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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

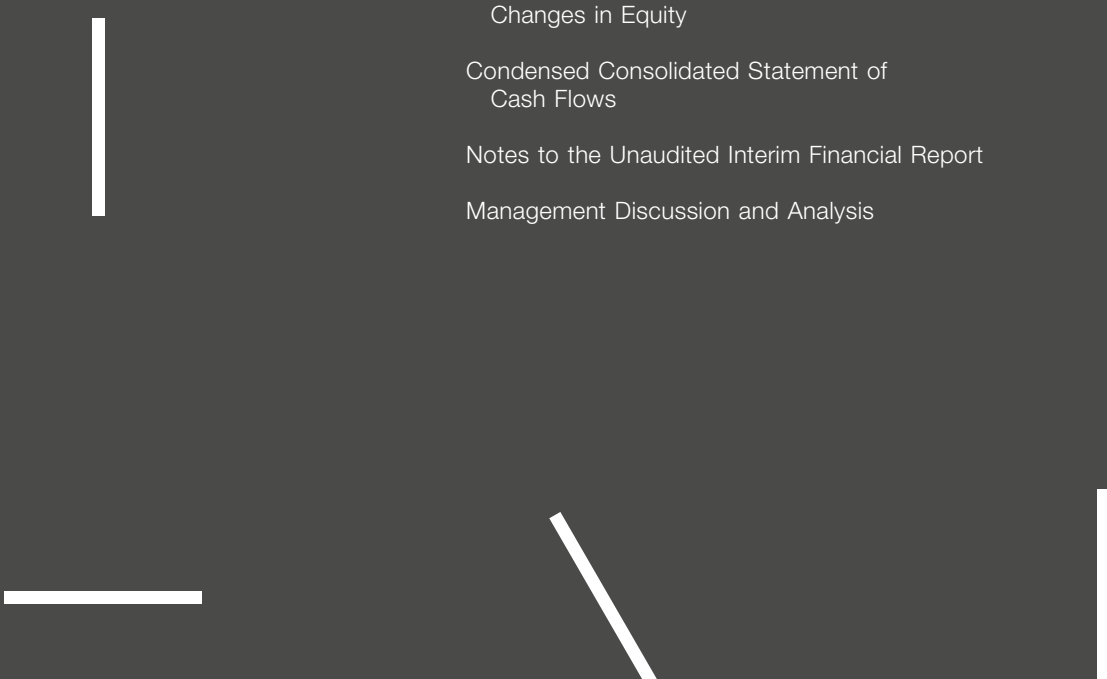
(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0175)



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CORPORATE INFORMATION

Executive Directors:

Mr. Li Shu Fu (*Chairman*)
Mr. Yang Jian (*Vice Chairman*)
Mr. Li Dong Hui, Daniel (*Vice Chairman*)
Mr. Gui Sheng Yue (*Chief Executive Officer*)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei

Non-executive Director:

Mr. Carl Peter Edmund Moriz Forster

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Audit Committee:

Mr. Lee Cheuk Yin, Dannis (*Committee's Chairman*)
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Remuneration Committee:

Mr. Yeung Sau Hung, Alex (*Committee's Chairman*)
Ms. Wei Mei
Mr. Lee Cheuk Yin, Dannis
Mr. Wang Yang

Nomination Committee:

Mr. Wang Yang (*Committee's Chairman*)
Mr. Gui Sheng Yue
Mr. Yeung Sau Hung, Alex
Mr. Lee Cheuk Yin, Dannis

Company Secretary:

Mr. Cheung Chung Yan, David

Auditor:

Grant Thornton Hong Kong Limited

Legal Advisor on Hong Kong Law:

Sidley Austin

Legal Advisor on Cayman Islands Law:

Maples and Calder

Principal Bankers in Hong Kong:

Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited
ING Bank N.A.

Principal Bankers in the People's Republic of China:

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

Head Office and Principal Place of Business:

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23 Harbour Road, Wanchai,
Hong Kong
Telephone: (852) 2598-3333
Facsimile: (852) 2598-3399
Email: general@geelyauto.com.hk

Registered Office:

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

Hong Kong Share Registrars & Transfer Office:

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

Investor & Media Relations:

Prime International Consultants Limited

Listing Information:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175
Senior Notes: 5810 (GEELYAUTO N1910)

Company's Website:

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

INDEPENDENT REVIEW REPORT



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

Introduction

We have reviewed the interim financial report of Geely Automobile Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 4 to 30 which comprises the condensed consolidated statement of financial position as at 30 June 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

16 August 2017

Chiu Wing Ning

Practising Certificate No.: P04920

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	39,423,646	18,089,274
Cost of sales		(31,869,514)	(14,882,254)
Gross profit		7,554,132	3,207,020
Other income	4	661,410	743,592
Distribution and selling expenses		(1,737,487)	(821,392)
Administrative expenses, excluding share-based payments		(1,180,592)	(712,713)
Share-based payments		(14,023)	(23,671)
Finance costs, net	5(a)	(9,266)	(22,877)
Share of results of associates		13,986	6,206
Share of results of joint ventures		21,598	(33,506)
Profit before taxation	5	5,309,758	2,342,659
Taxation	6	(923,370)	(412,771)
Profit for the period		4,386,388	1,929,888
Attributable to:			
Equity holders of the Company		4,343,563	1,907,242
Non-controlling interests		42,825	22,646
		4,386,388	1,929,888
Earnings per share			
Basic	8	RMB48.77 cents	RMB21.67 cents
Diluted	8	RMB47.68 cents	RMB21.65 cents

The notes on pages 10 to 30 are integral parts of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	4,386,388	1,929,888
Other comprehensive income (after tax of RMBNil) for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	7,118	(42,759)
Total comprehensive income for the period	4,393,506	1,887,129
Attributable to:		
Equity holders of the Company	4,350,626	1,864,830
Non-controlling interests	42,880	22,299
Total comprehensive income for the period	4,393,506	1,887,129

The notes on pages 10 to 30 are integral parts of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	11,688,970	10,650,313
Intangible assets	10	7,555,420	6,461,809
Land lease prepayments		1,982,774	2,002,895
Goodwill		6,916	6,916
Interests in associates	11	333,596	304,686
Interest in a joint venture	12	718,928	697,330
Available-for-sale financial assets		21,779	21,779
Deferred tax assets		161,645	188,107
		22,470,028	20,333,835
Current assets			
Land lease prepayments		45,677	42,875
Inventories	13	5,089,141	3,065,807
Trade and other receivables	14	19,374,975	29,040,631
Income tax recoverable		6,586	14,891
Pledged bank deposits		13,406	39,304
Bank balances and cash		20,774,436	15,045,493
		45,304,221	47,249,001
Current liabilities			
Trade and other payables	16	36,597,309	39,778,994
Bank borrowings	17	–	174,375
Income tax payable		615,339	676,830
		37,212,648	40,630,199
Net current assets		8,091,573	6,618,802
Total assets less current liabilities		30,561,601	26,952,637

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital	18	163,639	162,708
Reserves		27,861,228	24,274,519
Equity attributable to equity holders of the Company		28,024,867	24,437,227
Non-controlling interests		291,902	249,022
Total equity		28,316,769	24,686,249
Non-current liabilities			
Senior notes	15	2,018,890	2,068,316
Deferred tax liabilities		225,942	198,072
		2,244,832	2,266,388
		30,561,601	26,952,637

The notes on pages 10 to 30 are integral parts of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Statutory reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Accumulated profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Balance at 1 January 2016	161,354	5,818,466	164,790	118,993	84,684	572,962	12,602,567	19,523,816	215,707	19,739,523
Profit for the period	-	-	-	-	-	-	1,907,242	1,907,242	22,646	1,929,888
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(42,412)	-	-	(42,412)	(347)	(42,759)
Total comprehensive income for the period	-	-	-	-	(42,412)	-	1,907,242	1,864,830	22,299	1,887,129
Transactions with owners:										
Share issued under share option scheme	8	1,732	-	-	-	(436)	-	1,304	-	1,304
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(1,109)	(1,109)
Equity settled share-based payments	-	-	-	-	-	23,671	-	23,671	-	23,671
Transfer upon forfeiture of share options	-	-	-	-	-	(22,619)	22,619	-	-	-
Final dividend declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	(280,967)	(280,967)	-	(280,967)
Total transactions with owners	8	1,732	-	-	-	616	(258,348)	(255,992)	(1,109)	(257,101)
Balance at 30 June 2016	161,362	5,820,198	164,790	118,993	42,272	573,578	14,251,461	21,132,654	236,897	21,369,551
Balance at 1 January 2017	162,708	6,212,325	164,790	170,420	(138,153)	478,714	17,386,423	24,437,227	249,022	24,686,249
Profit for the period	-	-	-	-	-	-	4,343,563	4,343,563	42,825	4,386,388
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	7,063	-	-	7,063	55	7,118
Total comprehensive income for the period	-	-	-	-	7,063	-	4,343,563	4,350,626	42,880	4,393,506
Transactions with owners:										
Share issued under share option scheme	931	262,933	-	-	-	(76,208)	-	187,656	-	187,656
Equity settled share-based payments	-	-	-	-	-	14,023	-	14,023	-	14,023
Transfer upon forfeiture of share options	-	-	-	-	-	(273)	273	-	-	-
Final dividend declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	(964,665)	(964,665)	-	(964,665)
Total transactions with owners	931	262,933	-	-	-	(62,458)	(964,392)	(762,986)	-	(762,986)
Balance at 30 June 2017	163,639	6,475,258	164,790	170,420	(131,090)	416,256	20,765,594	28,024,867	291,902	28,316,769

The notes on pages 10 to 30 are integral parts of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cash flows from operating activities		
Profit before taxation	5,309,758	2,342,659
Adjustments for non-cash items	864,494	607,000
Operating profit before working capital changes	6,174,252	2,949,659
Net changes in working capital	2,891,954	930,977
Cash generated from operations	9,066,206	3,880,636
Income taxes paid	(922,224)	(443,370)
<i>Net cash generated from operating activities</i>	8,143,982	3,437,266
Cash flows from investing activities		
Purchase of property, plant and equipment	(876,223)	(725,675)
Addition of intangible assets	(1,511,501)	(1,007,439)
Addition of land lease prepayments	(6,666)	–
Proceeds from disposal of property, plant and equipment	18,533	18,895
Proceeds from disposal of intangible assets	6,115	–
Change in pledged bank deposits	25,898	1,402
Net cash inflow on disposal of an associate	13,860	–
Net cash outflow on disposal of subsidiaries	–	(1,991)
Additional capital injection in an associate	(27,592)	–
Interest received	47,546	31,658
<i>Net cash used in investing activities</i>	(2,310,030)	(1,683,150)
Cash flows from financing activities		
Proceeds from issuance of shares upon exercise of share options	187,656	1,304
Proceeds from bank borrowings	–	325,500
Repayment of bank borrowings	(174,375)	–
Interest paid	(54,830)	(52,370)
<i>Net cash (used in)/generated from financing activities</i>	(41,549)	274,434
Net increase in cash and cash equivalents	5,792,403	2,028,550
Cash and cash equivalents at the beginning of the period	15,045,493	9,166,926
Effect of foreign exchange rate changes	(63,460)	29,592
Cash and cash equivalents at the end of the period, represented by bank balances and cash	20,774,436	11,225,068

The notes on pages 10 to 30 are integral parts of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

1. Basis of Preparation

The interim financial report (the “Interim Financial Report”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 16 August 2017.

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

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2016 except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company and its subsidiaries’ (together referred to as the “Group”) annual financial statements for the year ended 31 December 2016.

2. Adoption of New and Amended HKFRSs

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

In the current period, the HKICPA has issued the following new and amended HKFRSs but not yet effective which are relevant to the Group:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective date not yet determined

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group’s consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

2. Adoption of New and Amended HKFRSs *(Continued)*

HKFRS 9 “Financial Instruments” (“HKFRS 9”)

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”). HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group’s consolidated financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (“FVTPL”), and (3) fair value through other comprehensive income (“FVTOCI”).

For equity securities, the classification is FVTPL regardless of the entity’s business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group’s financial assets currently classified as “available-for-sale”, these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy is to state the available-for-sale equity investments at cost until disposal or impairment, when gains or losses are recognised in profit or loss. This change in policy will impact the Group’s net assets and total comprehensive income.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability’s own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

2. Adoption of New and Amended HKFRSs (Continued)

HKFRS 9 “Financial Instruments” (“HKFRS 9”) (Continued)

(b) Impairment

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group’s trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

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

3. Revenue and Segment Information

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

Revenue represents the consideration received and receivable from sales, net of discounts, returns and value-added taxes (“VAT”) or related sales taxes, of automobiles and automobile parts and components.

4. Other Income

	Six months ended 30 June	
	2017	2016
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Government grants and subsidies (note)	500,643	534,366
Gain on disposal of scrap materials	16,196	2,528
Gain on disposal of an associate (note 11)	1,192	–
Gain on disposal of subsidiaries	–	72
Net foreign exchange gain	89,181	143,886
Rental income	12,821	11,728
Sundry income	41,377	51,012
	661,410	743,592

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

5. Profit Before Taxation

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance income and costs		
Finance costs		
Effective interest expense on senior notes (note 15)	2,917	2,165
Coupon expense on senior notes	53,368	52,314
Interest on bank borrowings wholly repayable within five years	527	56
	56,812	54,535
Finance income		
Bank and other interest income	(47,546)	(31,658)
Net finance costs	9,266	22,877
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	1,788,690	1,168,951
Retirement benefit scheme contributions	117,789	81,329
Equity settled share-based payments	14,023	23,671
	1,920,502	1,273,951
(c) Other items		
Cost of inventories	31,869,514	14,882,254
Depreciation	439,584	363,893
Net foreign exchange gain	89,181	143,886
Amortisation of land lease prepayments	23,985	18,695
Amortisation of intangible assets	411,775	292,064
Research and development costs	123,051	96,578
Net loss on disposal of property, plant and equipment	10,808	26,787
Impairment loss on interest in an associate	-	3,349
Unrealised loss on financial assets at fair value through profit or loss	-	187

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

6. Taxation

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current tax:		
– The People's Republic of China ("PRC") enterprise income tax	870,622	387,762
– Overseas tax	897	6,038
– Over-provision in prior years	(2,481)	(957)
	869,038	392,843
Deferred tax	54,332	19,928
	923,370	412,771

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 2017 and 2016.

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 2016: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the six months ended 30 June 2017 (six months ended 30 June 2016: 15%).

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

7. Dividends

During the current period, a final dividend for the year ended 31 December 2016 of HK\$0.12 per share (six months ended 30 June 2016: HK\$0.038 per share), amounting to approximately RMB964,665,000 (six months ended 30 June 2016: RMB280,967,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2016 final dividend was paid in July 2017 and is reflected as a dividend payable in the Interim Financial Report.

