle loan sectors accumulated and systematic organised over the years, Genius AFC has successfully developed various credit assessment models, establishing a highly effective anti-fraud system, thereby achieved positive interaction of "asset quality, business scale and efficiency" in the vehicle loan business. In the first half of 2023, the vehicle loan of Genius AFC achieved a growth of 9% over the corresponding last year.

Genius AFC is dedicated to the active management of funding costs and will continue to expand into new business areas. In the first half of 2023, the Company continued to diversify its external funding channels, including syndicated loans, bilateral bank facilities and asset-backed security (ABS). During the period, Genius AFC successfully launched two rounds of ABS with a total amount of RMB9.5

billion, providing support to its business growth. In June 2023, Genius AFC successfully entered into a sustainable syndicated loan with 8 banks and received a long-term capital of RMB2.2 billion. Meanwhile, in order to fully cooperate with the Group's business strategies, Genius AFC developed new financing solutions for the brand-new energy dedicated series "Galaxy" under Geely brand.

On 11 July 2022, the Group entered into an equity transfer agreement with BNPP PF and its wholly-owned subsidiary. Pursuant to the agreement, the wholly-owned subsidiary of BNPP PF agreed to purchase from the Group an interest of 5% in the registered capital of Genius AFC at an initial cash consideration of approximately RMB420,706,000, which will be subsequently adjusted for any change in the book value of Genius AFC between 31 July 2020 and the completion date. Upon completion, Genius AFC will be owned as to 75% and 25% by the Group and BNPP PF, respectively.

Export

In the first half of 2023, the Group exported a total of 121,185 units of vehicle, representing an increase of 38% over the same period last year, and the export volume accounted for 17% of the Group's total sales volume. Export sales maintained the strong growth momentum as seen in the past year, and fuel vehicles was the major products for export.

Developing countries in regions such as Southeast Asia, Middle East and South America remain the most important export markets of the Group. Apart from exporting directly from China, the Group also assembles some of the exported models through contract manufacturing arrangements with local partners. As at the end of June 2023, the Group has exported products to 61 countries through 54 sales agents and 490 sales services outlets.

As the end of April 2023, the Group completed the acquisition of 49.9% shares in Proton, Malaysia. This provides an opportunity for the Group to enter into the Southeast Asia and right-hand-drive vehicle markets. Leveraging on Proton's local resources and experience, the Group will strengthen its business development in Southeast Asia. In the future, the Group will cooperate with Proton to develop the Proton-branded electric vehicles.

Furthermore, the cooperation between the Company and its associate, Renault Korea progressed smoothly. In the first half of the year, the Company started to provide vehicle models and technologies to the associate. Currently, the preparation work for the development of local vehicle models and the upgrade of production lines is in progress. It is expected to be officially put into operation and commence sales in Korea in 2024.

In light of the substantial depreciation of foreign currencies such as the Russian Ruble and the Pakistani Rupee against the Renminbi, the Group will consistently assess the risks and opportunities linked with its export businesses. It will adapt its foreign operations as necessary, adhering to the fundamental principle of global business development compliance. The Group will stay alert to changing conditions, ensuring the protection of its interests.

OUTLOOK

Although there are still uncertainties in the market demand and macro-economy, the management of the Group is still optimistic about achieving the sales volume target of 1.65 million units for the year.

Despite the slowdown in the growth of the new energy vehicle market, the Group still believes it has a huge development potential and opportunities. In the second half of 2023, the hybrid and pure electric vehicle models to be launched are the accumulated results in related technologies over the years, which will bring new growth opportunities to the Group. At the same time, the Group will continue to optimise the product mix of fuel vehicles. Launching a small number of strategically upgraded vehicle models can stimulate the market demand, meanwhile, and also strengthen cost control to ensure sustained profitability of the fuel vehicle business. In the second half of the year, the Group will continue to make innovation effort in three major sectors, namely Automatic Driving, Smart Cockpit and Artificial Intelligence, in order to enhance the competitive barrier of the technology of Geely.

Currently, China's automobile market is facing the dual challenges of rapid transformation and market concentration. The rapid growth of ZEEKR in the past two years has fully demonstrated the Group's tremendous strength in the field of new energy and intelligent vehicles. The management team will actively respond to all challenges and rely on the Group's financial strength and technology accumulation to promote its sustainable and healthy development. To this end, the Group will maintain an agile observation to the market development, respond to environmental changes in a flexible way, and actively searching innovative solutions to maintain competitive edges. Meanwhile, we will deepen our relationship with cooperative partners and further expand the scope of our collaborations. This is also the important strategy to achieve sustained and steady development for the Group.