8. Earnings Per Share

(a) Basic earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB4,343,563,000 (six months ended 30 June 2016: RMB1,907,242,000) and the weighted average number of ordinary shares of 8,905,566,319 shares (2016: 8,802,127,148 shares), calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	8,882,861,540	8,801,986,540
Effect of shares options exercised	22,704,779	140,608
	<hr/>	
Weighted average number of ordinary shares at 30 June	8,905,566,319	8,802,127,148

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

8. Earnings Per Share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB4,343,563,000 (six months ended 30 June 2016: RMB1,907,242,000) and the weighted average number of ordinary shares of 9,110,706,420 shares (2016: 8,808,966,024 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic) at 30 June	8,905,566,319	8,802,127,148
Effect of deemed issue of shares under the Company's share option scheme	205,140,101	6,838,876
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June	9,110,706,420	8,808,966,024

9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately RMB1,507,582,000 (six months ended 30 June 2016: RMB1,219,437,000). Property, plant and equipment with net book value of approximately RMB29,341,000 (six months ended 30 June 2016: RMB45,682,000) were disposed of during the period, resulting in net loss on disposal of approximately RMB10,808,000 (six months ended 30 June 2016: RMB26,787,000).

10. Intangible Assets

During the period, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to approximately RMB1,511,501,000 (six months ended 30 June 2016: RMB1,007,439,000).

Intangible assets with net book value of approximately RMB6,115,000 (six months ended 30 June 2016: RMBNil) were disposed of during the period, no gain or loss on disposal was resulted.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

11. Interests in Associates

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Share of net assets	336,945	308,035
Goodwill	663	663
Impairment loss recognised	(4,012)	(4,012)
	333,596	304,686

In January 2017, the Group disposed of its entire interests in 寧波帝寶交通器材有限公司 Ningbo DIPO Traffic Facilities Co., Ltd# ("Ningbo DIPO") to an independent third party at a cash consideration of approximately RMB13,860,000. The carrying amount of the Group's interests in Ningbo DIPO at the disposal date was RMB12,668,000 and a gain on disposal of RMB1,192,000 was recognised in "Other income" in the condensed consolidated income statement.

In January 2017, Closed Joint Stock Company BELGEE ("BELGEE") effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to Belarusian Ruble ("BYN") 7,753,000 (equivalent to approximately RMB27,592,000) and BYN15,690,000 (equivalent to approximately RMB55,842,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE changed from BYN60,023,000 (equivalent to approximately RMB262,239,000) to BYN83,466,000 (equivalent to approximately RMB345,673,000). As a result of such increase in registered capital, the Group's equity interests in BELGEE were diluted from 35.6% to 33.36%. Despite the dilution in the equity interests, the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

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

12. Interest in a Joint Venture

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Share of net assets	718,928	697,330

13. Inventories

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Raw materials	1,271,364	790,037
Work in progress	550,252	340,130
Finished goods	3,267,525	1,935,640
	5,089,141	3,065,807

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

14. Trade and Other Receivables

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade and notes receivables			
Trade receivables			
– Third parties		735,976	794,960
– Associates		14,982	247,904
– Related companies controlled by the substantial shareholder of the Company		944,929	194,496
	(a)	1,695,887	1,237,360
Notes receivables	(b)	12,568,159	24,864,054
		14,264,046	26,101,414
Deposits, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		92,596	89,691
– Related companies controlled by the substantial shareholder of the Company		1,516,761	376,129
		1,609,357	465,820
Deposits paid for acquisition of property, plant and equipment		533,407	355,077
VAT and other taxes receivables		2,610,107	1,396,907
Utility deposits and other receivables		329,200	454,657
		5,082,071	2,672,461
Amounts due from related companies controlled by the substantial shareholder of the Company	(c)	28,858	27,345
Amount due from ultimate holding company	(c)	–	236,256
Amount due from a joint venture	(c)	–	3,155
		5,110,929	2,939,217
		19,374,975	29,040,631

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

14. Trade and Other Receivables (Continued)

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date, at the reporting date:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
0 – 60 days	1,015,820	441,619
61 – 90 days	15,953	30,417
Over 90 days	173,151	50,288
	1,204,924	522,324

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
0 – 60 days	112,976	295,659
61 – 90 days	13,881	25,726
91 – 365 days	77,401	237,934
Over 365 days	286,705	155,717
	490,963	715,036

(b) Notes receivables

All notes receivables are denominated in RMB. As at 30 June 2017 and 31 December 2016, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

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

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

Except for trade and other receivables of RMB76,053,000 (31 December 2016: RMB146,263,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

15. Senior Notes

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of USD300,000,000 (equivalent to approximately RMB1,836,750,000) (the "Senior Notes").

The Senior Notes are listed on the SEHK. Details of the terms of the Senior Notes have been set out in the Group's annual financial statements for the year ended 31 December 2016.

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Carrying amount		
At the beginning of the period/year	2,068,316	1,928,856
Exchange differences	(52,343)	134,802
Interest expenses	2,917	4,658
	<hr/>	<hr/>
At the end of the period/year	2,018,890	2,068,316

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

16. Trade and Other Payables

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade and notes payables			
Trade payables			
– Third parties		20,655,941	21,083,397
– Associates		859,400	1,627,710
– Related companies controlled by the substantial shareholder of the Company		572,025	330,157
	(a)	22,087,366	23,041,264
Notes payables	(b)	183,930	99,540
		22,271,296	23,140,804
Other payables			
Receipts in advance from customers			
– Third parties		6,077,537	7,909,709
– Related companies controlled by the substantial shareholder of the Company		6,872	723
		6,084,409	7,910,432
Deferred government grants which conditions have not been satisfied		1,899,697	1,572,863
Payables for acquisition of property, plant and equipment		1,335,501	714,524
Accrued staff salaries and benefits		382,570	514,534
VAT and other taxes payables		85,512	85,063
Dividends payable		964,819	–
Other accrued charges		2,150,769	1,950,900
		12,903,277	12,748,316
Amounts due to related companies controlled by the substantial shareholder of the Company	(c)	1,153,047	3,889,874
Amount due to ultimate holding company	(c)	269,689	–
		14,326,013	16,638,190
		36,597,309	39,778,994

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

16. Trade and Other Payables (Continued)

(a) Trade payables

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
0 – 60 days	19,840,098	20,638,859
61 – 90 days	1,433,194	1,624,387
Over 90 days	814,074	778,018
	22,087,366	23,041,264

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

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 30 June 2017 and 31 December 2016, all notes payables have maturities of less than six months from the reporting date.

As at 30 June 2017, the Group pledged bank deposits of RMB13,406,000 (31 December 2016: RMB39,304,000) to secure the notes payables.

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

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

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

17. Bank Borrowings

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Bank loans, unsecured	–	174,375

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

18. Share Capital

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2016 and 30 June 2017	12,000,000,000	246,720
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2016	8,801,986,540	161,354
Shares issued under share option scheme	80,875,000	1,354
At 31 December 2016 and 1 January 2017	8,882,861,540	162,708
Shares issued under share option scheme	51,720,000	931
At 30 June 2017 (unaudited)	8,934,581,540	163,639

19. Commitments

Capital expenditure commitments

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Contracted but not provided for		
– purchase of property, plant and equipment	2,048,983	2,281,468

Operating lease commitments – as lessee

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Office and factory premises		
– Within one year	3,969	5,516
– In the second to fifth years inclusive	10,565	10,564
– After five years	2,641	3,961
	17,175	20,041

Leases are negotiated and rentals are fixed for an initial period of one to three years (31 December 2016: one to three years) with an option to renew the leases when all terms are renegotiated.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

19. Commitments (Continued)

Operating lease commitments – as lessor

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Leasehold land and buildings		
– Within one year	8,755	7,101
– In the second to fifth years inclusive	28,092	26,679
– After five years	17,722	22,038
	54,569	55,818
Motor vehicles and plant and machinery		
– Within one year	6,811	4,001
– In the second to fifth years inclusive	16,004	16,004
– After five years	16,892	21,005
	39,707	41,010
	94,276	96,828

Leases are negotiated and rental are fixed for an initial period of one to fourteen years (31 December 2016: one to fourteen years).

20. Retirement Benefits Scheme

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

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

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

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

For the six months ended 30 June 2017, the aggregate employer's contributions made by the Group and charged to the condensed consolidated income statement amounted to RMB117,789,000 (six months ended 30 June 2016: RMB81,329,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

21. Equity Settled Share-Based Payment Transactions

The Company has operated a share option scheme for eligible participants of the Group. Details of the terms of the scheme have been set out in the Group's annual financial statements for the year ended 31 December 2016.

2017 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June
Directors	18 January 2010 to 17 January 2020	4.07	37,700,000	–	(200,000)	–	37,500,000
	23 March 2012 to 22 March 2022	4.07	8,500,000	–	–	–	8,500,000
	9 January 2016 to 8 January 2020	2.79	15,500,000	–	(750,000)	–	14,750,000
			61,700,000	–	(950,000)	–	60,750,000
Employees	18 January 2010 to 17 January 2020	4.07	224,505,000	–	(46,315,000)	(175,000)	178,015,000
	21 April 2010 to 20 April 2020	4.07	11,780,000	–	–	–	11,780,000
	23 March 2012 to 22 March 2022	4.07	7,250,000	–	(200,000)	–	7,050,000
	9 January 2016 to 8 January 2020	2.79	14,400,000	–	(830,000)	–	13,570,000
	2 June 2016 to 1 June 2020	4.08	1,000,000	–	–	–	1,000,000
			258,935,000	–	(47,345,000)	(175,000)	211,415,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	20,300,000	–	(3,425,000)	–	16,875,000
	31 March 2018 to 30 March 2022	12.22	–	5,500,000	–	–	5,500,000
			20,300,000	5,500,000	(3,425,000)	–	22,375,000
			340,935,000	5,500,000	(51,720,000)	(175,000)	294,540,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

21. Equity Settled Share-Based Payment Transactions (Continued)

2016 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June
Directors	18 January 2010 to 17 January 2020	4.07	57,500,000	-	-	-	57,500,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	-	-	-	5,000,000
	9 January 2016 to 8 January 2020	2.79	16,000,000	-	-	-	16,000,000
			78,500,000	-	-	-	78,500,000
Employees	18 January 2010 to 17 January 2020	4.07	284,760,000	-	(210,000)	(3,520,000)	281,030,000
	21 April 2010 to 20 April 2020	4.07	13,000,000	-	-	-	13,000,000
	23 March 2012 to 22 March 2022	4.07	16,500,000	-	-	-	16,500,000
	25 June 2012 to 24 June 2022	4.07	9,000,000	-	-	(9,000,000)	-
	17 January 2013 to 16 January 2023	4.11	4,100,000	-	-	-	4,100,000
	9 January 2016 to 8 January 2020	2.79	16,900,000	-	(250,000)	(1,150,000)	15,500,000
	2 June 2016 to 1 June 2020	4.08	1,000,000	-	-	-	1,000,000
			345,260,000	-	(460,000)	(13,670,000)	331,130,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	20,400,000	-	-	-	20,400,000
			444,160,000	-	(460,000)	(13,670,000)	430,030,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

21. Equity Settled Share-Based Payment Transactions (Continued)

During the six months ended 30 June 2017, 5,500,000 options were granted on 31 March 2017 with estimated fair values of approximately RMB20,210,000. The closing price of the Company's shares on the date on which the options were granted was HK\$11.9. The exercise price of the share options granted is HK\$12.22 per share. None of the share options will be vested in the first year and one-fourth of share options granted will vest in every year after the first year of the grant date.

The fair values were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

Exercise price	HK\$12.22
Expected volatility	44.17%
Expected life	5 years
Risk-free rate	1.37%
Expected dividend yield	0.95%

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

During the six months ended 30 June 2017, the Group recognised a total of RMB14,023,000 (six months ended 30 June 2016: RMB23,671,000) in relation to share options granted by the Company and the share-based payment expenses were shown as a separate line item on the face of the condensed consolidated income statement.

22. Material Related Party Transactions

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Related companies (notes (a) and (b))			
Zhejiang Geely Automobile Company Limited [#] 浙江吉利汽車有限公司	Sales of complete knock down kits and sedan tool kits	13,846,546	10,292,435
	Claims income on defective materials purchased	71,719	42,627
	Purchase of complete build up units	14,107,084	10,529,239
	Sub-contracting fee paid	31,188	14,723
	Claims paid on defective materials sold	83,592	54,503
Zhejiang Haoqing Automobile Manufacturing Company Limited [#] 浙江豪情汽車製造有限公司	Sales of complete knock down kits and sedan tool kits	22,802,596	5,922,606
	Claims income on defective materials purchased	56,888	38,815
	Purchase of complete buildup units	24,211,266	6,090,630
	Purchase of automobile parts and components	464	42,360
	Sub-contracting fee paid	14,850	8,100
	Claims paid on defective materials sold	68,329	49,174

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

22. Material Related Party Transactions (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Related companies (notes (a) and (b))			
Zhejiang Geely Automobile Parts and Components Company Limited [#] 浙江吉利汽車零部件採購有限公司	Claims income on defective materials purchased Purchase of automobile parts and components	25,210 7,341,282	11,724 2,749,673
Taizhou Haoqing Automobile Sales Company Limited [#] 台州豪情汽車銷售有限公司	Sales of complete buildup units Sales of automobile parts and components	294,908 3,186	159,942 2,542
Shanghai LTI Automobile Components Company Limited [#] 上海英倫帝華汽車部件有限公司	Rental income Purchase of automobile parts and components	7,494 5,099	3,759 3,492
Hangzhou Geely New Energy Automobile Sales Company Limited [#] 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units	859,761	595,322
Viridi E-Mobility Technology (Suzhou) Co., Ltd [#] 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components	12,596	–
Kandi Electric Vehicles (Shanghai) Co., Ltd. [#] (note (c)) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components	13,857	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

22. Material Related Party Transactions (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Associates			
Mando (Ningbo) Automotive Parts Company Limited [#] 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	-	212,867
	Service income	3,531	-
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd. [#] 佛吉亞排氣控制技術(寧波)有限公司	Purchase of automobile parts and components	-	83,825
Ningbo DIPO Traffic Facilities Co., Ltd [#] (note (d)) 寧波帝寶交通器材有限公司	Purchase of automobile parts and components	-	5,305
Closed Joint Stock Company BELGEE	Sales of complete buildup units	22,224	52,127
Subsidiary of the joint venture			
Kandi Electric Vehicles (Shanghai) Co., Ltd. [#] (note (c)) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components	-	42,525

Notes:

- (a) The Group and the related parties are under the common control of the substantial shareholder of 浙江吉利控股集團有限公司 Zhejiang Geely Holding Group Company Limited[#], the Company's ultimate holding company.
- (b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the condensed consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.
- (c) In October 2016, the Group has disposed of 康迪電動汽車集團有限公司 Kandi Electric Vehicles Group Co., Ltd[#] ("Kandi Electric") to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries have become related companies of the Group.
- (d) In January 2017, the Group has disposed of Ningbo DIPO to an independent third party. Subsequently, Ningbo DIPO had no longer been an associate of the Group.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2017

23. Fair Value Measurements of Financial Instruments

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

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017 and 31 December 2016 due to their short-term maturities, except for the Senior Notes for which the trading volume of the Senior Notes in public market is low, management estimated the fair value of the Senior Notes to be approximately RMB2,099,179,000 (31 December 2016: RMB2,165,518,000) by reference to the 30-day average market price of the Senior Notes.

24. EVENTS AFTER THE REPORTING DATE

Formation of a joint venture

On 4 August 2017, 浙江吉潤汽車有限公司 Zhejiang Jirun Automobile Company Limited[#] (“Zhejiang Jirun”), a 99% owned subsidiary of the Company, entered into a joint venture agreement (the “Joint Venture Agreement”) with 浙江豪情汽車製造有限公司 Zhejiang Haoqing Automobile Manufacturing Company Limited[#] (“Zhejiang Haoqing”) and 沃爾沃汽車(中國)投資有限公司 Volvo Car (China) Investment Company Limited[#] (“VCI”), fellow subsidiaries owned by the Company's ultimate holding company (the “JV Parties”), pursuant to which Zhejiang Jirun and the JV Parties have conditionally agreed to form a joint venture company (the “JV Company”) to engage in the manufacturing and sale of automobiles under the Lynk & Co brand, and the provision of after-sale services relating thereto. Pursuant to the Joint Venture Agreement, the JV Company will be owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. The registered capital of the JV Company will be RMB7,500,000,000, which shall be contributed by Zhejiang Jirun, Zhejiang Haoqing and VCI in cash in proportion to their respective equity interests in the JV Company. Upon establishment, the JV Company will become a joint venture of the Company and its financial results will be equity accounted for in the consolidated financial statements of the Group. Please refer to the Company's announcement dated 4 August 2017 for further details.

Disposal of 浙江金剛汽車有限公司 Zhejiang Kingkong Automobile Company Limited[#] (“Zhejiang Kingkong”)

On 4 August 2017, 浙江福林國潤汽車零部件有限公司 Zhejiang Fulin Guorun Automobile Parts & Components Company Limited[#] (“Fulin Guorun”) and Centurion Industries Limited (“Centurion”), wholly-owned subsidiaries of the Company, entered into a disposal agreement with Zhejiang Haoqing, pursuant to which Fulin Guorun and Centurion have conditionally agreed to dispose of their respective 8% and 91% equity interests in Zhejiang Kingkong to Zhejiang Haoqing at an aggregate consideration of approximately RMB1,241,687,000 (the “Disposal”). Upon completion of the Disposal, the Group will no longer hold any interests in Zhejiang Kingkong. Please refer to the Company's announcement dated 4 August 2017 for further details.

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

MANAGEMENT DISCUSSION AND ANALYSIS

2017 Interim Results

The Board of Directors (the “Board”) of Geely Automobile Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017. These interim results have been reviewed by the Board’s audit committee, comprising solely the independent non-executive directors of the Company, one of whom chairs the committee, and the Company’s auditor, Grant Thornton Hong Kong Limited.

Overall Performance

The Group’s performance in the first half of 2017 continued to exceed the management’s expectations. Its sedan and Sport Utility Vehicle (“SUV”) models demonstrated strong sales performance in the domestic market, more than offsetting the continued weak export sales during the period. This is despite the very intense competition in China’s passenger vehicles market during the period. The passenger vehicle sales volume of Chinese indigenous brands only exhibited a modest growth at 4.3% year-on-year (“YoY”) during the period, compared with an even lower 1.6% YoY growth of the overall Chinese passenger vehicle market in the same period, according to the data of China Association of Automobile Manufacturers (“CAAM Data”). Despite this, the Group’s sales in the China market continued to grow strongly, with total sales volume up 95% YoY to 526,779 units in the first half of 2017. The Group’s export sales volume, however, dipped 64% YoY to 3,848 units in the first half of 2017 as a result of the continued unfavourable political and economic environment in some of its export markets and the Group’s strategy on taking a more prudent approach to mitigate financial risks in the export markets. The Group sold a total of 530,627 units of vehicles in the first six months of 2017, achieved a 89% YoY growth over the same period in 2016. Total revenue increased by 118% to RMB39.42 billion during the period. Profit attributable to the equity holders of the Company for the first half of 2017 was up 128% YoY to RMB4.34 billion. Gross margin ratio improved further during the period due to higher sales volume, and improved product mix (i.e. higher proportion of higher-priced models and thus higher average ex-factory selling price). The 112% increase in selling and distribution expenses was in line with the significant increase in revenue, whilst the increase in administrative expenses was far less than the revenue growth and was mostly attributable to the rapid growth in amortisation of intangible assets during the period. These, coupled with the stable government grants and subsidies during the period, resulted in the net profit growing faster than the overall revenue in the first six months of 2017. Diluted earnings per share (EPS) was up 120% to RMB47.68 cents.

Financial Resources

As a result of higher revenues and operating profits in the first half of 2017, the Group’s financial position remained very strong at the end of June 2017. The Group’s total cash level (bank balances and cash + pledged bank deposits) increased by 38% from the end of 2016 to RMB20.79 billion at the end of June 2017, while its total borrowings (solely the 5-year US\$300 million 5.25% senior notes due 2019 (“Senior Notes”)) decreased by 10% to RMB2.02 billion compared with the same period. Net cash on hand (total cash level – bank borrowings – Senior Notes) amounted to RMB18.77 billion, the highest level in the Group’s history, versus a net cash level of RMB12.84 billion six months ago. In addition, net notes receivables (bank notes receivables – bank notes payables) at the end of June 2017 amounted to RMB12.38 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivables with the banks.

Vehicle Manufacturing

The Group sold a total of 530,627 units of vehicles in the first half of 2017, up 89% YoY, helped by the continued good market demand for the Group’s sedan and crossover models like “New Emgrand”, “New Vision”, “Emgrand GS” (帝豪GS) and SUV models such as “Geely Boyue” (吉利博越) and “Vision SUV” (远景SUV). Such encouraging volume growth was despite the Group’s lack of new products in the first four months of 2017 and the continued weak export sales during the period.

The Group’s domestic sales volume in the first half of 2017 increased 95% YoY to 526,779 units, outperformed the passenger vehicle market of Chinese indigenous brands and the overall passenger vehicle market in China, which were up 4.3% YoY and 1.6% YoY, respectively, according to CAAM Data. The Group’s market share in China’s overall passenger vehicle market increased significantly to 4.7% in the first half of 2017, according to figures from the same organization. Export sales volume was down 64% to 3,848 units in the first half of 2017, as a result of the uncertain political and economic environment in some of the Group’s export markets in the Eastern Europe, Middle East and Africa and the Group’s strategy of taking a more prudent approach to mitigate financial risks in its export markets. Consequently, export sales only accounted for 0.7% of the Group’s total sales volume in the first half of 2017, compared with 4% in the same period in 2016 and over 20% back in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, the Group's "Emgrand" series, comprising "New Emgrand" and its new energy vehicle (NEV) versions was the Group's most popular model in terms of sales volume, reaching a combined sales volume of 117,718 units during the period, an increase of 10% YoY, and accounted for 22% of the Group's total sales volume in the first half of 2017. The Group's "Geely Boyue" (吉利博越), was also a key contributor to the overall sales volume. The sales volume of "Geely Boyue" (吉利博越) was 116,932 units, which was more than fivefold YoY increase and constituted 22% of the Group's overall sales volume during the period.

The Group has significantly expanded its product offerings in the SUV segment over the past year by introducing two new SUV models namely "Geely Boyue" (吉利博越) and "Vision SUV" (远景SUV) and the Group's first crossover vehicle model: "Emgrand GS" in 2016. More new SUV models would be added in 2017 including new compact SUV model "Vision X1" launched in May 2017, to further enrich the Group's products portfolio in the SUV and crossover segments. The aggregate sales volume of the Group's SUV models including "Geely Boyue" (吉利博越), "Vision SUV" and "Vision X1" amounted to 178,758 units, more than fourfold YoY increase, and accounted for 34% of the Group's total sales volume in the first half of 2017. The sales volume of crossover model "Emgrand GS" was 58,260 units, more than sixfold YoY increase, during the same period. The sales performance of the Group's SUV and crossover models so far this year exceeded the management's expectations. Thanks to the continual improvement in product mix (i.e. higher proportion of higher-priced models), the Group's average ex-factory selling price in the first half of 2017 increased by 16% from the same period last year.

Over the past few years, the Group had successfully restructured its distribution channel and consolidated its previous three brands and sales channels into a single "Geely" brand and distribution network, enabling the Group to improve its brand image and after-sale services. At the end of June 2017, the Group's sales network in China was composed of more than 800 dealers.

New Products

The Group launched a new compact SUV model namely "Vision X1" in the first half of 2017. In the second half of 2017, the Group plans to launch the following new products:

- a new Compact SUV ("Vision X3");
- upgraded versions of existing major models;
- new HEV ("hybrid-electric vehicle") and PHEV ("plugin-hybrid-electric vehicle") models; and
- first batch of new models developed from the CMA ("Compact Modular Architecture").

New Energy Vehicles Strategy

The Group announced and started to implement its New Energy Vehicle ("NEV") strategy named "Blue Geely Initiative" in November 2015. "Blue Geely Initiative" is a 5-year campaign and programmes displaying the Group's dedication to transformation into industry leader in NEV technologies. The Group has speeded up its product offerings on NEVs, starting from EV in 2015, followed by imminent launches of PHEVs and HEVs over the coming months. Despite uncertainties caused by the government's frequent revision of NEV supporting policy and subsidies, and the still lack of proper supporting infrastructure in China, the sales volume of the Group's first NEV model namely "Emgrand EV" had grown steadily. During the first half of 2017, "Emgrand EV" achieved a sales volume of 7,982 units and was one of the best-selling full size EV models in China during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Exports

The Group exported a total of 3,848 units of vehicles in the first six months of 2017, down 64% from the same period last year, and only accounted for 0.7% of the Group's total sales volume during the period. The weak export sales performance mainly stemmed from the uncertain political and economic environment in some of the Group's previous major export markets in the Eastern Europe and Middle East and the Group's strategy on taking a more prudent approach to mitigate financial risks in its export markets. "Panda" and "EC7" were the Group's most popular export models in terms of sales volume in the first half of 2017. Export volume of "Panda" and "EC7" amounted to 2,116 units and accounted for 55% of the Group's total export sales volume during the first six months of 2017. At the end of June 2017, the Group exported its products to 23 countries through 23 sales agents and 276 sales and service outlets.

Developing countries located in the Asia, Africa, and Southern America were the most important markets for the Group's exports in the first half of 2017. Amongst which, the most important export destinations in terms of sales volume were Sri Lanka, Egypt, Sudan, Cuba, Argentina and Belarus, which together accounted for over 69% of the Group's total exports volume in the first half of 2017. In addition to export of vehicles from China, the Group also assembles some models sold overseas using contract manufacturing arrangements with local partners.

Formation of JV Company to Operate "Lynk & Co" Business and Disposal of Zhejiang Kingkong

On 20 July 2017, the Company entered into the memorandum of understanding (the "MOU") with 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited) ("Geely Holding", together with its subsidiaries, the "Geely Holding Group") and Volvo Car Corporation ("VCC") in relation to the proposed formation of a joint venture company (the "JV Company") between the Company, Geely Holding and VCC for the production and sale of vehicles under the Lynk & Co brand. It's intended that the JV Company will be owned as to 50% by the Company, and as to 50% by Geely Holding and VCC in aggregate.

On 4 August 2017, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Zhejiang Jirun"), a subsidiary of the Company, entered into a joint venture agreement ("JV Agreement") with 浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited or "Zhejiang Haoqing") and 沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Company Limited or "VCI"), pursuant to which Zhejiang Jirun, Zhejiang Haoqing and VCI have conditionally agreed to form the JV Company to engage in the manufacturing and sale of vehicles under Lynk & Co brand, and the provision of after-sale services relating thereto. Pursuant to the JV Agreement, the registered capital of the JV Company will be RMB7.5 billion, and the JV Company will be owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Upon establishment, the JV Company will become a joint venture of the Company and its financial results will be equity accounted for in the consolidated financial statements of the Group. As at the date of this report, the formation of the JV Company is still subject to the approval of the Company's independent shareholders at the extraordinary general meeting.

On 4 August 2017, 浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts & Components Company Limited or "Fulin Guorun") and Centurion Industries Limited ("Centurion"), both being subsidiaries of the Company, entered into a disposal agreement with Zhejiang Haoqing, pursuant to which Fulin Guorun and Centurion have conditionally agreed to dispose of their respective 8% and 91% equity interests in 浙江金剛汽車有限公司 (Zhejiang Kingkong Automobile Company Limited or "Zhejiang Kingkong") to Zhejiang Haoqing at an aggregate consideration of RMB1,241,686,840. The disposal consideration was determined after arm's length negotiations amongst the parties, which represents a premium of 50% over the net assets value of Zhejiang Kingkong prepared under the HKFRSs as adjusted by the appraised value of the land and properties of Zhejiang Kingkong as at 30 June 2017.

It is expected that the formation of the JV Company will allow the Company, through its 50% equity interests in the JV Company, to participate in the operation of the Lynk & Co business, which will be marketed globally striving towards a premium position, and is expected to broaden the income stream of the Group and further strengthen the Group's market position in the automobile market, while the disposal of Zhejiang Kingkong will facilitate the optimization of the Company's resources utilization.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

The competition in China's automobile market intensified further in the first half of 2017. The 50% cut in government subsidies for fuel efficient vehicles at the beginning of 2017 suppressed demand for smaller size vehicles in the first half of 2017, resulting in an obvious slowdown of passenger vehicle sales volume growth during the period. In response, more domestic brands joined their international counterparts to adopt aggressive pricing and competitive strategies to secure their market shares in China. Further, major indigenous brands have also chosen to seize market shares by means of offering more advanced and popular products with better value for money through heavy investment in research and development, product design and technologies, and focusing on fast-growing product segment like the SUVs. As a result, the overall market share for indigenous brands in China continued to increase in the first half of 2017, reaching 43.9% according to CAAM Data, mainly at the expenses of non-Japanese brands.

Notwithstanding the improved sales performance of the indigenous brands in China recently, the implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in China could give tremendous cost burden to motor vehicle manufacturers in China. The impact could be even bigger for China's indigenous brands given their relatively weak price-setting power, and thus their difficulties to pass on the additional costs to their customers.

The business environments in the Group's previous key export markets in the Eastern Europe and Middle East remain weak so far this year. With no sign of improvement in these markets, it is envisaged that the Group's exports business would continue to be operated at current restricted scale in the remainder of 2017. In the short to medium term, the Group will continue to restructure its distribution network in the overseas markets to improve efficiency and contain risks. Longer-term, the development of the Group's new global brand: "Lynk & Co" through a joint-venture with VCC, the planned launch of the brand's new CMA-based vehicle models and its innovative business model, should put the Group in a much stronger position to compete in the global automobile market.

On the positive front, the Group's overall competitiveness and management capabilities have strengthened significantly following its strategic transformation to improve its brand image, product quality and customer service quality, as reflected by its excellent sales performance and thus significantly higher market share in China over the past

two years. The Group has also broadened its products portfolio through more offerings across different segments, including sedan, SUV and crossover, leading to higher sales volume, better economies of scale and enhanced brand recognition. The Group's dependence on sedan sales declined from 69% in 2016 to 55% in the first half of 2017. More new SUV models are scheduled to be launched later this year, enabling the Group to better capture the current faster growth in SUV demand in China. So far in 2017, the Group's performance has exceeded management's original expectations despite a generally weaker market in China during the same period. This, together with a strong new products pipeline ahead should put the Group in a good position to secure higher market share in the China market.

It has recently been announced that NEVs and intelligent-connected vehicles are the focus areas for transformation of the automobile industry in China, pursuant to the Medium and Long-term Development Plan (《汽車產業中長期發展規劃》) jointly issued by the Ministry of Industry and Information Technology (MIIT), the National Development and Reform Commission (NDRC), and the Ministry of Science and Technology. With the implementation of the Group's "Blue Geely Initiative" since the end of 2015 and the imminent launch of new vehicle models developed from the CMA, which is designed to facilitate transformation from traditional powertrain technologies to full "electrification" and to accommodate the latest "connectivity" technologies, the Group is a good position to entertain increasing customer needs for electrified and connected vehicles in the future. In the meantime, the Group will gradually add more NEV models to its products portfolio, offering our customers more choice of NEVs over the coming few years.

Further, additional growth could be generated by the upcoming launch of the first batch of new models developed from CMA, which is jointly developed by Geely Holding and VCC, under the new "Lynk & Co" brand in the fourth quarter of 2017. The new "Lynk & Co" brand which emphasizes key brand concepts like "personalized"; "open platform" and "full connectivity", and its innovative business model are key parts of the Group's strategy to expand into the premium vehicle segment and the global market. The "Lynk & Co" brand is operated through an equity joint-venture to be owned as to 50% by Zhejiang Jirun, as to 30% by VCI and as to 20% by Zhejiang Haoqing to ensure favourable customer recognition at the early stage and efficient access to related knowhow, expertise and technologies from other members of Geely Holding Group.

MANAGEMENT DISCUSSION AND ANALYSIS

With the continued strong sales performance of the Group's products and the initial good market feedback for the upcoming new models to be launched in the remainder of the year, the Group's management team decided to revise upward our original full year sales volume target by 10% from 1,000,000 units to 1,100,000 units in July 2017. The Group is on the right track of becoming a leading global automobile group with good reputation and integrity, winning respects from our customers, targeting to reach the total sales volume of 2 million units by year 2020.

Capital Structure and Treasury Policies

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and Hong Kong and the credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, shareholders' loan from its parent Geely Holding Group and fund raising exercises in the capital market. As at 30 June 2017, the Group's shareholders' fund amounted to approximately RMB28.0 billion (As at 31 December 2016: approximately RMB24.4 billion). Upon exercise of share options, 51.72 million new shares were issued by the Group during the six months ended 30 June 2017.

Exposure to Foreign Exchange Risk

During the six months ended 30 June 2017, the Group's operations were principally related to domestic sales of automobiles and related automobile parts and components in the Mainland China and the Group's assets and liabilities were mainly denominated in RMB, the functional currency of the Group's key subsidiaries.

In terms of export operations, most of the Group's export sales were denominated in United States Dollars (US\$) during the period. Despite the Group has taken a more conservative approach to contain financial risks in the export markets recently, the Group would face foreign exchange risk when export business gets more frequent, particularly in emerging markets if it had local subsidiaries, associates or joint ventures in overseas export markets. The devaluation of local currencies in overseas markets could result in foreign exchange losses and affect the Group's competitiveness and therefore its sales volume in these markets. To mitigate the foreign exchange risk, the Group has embarked on plans to increase the proportion

of its costs in local currencies to engage in local business activities. Also, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations displaying comparative advantages with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

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

Liquidity and Financial Resources

As at 30 June 2017, the Group's current ratio (current assets/current liabilities) was 1.22 (As at 31 December 2016: about 1.16) and the gearing ratio of the Group was 7.2% (As at 31 December 2016: 9.2%) which was calculated on the Group's total borrowings (including the 5-year US\$300 million 5.25% senior notes due 2019 ("Senior Notes") but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). Total borrowings (including Senior Notes but excluding trade and other payables) as at 30 June 2017 amounted to approximately RMB2.0 billion (As at 31 December 2016: approximately RMB2.2 billion) were solely the Group's Senior Notes. At the end of June 2017, the Group's total borrowings were denominated in US\$. They aligned with the currency mix of the Group's revenues from export business, which were mainly denominated in US\$. For the Senior Notes, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Board believes the Group is in a good position to obtain such financing.

Employees' Remuneration Policy

As at 30 June 2017, the total number of employees of the Group was about 34,100 (As at 31 December 2016: approximately 35,100). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors' and Chief Executives' Interests and Short Positions in the Securities of The Company and Its Associated Corporations

As at 30 June 2017, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part

XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Shares				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporations	4,101,064,000	–	45.90
Mr. Li Shu Fu	Personal	23,140,000	–	0.26
Mr. Yang Jian	Personal	14,475,000	–	0.16
Mr. Li Dong Hui, Daniel	Personal	4,200,000	–	0.05
Mr. Gui Sheng Yue	Personal	14,300,000	–	0.16
Mr. An Cong Hui	Personal	16,280,000	–	0.18
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Ms. Wei Mei	Personal	4,170,000	–	0.05
Mr. Lee Cheuk Yin, Dannis	Personal	350,000	–	0.004
Mr. Yeung Sau Hung, Alex	Personal	350,000	–	0.004
Share Options				
Mr. Yang Jian	Personal	9,000,000 (Note 2)	–	0.10
Mr. Li Dong Hui, Daniel	Personal	3,500,000 (Note 3)	–	0.04
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	–	0.13
Mr. Gui Sheng Yue	Personal	6,000,000 (Note 4)	–	0.07
Mr. An Cong Hui	Personal	4,700,000 (Note 2)	–	0.05
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.12

MANAGEMENT DISCUSSION AND ANALYSIS

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Share Options				
Mr. Ang Siu Lun, Lawrence	Personal	5,000,000 (Note 4)	–	0.06
Ms. Wei Mei	Personal	900,000 (Note 2)	–	0.01
Ms. Wei Mei	Personal	5,000,000 (Note 3)	–	0.06
Mr. Carl Peter Edmund Moriz Forster	Personal	1,000,000 (Note 4)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	200,000 (Note 2)	–	0.002
Mr. Lee Cheuk Yin, Dannis	Personal	500,000 (Note 4)	–	0.006
Mr. Yeung Sau Hung, Alex	Personal	200,000 (Note 2)	–	0.002
Mr. Yeung Sau Hung, Alex	Personal	500,000 (Note 4)	–	0.006
Mr. An Qing Heng	Personal	750,000 (Note 4)	–	0.008
Mr. Wang Yang	Personal	1,000,000 (Note 4)	–	0.01

Notes:

- (1) Proper Glory Holding Inc. (“Proper Glory”) and its concert parties in aggregate hold securities’ interest of 4,101,064,000 shares (excluding those held directly by Mr. Li Shu Fu), representing approximately 45.90% of the issued share capital of the Company as at 30 June 2017. Proper Glory is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited and as to 32% by Geely Group Limited.
- (2) The interest relates to share options granted on 18 January 2010 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 18 January 2010 to 17 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 30 June 2017.
- (3) The interest relates to share options granted on 23 March 2012 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 23 March 2012 to 22 March 2022. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 30 June 2017.
- (4) The interest relates to share options granted on 9 January 2015 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$2.79 for each Share during the period from 9 January 2016 to 8 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Notes:

- (1) Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“Geely Holding”) and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, a brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (2) Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (3) Zhejiang Geely Automobile Company Limited (“Zhejiang Geely”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (4) Shanghai Maple Automobile Company Limited (“Shanghai Maple Automobile”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (5) Zhejiang Haoqing Automobile Manufacturing Company Limited (“Zhejiang Haoqing”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (6) Zhejiang Jirun Automobile Company Limited (“Zhejiang Jirun”) is incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (7) Shanghai Maple Guorun Automobile Company Limited (“Shanghai Maple”) is incorporated in the PRC and is 1%-owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (8) Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

MANAGEMENT DISCUSSION AND ANALYSIS

- (9) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (10) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (11) Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (12) Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (13) Baoji Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (14) Shanxi Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (15) Zhejiang Jirun Chunxiao Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, as at 30 June 2017, none of the directors nor the chief executives of the Company or their associates had or was deemed to have any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers contained in the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors' Right to Acquire Shares

As at 30 June 2017, the directors and chief executive of the Company have the following options to subscribe for the shares of the Company under the Company's old share

option scheme approved and adopted on 31 May 2002 (the "Old Share Option Scheme") and the Company's new share option scheme approved and adopted on 18 May 2012 (the "New Share Option Scheme"):

Name of Director	Outstanding options as at 30 June 2017	Date of grant	Exercise period	Exercise price HK\$
Mr. Yang Jian	9,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Li Dong Hui, Daniel	3,500,000	23.3.2012	23.3.2012 – 22.3.2022	4.07
Mr. Gui Sheng Yue	11,500,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Gui Sheng Yue	6,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. An Cong Hui	4,700,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Ang Siu Lun, Lawrence	11,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Ang Siu Lun, Lawrence	5,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Ms. Wei Mei	900,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Ms. Wei Mei	5,000,000	23.3.2012	23.3.2012 – 22.3.2022	4.07
Mr. Carl Peter Edmund Moriz Forster	1,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. Lee Cheuk Yin, Dannis	200,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Lee Cheuk Yin, Dannis	500,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. Yeung Sau Hung, Alex	200,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Yeung Sau Hung, Alex	500,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. An Qing Heng	750,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. Wang Yang	1,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
	60,750,000			

Share Option Scheme

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

Pursuant to the New Share Option Scheme, the Company may grant options to inter alia, directors and employees of the Company and its subsidiaries and other participants to subscribe for shares of the Company. Further details of the New Share Option Scheme were disclosed in the Company's 2016 annual report.

Based on the Company's records as at 30 June 2017, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 233,790,000 share options were granted by the Company to the employees and other eligible participants and remain outstanding.

Interim Dividend

At a meeting of the Board held on 16 August 2017, the Board resolved not to pay an interim dividend to the Company's shareholders (2016: Nil).

Connected Transactions

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

MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Related companies			
(notes (a) and (b))			
Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司	Sales of complete knock down kits and sedan tool kits	13,846,546	10,292,435
	Claims income on defective materials purchased	71,719	42,627
	Purchase of complete build up units	14,107,084	10,529,239
	Sub-contracting fee paid	31,188	14,723
	Claims paid on defective materials sold	83,592	54,503
Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司	Sales of complete knock down kits and sedan tool kits	22,802,596	5,922,606
	Claims income on defective materials purchased	56,888	38,815
	Purchase of complete buildup units	24,211,266	6,090,630
	Purchase of automobile parts and components	464	42,360
	Sub-contracting fee paid	14,850	8,100
	Claims paid on defective materials sold	68,329	49,174

MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司	Claims income on defective materials purchased Purchase of automobile parts and components	25,210 7,341,282	11,724 2,749,673
Taizhou Haoqing Automobile Sales Company Limited# 台州豪情汽車銷售有限公司	Sales of complete buildup units Sales of automobile parts and components	294,908 3,186	159,942 2,542
Shanghai LTI Automobile Components Company Limited# 上海英倫帝華汽車部件有限公司	Rental income Purchase of automobile parts and components	7,494 5,099	3,759 3,492
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units	859,761	595,322
Viridi E-Mobility Technology (Suzhou) Co., Ltd# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components	12,596	–
Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note (c)) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components	13,857	–

MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Associates			
Mando (Ningbo) Automotive Parts Company Limited# 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components Service income	- 3,531	212,867 -
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# 佛吉亞排氣控制技術(寧波)有限公司	Purchase of automobile parts and components	-	83,825
Ningbo DIPO Traffic Facilities Co., Ltd# (note (d)) 寧波帝寶交通器材有限公司	Purchase of automobile parts and components	-	5,305
Closed Joint Stock Company BELGEE	Sales of complete buildup units	22,224	52,127
Subsidiary of the joint venture			
Kandi Electric Vehicles (Shanghai) Co., Ltd.# (note (c)) 康迪電動汽車(上海)有限公司	Sales of automobile parts and components	-	42,525

Notes:

- (a) The Group and the related parties are under the common control of the substantial shareholder of 浙江吉利控股集團有限公司 Zhejiang Geely Holding Group Company Limited#, the Company's ultimate holding company.
- (b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the condensed consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.
- (c) In October 2016, the Group has disposed of 康迪電動汽車集團有限公司 Kandi Electric Vehicles Group Co., Ltd# ("Kandi Electric") to its ultimate holding company, and subsequently, Kandi Electric and its subsidiaries have become related companies of the Group.
- (d) In January 2017, the Group has disposed of 寧波帝寶交通器材有限公司 Ningbo DIPO Traffic Facilities Co., Ltd# ("Ningbo DIPO") to an independent third party. Subsequently, Ningbo DIPO has no longer been an associate of the Group.
- # The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2017, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the directors or the chief executives of the Company, the persons, other than the directors or the chief executives of the Company, who had interests or a short positions in the shares and underlying

shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

Substantial Shareholders

(as defined in the SFO)

Name	Nature of interests	Number of shares held Long position	Approximate percentage of shareholding (%)
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	29.51
Geely Holding (Note 1)	Interest in controlled corporation	4,101,064,000	45.90
Geely Group Limited (Note 1)	Beneficial owner	87,000	0.001
	Interest in controlled corporation	2,636,705,000	29.51
Zhejiang Geely Automobile Company Limited (Note 2)	Beneficial owner	776,408,000	8.69

Notes:

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

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

Save as disclosed above, as at 30 June 2017, the directors and the chief executives of the Company are not aware of any other person (other than the directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and of any other member of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2017.

Corporate Governance

The Company has complied with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2017, except for CP E.1.2 as explained below:

CP E.1.2 provides that the chairman of the Board (the "Chairman") and the chairman of respective Board committees should attend the annual general meeting of the Company. During the period ended 30 June 2017, 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 2017. Due to conflict of his schedules and other prior business engagement in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting physically. Mr. Gui Sheng Yue, Mr. Ang Siu Lun, Lawrence, Mr. Lee Cheuk Yin, Dannis and the Company's external auditor attended and answered questions raised by the Shareholders at the meeting physically. Mr. Li Shu Fu, the Chairman, Mr. Carl Peter Edmund Moriz Forster, Mr. An Qing Heng, Mr. Wang Yang 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 ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by officers ("Code"). All directors of the Company 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 and internal controls. As at 30 June 2017, the audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Yeung Sau Hung, Alex, An Qing Heng and Wang Yang who are the independent non-executive directors of the Company.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017.

Appreciation

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

ON BEHALF OF THE BOARD

Li Shu Fu

Chairman

Hong Kong
16 August 2017