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 2023, the Group's shareholders' funds amounted to approximately RMB76.6 billion (as at 31 December 2022: approximately RMB75.1 billion). The Company did not issue any ordinary shares during the six months ended 30 June 2023.

EXPOSURE TO FOREIGN EXCHANGE RISK

During the six months ended 30 June 2023, the Group's primary operations involved domestic sales of automobiles, automobile parts, components, battery packs, and related parts within China. The assets and liabilities of the Group were primarily denominated in Renminbi (RMB), which is the functional currency of both the Company and its principal subsidiaries.

Regarding export operations, a significant portion of the Group's export sales during the period was denominated in United States dollars (US\$). Furthermore, the Group faces potential foreign exchange risk, particularly in emerging markets, if it maintains local subsidiaries, associates, or joint ventures in overseas export markets. The potential devaluation of local currencies in these overseas markets could lead to foreign exchange losses, impacting the Group's competitiveness and, consequently, its sales volume within these markets. To mitigate this foreign exchange risk, the Group executed foreign currency forward contracts during the period. In addition, the Group has initiated plans to establish additional overseas plants, thereby increasing the proportion of its costs denominated in local currencies to facilitate engagement in local business activities. Moreover, in order to offset higher costs within export markets, the Group has accelerated the renewal of its export models and commenced efforts to streamline its export operations, focusing on showcasing comparative advantages. These endeavors are undertaken with the objective of achieving heightened customer satisfaction, improved operating efficiency, and realizing economies of scale within its export markets.

The Group's management will maintain vigilant oversight of the market conditions and may contemplate utilizing appropriate tools to manage foreign exchange risk whenever deemed necessary.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group's current ratio (current assets/current liabilities) was about 1.03 (as at 31 December 2022: 1.15) and the gearing ratio of the Group was about 5.4% (as at 31 December 2022: 14.4%) 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 repaid a loan of relatively substantial amount from our parent company Zhejiang Geely Holding Group Company Limited ("**Geely Holding**") and senior notes of US\$300 million. In addition, on 12 February 2023, ZEEKR entered into an agreement with five investors, issuing a total of 139,375,669 Series A preferred shares and securing a financing funding of US\$750 million (approximately RMB5.4 billion). By 30 June 2023, subscriptions for 134,992,983 Series A preferred shares were completed, amounting to around US\$726 million (approximately RMB5.2 billion). As at 30 June 2023, the Group's total cash level (including bank balances, cash, restricted and pledged bank deposits) remained stable at around RMB33.6 billion, compared to its total cash level as at 31 December 2022.

Total borrowings (excluding trade and other payables and lease liabilities) as at 30 June 2023 amounted to approximately RMB4.1 billion (as at 31 December 2022: approximately RMB10.8 billion) were the Group's bank borrowings and loan from a related company. At the end of June 2023, the Group's total borrowings were mainly denominated in either Renminbi (RMB) or United States Dollars (US\$). The foreign currency borrowings 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 2023, the total number of employees of the Group was about 53,000 (as at 31 December 2022: 49,000). 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 and share awards under the share award schemes adopted by the Group.

INTERIM DIVIDEND

At a meeting of the Board held on 22 August 2023, the Board resolved not to pay an interim dividend to the Company's shareholders (2022: 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 2023.

CORPORATE GOVERNANCE

The Company has complied with the code provisions ("CPs") of the Corporate Governance Code 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 2023, except for CP F.2.2 as explained below:

CP F.2.2 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 2023, 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 2023. Due to conflict of his schedules and other prior business engagement in the PRC, the Chairman was unable to attend the general meeting. One executive Director and the Company’s external auditor attended and answered questions raised by the Shareholders at the meeting physically. 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 2023, the audit committee comprises Ms. Gao Jie, Mr. An Qing Heng, Mr. Wang Yang and Ms. Lam Yin Shan, Jocelyn, 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 2023.

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 regarding the reporting period, the 2023 interim report will set out all information disclosed in the interim results announcement for the first half of 2023 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, 22 August 2023

As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu (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 and Mr. Gan Jia Yue, and the independent non-executive directors of the Company are Mr. An Qing Heng, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie.