

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0175)



Official Prestige Partner of the 19th Asian Games Hangzhou 2022



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of Intelligent Mobility ▶▶▶▶



2022 Interim Report



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CORPORATE INFORMATION

Executive Directors:

Mr. Li Shu Fu (*Chairman*)
Mr. Li Dong Hui, Daniel (*Vice Chairman*)
Mr. Gui Sheng Yue (*Chief Executive Officer*)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei
Mr. Gan Jie Yue (*Appointed on 25 July 2022*)

Independent Non-executive Directors:

Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn
Ms. Gao Jie

Audit Committee:

Ms. Gao Jie (*Committee's Chairperson*)
Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn

Remuneration Committee:

Ms. Lam Yin Shan, Jocelyn (*Committee's Chairperson*)
Ms. Wei Mei
Mr. Wang Yang
Ms. Gao Jie

Nomination Committee:

Mr. Wang Yang (*Committee's Chairman*)
Mr. Gui Sheng Yue
Ms. Lam Yin Shan, Jocelyn
Ms. Gao Jie

Sustainability Committee:

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

Company Secretary:

Mr. Cheung Chung Yan, David

Auditor:

Grant Thornton Hong Kong Limited

Legal Advisor on Hong Kong Law:

Sidley Austin

Legal Advisor on Cayman Islands Law:

Maples and Calder

Principal Bankers in Hong Kong (in alphabetical order):

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

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

Bank of China Limited
China Everbright Bank Company Limited
Industrial Bank Company Limited
Industrial and Commercial Bank of China Limited

Head Office and Principal Place of Business:

Room 2301, 23rd Floor, Great Eagle Centre,
23 Harbour Road, Wan Chai,
Hong Kong
Telephone: (852) 2598 3333
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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

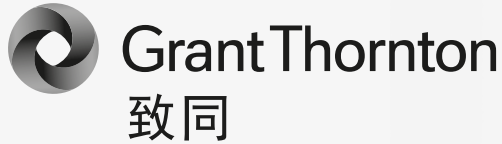
Listing Information:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175

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 55 which comprises the condensed consolidated statement of financial position as at 30 June 2022 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 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
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

18 August 2022

Ng Ka Kong

Practising Certificate No.: P06919

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	58,183,773	45,032,091
Cost of sales		(49,707,971)	(37,273,044)
Gross profit		8,475,802	7,759,047
Other income	4	896,133	800,410
Distribution and selling expenses		(3,303,773)	(2,554,189)
Administrative expenses		(4,660,511)	(3,246,377)
Impairment loss on trade and other receivables		(24,089)	(4,479)
Share-based payments	25	(852,818)	(640,601)
Finance income, net	5(a)	214,872	100,735
Share of results of associates		(56,785)	20,428
Share of results of joint ventures		627,682	685,664
Profit before taxation	5	1,316,513	2,920,638
Taxation	6	(38,665)	(511,550)
Profit for the period		1,277,848	2,409,088
Attributable to:			
Equity holders of the Company		1,552,238	2,381,136
Non-controlling interests		(274,390)	27,952
Profit for the period		1,277,848	2,409,088
Earnings per share			
Basic	8	RMB14.83 cents	RMB23.60 cents
Diluted	8	RMB14.71 cents	RMB23.59 cents

The notes on pages 11 to 55 are an integral part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period	1,277,848	2,409,088
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Notes receivable at fair value through other comprehensive income		
Change in fair value	151,860	15,152
Income tax effect	(32,358)	(1,800)
– Share of other comprehensive income/(expense) of associate and joint venture, net of related income tax	9,343	(27,267)
– Exchange differences on translation of financial statements of foreign operations	319,559	25,381
Other comprehensive income for the period, net of tax	448,404	11,466
Total comprehensive income for the period	1,726,252	2,420,554
Attributable to:		
Equity holders of the Company	1,986,262	2,392,049
Non-controlling interests	(260,010)	28,505
Total comprehensive income for the period	1,726,252	2,420,554

The notes on pages 11 to 55 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	32,362,132	30,858,504
Intangible assets	10	21,333,305	20,901,178
Land lease prepayments		3,445,075	3,435,744
Goodwill		73,268	58,193
Interests in associates	11	919,925	609,808
Interests in joint ventures	12	10,192,253	9,594,805
Trade and other receivables	14	1,130,717	800,512
Financial assets at fair value through profit or loss ("FVTPL")	27	378,552	351,646
Deferred tax assets		3,216,281	2,435,192
		73,051,508	69,045,582
Current assets			
Inventories	13	7,566,888	5,521,573
Trade and other receivables	14	22,131,869	31,549,100
Income tax recoverable		212,620	140,350
Derivative financial instruments	27	–	66,892
Pledged bank deposits		273,889	3,912
Bank balances and cash		37,562,245	28,013,995
		67,747,511	65,295,822
Current liabilities			
Trade and other payables	15	52,232,654	57,392,790
Derivative financial instruments	27	72,544	–
Lease liabilities	16	288,713	198,290
Bank borrowings	17	2,457,275	1,906,740
Loans from related companies	18(b)	1,484,937	–
Bonds payable	19	2,003,691	–
Income tax payable		179,542	852,737
		58,719,356	60,350,557
Net current assets		9,028,155	4,945,265
Total assets less current liabilities		82,079,663	73,990,847

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital	20	183,054	183,015
Perpetual capital securities	21	3,413,102	3,413,102
Reserves		67,465,689	65,010,029
Equity attributable to equity holders of the Company		71,061,845	68,606,146
Non-controlling interests		1,467,360	1,614,826
Total equity		72,529,205	70,220,972
Non-current liabilities			
Trade and other payables	15	1,144,469	961,697
Lease liabilities	16	1,307,699	502,486
Bank borrowings	17	468,000	–
Loans from related companies	18(a)	6,000,000	–
Bonds payable	19	–	1,901,137
Deferred tax liabilities		630,290	404,555
		9,550,458	3,769,875
		82,079,663	73,990,847

The notes on pages 11 to 55 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity holders of the Company											
	Share capital	Perpetual capital securities	Share premium	Capital reserve	Statutory reserve	Fair value reserve (recycling)	Translation reserve	Share-based compensation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2021	179,672	3,413,102	13,780,325	164,790	707,638	(148,955)	(52,514)	23,609	45,563,447	63,631,114	582,152	64,213,266
Profit for the period	-	63,697	-	-	-	-	-	-	2,317,439	2,381,136	27,952	2,409,088
Other comprehensive income/(expense):												
Change in fair value of notes receivable at fair value through other comprehensive income	-	-	-	-	-	13,247	-	-	-	13,247	105	13,352
Share of other comprehensive expense of joint venture	-	-	-	-	-	(27,267)	-	-	-	(27,267)	-	(27,267)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	24,933	-	-	24,933	448	25,381
Total comprehensive income for the period	-	63,697	-	-	-	(14,020)	24,933	-	2,317,439	2,392,049	28,505	2,420,554
Transactions with equity holders:												
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	11,771	11,771
Shares issued under share option scheme (note 20)	68	-	29,880	-	-	-	-	(5,844)	-	24,104	-	24,104
Equity settled share-based payments (note 25)	-	-	-	-	-	-	-	640,601	-	640,601	-	640,601
Transfer of reserves	-	-	-	-	48,441	-	-	-	(48,609)	(168)	-	(168)
Distribution paid on perpetual capital securities (note 7)	-	(63,697)	-	-	-	-	-	-	-	(63,697)	-	(63,697)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(65,068)	(65,068)
Final dividends declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	-	-	(1,611,904)	(1,611,904)	-	(1,611,904)
Total transactions with equity holders	68	(63,697)	29,880	-	48,441	-	-	634,757	(1,660,513)	(1,011,064)	(53,297)	(1,064,361)
Balance at 30 June 2021	179,740	3,413,102	13,810,205	164,790	756,079	(162,975)	(27,581)	658,366	46,220,373	65,012,099	557,360	65,569,459

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022

	Attributable to equity holders of the Company											
	Share capital RMB'000 (Unaudited)	Perpetual capital securities RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Statutory reserve RMB'000 (Unaudited)	Fair value reserve (recycling) RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Share-based compensation reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Balance at 1 January 2022	183,015	3,413,102	17,205,492	(2,871,342)	708,079	(175,286)	(91,022)	1,562,619	48,671,489	68,606,146	1,614,826	70,220,972
Profit for the period	-	66,660	-	-	-	-	-	-	1,485,578	1,552,238	(274,390)	1,277,848
Other comprehensive income:												
Change in fair value of notes receivable at fair value through other comprehensive income	-	-	-	-	-	118,287	-	-	-	118,287	1,215	119,502
Share of other comprehensive income of associate and joint venture	-	-	-	-	-	-	9,343	-	-	9,343	-	9,343
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	306,394	-	-	306,394	13,165	319,559
Total comprehensive income for the period	-	66,660	-	-	-	118,287	315,737	-	1,485,578	1,986,262	(260,010)	1,726,252
Transactions with equity holders:												
Capital contribution from non-controlling interests (note 28)	-	-	-	1,155,816	-	-	-	-	-	1,155,816	112,544	1,268,360
Shares issued under share option scheme (note 20)	39	-	11,481	-	-	-	-	(3,543)	-	7,977	-	7,977
Equity settled share-based payments (note 25)	-	-	-	-	-	-	-	1,159,973	-	1,159,973	-	1,159,973
Distribution paid on perpetual capital securities (note 7)	-	(66,660)	-	-	-	-	-	-	-	(66,660)	-	(66,660)
Final dividends declared and approved in respect of the previous year (note 7)	-	-	-	-	-	-	-	-	(1,787,669)	(1,787,669)	-	(1,787,669)
Total transactions with equity holders	39	(66,660)	11,481	1,155,816	-	-	-	1,156,430	(1,787,669)	469,437	112,544	581,981
Balance at 30 June 2022	183,054	3,413,102	17,216,973	(1,715,526)	708,079	(56,999)	224,715	2,719,049	48,369,398	71,061,845	1,467,360	72,529,205

The notes on pages 11 to 55 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Profit before taxation		1,316,513	2,920,638
Adjustments for non-cash items		4,669,073	3,111,578
Operating profit before working capital changes		5,985,586	6,032,216
Net changes in working capital		5,140,640	(1,445,582)
Cash generated from operations		11,126,226	4,586,634
Income taxes paid		(1,318,680)	(469,582)
<i>Net cash generated from operating activities</i>		9,807,546	4,117,052
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,525,363)	(1,881,642)
Additions of intangible assets		(1,828,920)	(1,776,131)
Additions of land lease prepayments		(52,262)	(56)
Net cash outflow on acquisition of a subsidiary	22	(666,205)	–
Proceeds from disposal of property, plant and equipment		42,254	159,136
Proceeds from disposal of intangible assets		–	117,471
Change in pledged bank deposits		(269,977)	57,915
Additional/initial capital injection in associates		(354,125)	(50,087)
Additional/initial capital injection in joint ventures		(373,200)	–
Interest received		418,627	286,557
<i>Net cash used in investing activities</i>		(5,609,171)	(3,086,837)
Cash flows from financing activities			
Dividends paid to non-controlling interests		–	(65,068)
Distribution paid on perpetual capital securities	7	(66,660)	(63,697)
Capital contribution from non-controlling interests	28	1,268,360	–
Proceeds from bank borrowings		615,000	–
Repayment of bank borrowings		(332,769)	–
Advance from a related company		6,000,000	–
Proceeds from issuance of shares upon exercise of share options	20	7,977	24,104
Payment of lease liabilities		(301,204)	(19,391)
Settlement of payables for acquisition of additional interests in a subsidiary in previous year		(1,807,384)	–
Interest paid		(105,533)	(60,663)
<i>Net cash generated from/(used in) financing activities</i>		5,277,787	(184,715)
Net increase in cash and cash equivalents		9,476,162	845,500
Cash and cash equivalents at the beginning of the period		28,013,995	18,976,843
Effect of foreign exchange rate changes		72,088	(22,700)
Cash and cash equivalents at the end of the period, represented by bank balances and cash		37,562,245	19,799,643

The notes on pages 11 to 55 are an integral part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The interim financial report (the “Interim Financial Report”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 18 August 2022.

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

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company and its subsidiaries’ (together referred to as the “Group”) annual financial statements for the year ended 31 December 2021.

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

Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

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 2021, except for the adoption of the following amended HKFRSs effective as of 1 January 2022.

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

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

Issued but not yet effective HKFRSs

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HKFRS 17	Insurance Contracts and related amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

² Effective date not yet determined

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

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

Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 8 “Definition of Accounting Estimates”

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

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

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the condensed consolidated financial statements.

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

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

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”)		
Disaggregated by major products/services		
– Sales of automobiles and related services	49,202,613	39,312,044
– Sales of automobile parts and components	4,727,305	4,636,222
– Sales of battery packs and related parts	1,686,566	–
– Research and development and related technological support services	1,838,922	446,825
– Licensing of intellectual properties	728,367	637,000
	58,183,773	45,032,091
Disaggregated by timing of revenue recognition		
– At a point in time	56,214,324	44,507,265
– Over time	1,969,449	524,826
	58,183,773	45,032,091

Segment information

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

4. OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Government grants and subsidies (note)	235,282	626,183
Gain on disposal of scrap materials	14,282	27,139
Net realised and unrealised gain on derivative financial instruments	406,591	–
Fair value changes on financial assets at FVTPL	26,906	–
Net foreign exchange gain	38,132	35,862
Rental income	1,585	17,264
Storage income	–	7,068
Sundry income	173,355	86,894
	896,133	800,410

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

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(a) Finance income and costs		
Finance costs		
Effective interest expense on bonds payable	1,722	1,658
Coupon expense on bonds payable	35,606	34,073
Interest on discounted notes receivable	52,309	86,074
Interest on lease liabilities	30,716	1,239
Interest on loans from related companies	49,916	–
Interest on bank borrowings wholly repayable within five years	38,320	25,971
	208,589	149,015
Finance income		
Bank and other interest income	(423,461)	(249,750)
	(214,872)	(100,735)
Net finance income	(214,872)	(100,735)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

5. PROFIT BEFORE TAXATION (Continued)

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(b) Staff costs (including directors' emoluments) (note (a))		
Salaries, wages and other benefits	2,788,778	2,111,412
Retirement benefit scheme contributions (note 24) (note (b))	195,669	177,957
Equity settled share-based payments (note 25)	852,818	640,601
	3,837,265	2,929,970
(c) Other items		
Depreciation (note (a)):		
– Owned assets	1,369,278	1,192,899
– Right-of-use assets (including land lease prepayments)	317,921	76,523
	1,687,199	1,269,422
Amortisation of intangible assets (related to capitalised product development costs)	2,339,000	1,964,903
Research and development costs	926,194	339,677
Cost of inventories recognised as an expense (note (a)), including:	48,044,111	36,880,884
– Reversal of write-down of inventories to net realisable value	(3,676)	–
Lease charges on short term leases	57,787	10,537
Net loss on disposal/written off of property, plant and equipment	35,462	5,500
Net foreign exchange gain	(38,132)	(35,862)

Notes:

- (a) Cost of inventories included RMB2,958,903,000 (six months ended 30 June 2021: RMB2,555,974,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.
- (b) As at 30 June 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future periods/years (as at 31 December 2021: RMBNil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

6. TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax:		
– PRC enterprise income tax	673,440	748,707
– (Over)/Under-provision in prior years	(38,495)	15,478
	634,945	764,185
Deferred tax	(596,280)	(252,635)
	38,665	511,550

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 2022 and 2021.

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 2021: 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 2022 and 2021.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018, enterprises engaging in research and development activities were entitled to claim 175% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for the period up to 31 December 2020. With effect from 1 January 2021, these entities are entitled to claim 200% of their research and development costs for income tax deduction (“Super Deduction”). The Group made its best estimate for the Super Deduction to be claimed for the Group’s PRC subsidiaries in ascertaining their assessable profits for the six months ended 30 June 2022 and 2021.

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

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

7. DIVIDENDS

During the current period, a final dividend for the year ended 31 December 2021 of Hong Kong Dollars (“HK\$”) 0.21 (six months ended 30 June 2021: HK\$0.20) per ordinary share, amounting to approximately RMB1,787,669,000 (six months ended 30 June 2021: RMB1,611,904,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2021 final dividend was paid in July 2022 and reflected as dividends payable in this Interim Financial Report.

In addition, the Company made a distribution on perpetual capital securities of RMB66,660,000 (six months ended 30 June 2021: RMB63,697,000) to the securities holders during the six months ended 30 June 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on profit for the period attributable to ordinary equity holders of the Company of RMB1,485,578,000 (six months ended 30 June 2021: RMB2,317,439,000) and the weighted average number of ordinary shares of 10,019,544,970 shares (six months ended 30 June 2021: 9,819,349,883 shares), calculated as follows:

Profit attributable to ordinary equity holders of the Company

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company	1,552,238	2,381,136
Distribution paid on perpetual capital securities	(66,660)	(63,697)
	1,485,578	2,317,439

Weighted average number of ordinary shares

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Issued ordinary shares as at 1 January (note 20)	10,018,441,540	9,816,626,540
Effect of share options exercised	1,103,430	2,723,343
	10,019,544,970	9,819,349,883

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

8. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit for the period attributable to ordinary equity holders of the Company of RMB1,485,578,000 (six months ended 30 June 2021: RMB2,317,439,000) and the weighted average number of ordinary shares of 10,096,115,647 shares (six months ended 30 June 2021: 9,824,357,024 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic) as at 30 June	10,019,544,970	9,819,349,883
Effect of deemed issue of shares under the Company's share option scheme	59,528	5,007,141
Effect of dilutive potential ordinary shares arising from award shares issued under the Company's share award scheme	76,511,149	–
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) as at 30 June	10,096,115,647	9,824,357,024

9. PROPERTY, PLANT AND EQUIPMENT

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

	As at	As at
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net carrying amount		
At the beginning of the period/year	30,858,504	26,574,279
Additions	2,912,618	3,384,695
Acquisition through business combination	377,728	3,799,775
Disposals/written off	(136,380)	(312,872)
Depreciation	(1,644,268)	(2,587,373)
Exchange realignment	(6,070)	–
	<hr/>	<hr/>
At the end of the period/year	32,362,132	30,858,504

The Group has obtained the right to use office and factory premises, retail and service centres, motor vehicles and plant and machinery through the tenancy agreements. The leases typically run on initial periods from one to six years (as at 31 December 2021: one to six years). The Group generally makes fixed payments during the contract period. During the six months ended 30 June 2022, the total additions to right-of-use assets were RMB1,085,235,000 (six months ended 30 June 2021: RMB27,844,000).

As at 30 June 2022, the aggregate carrying amount of the Group's right-of-use assets in relation to the buildings, plant and machinery and motor vehicles are RMB1,621,707,000 (as at 31 December 2021: RMB692,352,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

10. INTANGIBLE ASSETS

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

	As at 30 June 2022	As at 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net carrying amount		
At the beginning of the period/year	20,901,178	18,610,115
Additions	2,705,613	4,257,210
Acquisition through business combination	65,663	2,272,806
Disposals/written off	–	(13,192)
Amortisation	(2,339,000)	(4,225,761)
Exchange realignment	(149)	–
	<hr/>	<hr/>
At the end of the period/year	21,333,305	20,901,178

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

11. INTERESTS IN ASSOCIATES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Cost of unlisted investments	874,483	520,358
Share of post-acquisition results and other comprehensive income	96,074	140,082
Impairment loss recognised	(3,349)	(3,349)
Exchange realignment	(47,283)	(47,283)
	919,925	609,808

During the six months ended 30 June 2022, the Group and other investors established an associate company, Wuxi Xingqu Technology Company Limited# 無錫星驅科技有限公司 (“Wuxi Xingqu”). Pursuant to the articles of association of Wuxi Xingqu, the registered capital of Wuxi Xingqu is RMB61,250,000, and is contributed as to 27.96% (equivalent to RMB17,125,000) by the Group and as to 72.04% (equivalent to RMB44,125,000) by other investors, respectively.

Further, the Group injected the capital of RMB196,000,000 and RMB141,000,000 into Times Geely Power Battery Company Limited# 時代吉利動力電池有限公司 (“Times Geely”) and Zhejiang Haohan Energy Technology Company Limited# 浙江浩瀚能源科技有限公司 (“Haohan Energy”), respectively, in May 2022. Upon the completion of the capital injection, the Group’s equity interest in Times Geely and Haohan Energy remain at 49% and 30%, respectively.

During the six months ended 30 June 2021, Closed Joint Stock Company BELGEE (“BELGEE”) effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to Belarusian Ruble (“BYN”) 20,087,000 (equivalent to approximately RMB50,087,000) and BYN32,369,000 (equivalent to approximately RMB82,553,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN182,079,000 (equivalent to approximately RMB672,963,000) to BYN234,535,000 (equivalent to approximately RMB805,603,000).

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

12. INTERESTS IN JOINT VENTURES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Cost of unlisted investments	7,805,706	7,432,506
Unrealised gain on disposal of a subsidiary to a joint venture	(14,943)	(14,943)
Share of post-acquisition results and other comprehensive income	2,401,490	2,177,242
	10,192,253	9,594,805

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

12. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's joint ventures as at 30 June 2022 and 31 December 2021 were as follows:

Name of joint ventures	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group		Principal activities
				As at 30 June 2022	As at 31 December 2021	
Genius Auto Finance Company Limited* ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB4,000,000,000	80%	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd.* ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	50%	50%	Manufacturing and sales of vehicles under the "Lynk & Co" brand
Zhejiang Geely AISIN Automatic Transmission Company Limited* ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司	PRC	Incorporated	United States dollars ("US\$")117,000,000	40%	40%	Manufacturing and sale of front-wheel drive 8-speed automatic transmissions and related parts and components
Shandong Geely Sunwoda Power Battery Company Limited* ("Geely Sunwoda") 山東吉利欣旺達動力電池有限公司	PRC	Incorporated	RMB100,000,000	41.5%	41.5%	Development, production, sales and after-sales service of hybrid battery cells, battery modules and battery packs
Guangdong Xinyueng Semiconductor Company Limited* ("Xinyueng") 廣東芯粵能半導體有限公司	PRC	Incorporated	RMB400,000,000	40%	40%	Provision of integrated circuit design, sales and manufacturing of semiconductor
Chongqing Livan Automotive Technology Company Limited* ("Chongqing Livan") 重慶睿藍汽車科技有限公司	PRC	Incorporated	RMB600,000,000	50%	-	Research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

12. INTERESTS IN JOINT VENTURES (Continued)

On 13 December 2021, the Group entered into the investment cooperation agreement with Lifan Technology (Group) Company Limited[#] 力帆科技(集團)股份有限公司 (“Lifan Technology”), pursuant to which the Company and Lifan Technology agreed to form a joint venture company, Chongqing Livan, to engage in the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles). Pursuant to the terms of the investment cooperation agreement, the registered capital of the joint venture company is RMB600 million, and is contributed as to 50% (equivalent to RMB300 million) by the Group and as to 50% (equivalent to RMB300 million) by Lifan Technology, respectively. Unanimous resolution of all shareholders of Chongqing Livan for certain key corporate matters is required. Therefore, Chongqing Livan is under the joint control of the Group and accounted for using the equity method.

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

Further, the Group injected the capital of RMB33,200,000 and RMB40,000,000 into Geely Sunwoda and Xinyueneng in March 2022 and May 2022, respectively. Upon the completion of the capital injection, the Group’s equity interest in Geely Sunwoda and Xinyueneng remain at 41.5% and 40%, respectively.

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

	LYNK & CO Group		Genius AFC	
	As at 30 June 2022 RMB’000 (Unaudited)	As at 31 December 2021 RMB’000 (Audited)	As at 30 June 2022 RMB’000 (Unaudited)	As at 31 December 2021 RMB’000 (Audited)
Non-current assets	14,387,137	14,156,681	1,802,607	1,811,372
Current assets	12,374,936	12,560,038	52,706,064	52,663,546
Current liabilities	(14,976,654)	(14,845,926)	(28,992,077)	(30,705,939)
Non-current liabilities	(3,607,506)	(3,886,217)	(18,737,913)	(17,231,651)
Net assets	8,177,913	7,984,576	6,778,681	6,537,328
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	1,609,797	1,694,958	5,935,347	5,797,475
Current financial liabilities (excluding trade and other payables and provisions)	(805,365)	(153,536)	(24,821,345)	(26,364,071)
Non-current financial liabilities (excluding trade and other payables and provisions)	(948,041)	(995,435)	(18,737,913)	(17,231,651)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

12. INTERESTS IN JOINT VENTURES (Continued)

	LYNK & CO Group		Genius AFC	
	Six months ended 30 June			
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	12,457,018	14,319,248	2,217,306	2,006,949
Profit for the period	200,205	462,357	741,353	597,674
Other comprehensive expense for the period	(6,868)	(47,884)	–	–
Total comprehensive income for the period	193,337	414,473	741,353	597,674
Dividend from joint ventures	–	888,689	400,000	–

The above profit for the period includes the following:

Depreciation and amortisation	(1,434,927)	(1,323,028)	(19,512)	(14,572)
Interest income	26,018	34,057	2,167,619	1,972,951
Interest expenses	(37,866)	(54,515)	(889,969)	(816,415)
Income tax expense	(71,010)	(134,535)	(247,118)	(200,220)

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

	LYNK & CO Group		Genius AFC	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Net assets of the joint ventures	8,177,913	7,984,576	6,778,681	6,537,328
The Group's effective interests in the joint ventures	50%	50%	80%	80%
The Group's share of the net assets of the joint ventures	4,088,957	3,992,288	5,422,945	5,229,862
Unrealised gain on disposal of a subsidiary to a joint venture	(14,943)	(14,943)	–	–
Carrying amount of the Group's interests in joint ventures	4,074,014	3,977,345	5,422,945	5,229,862

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

12. INTERESTS IN JOINT VENTURES *(Continued)*

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Aggregate amounts of the Group's share of loss for the period/year	(65,503)	(51,474)
Aggregate amounts of the Group's share of other comprehensive expense for the period/year	-	-
Aggregate carrying amount of the Group's interests in these joint ventures	695,294	387,598

13. INVENTORIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Raw materials	3,013,002	2,120,500
Work in progress	490,398	509,762
Finished goods	4,063,488	2,940,334
	7,566,888	5,570,596
Less: provision for inventories	-	(49,023)
	7,566,888	5,521,573

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

14. TRADE AND OTHER RECEIVABLES

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade and notes receivables			
Trade receivables, net of loss allowance			
- Third parties		1,405,486	872,445
- Joint ventures		1,274,055	731,034
- Associates		981,192	1,682,610
- Related companies controlled by the substantial shareholder of the Company		5,364,653	3,882,261
		9,025,386	7,168,350
Notes receivable	(a)	7,064,258	19,863,681
	(b)		
		16,089,644	27,032,031
Deposits, prepayments and other receivables			
Prepayments to suppliers			
- Third parties		1,352,487	622,404
- Related companies controlled by the substantial shareholder of the Company		440,256	241,368
		1,792,743	863,772
Deposits paid for acquisition of property, plant and equipment		121,818	116,662
Dividend receivable from a joint venture		380,000	-
Other contract costs	(c)	473,142	433,012
Utility deposits and other receivables		2,384,991	1,006,913
VAT and other taxes receivables		1,945,054	2,706,652
		7,097,748	5,127,011
Amounts due from related companies controlled by the substantial shareholder of the Company	(d)	75,194	190,570
		7,172,942	5,317,581
		23,262,586	32,349,612
<i>Representing:</i>			
- Current		22,131,869	31,549,100
- Non-current		1,130,717	800,512
		23,262,586	32,349,612

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

14. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0 – 60 days	4,411,619	3,734,754
61 – 90 days	33,460	338,779
91 – 365 days	678,068	202,687
Over 365 days	1,234,740	445,107
	6,357,887	4,721,327

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0 – 60 days	1,507,548	1,582,818
61 – 90 days	150,174	281,174
91 – 365 days	982,639	583,031
Over 365 days	27,138	–
	2,667,499	2,447,023

As at 30 June 2022, the Group has adopted average expected loss rate of 5% (as at 31 December 2021: 5%) on the gross carrying amount of trade receivables amounted to RMB9,272,253,000 (as at 31 December 2021: RMB7,391,128,000). The loss allowance as at 30 June 2022 was RMB246,867,000 (as at 31 December 2021: RMB222,778,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

14. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Notes receivable

All notes receivable are denominated in RMB. As at 30 June 2022 and 31 December 2021, all notes receivable were guaranteed by established banks in the PRC and had maturities of less than one year from the reporting date.

The Group manages its notes receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, notes receivable are classified as financial assets at fair value through other comprehensive income ("FVOCI") (recycling) in accordance with HKFRS 9 "Financial Instruments" and are stated at fair value. The fair value is based on the net present value as at 30 June 2022 and 31 December 2021 from expected timing of endorsements and discounting at the interest rates for the respective notes receivable. The fair value is within level 2 of the fair value hierarchy.

As at 30 June 2022, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") with carrying amount of RMB458,892,000 (as at 31 December 2021: RMB931,366,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. As at 30 June 2022, the aggregate carrying amount of the trade payables settled by the Endorsed Notes during the period to which the suppliers have recourse was RMB458,892,000 (as at 31 December 2021: RMB931,366,000).

As at 30 June 2022, the Group discounted and endorsed certain notes receivable accepted by banks in the PRC (the "Derecognised Notes") to certain banks in order to obtain additional financing or to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amount in aggregate of RMB33,092,708,000 (as at 31 December 2021: RMB44,965,874,000). The Derecognised Notes had a maturity of less than one year (as at 31 December 2021: less than one year) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated liabilities. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts.

(c) Other contract costs

Other contract costs capitalised as at 30 June 2022 and 31 December 2021 related to the costs incurred in providing internet connectivity services that are used to satisfy the performance obligations for providing such services to customers in the respective sales of automobile contracts at the reporting date. Contract costs are amortised in line with the recognition of the respective revenue in accordance with the terms of the contracts. There was no impairment in relation to the contract costs capitalised during the six months ended 30 June 2022 (six months ended 30 June 2021: RMBNil).

(d) Amounts due from related companies

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

15. TRADE AND OTHER PAYABLES

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade and notes payables			
Trade payables			
– Third parties		23,736,812	27,711,329
– Associates		900,184	999,220
– Joint ventures		13,616	5,274
– Related companies controlled by the substantial shareholder of the Company		3,054,506	3,290,590
Notes payable	(a) (b)	27,705,118 3,612,088	32,006,413 106,947
		31,317,206	32,113,360
Other payables			
Receipts in advance from customers	(c)		
– Third parties		5,738,692	7,458,586
– Associates		–	8,307
– Joint ventures		37,724	194,088
– Related companies controlled by the substantial shareholder of the Company		333,628	387,506
		6,110,044	8,048,487
Deferred government grants which conditions have not been satisfied		2,611,142	3,574,474
Payables for acquisition of property, plant and equipment		1,612,092	2,304,916
Payables for capitalised product development costs from related companies	(d)	2,501,260	2,345,333
Payables for acquisition of additional interests in a subsidiary		–	1,807,384
Accrued staff salaries and benefits		1,058,171	1,776,055
VAT and other taxes payables		1,157,397	1,276,494
Dividends payable		1,787,669	–
Other accrued charges and payables	(e)	4,450,169	4,604,101
		21,287,944	25,737,244
Amounts due to related companies controlled by the substantial shareholder of the Company	(f)	771,973	503,883
		22,059,917	26,241,127
		53,377,123	58,354,487
<i>Representing:</i>			
– Current		52,232,654	57,392,790
– Non-current		1,144,469	961,697
		53,377,123	58,354,487

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

15. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0 – 60 days	25,449,144	29,125,014
61 – 90 days	1,370,428	1,699,916
91 – 365 days	799,861	950,736
Over 365 days	85,685	230,747
	27,705,118	32,006,413

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

(b) Notes payable

All notes payable are denominated in RMB and are notes paid and/or payable to third parties for the settlement of trade payables. As at 30 June 2022 and 31 December 2021, all notes payable had maturities of less than six months from the reporting date.

(c) Receipts in advance from customers

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Relating to the sales of automobiles, automobile parts and components and battery packs and related parts	4,791,834	6,689,535
Relating to the licensing of intellectual properties	–	215,017
Relating to the obligation for service agreed to be part of the sales of automobiles	1,318,210	1,143,935
	6,110,044	8,048,487

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

15. TRADE AND OTHER PAYABLES (Continued)

(c) Receipts in advance from customers (Continued)

The decrease (six months ended 30 June 2021: increase) in receipts in advance from customers was mainly due to the decrease (six months ended 30 June 2021: increase) in advances received from customers in relation to sales of automobiles, automobile parts and components and battery packs and related parts for the six months ended 30 June 2022.

Receipts in advance from customers outstanding at the beginning of the period amounting to RMB6,995,671,000 (six months ended 30 June 2021: RMB2,389,952,000) have been recognised as revenue during the period.

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

	As at 30 June 2022	As at 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	173,741	182,238
More than one year	1,144,469	961,697
	1,318,210	1,143,935

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

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

The credit terms for payables for capitalised product development costs from related companies generally ranged from 60 days to 90 days.

(e) Other accrued charges and payables

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

(f) Amounts due to related companies

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

16. LEASE LIABILITIES

The carrying amount of lease liabilities and movement during the period/year are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
At the beginning of the period/year	700,776	42,295
Additions arising from new leases	1,085,235	726,835
Accretion of interest recognised during the period/year	30,716	13,396
Acquisition through business combination	170,269	21,897
Written off	(58,664)	–
Payments	(331,920)	(103,647)
	1,596,412	700,776
<i>Representing:</i>		
– Current	288,713	198,290
– Non-current	1,307,699	502,486
	1,596,412	700,776

17. BANK BORROWINGS

As at 30 June 2022 and 31 December 2021, the Group's bank loans were repayable as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Carrying amount repayable (note (i))		
Within one year	2,457,275	1,906,740
In the third to fifth year	468,000	–
Total carrying amount	2,925,275	1,906,740
Less:		
Amount due within one year	(2,457,275)	(1,906,740)
Carrying amount shown under non-current liabilities	468,000	–

Notes:

- (i) The amounts are based on the scheduled repayment dates set out in the loan agreements.
- (ii) As at 30 June 2022, the bank loans were carried at amortised cost and repayable within one to three years. Of which, the bank loans of RMB615,000,000 and RMB169,182,000 were guaranteed by the Company's ultimate holding company and immediate holding company, respectively.
- (iii) The weighted average interest rate on bank loans as at 30 June 2022 was 2.86% (as at 31 December 2021: 1.05%) per annum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

18. LOANS FROM RELATED COMPANIES

(a) Loan from a fellow subsidiary

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

(b) Loan from ultimate holding company

As at 30 June 2022, the loan was granted to the Group's subsidiary in Sweden and was unsecured, repayable within one year and carried interest rate at 1% per annum.

19. BONDS PAYABLE

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

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

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

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Carrying amount		
At the beginning of the period/year	1,901,137	1,949,735
Exchange differences	100,832	(51,921)
Interest expenses	1,722	3,323
	2,003,691	1,901,137
<i>Representing:</i>		
– Current	2,003,691	–
– Non-current	–	1,901,137

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

20. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2021 (audited) and 30 June 2022 (unaudited)	12,000,000,000	246,720
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2021	9,816,626,540	179,672
Shares issued under share option scheme	5,405,000	91
Shares issued on acquisition of additional interests in a subsidiary	196,410,000	3,252
At 31 December 2021 and 1 January 2022	10,018,441,540	183,015
Shares issued under share option scheme (note)	2,405,000	39
At 30 June 2022 (unaudited)	10,020,846,540	183,054

Note:

During the six months ended 30 June 2022, share options were exercised to subscribe for 2,405,000 ordinary shares (six months ended 30 June 2021: 4,050,000 ordinary shares) of the Company at a consideration of approximately RMB7,977,000 (six months ended 30 June 2021: RMB24,104,000) of which approximately RMB39,000 (six months ended 30 June 2021: RMB68,000) was credited to share capital and approximately RMB7,938,000 (six months ended 30 June 2021: RMB24,036,000) was credited to the share premium account. As a result of the exercise of share options, share-based compensation reserve of RMB3,543,000 (six months ended 30 June 2021: RMB5,844,000) was transferred to the share premium account.

21. PERPETUAL CAPITAL SECURITIES

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

22. BUSINESS COMBINATION

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

On 2 July 2021, Zeekr Intelligent Technology Holding Limited (“Zeekr Holding”) and a fellow subsidiary owned by the Company’s ultimate holding company entered into an acquisition agreement pursuant to which Zeekr Holding conditionally agreed to acquire 100% of the equity interests in CEVT for a cash consideration of approximately 1,057.8 million Swedish Krona (equivalent to approximately RMB741.3 million). CEVT is principally engaged in automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and provision of mobility technology solutions. The acquisition of CEVT was completed in February 2022. Please refer to the Company’s announcement dated 2 July 2021 for further details.

As at the date of this Interim Financial Report, the Group is in the process of completing a valuation to assess the fair value of the identifiable assets acquired and liabilities assumed of CEVT. Accordingly, the assets acquired and liabilities recognised at the acquisition date have been determined on a provisional basis. Upon finalisation of the valuation, goodwill arising on acquisition may change accordingly. The directors expect the valuation will be finalised on or before December 2022.

The assets acquired and liabilities recognised at the acquisition date (determined on a provisional basis) are as follows:

	Provisional fair value recognised on acquisition RMB’000
The net assets acquired:	
Property, plant and equipment (note 9)	377,728
Intangible assets (note 10)	65,663
Trade and other receivables	3,166,231
Deferred tax assets	7,149
Income tax recoverable	41,730
Bank balances and cash	75,068
Trade and other payables	(693,348)
Bank borrowings	(651,924)
Loan from a related company	(1,476,113)
Lease liabilities (note 16)	(170,269)
Deferred tax liabilities	(15,717)
	726,198
Goodwill arising on acquisition (determined on a provisional basis):	
Cash consideration transferred	741,273
Provisional fair value of identifiable net assets acquired	(726,198)
	15,075
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	(741,273)
Bank balances and cash acquired	75,068
	(666,205)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

23. COMMITMENTS

Capital commitments

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

	As at 30 June 2022	As at 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted but not provided for, net of deposits/investments paid		
– purchase of property, plant and equipment	1,192,255	1,356,552
– acquisition of a subsidiary	–	745,600
– investments in associates (notes (a) and (b))	1,853,305	581,510
– investment in a joint venture (note (c))	629,142	987,255
	3,674,702	3,670,917

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

23. COMMITMENTS (Continued)

Capital commitments (Continued)

Notes:

- (a) On 20 December 2018, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 (“Jirun Automobile”), an indirect non wholly-owned subsidiary of the Company, entered into an investment agreement (the “Investment Agreement 1”) with Contemporary Amperex Technology Company Limited# 寧德時代新能源科技股份有限公司 (“CATL Battery”), an independent third party, pursuant to which the parties agreed to establish an associate company, Times Geely. Pursuant to the terms of the Investment Agreement 1, Times Geely will be owned as to 49% by Jirun Automobile and as to 51% by CATL Battery, respectively. The registered capital of Times Geely will be RMB1,000,000,000, and will be contributed as to 49% (equivalent to RMB490,000,000) in cash by Jirun Automobile and as to 51% (equivalent to RMB510,000,000) in cash by CATL Battery, respectively. As at 30 June 2022, the Group and CATL Battery contributed RMB245,490,000 (as at 31 December 2021: RMB49,490,000) and RMB255,510,000 (as at 31 December 2021: RMB51,510,000), respectively, to Times Geely.
- (b) On 9 May 2022, Centurion Industries Limited (“CIL”), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Renault Korea Motors Co., Ltd. (the “Target Company”), an independent third party, pursuant to which CIL agreed to subscribe for, and the Target Company agreed to allot and issue an aggregate of 45,375,000 common shares of Target Company (the “Target Shares”) at a consideration of approximately 264 billion South Korean won (equivalent to approximately RMB1,608,795,000). As at 30 June 2022, the subscription for the Target Shares had not yet been completed. Please refer to the Company’s announcement dated 10 May 2022 for further details.
- (c) On 12 June 2019, Zeekr Automobile (Shanghai) Company Limited# 極氪汽車(上海)有限公司 (“Zeekr Automobile (Shanghai)”), an indirect non wholly-owned subsidiary of the Company, entered into an investment agreement (the “Investment Agreement 2”) with LG Chem Ltd. (“LG Chem”), an independent third party, pursuant to which the parties agreed to establish a joint venture (the “JV 1”) to principally engage in the production and sales of batteries for electric vehicles. Pursuant to the terms of the Investment Agreement 2, the registered capital of the JV 1 will be US\$188,000,000 (equivalent to approximately RMB1,258,284,000), and will be contributed as to 50% (US\$94,000,000 or equivalent to approximately RMB629,142,000) and 50% (US\$94,000,000 or equivalent to approximately RMB629,142,000) by Zeekr Automobile (Shanghai) and LG Chem, respectively. As at 30 June 2022, the formation of the JV 1 had not yet been completed. Please refer to the Company’s announcement dated 12 June 2019 for further details.

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.

As lessee

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

	As at	As at
	30 June 2022	31 December 2021
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Office and factory premises		
– Within one year	36,951	20,385

As at 30 June 2022 and 31 December 2021, the Group leases a number of office and factory premises which are qualified to be accounted for under short-term lease exemption under HKFRS 16 “Leases”.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

23. COMMITMENTS (Continued)

As lessor

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Buildings		
– Within one year	2,655	3,417
– After one year but within two years	751	1,155
– After two years but within three years	–	385
	3,406	4,957

Leases are negotiated and rental are fixed for an initial period of one to three years (as at 31 December 2021: one to five years).

24. RETIREMENT BENEFITS SCHEME

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

For members of the MPF Scheme, the Group contributes 5% of the employees’ relevant income to the scheme. Both the employer’s and the employees’ contributions are subject to a maximum of monthly relevant income of HK\$30,000 (equivalent to RMB25,000) per employee. Contributions to the plan vest immediately.

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

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

During the six months ended 30 June 2022, the aggregate employer’s contributions made by the Group and charged to the condensed consolidated income statement amounted to RMB195,669,000 (six months ended 30 June 2021: RMB177,957,000).

Besides, the Group had no forfeited contributions under its retirement benefit schemes which may be used to reduce the existing level of contributions during the six months ended 30 June 2022 and 2021.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

25. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme of the Company

The Company operates a share option scheme for eligible participants of the Group. Details of the terms of the scheme were set out in the Group's annual financial statements for the year ended 31 December 2021.

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

2022 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Exercised during the period	Forfeited during the period	Transfer upon retirement	Outstanding at 30 June
Directors	23 March 2012 to 22 March 2022	4.07	105,000	(105,000)	-	-	-
	15 January 2023 to 14 January 2028	32.70	62,500,000	-	-	(3,000,000)	59,500,000
			62,605,000	(105,000)	-	(3,000,000)	59,500,000
Employees	23 March 2012 to 22 March 2022	4.07	2,300,000	(2,300,000)	-	-	-
	7 September 2019 to 6 September 2023	15.96	600,000	-	-	-	600,000
	15 January 2023 to 14 January 2028	32.70	511,600,000	-	(14,850,000)	3,000,000	499,750,000
			514,500,000	(2,300,000)	(14,850,000)	3,000,000	500,350,000
Other eligible participants	31 March 2018 to 30 March 2022	12.22	1,300,000	-	(1,300,000)	-	-
	14 January 2021 to 13 January 2025	16.04	790,000	-	-	-	790,000
			2,090,000	-	(1,300,000)	-	790,000
			579,195,000	(2,405,000)	(16,150,000)	-	560,640,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

25. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme of the Company (Continued)

2021 (Unaudited)

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

25. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme of the Company *(Continued)*

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

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

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

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

Share award scheme of the Company

The Company operates a share award scheme for selected participants for the purposes of attracting and retaining the high calibre employees whose contributions will be beneficial to the growth and development of the Group (the "Share Award Scheme").

The shares being granted with respect to a selected participant will vest in 4 tranches of 25% each year from 30 August 2022 to 29 August 2025, on the condition that the employees remain in service with performance requirements, including but not limited to meeting the company-level performance target and the selected participant's level performance target. Subject to the satisfaction of the vesting conditions, such new award shares will be transferred to the selected participants at nominal value on the vesting date. The selected participants are required to pay the nominal value for the award shares.

Details of the terms of the Share Award Scheme were set out in the Group's annual financial statements for the year ended 31 December 2021.

Movements in the number of award shares outstanding during the periods are as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Balance at 1 January	159,499,299	–
Lapsed	(1,527,299)	–
Balance at 30 June	157,972,000	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

25. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share award scheme of Zeekr Holding

Zeekr Holding also operates a share award scheme for selected participants to encourage them to continuously make greater contributions to the long-term growth of the Zeekr Holding and its subsidiaries (“Zeekr Group”) and thereby enhancing the value of the Company for the benefit of the shareholders, and to attract and retain high calibre employees whose contributions will be beneficial to the growth and development of the Zeekr Group (the “Zeekr Share Award Scheme”).

The vesting schedule of the award shares under the Zeekr Share Award Scheme (the “Zeekr Award Shares”) would be subject to both the initial public offering condition and service-and-performance-based condition. Subject to the satisfaction of the conditions for vesting as provided under the Zeekr Share Award Scheme, the Zeekr Award Shares granted shall be vested in four batches as follows: (i) the first batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2022; (ii) the second batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2023; (iii) the third batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2024; and (iv) the fourth batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2025. The selected participants are required to pay the nominal value for the Zeekr Award Shares.

Details of the terms of the Zeekr Share Award Scheme were set out in the Group’s annual financial statements for the year ended 31 December 2021.

Movements in the number of Zeekr Award Shares outstanding during the periods are as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Balance at 1 January	52,964,800	–
Lapsed	(431,756)	–
	<hr/>	<hr/>
Balance at 30 June	52,533,044	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

25. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity settled share-based payments have been recorded in the condensed consolidated financial statements as follows:

	Six months ended 30 June					
	2022			2021		
	Expensed RMB'000	Capitalised as product development cost of intangible assets RMB'000	Total RMB'000	Expensed RMB'000	Capitalised as product development cost of intangible assets RMB'000	Total RMB'000
Share option scheme of the Company	445,233	128,518	573,751	640,601	-	640,601
Share award scheme of the Company	407,585	178,637	586,222	-	-	-
Share award scheme of Zeekr Holding (note)	-	-	-	-	-	-
	852,818	307,155	1,159,973	640,601	-	640,601

Note: The Group had not recognised any equity settled share-based payments for share award scheme of Zeekr Holding as the management considers that it is not probable that the condition related to the initial public offering of Zeekr Holding will be satisfied until the event occurs.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

26. MATERIAL RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 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	19,018,962	17,102,812
	Sales of complete buildup units, complete knock down kits and related after-sales parts	556,744	376,540
	Claims income on defective materials purchased	113,896	101,091
	Purchase of complete buildup units	18,413,262	17,718,344
	Claims paid on defective materials sold	113,778	105,103
	Sales of automobile parts and components	101,257	25,665
	Research, development and technology licensing service income	-	38,321
Zhejiang Geely Business Services Company Limited [#] 浙江吉利商務服務有限公司	Operational service fee	59,223	-
	Business travel services expense	-	32,269
Zhejiang Haoqing Automobile Manufacturing Company Limited [#] 浙江豪情汽車製造有限公司	Sales of complete knock down kits	24,382,882	14,600,158
	Sales of complete buildup units, complete knock down kits and related after-sales parts	854,091	551,870
	Claims income on defective materials purchased	110,274	97,665
	Purchase of complete buildup units	24,882,058	14,980,186
	Claims paid on defective materials sold	128,835	90,586
Acquisition of property, plant and equipment (note (c))	-	56,491	
Zhejiang Geely Automobile Parts and Components Company Limited [#] 浙江吉利汽車零部件採購有限公司	Purchase of automobile parts and components	140,711	283,766
Linyi Lingji Chunhua Automobile Sales Service Company Ltd. [#] 臨沂領吉春華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	96,829	81,070
Feixian Lingji Chunhua Automobile Sales Service Company Ltd. [#] 費縣領吉春華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	19,272	25,978
Yishui Lingji Yuantong Automobile Sales Service Company Ltd. [#] 沂水領吉遠通汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	18,454	15,652
Dongying Lingji Kaihua Automobile Sales Service Company Ltd. [#] 東營領吉凱華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	20,128	28,865

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Related companies (notes (a) and (b)) (Continued)			
Sichuan Lingji Automobile Manufacturing Company Limited [#] 四川領吉汽車製造有限公司	Sales of powertrain and related components	581,137	563,668
	Purchase of complete knock down kits and automobile components	1,666,899	578,509
	Sales of complete knock down kits	21,424	–
	Operational service income	37,335	–
	Purchase of automobile parts and components	12,175	–
	Sales of automobile components (Automobile Components Sales Agreement)	154,144	–
Linyi Lingji Maohua Automobile Sales Service Company Ltd. [#] 臨沂領吉茂華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	91,702	122,763
Ningbo Geely Automobile R&D Company Limited [#] 寧波吉利汽車研究開發有限公司	Research, development and technology licensing service income	947,256	1,032,706
	Research, development and technology licensing service fee	1,656,951	413,680
	Purchase of automobile parts and components	27,585	–
	Sales of automobile components (Automobile Components Sales Agreement)	58,855	–
	Sales of powertrain and related components	–	10,558
	Acquisition of property, plant and equipment (note (c))	–	11,002
Viridi E-Mobility Technology (Suzhou) Co., Ltd. [#] 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	–	41,572
Viridi E-Mobility Technology (Ningbo) Co. Ltd. [#] ("Ningbo Viridi") (note (e)) 威睿電動汽車技術(寧波)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	–	285,531
Hubei Ecarx Company Limited [#] 湖北億咖通科技有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	–	39,605
Shanxi New Energy Automobile Industrial Company Limited [#] 山西新能源汽車工業有限公司	Sales of complete knock down kits	21,221	1,975,027
	Purchase of complete buildup units	20,480	1,985,709
Volvo Personvagnar AB	Sales of powertrain and related components	158,970	456,698
Shanghai Meihuan Trade Company Limited [#] 上海美寰貿易有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts	462,886	344,610
	Operational service income	146,644	72,159
	Sales of powertrain and related components	24,584	–
	Sales of automobile components (Automobile Components Sales Agreement)	40,706	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Related companies (notes (a) and (b)) (Continued)			
Geely Automobile Group Company Limited [#] 吉利汽車集團有限公司	Operational service income Operational service fee	50,324 -	- 37,848
Changsha Geely New Energy Automobile Sales Company Limited [#] 長沙吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	-	12,965
Zhejiang Jichuang Industrial Development Co., Limited (formerly known as Zhejiang Jichuang Automobile Parts Company Limited) [#] 浙江吉創產業發展有限公司 (前稱浙江吉創汽車零部件有限公司)	Purchase of automobile parts and components Purchase of automobile components (Automobile Components Procurement Agreement)	667,791 -	- 1,340,959
Hangzhou Xuanyu Human Resources Company Limited [#] 杭州軒宇人力資源有限公司	Operational service fee	-	25,903
Chengdu Gaoyuan Automobile Industries Company Limited [#] 成都高原汽車工業有限公司	Sales of complete knock down kits Purchase of complete buildup units Acquisition of property, plant and equipment (note (c))	- - -	716,380 743,674 30,441
Ningbo Hangzhou Bay Geely Automobile Components Company Limited [#] 寧波杭州灣吉利汽車部件有限公司	Purchase of complete buildup units Purchase of automobile parts and components Operational service income Purchase of complete knocks down kits and automobile components	19,754 14,992 28,602 4,837,451	44,165 - - -
Xian Geely Automobile Company Limited [#] 西安吉利汽車有限公司	Acquisition of property, plant and equipment (note (c)) Sales of powertrain and related components Purchase of complete buildup units Purchase of complete knocks down kits and automobile components Sales of automobile components (Automobile Components Sales Agreement) Operational service income	- 763,628 30,693 6,256,880 139,016 33,039	51,743 95,162 32,728 478,254 - -
Zhejiang Jirun Meishan Automobile Parts Company Limited [#] 浙江吉潤梅山汽車部件有限公司	Purchase of complete buildup units Purchase of automobile parts and components Sales of powertrain and related components Sales of automobile components (Automobile Components Sales Agreement)	- 17,665 123,349 205,061	20,870 - - -

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Related companies (notes (a) and (b)) (Continued)			
Lingji Automobile Trading Company Limited [#] 領吉汽車商貿有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	17,274	18,636
Shandong Geely New Energy Commercial Vehicle Co., Ltd. [#] 山東吉利新能源商用車有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts	-	21,855
Ningbo Jining Automobile Components Company Limited [#] 寧波吉寧汽車零部件有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	-	23,251
Beijing Lingjisheng Automobile Sales Service Co., Ltd. [#] 北京領吉盛汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	37,769	27,644
Jizhi (Hangzhou) Cultural Creativity Co., Ltd. [#] 吉智(杭州)文化創意有限公司	Operational service fee	78,220	-
	Business travel services expense	-	60,412
Shanghai Jijin Mechanical and Electrical Equipment Company Limited [#] 上海吉津機電設備有限公司	Acquisition of property, plant and equipment (notes (c) and (d))	20,196	31,254
Guangzhou Lingjixing Automobile Sales Service Company Limited [#] 廣州領吉行汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	28,331	-
Geely Changxing Automatic Transmission Company Limited [#] 吉利長興自動變速器有限公司	Purchase of automobile parts and components	218,701	-
	Research, development and technology licensing service income	180,993	-
	Operational service income	12,464	-
	Acquisition of property, plant and equipment (note (d))	12,504	-
London EV Company Limited	Sales of powertrain and related components	11,513	-
Daqing Volvo Car Manufacturing Co., Limited [#] 大慶沃爾沃汽車製造有限公司	Sales of automobile components (Automobile Components Sales Agreement)	62,973	-
Zhongjia Automobile Manufacturing (Chengdu) Company Limited [#] 中嘉汽車製造(成都)有限公司	Sales of automobile components (Automobile Components Sales Agreement)	188,220	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Related companies (notes (a) and (b)) (Continued)			
Wuhan Lingjixing Automobile Sales Service Company Limited [#] 武漢領吉行汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	25,565	–
Suzhou Lingjixin Automobile Sales Service Company Limited [#] 蘇州領吉鑫汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	22,873	–
Zhangjiakou Jiguangwan Engine Manufacturing Company Limited [#] 張家口極光灣發動機製造有限公司	Purchase of automobile parts and components	10,687	–
	Sales of powertrain and related components	18,847	–
Fengsheng Automobile (Jiangsu) Company Limited [#] 楓盛汽車(江蘇)有限公司	Sales of automobile components (Automobile Components Sales Agreement)	17,683	–
	Purchase of automobile parts and components	35,729	–
Zhejiang Joint Control Technology Company Limited [#] 浙江聯控技術有限公司	Research, development and technology licensing service income	708,581	–
	Research, development and technology licensing service fee	87,825	–
Volvo Car Corporation	Sales of automobile components (Automobile Components Sales Agreement)	32,930	–
	Research, development and technology licensing service income	35,086	–
Zhejiang Geely Automobile Manufacturing Co., Ltd. [#] 浙江吉利汽車製造有限公司	Interest expense	42,598	–
Nanjing Lingjixing Automobile Sales Company Limited [#] 南京領吉行汽車銷售有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	16,246	–
Valmet Automotive EV Power Ltd.	Sales of automobile components (Automobile Components Sales Agreement)	692,152	–
Polestar Performance AB	Research, development and technology licensing service income	25,862	–
Xian Liancheng Intelligent Technology Company Limited [#] 西安聯乘智能科技有限公司	Purchase of complete knocks down kits and automobile components	11,935	–
Hangzhou Geely Yiyun Technology Company Limited [#] 杭州吉利易雲科技有限公司	Acquisition of property, plant and equipment (note (d))	22,881	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Associates			
Mando (Ningbo) Automotive Parts Co., Limited [#] 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	252,022	711,492
BELGEE	Sales of automobile parts and components	208,078	400,824
Ningbo Haoneng Hanyuan Energy Technology Co., Ltd. ^{#*} 寧波市浩能瀚源能源科技有限公司	Sales of automobile components (Automobile Components Sales Agreement)	12,359	–
Joint ventures			
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd. ^{#^} 凱悅汽車大部件製造(張家口)有限公司	Sales of powertrain and related components	479,365	610,444
	Purchase of complete buildup units	–	13,102
	Operational service income	41,169	61,812
	Research, development and technology licensing service income	150,274	–
LYNK & CO Automobile Sales Company Limited ^{#^} 領克汽車銷售有限公司	Operational service income	69,344	80,361
	Purchase of complete buildup units	34,619	13,763
	Sales of complete buildup units and related after-sales parts, components and accessories	41,470	14,082
	Sales of automobile components (Automobile Components Sales Agreement)	23,743	–
Yuyao LYNK & CO Auto Parts Company Limited ^{#^} 余姚領克汽車部件有限公司	Sales of powertrain and related components	514,944	493,178
	Operational service income	38,228	51,133
	Purchase of complete buildup units	39,231	–
	Research, development and technology licensing service income	361,233	–
Sales of automobile components (Automobile Components Sales Agreement)	491,683	–	
LYNK & CO (Zhangjiakou) Co., Ltd. ^{#^} 領克汽車(張家口)有限公司	Operational service income	36,158	50,104
LYNK & CO International Sales (Yuyao) Co., Ltd. ^{#^} 領克汽車國際銷售(余姚)有限公司	Operational service income	122,493	17,178
Chengdu LYNK & CO Automobile Company Limited ^{#^} 成都領克汽車有限公司	Research, development and technology licensing service income	61,126	–
Geely Yaou (Ningbo Meishan Bonded Port Area) Technology Co., Ltd. ^{#^} 吉利亞歐(寧波梅山保稅港區)科技有限公司	Research, development and technology licensing service income	282,473	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Joint ventures (Continued)			
LYNK & CO International AB [^]	Research, development and technology licensing service income	66,886	-
Genius AFC 吉致汽車金融	Interest income	157,250	136,452
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited [#] ("Geely Holding") 浙江吉利控股集團有限公司	Interest expense	7,318	-

Notes:

- (a) The Group and the related companies are under the common control of the substantial shareholder of 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 and therefore the sales of complete knock down kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the condensed consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.
- (c) Pursuant to the acquisition agreement dated 4 November 2020, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding, together with its subsidiaries ("Geely Holding Group") agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB743,918,000.
- (d) Pursuant to the assets transfer agreement dated 15 October 2021, the Company entered into a transaction with Geely Holding, pursuant to which (i) the Group agreed to purchase and the Geely Holding Group agreed to sell the assets (which comprise predominantly equipment for use in the Group's research and development for the LYNK & CO-branded, ZEEKR-branded and Geely-branded vehicles related products such as vehicles engines and transmissions, as well as a small amount of office equipment and software system) for a maximum cash consideration of approximately RMB632,800,000; and (ii) the Group agreed to sell and the Geely Holding Group agreed to purchase the assets (which comprise vehicle testing related machinery and equipment which are idle for use) for a maximum cash consideration of approximately RMB357,900,000.
- (e) Ningbo Viridi had been acquired by the Group in October 2021. The amount disclosed represented the transactions entered into before the acquisition.
- [#] The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.
- [^] The companies are the wholly-owned subsidiaries of LYNK & CO Investment.
- ^{*} The company is the wholly-owned subsidiary of Haohan Energy.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Fair value as at		
	30 June	31 December	Fair value
	2022	2021	hierarchy
	RMB'000	RMB'000	
	(Unaudited)	(Audited)	
Financial assets at FVTPL			
Preferred shares investments in an unlisted entity	378,552	351,646	Level 3
Foreign exchange forward contracts not designated as hedging instruments	–	66,892	Level 2
Financial assets at FVOCI (recycling)			
Notes receivable measured at FVOCI (recycling)	7,064,258	19,863,681	Level 2
Financial liabilities at FVTPL			
Foreign exchange forward contracts not designated as hedging instruments	72,544	–	Level 2

There were no transfer between the different levels of the fair value hierarchy during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 and 3 are unchanged compared to the previous reporting periods and are described below.

Notes receivable measured at FVOCI (recycling)

The fair value of notes receivable in Level 2 of the fair value hierarchy is determined by discounting its future cash flows. The discount rates used are reference to rates currently available for instruments issued by commercial banks/government with similar terms, credit risk and remaining maturities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Foreign exchange forward contracts not designated as hedging instruments

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the end of the reporting period. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate. The effects of non-observable inputs are not significant for the derivative financial instruments.

Preferred shares investments in an unlisted entity

	Valuation techniques	Significant unobservable inputs	Range (weighted average)	Relation of significant unobservable inputs to fair value
As at 30 June 2022				
Preferred shares investments in an unlisted entity	Market comparable companies	Discount of lack of marketability	26% to 45%	The discount rate is negatively correlated to the fair value measurement
As at 31 December 2021				
Preferred shares investments in an unlisted entity	Market comparable companies	Discount of lack of marketability	26% to 45%	The discount rate is negatively correlated to the fair value measurement

The fair value of preferred shares investments in an unlisted entity is determined using the price/sales of comparable listed companies adjusted for lack of marketability discount. As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in the discount for lack of marketability by 10% would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB60,000,000 (as at 31 December 2021: RMB59,000,000). The movements during the periods in the balance of Level 3 fair value measurements are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 30 June 2021 RMB'000 (Unaudited)
As at 1 January	351,646	–
Changes in fair value recognised in profit or loss during the period	26,906	–
As at 30 June	378,552	–

There have been no transfers into or out of Level 3 during the periods ended 30 June 2022 and 2021.

Fair value of financial assets and liabilities carried at amortised cost

The directors of the Company consider that the carrying amounts of financial instruments of the Group are not materially different from their fair values as at 30 June 2022 and 2021.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

28. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Non-controlling interests arising on change in ownership interests in subsidiaries upon issuance of new shares

On 27 August 2021, Zeekr Holding entered into a share purchase agreement with five investors, pursuant to which such investors agreed to subscribe for 126,470,585 series pre-A preferred shares ("Series Pre-A Preferred Shares") at a total consideration of US\$500,000,000. Three of the investors completed the subscription for 75,882,351 Series Pre-A Preferred Shares at a total consideration of US\$300,000,000 (equivalent to approximately RMB1,938,150,000) in September 2021. The remaining two investors completed the subscription for 50,588,234 Series Pre-A Preferred Shares at a total consideration of US\$200,000,000 (equivalent to approximately RMB1,268,360,000) in January 2022.

The major terms of the Series Pre-A Preferred Shares are set out below:

- (i) The Series Pre-A Preferred Shares carry voting rights and can vote together with ordinary shares as a single class on a fully diluted, as converted and as exercised basis.
- (ii) The holders of Series Pre-A Preferred Shares are entitled to dividend on each share held on a pari passu basis with the ordinary shares and the dividend declared or paid is non-cumulative.
- (iii) The Series Pre-A Preferred Shares are non-redeemable.
- (iv) Subject to applicable laws and the memorandum and articles of association of Zeekr Holding, the Series Pre-A Preferred Shares are convertible into ordinary shares of Zeekr Holding on a one-to-one basis at the options of the holder.

Immediately after the issuance of 50,588,234 Series Pre-A Preferred Shares, the carrying amount of Zeekr Holding was RMB4,730,775,000 and subsequent to the issuance of Series Pre-A Preferred Shares, the equity interests of the Group and other investors in Zeekr Holding was reduced from approximately 59.73% to 58.31% and from approximately 40.27% to 39.31%, respectively, and the corresponding carrying amount of approximately 2.38% non-controlling interests in Zeekr Holding was RMB112,544,000. The Group recognised an increase in non-controlling interests of RMB112,544,000 and an increase in equity attributable to equity holders of the Company of RMB1,155,816,000.

	RMB'000
Consideration received from non-controlling interests	1,268,360
Carrying amount of non-controlling interests deemed to be disposed of	(112,544)
	<hr/>
Increase in capital reserve	1,155,816

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

29. NON-CONTROLLING INTERESTS

The following table lists out the information related to subgroup of Jirun Automobile and Zeekr Holding, the subsidiaries of the Group which have material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Jirun Automobile		Zeekr Holding	
	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-controlling interests percentage	1%	1%	41.69%	40.27%
Non-current assets	52,202,948	54,051,493	9,246,212	5,323,972
Current assets	145,596,783	144,902,780	16,581,088	6,839,320
Current liabilities	(141,011,634)	(144,495,481)	(13,520,745)	(7,853,511)
Non-current liabilities	(1,791,373)	(1,421,525)	(7,872,643)	(486,229)
Net assets	54,996,724	53,037,267	4,433,912	3,823,552
Carrying amount of non-controlling interests	549,870	529,894	798,505	1,021,717

	Jirun Automobile		Zeekr Holding	
	Six months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	88,980,368	79,722,368	8,828,040	–
Profit/(Loss) for the period	1,528,764	2,459,814	(759,129)	–
Other comprehensive income/(expense) for the period	468,841	18,778	(20,438)	–
Total comprehensive income/(expense) for the period	1,997,605	2,478,592	(779,567)	–
Profit/(Loss) allocated to non-controlling interests	15,288	24,598	(286,414)	–
Other comprehensive income/(expense) allocated to non-controlling interests	4,688	188	(8,519)	–
Dividend paid to non-controlling interests	–	–	–	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2022

30. EVENT AFTER THE REPORTING DATE

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

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

On 11 July 2022, the Company entered into the equity transfer agreement (the “Equity Transfer Agreement”) with BNPP PF and its wholly owned subsidiary as purchaser in relation to the exercise of the Call Option by BNPP PF, pursuant to which the wholly owned subsidiary of BNPP PF has conditionally agreed to purchase from the Company and the Company has conditionally agreed to sell to the wholly owned subsidiary of BNPP PF an interest of 5% in the registered capital of Genius AFC at an initial cash consideration of approximately RMB420,706,000, which will be subsequently adjusted for any change in the book value of Genius AFC between 31 July 2020 and the completion date which will be determined and confirmed in the audited financial statements of Genius AFC as of the completion date. The transaction contemplated under the Equity Transfer Agreement has not yet been completed as at the date of this Interim Financial Report. Please refer to the Company’s announcement dated 11 July 2022 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

2022 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 2022. These interim results have been reviewed by the Board’s audit committee, comprising solely the independent non-executive directors of the Company, one of whom chairs the committee, and the Company’s auditor, Grant Thornton Hong Kong Limited.

Overall Performance

The Group’s sales performance in the first half of 2022 was below the management’s expectations, primarily attributable to the disruption to production and sales caused by the pandemic prevention and controls in some cities in the PRC and global shortage of chips. As a result, the Group’s total sales volume in the China market decreased 9% year-on-year (“YoY”) to 526,217 units (including the total sales volume[#] of “Lynk&Co” and “Livan” vehicles sold by the Group’s two 50%-owned joint ventures, namely 領克投資有限公司 (Lynk&Co Investment Co., Ltd. or “Lynk&Co JV”) and 重慶睿藍汽車科技有限公司 (Chongqing Livan Automotive Technology Company Limited or “Livan JV”) in the first half of 2022. Despite the total sales volume of new energy vehicles (“NEV(s)”) recorded nearly fourfold YoY increase and the proportion of NEVs in total sales volume surged to 18%, the decrease in the sales volume of internal combustion engine (“ICE”) vehicles more than offset the increase in the sales volume of NEVs during the period, resulting in the decline in the Group’s domestic sales volume, whereas the overall sales volume in China’s passenger vehicle market increased slightly during the first six months of 2022, according to the data of China Association of Automobile Manufacturers. On the other hand, the Group’s export sales volume surged 64% YoY to 87,628 units in the first half of 2022, helped by the strong recovery of demand in its major export markets as the impact of Covid-19 temporarily subsided. Overall, the Group sold a total of 613,845 units of vehicles (including the total sales volume[#] of “Lynk&Co” and “Livan” vehicles sold by the Lynk&Co JV and the Livan JV) in the first six months of 2022, representing a slight decline of 3% YoY from 2021.

Total revenue (excluding the total revenue of the Lynk&Co JV and the Livan JV) however increased by 29% to RMB58.2 billion during the period as better product pricing and product mix more than offset the decline in sales volume. Gross margin ratio in the first half of 2022 was negatively affected by the higher raw materials costs and the increase in the proportion of NEVs. As a result, gross margin ratio was down by 2.6 percentage points YoY to 14.6%.

Besides, the distribution and selling expenses increased by 29% due to the investment in 66 direct selling stores under “Zeekr” brand, whereas the administrative expenses (excluding share-based payments) increased by 44% mainly due to the increase in amortisation expenses as a result of substantial investment in research and development over the past years. Both increases created further pressure on the profitability during the period. Further, the relatively high operating costs of Zeekr Intelligent Technology Holding Limited (“Zeekr Holding”) during its early stage of development and the current period’s recognition of share-based payment expenses also negatively affected the Group’s profitability during the period. As a result, the Group’s profit attributable to the equity holders was down 35% YoY to RMB1.55 billion and the diluted earnings per share (EPS) was down 38% YoY to RMB14.71 cents in the first half of 2022. If the non-cash share-based payment expenses were excluded, the Group’s profit attributable to the equity holders would have decreased by 20% YoY to RMB2.41 billion in the first half of 2022.

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

Financial Resources

Despite less than satisfactory overall performance in the first half of 2022, the Group’s financial position remained strong at the end of June 2022. During the period, the Group discounted large amount of notes receivable for cash as the interest rate of bank deposits became higher than the finance costs of discounted notes receivable. Also, the Group increased its borrowings to support the fast-growing operation under “Zeekr” brand, most of which were loans from our parent, 浙江吉利控股集團有限公司 (Zhejiang Holding Group Company Limited or “Geely Holding”). As a result, the Group’s total cash level (bank balances and cash + pledged bank deposits) increased by 35% from the end of December 2021 to RMB37.8 billion at the end of June 2022, while its total borrowings (including loans and the 5-year US\$300 million 3.625% bonds due 2023) also increased by 226% from the end of December 2021 to RMB12.4 billion at the end of June 2022. Net cash on hand (total cash level – total borrowings – perpetual capital securities) still increased to RMB22.0 billion, versus a net cash level of RMB20.8 billion six months ago. In addition, net notes receivable (bank notes receivable – bank notes payable) at the end of June 2022 amounted to RMB3.5 billion, which could provide the Group with further cash reserves when necessary through discounting the notes receivable with the banks.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Research and Development

The Group's research and development activities mainly focus on the development of NEVs, new energy technologies (such as hybrid technology), and the development of intelligent and digital technologies.

During the first six months ended 30 June 2022, the Group recorded a total expense of RMB3,265.2 million (2021: RMB2,304.6 million) in relation to its research and development activities and such expense was included in "Administrative expenses" in the condensed consolidated income statement. Further details were illustrated in the table below:

	2022 RMB('000)	2021 RMB('000)	YoY change (%)
Amortisation of intangible assets (i.e. capitalised product development costs)	2,339,000	1,964,903	19
Research and product development costs (i.e. not qualified for capitalisation)	926,194	339,677	173
<i>Total research and development costs charged to profit or loss</i>	3,265,194	2,304,580	42

As most of the ongoing research and development projects are aimed for new technologies not yet used in existing products, majority of the relevant expenditures had been capitalised, and will only be amortised as expenses after the launch of products using the technologies in the market.

Vehicle Manufacturing

The Group sold a total of 613,845 units of vehicles (including the total sales volume of "Lynk&Co" and "Livan" vehicles sold by the Lynk&Co JV and the Livan JV) in the first half of 2022, down 3% YoY, primarily due to the disruption to production and sales caused by the pandemic prevention and controls in some cities in the PRC and the global shortage of chips. Meanwhile, as a result of rising oil prices and government policy support, Chinese consumers' demand for NEVs continued to surge, which in turn reduced the demand for ICE vehicles during the same period.

The Group's domestic sales volume in the first half of 2022 decreased 9% YoY to 526,217 units (including the total sales volume of "Lynk&Co" and "Livan" vehicles sold by the Lynk&Co JV and the Livan JV). On the other hand, the Group's export sales volume recorded a 64% YoY increase to 87,628 units in the first half of 2022, helped by the strong recovery of demand in its major export markets as the impact of Covid-19 temporarily subsided. Export sales accounted for 14.3% of the Group's total sales volume in the first half of 2022, compared with only 8.5% in the same period of 2021.

In the first half of 2022, the Group sold a total of 109,711 units of NEVs (including the total sales volume of "Lynk&Co" and "Livan" vehicles sold by the Lynk&Co JV and the Livan JV), up nearly fourfold when compared with the same period in 2021. Amongst them, the total sales volume of pure electric vehicles was 85,820 units, increased 520% YoY, and the total sales volume of plug-in hybrid electric vehicles was 23,891 units, increased 192% YoY. The Group officially started the delivery of two Leishen hybrid vehicle models in the first half of 2022, which were well received by the market. It is expected that the sales contribution of hybrid vehicles, especially plug-in hybrid electric vehicles equipped with Leishen hybrid technology, would increase significantly in the second half of the year.

During the first six months of 2022, the total sales volumes of the Group under "Geely", "Geometry" (as part of "Geely"), "Zeekr", "Lynk&Co" and "Livan" brands were 500,282 units (decreased 4% YoY), 54,481 units (increased 293% YoY), 19,013 units, 77,258 units (decreased 28% YoY) and 17,292 units, respectively.

Helped by better product pricing and product mix, the Group's average ex-factory selling price ("ASP") increased by around 26% YoY in the first half of 2022. After incorporating the sales of "Lynk&Co" and "Livan" vehicles sold by the Lynk&Co JV and the Livan JV on a proforma basis, the Group's combined ASP recorded a 21% YoY increase.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the Group's products were sold under "Geely" brand, "Geometry" brand (through an independent distribution channel), "Zeekr" brand (through an independent distribution channel under "Zeekr"), "Lynk&Co" brand (through an independent distribution channel under the Lynk&Co JV), and "Livan" brand (through a new distribution channel under the Livan JV), targeting at different market segments. "Geely" brand is the Group's mainstream mass market brand, "Geometry" brand is the Group's pure electric brand, "Zeekr" brand is the Group's latest pure electric premium brand, whereas "Lynk&Co" is a joint-venture brand between the Group and Volvo Car Corporation ("VCC"), targeting at global premium market and "Livan" is also a joint-venture brand between the Group and Lifan Technology, targeting at battery swapping vehicle market. At the end of June 2022, the Group had 1,054 dealers in China, marketing vehicles under "Geely" brand. "Geometry" brand had 283 dealers in China. Zeekr and Lynk&Co adopted different marketing and distribution systems in China. Zeekr served its customers via 3 Zeekr Centres, 111 Zeekr Spaces and 19 delivery centres in China. Lynk&Co served its customers via 344 Lynk&Co Centres and 4 Lynk&Co Spaces in China.

New Products

During the first half of 2022, the Group successfully launched the following products:

Under the "Geely" brand:

- Xingyue L Leishen Hi·F (i.e. Xingyue L hybrid electric vehicle ("HEV")); and
- Emgrand L Leishen Hi·P (i.e. Emgrand L plug-in hybrid electric vehicle ("PHEV")).

Under the "Geometry" brand:

- Geometry E.

NEVs and vehicle models featuring smart and intelligent capabilities would continue to be the Group's focus in new products offering in the second half of 2022. With the help of Leishen hybrid technology and the new generation of advanced electronic and electrical architecture GEEA2.0, the transformation to new energy and intelligence will be accelerated. In addition, some existing main models will be equipped with a new generation of 1.5T four-cylinder engines to strengthen their product competitiveness. In the future, new energy version and ICE version will be offered simultaneously in the launch of new products.

The Group plans to launch the following new products in the second half of 2022:

Under the "Geely" brand:

- Smart sport utility vehicle ("SUV") Pioneer – New Boyue L; and
- Xingyue L Leishen Hi·P PHEV model.

Under the "Geometry" brand:

- Geometry G6 pure electric sedan; and
- Geometry M6 pure electric SUV.

Under the "Zeekr" brand:

- The world's first luxury multi-purpose vehicle ("MPV") on a native pure electric vehicle architecture – Zeekr 009; and
- Zeekr 001 new version.

Under the "Lynk&Co" brand:

- Lynk&Co 01, 03, 05 and 09, 4 smart E-Motive PHEV and HEV models.

MANAGEMENT DISCUSSION AND ANALYSIS

Genius AFC

Genius Auto Finance Company Limited (“Genius AFC”), the Group’s 80%-owned vehicle financing joint-venture with BNP Paribas Personal Finance (“BNPP PF”), is principally engaged in the provision of auto wholesales financing solutions to auto dealers and retail financing solutions to end customers, mainly supporting key auto brands under Geely Holding, including “Geely”, “Lynk&Co”, “Zeekr” and “Volvo Car”. Despite fewer new retail financing contracts during the period, the total outstanding loan assets of Genius AFC still increased by 12% YoY to RMB47.6 billion by the end of June 2022. With a healthy level of interest rate spread and a relatively low default rate as a result of enhanced sales management and effective risk control, Genius AFC delivered good earnings results with its net profit increasing 24% YoY to RMB741 million for the first six months of 2022.

Despite intensive competitions from commercial banks, Genius AFC is still on track to achieve its annual goals by actively managing funding costs and expanding into new business areas. In the first half of 2022, Genius AFC further broadened its external funds channels, adding funding types like sustainability-linked syndicated loans, bilateral bank facilities and asset-backed security (“ABS”). During the period, Genius AFC successfully launched two ABS issuances with cumulative amount of RMB9.6 billion, further reducing its overall funding costs and providing support to its business growth.

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

LYNK&CO JV

Lynk&Co JV, the Group’s 50%-owned joint venture with VCC and Geely Holding (together with its subsidiaries, the “Geely Holding Group”), was set up to facilitate the development, manufacture, sales and servicing of high-end passenger vehicles in both China and the international market under the “Lynk&Co” brand. Positioned as a global brand with state-of-the-art design and manufacturing capabilities, Lynk&Co JV aims to target at the premium mobility market segment globally through the provision of both passenger vehicles and mobility services. The innovative business model of Lynk&Co JV is supported by new vehicle models developed based on the Compact Modular Architecture (“CMA”), which is jointly developed by Geely Holding and VCC and licensed to the Lynk&Co JV.

During the first half of 2022, the total sales volume of the Lynk&Co JV amounted to 77,258 units, down 28% YoY, primarily due to the lack of pure electric vehicles under the brand and challenges in the areas of new energy transformation, intelligent vehicles and supply chain.

Apart from the sales volume disclosed above, Lynk&Co JV delivered 6,253 units of vehicles to its subscription customers in the European market under its subscription model^{*} in the first half of 2022.

In the first half of 2022, Lynk&Co JV posted a net profit of RMB200 million, down 57% YoY. In view of Chinese consumers’ current preference over physical dealer shops to support sales and services, Lynk&Co JV maintains a dealer network in China with 344 stores called “Lynk&Co Centres” and 4 display and customer service centres called “Lynk&Co Spaces” at the end of June 2022. Outside China, Lynk&Co JV has set up 8 Clubs, offering innovative mobility services to customers in Europe.

* Subscription means that consumers use vehicles and ancillary services during the subscription service period through regular payment of vehicle subscription fees, including vehicle insurance, daily maintenance, data services, road assistance, etc. Generally, the Lynk&Co JV recognizes the revenue and corresponding profit or loss over time once the subscription consumers have received and consumed the economic benefits of the provided vehicle during the subscription service period.

MANAGEMENT DISCUSSION AND ANALYSIS

Exports

The Group exported a total of 87,628 units of vehicles in the first six months of 2022, up 64% from the same period last year, and accounted for 14.3% of the Group's total sales volume during the period. The robust export sales performance was mainly driven by the strong recovery of demand in its major export markets after the impact of Covid-19 temporarily subsided. "Geely Boyue" and "Binyue" SUV models were the Group's most important export models in terms of sales volume in the first half of 2022, accounting for 67% of the Group's total export sales volume during the period. At the end of June 2022, the Group exported its products to 34 countries through 35 sales agents and 293 sales and service outlets.

Developing countries in Asia, Eastern Europe and the Middle East were the most important markets for the Group's exports in the first half of 2022. In particular, the export of vehicles to Proton Holding Group in Malaysia accounted for 39% of the Group's total export sales volume during the period. In addition to export of vehicles from China, the Group also assembles some models sold overseas using contract manufacturing arrangements and joint-venture manufacturing plants with local partners. Further, the export of technologies through licensing of intellectual properties also contributed positive results to the Group's overall export business.

Subscription for common shares in Renault Korea Motors

On 9 May 2022, Centurion Industries Limited ("CIL"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Renault Korea Motors Company Limited ("Renault Korea Motors"). Pursuant to the subscription agreement, CIL agreed to subscribe for, and Renault Korea Motors agreed to allot and issue an aggregate of 45,375,000 common shares, representing 34.02% of the total issued shares of Renault Korea Motors on a fully-diluted basis, at a cash consideration of approximately KRW264 billion (approximately RMB1,376 million).

The cash consideration was determined with reference to (i) the appraised value, which was based on the market approach according to the valuation report as of 31 December 2021 prepared by an independent valuer; (ii) the commercial potential and prospects of existing businesses and networks of Renault Korea Motors; and (iii) the reasons for the difference between the implied value and the appraised value in the valuation report. The cash consideration for the subscription will be funded by the Group's internal financial resources.

Through the subscription, the Group, utilizing its existing automobile technology, could establish its presence in the Korean market through collaboration with Renault Korea Motors and further expand its export business into well-established developed market. In addition, the subscription would allow the Group to further strengthen its capability in research in automobile architecture and vehicle model technology, while pursuing development along the industry value chain. Further, the fees receivable under the intellectual properties license agreement would bring in considerable additional revenue to the Group. Meanwhile, the adoption of the Group's technology could help transform the business model of Renault Korea Motors, improving its financial performance and market position in Korea.

Outlook

The intense competition in China's automobile market, the rise in raw material and battery prices and the global shortage of chip supply have showed no sign of subsiding and should continue to put pressure on the sales performance and profitability of the Group in the second half of 2022. Also, Zeekr Holding is still at its earlier stage of development with relatively high operating costs. Despite all these, the recent launch of automobile stimulus policies by the Chinese government, coupled with the launch of more competitive NEV models, should enable the Group to perform better in the second half of the year. In the long term, the trend of the transformation from conventional vehicles to NEVs and intelligent/connected vehicles and the expected relaxation of foreign investment restrictions in China's automobile industry in the coming years should represent additional challenges to the Chinese passenger vehicle manufacturers.

MANAGEMENT DISCUSSION AND ANALYSIS

On the positive front, the Group has secured a leading position in China's passenger vehicle market. Further, the Group's financial position remains strong as a result of good operational cash inflow over the past few years. These should enable the Group to continue investing for the future and respond to the rapid market changes promptly.

In view of the huge challenges ahead, we should persist with our original intent, keep our proven strategy and maintain our development pace. The Chinese consumers' demand for intelligent NEVs should continue to grow rapidly amid the popularization of digital networking, the rise in oil prices, the support of the government policies, and the launch of more quality NEV models. The Group would be dedicated to speed up the transformation to new energy and intelligent vehicles. Equipped with Leishen hybrid technology, autonomous driving technology and new generation of advanced electronic and electrical architecture GEEA2.0, the Group would continue to increase the proportion of NEVs in its total sales volume. The amount of new product offerings should stay at high levels in the coming years, providing sufficient momentum for the Group to maintain growth in the long run.

The Group had largely completed the rebranding and the restructuring of its distribution channels in its major export markets. Localization of production to reduce costs and currency risk already started to yield positive results in markets like Malaysia, where customer feedback and demand for the Group's products improved considerably. Further, the export of technologies through licensing of intellectual properties also contributed positively to the Group's overall export business. For the coming few years, exports would not only become a key driver to the Group's growth, but also would help to further enhance the Group's economies of scale. In the second half of 2022, the Group will go ahead to further expand its export sales to new markets in Southeast Asia and Western Europe.

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

In the second half of the year, the Group will continue to coordinate resources domestically and abroad to ensure the stability of supply chain, aiming at accelerating its production and sales activities. With the recent launch of automobile stimulus policies by the Chinese government, vehicle demand is expected to recover upon the subsiding of pandemic-related disruptions. With the launch of more competitive NEV models and the initial strong market feedback for the upcoming new models to be launched in the remainder of the year, the Group's management team will strive hard to achieve its 2022 full year sales volume target of 1,650,000 units, representing a growth of 24% from the previous year.

CAPITAL STRUCTURE AND TREASURY POLICIES

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

As at 30 June 2022, the Group's shareholders' funds amounted to approximately RMB71.1 billion (as at 31 December 2021: approximately RMB68.6 billion). The Company issued 2.405 million ordinary shares upon exercise of share options during the six months ended 30 June 2022.

EXPOSURE TO FOREIGN EXCHANGE RISK

During the six months ended 30 June 2022, the Group's operations were principally related to domestic sales of automobiles, automobile parts and components, battery packs and related parts in China and the Group's assets and liabilities were mainly denominated in Renminbi (RMB), the functional currency of the Company and its key subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's current ratio (current assets/current liabilities) was about 1.15 (as at 31 December 2021: 1.08) and the gearing ratio of the Group was about 17.5% (as at 31 December 2021: 5.6%) which was calculated on the Group's total borrowings (excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). During the period, the Group discounted large amount of notes receivable for cash as the interest rate of bank deposits became higher than the finance costs of discounted notes receivable. Also, the Group increased its borrowings to support its fast-growing operation under "Zeekr" brand, most of which were loans from our parent Geely Holding. As a result, the Group's total cash level (bank balances and cash + pledged bank deposits) increased by 35% from RMB28.0 billion at the end of December 2021 to RMB37.8 billion at the end of June 2022.

Total borrowings (excluding trade and other payables and lease liabilities) as at 30 June 2022 amounted to approximately RMB12.4 billion (as at 31 December 2021: approximately RMB3.8 billion) were the Group's bank borrowings, loans from related companies and bonds payable. At the end of June 2022, the Group's total borrowings were mainly denominated in either Renminbi (RMB) or United States Dollars (US\$). The foreign currency

borrowings were well matched by the currency mix of the Group's export revenues, which were mainly denominated in US\$. For the borrowings, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 30 June 2022, the total number of employees of the Group was about 47,000 (as at 31 December 2021: 44,000). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme and share awards under the share award schemes adopted by the Group.

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

As at 30 June 2022, the interests and short positions of the directors of the Company (the "Directors") in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

(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	4,215,888,000	–	42.07
Mr. Li Shu Fu	Personal	23,140,000	–	0.23
Mr. Li Dong Hui, Daniel	Personal	5,004,000	–	0.05
Mr. Gui Sheng Yue	Personal	17,877,000	–	0.18
Mr. An Cong Hui	Personal	7,876,000	–	0.08
Mr. Ang Siu Lun, Lawrence	Personal	4,000,000	–	0.04
Mr. Wang Yang	Personal	1,000,000	–	0.01

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

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Share Options				
Mr. Gui Sheng Yue	Personal	13,500,000 (Note 2)	–	0.13
Mr. Li Dong Hui, Daniel	Personal	14,000,000 (Note 2)	–	0.14
Mr. An Cong Hui	Personal	22,000,000 (Note 2)	–	0.22
Mr. Ang Siu Lun, Lawrence	Personal	3,000,000 (Note 2)	–	0.03
Ms. Wei Mei	Personal	7,000,000 (Note 2)	–	0.07

Notes:

- (1) Proper Glory Holding Inc. (“Proper Glory”) and its concert parties in aggregate hold securities’ interest of 4,215,888,000 shares (excluding those held directly by Mr. Li Shu Fu), representing approximately 42.07% of the issued share capital of the Company as at 30 June 2022. 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 21.29% by Geely Group Limited.
- (2) The interest relates to share options granted on 15 January 2021 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$32.70 for each Share during the period from 15 January 2023 to 14 January 2028. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of total issued share capital of the Company when the options are exercised is the same as that as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Name of director	Name of the associated corporations	Number of shares in the associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Share Options				
Mr. Li Shu Fu	Proper Glory Holding Inc.	8,929 (Note 1)	–	89.29
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	RMB938,074,545 (Note 2)	–	91.08
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	RMB2,031,307,340 (Note 3)	–	71.05
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	RMB240,000,000 (Note 4)	–	100
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	RMB3,530,000,000 (Note 5)	–	91.08
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	US\$7,900,000 (Note 6)	–	1
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	US\$885,000 (Note 7)	–	1
Mr. Li Shu Fu	ZEEKR Intelligent Technology Holding Limited	RMB522,000,000 (Note 8)	–	22.93
Mr. An Cong Hui	ZEEKR Intelligent Technology Holding Limited	RMB68,000,000 (Note 9)	–	2.99
Mr. Li Dong Hui, Daniel	ZEEKR Intelligent Technology Holding Limited	RMB20,000,000 (Note 10)	–	0.88
Mr. Gui Sheng Yue	ZEEKR Intelligent Technology Holding Limited	RMB10,000,000 (Note 11)	–	0.44
Ms. Wei Mei	ZEEKR Intelligent Technology Holding Limited	RMB5,800,000 (Note 12)	–	0.25

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“Geely Holding”) and as to 21.29% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (2) Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (3) Zhejiang Geely Automobile Company Limited (“Zhejiang Geely”) is a private company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li’s interested entities and as to 25.99% by independent third parties.
- (4) Shanghai Maple Automobile Company Limited (“Shanghai Maple”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (5) Zhejiang Haoqing Automobile Manufacturing Company Limited (“Zhejiang Haoqing”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (6) Zhejiang Jirun Automobile Company Limited (“Jirun Automobile”) is incorporated in the PRC and is 1%-owned by Zhejiang Geely.
- (7) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.
- (8) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 22.93%-owned by Mr. Li Shu Fu and his associate.
- (9) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 2.99%-owned by Mr. An Cong Hui, an executive director, and his associate.
- (10) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.88%-owned by Mr. Li Dong Hui, Daniel, an executive director, and his associate.
- (11) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.44%-owned by Mr. Gui Sheng Yue, an executive director, and his associate.
- (12) ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.25%-owned by Ms. Wei Mei, an executive director, and his associate.

Save as disclosed above, as at 30 June 2022, none of the directors nor the chief executives of the Company or their associates had or was deemed to have any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers contained in the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors' Right to Acquire Shares

As at 30 June 2022, the directors and chief executive of the Company have the following options to subscribe for the shares of the Company under the Company's share option scheme approved and adopted on 18 May 2012 (the "Share Option Scheme"):

Name of Director	Outstanding options as at 30 June 2022	Date of grant	Exercise period	Exercise price HK\$
Mr. Gui Sheng Yue	13,500,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Mr. Li Dong Hui, Daniel	14,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Mr. An Cong Hui	22,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Mr. Ang Siu Lun, Lawrence	3,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70
Ms. Wei Mei	7,000,000	15.1.2021	15.1.2023 – 14.1.2028	32.70

59,500,000

Share Option Scheme

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, the Share Option Scheme was adopted by the Company. After the expiration of the Share Option Scheme on 18 May 2022, no further options can be granted under it.

Pursuant to the 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 Share Option Scheme were disclosed in the Group's financial statements for the year ended 31 December 2021.

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

Based on the Company's records as at 30 June 2022, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 501,140,000 share options were granted by the Company to the employees and other eligible participants and remain outstanding.

Share Award Schemes

Share award scheme of the Company

The Company has adopted a share award scheme on pursuant to an ordinary resolution passed at the board meeting of the Company held on 30 August 2021 for the purposes of attracting and retaining the high calibre employees whose contributions will be beneficial to the growth and development of the Group (the "Share Award Scheme"). Details of the Share Award Scheme were set out in the announcement of the Company dated 30 August 2021.

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the Share Award Scheme.

Following the adoption of the Share Award Scheme, the Company resolved to award an aggregate of 167,022,000 ordinary shares to 10,884 selected participants by way of issue and allotment of new ordinary shares under the general mandate to issue shares granted by the shareholders to the directors at the annual general meeting held on 24 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The shares being granted with respect to a selected participant will vest in 4 tranches of 25% each year from 30 August 2022 to 29 August 2025, on the condition that the employees remain in service with performance requirements, including but not limited to meeting the company-level performance target and the selected participant's level performance target. Subject to the satisfaction of the vesting conditions, such new Shares will be transferred to the selected participants at nominal value on the vesting date. The selected participants are required to pay the nominal value for the award shares.

The selected participants are employees of the Company and its affiliates, and they are not connected persons of the Company.

As at 30 June 2022, the Company has appointed a professional and independent trustee, BOCI-Prudential Trustee Limited ("Trustee"), to assist with the administration and vesting of award shares granted pursuant to the Share Award Scheme.

The Trustee will not exercise the voting rights in respect of any ordinary shares held under the trust. The award shares will be allotted and issued to the Trustee who will hold the award shares in trust in accordance with the trust deed for the selected participants.

Movement in the number of award shares outstanding during the period is as follows:

	2022
Balance at 1 January	159,499,299
Lapsed	(1,527,299)
Balance at 30 June	157,972,000

Share award scheme of Zeekr Intelligent Technology Holding Limited ("Zeekr Holding")

On 20 August 2021, Zeekr Holding also adopted a share award scheme (the "Zeekr Share Award Scheme"). The purposes of the Zeekr Share Award Scheme are to encourage the selected participants to continuously make greater contributions to the long-term growth of the Zeekr Holding and its subsidiaries ("Zeekr Group") and thereby enhancing the value of the Company for the benefit of the shareholders, and to attract and retain high calibre employees whose contributions will be beneficial to the growth and development of the Zeekr Group. Details of the Zeekr Share Award Scheme were set out in the announcement of the Company dated 20 August 2021.

The Zeekr Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the Zeekr Share Award Scheme.

Immediately upon the adoption of the Zeekr Share Award Scheme, Zeekr Holding granted 56,560,400 ordinary shares (the "Zeekr Award Shares") to 3,393 selected participants under the Zeekr Share Award Scheme by way of reservation and future issuance of new ordinary shares. Subject to the satisfaction of the conditions for vesting as provided under the Zeekr Share Award Scheme, the Zeekr Award Shares granted shall be vested in four batches as follows: (i) the first batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2022; (ii) the second batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2023; (iii) the third batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2024; and (iv) the fourth batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2025. The selected participants are required to pay the nominal value for the Zeekr Award Shares.

To the best knowledge, information and belief of the directors, the selected participants are not connected persons of the Company.

Movement in the number of Zeekr Award Shares outstanding during the period is as follows:

	2022
Balance at 1 January	52,964,800
Lapsed	(431,756)
Balance at 30 June	52,533,044

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

At a meeting of the Board held on 18 August 2022, the Board resolved not to pay an interim dividend to the Company's shareholders (2021: Nil).

Connected Transactions

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

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Connected companies (notes (a) and (b))			
Zhejiang Geely Automobile Company Limited [#] 浙江吉利汽車有限公司	Sales of complete knock down kits	19,018,962	17,102,812
	Sales of complete buildup units, complete knock down kits and related after-sales parts	556,744	376,540
	Claims income on defective materials purchased	113,896	101,091
	Purchase of complete buildup units	18,413,262	17,718,344
	Claims paid on defective materials sold	113,778	105,103
	Sales of automobile parts and components	101,257	25,665
	Research, development and technology licensing service income	-	38,321
	Zhejiang Geely Business Services Company Limited [#] 浙江吉利商務服務有限公司	Operational service fee	59,223
	Business travel services expense	-	32,269
Zhejiang Haoqing Automobile Manufacturing Company Limited [#] 浙江豪情汽車製造有限公司	Sales of complete knock down kits	24,382,882	14,600,158
	Sales of complete buildup units, complete knock down kits and related after-sales parts	854,091	551,870
	Claims income on defective materials purchased	110,274	97,665
	Purchase of complete buildup units	24,882,058	14,980,186
	Claims paid on defective materials sold	128,835	90,586
	Acquisition of property, plant and equipment (note (c))	-	56,491
Zhejiang Geely Automobile Parts and Components Company Limited [#] 浙江吉利汽車零部件採購有限公司	Purchase of automobile parts and components	140,711	283,766
Linyi Lingji Chunhua Automobile Sales Service Company Ltd. [#] 臨沂領吉春華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	96,829	81,070
Feixian Lingji Chunhua Automobile Sales Service Company Ltd. [#] 費縣領吉春華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	19,272	25,978
Yishui Lingji Yuantong Automobile Sales Service Company Ltd. [#] 沂水領吉遠通汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	18,454	15,652
Dongying Lingji Kaihua Automobile Sales Service Company Ltd. [#] 東營領吉凱華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	20,128	28,865

MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Connected companies (notes (a) and (b)) (Continued)			
Sichuan Lingji Automobile Manufacturing Company Limited# 四川領吉汽車製造有限公司	Sales of powertrain and related components	581,137	563,668
	Purchase of complete knock down kits and automobile components	1,666,899	578,509
	Sales of complete knock down kits	21,424	–
	Operational service income	37,335	–
	Purchase of automobile parts and components	12,175	–
	Sales of automobile components (Automobile Components Sales Agreement)	154,144	–
Linyi Lingji Maohua Automobile Sales Service Company Ltd.# 臨沂領吉茂華汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	91,702	122,763
Ningbo Geely Automobile R&D Company Limited# 寧波吉利汽車研究開發有限公司	Research, development and technology licensing service income	947,256	1,032,706
	Research, development and technology licensing service fee	1,656,951	413,680
	Purchase of automobile parts and components	27,585	–
	Sales of automobile components (Automobile Components Sales Agreement)	58,855	–
	Sales of powertrain and related components	–	10,558
	Acquisition of property, plant and equipment (note (c))	–	11,002
Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	–	41,572
Viridi E-Mobility Technology (Ningbo) Co. Ltd.# ("Ningbo Viridi") (note (e)) 威睿電動汽車技術(寧波)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	–	285,531
Hubei Ecarx Company Limited# 湖北億咖通科技有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	–	39,605
Shanxi New Energy Automobile Industrial Company Limited# 山西新能源汽車工業有限公司	Sales of complete knock down kits	21,221	1,975,027
	Purchase of complete buildup units	20,480	1,985,709
Volvo Personvagnar AB	Sales of powertrain and related components	158,970	456,698
Shanghai Meihuan Trade Company Limited# 上海美寰貿易有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts	462,886	344,610
	Operational service income	146,644	72,159
	Sales of powertrain and related components	24,584	–
	Sales of automobile components (Automobile Components Sales Agreement)	40,706	–

MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Connected companies (notes (a) and (b)) (Continued)			
Geely Automobile Group Company Limited [#] 吉利汽車集團有限公司	Operational service income Operational service fee	50,324 -	- 37,848
Changsha Geely New Energy Automobile Sales Company Limited [#] 長沙吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles)	-	12,965
Zhejiang Jichuang Industrial Development Co., Limited (formerly known as Zhejiang Jichuang Automobile Parts Company Limited) [#] 浙江吉創產業發展有限公司 (前稱浙江吉創汽車零部件有限公司)	Purchase of automobile parts and components Purchase of automobile components (Automobile Components Procurement Agreement)	667,791 -	- 1,340,959
Hangzhou Xuanyu Human Resources Company Limited [#] 杭州軒宇人力資源有限公司	Operational service fee	-	25,903
Chengdu Gaoyuan Automobile Industries Company Limited [#] 成都高原汽車工業有限公司	Sales of complete knock down kits Purchase of complete buildup units Acquisition of property, plant and equipment (note (c))	- - -	716,380 743,674 30,441
Ningbo Hangzhou Bay Geely Automobile Components Company Limited [#] 寧波杭州灣吉利汽車部件有限公司	Purchase of complete buildup units Purchase of automobile parts and components Operational service income Purchase of complete knocks down kits and automobile components	19,754 14,992 28,602 4,837,451	44,165 - - -
Xian Geely Automobile Company Limited [#] 西安吉利汽車有限公司	Acquisition of property, plant and equipment (note (c)) Sales of powertrain and related components Purchase of complete buildup units Purchase of complete knocks down kits and automobile components Sales of automobile components (Automobile Components Sales Agreement) Operational service income	- 763,628 30,693 6,256,880 139,016 33,039	51,743 95,162 32,728 478,254 - -
Zhejiang Jirun Meishan Automobile Parts Company Limited [#] 浙江吉潤梅山汽車部件有限公司	Purchase of complete buildup units Purchase of automobile parts and components Sales of powertrain and related components Sales of automobile components (Automobile Components Sales Agreement)	- 17,665 123,349 205,061	20,870 - - -

MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Connected companies (notes (a) and (b)) (Continued)			
Lingji Automobile Trading Company Limited [#] 領吉汽車商貿有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	17,274	18,636
Shandong Geely New Energy Commercial Vehicle Co., Ltd. [#] 山東吉利新能源商用車有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts	-	21,855
Ningbo Jining Automobile Components Company Limited [#] 寧波吉寧汽車零部件有限公司	Purchase of automobile components (Automobile Components Procurement Agreement)	-	23,251
Beijing Lingjisheng Automobile Sales Service Co., Ltd. [#] 北京領吉盛汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	37,769	27,644
Jizhi (Hangzhou) Cultural Creativity Co., Ltd. [#] 吉智(杭州)文化創意有限公司	Operational service fee Business travel services expense	78,220 -	- 60,412
Shanghai Jijin Mechanical and Electrical Equipment Company Limited [#] 上海吉津機電設備有限公司	Acquisition of property, plant and equipment (notes (c) and (d))	20,196	31,254
Guangzhou Lingjixing Automobile Sales Service Company Limited [#] 廣州領吉行汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	28,331	-
Geely Changxing Automatic Transmission Company Limited [#] 吉利長興自動變速器有限公司	Purchase of automobile parts and components Research, development and technology licensing service income Operational service income Acquisition of property, plant and equipment (note (d))	218,701 180,993 12,464 12,504	- - - -
London EV Company Limited	Sales of powertrain and related components	11,513	-
Daqing Volvo Car Manufacturing Co., Limited [#] 大慶沃爾沃汽車製造有限公司	Sales of automobile components (Automobile Components Sales Agreement)	62,973	-
Zhongjia Automobile Manufacturing (Chengdu) Company Limited [#] 中嘉汽車製造(成都)有限公司	Sales of automobile components (Automobile Components Sales Agreement)	188,220	-

MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Connected companies (notes (a) and (b)) (Continued)			
Wuhan Lingjixing Automobile Sales Service Company Limited [#] 武漢領吉行汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	25,565	–
Suzhou Lingjixin Automobile Sales Service Company Limited [#] 蘇州領吉鑫汽車銷售服務有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	22,873	–
Zhangjiakou Jiguangwan Engine Manufacturing Company Limited [#] 張家口極光灣發動機製造有限公司	Purchase of automobile parts and components	10,687	–
	Sales of powertrain and related components	18,847	–
Fengsheng Automobile (Jiangsu) Company Limited [#] 楓盛汽車(江蘇)有限公司	Sales of automobile components (Automobile Components Sales Agreement)	17,683	–
	Purchase of automobile parts and components	35,729	–
Zhejiang Joint Control Technology Company Limited [#] 浙江聯控技術有限公司	Research, development and technology licensing service income	708,581	–
	Research, development and technology licensing service fee	87,825	–
Volvo Car Corporation	Sales of automobile components (Automobile Components Sales Agreement)	32,930	–
	Research, development and technology licensing service income	35,086	–
Zhejiang Geely Automobile Manufacturing Co., Ltd. [#] 浙江吉利汽車製造有限公司	Interest expense	42,598	–
Nanjing Lingjixing Automobile Sales Company Limited [#] 南京領吉行汽車銷售有限公司	Sales of complete buildup units and related after-sales parts, components and accessories	16,246	–
Valmet Automotive EV Power Ltd.	Sales of automobile components (Automobile Components Sales Agreement)	692,152	–
Polestar Performance AB	Research, development and technology licensing service income	25,862	–
Xian Liancheng Intelligent Technology Company Limited [#] 西安聯乘智能科技有限公司	Purchase of complete knocks down kits and automobile components	11,935	–
Hangzhou Geely Yiyun Technology Company Limited [#] 杭州吉利易雲科技有限公司	Acquisition of property, plant and equipment (note (d))	22,881	–

MANAGEMENT DISCUSSION AND ANALYSIS

Name of connected parties	Nature of transactions	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Associates			
Mando (Ningbo) Automotive Parts Co., Limited [#] 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	252,022	711,492
Closed Joint Stock Company BELGEE	Sales of automobile parts and components	208,078	400,824
Ningbo Haoneng Hanyuan Energy Technology Co., Ltd. ^{**} 寧波市浩能瀚源能源科技有限公司	Sales of automobile components (Automobile Components Sales Agreement)	12,359	-
Joint ventures			
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd. ^{#^} 凱悅汽車大部件製造(張家口)有限公司	Sales of powertrain and related components	479,365	610,444
	Purchase of complete buildup units	-	13,102
	Operational service income	41,169	61,812
	Research, development and technology licensing service income	150,274	-
LYNK & CO Automobile Sales Company Limited ^{#^} 領克汽車銷售有限公司	Operational service income	69,344	80,361
	Purchase of complete buildup units	34,619	13,763
	Sales of complete buildup units and related after-sales parts, components and accessories	41,470	14,082
	Sales of automobile components (Automobile Components Sales Agreement)	23,743	-
Yuyao LYNK & CO Auto Parts Company Limited ^{#^} 余姚領克汽車部件有限公司	Sales of powertrain and related components	514,944	493,178
	Operational service income	38,228	51,133
	Purchase of complete buildup units	39,231	-
	Research, development and technology licensing service income	361,233	-
	Sales of automobile components (Automobile Components Sales Agreement)	491,683	-
LYNK & CO (Zhangjiakou) Co., Ltd. ^{#^} 領克汽車(張家口)有限公司	Operational service income	36,158	50,104
LYNK & CO International Sales (Yuyao) Co., Ltd. ^{#^} 領克汽車國際銷售(余姚)有限公司	Operational service income	122,493	17,178
Chengdu LYNK & CO Automobile Company Limited ^{#^} 成都領克汽車有限公司	Research, development and technology licensing service income	61,126	-
Geely Yaou (Ningbo Meishan Bonded Port Area) Technology Co., Ltd. ^{#^} 吉利亞歐(寧波梅山保稅港區)科技有限公司	Research, development and technology licensing service income	282,473	-
LYNK & CO International AB [^]	Research, development and technology licensing service income	66,886	-
Genius AFC 吉致汽車金融	Interest income	157,250	136,452
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited [#] ("Geely Holding") 浙江吉利控股集團有限公司	Interest expense	7,318	-

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (a) The Group and the connected companies are under the common control of the substantial shareholder of the Company's ultimate holding company.
- (b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The connected parties referred to above have the relevant automobile catalogue and therefore the sales of complete knock down kits to and purchase of complete buildup units from connected parties as set out above have been presented on a net basis in the condensed consolidated income statement (to the extent that they are back-to-back transactions) since the said connected parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these connected parties have also been presented on a net basis as long as they are back-to-back transactions.
- (c) Pursuant to the acquisition agreement dated 4 November 2020, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding, together with its subsidiaries ("Geely Holding Group") agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB743,918,000.
- (d) Pursuant to the assets transfer agreement dated 15 October 2021, the Company entered into a transaction with Geely Holding, pursuant to which (i) the Group agreed to purchase and the Geely Holding Group agreed to sell the assets (which comprise predominantly equipment for use in the Group's research and development for the LYNK & CO-branded, ZEEKR-branded and Geely-branded vehicles related products such as vehicles engines and transmissions, as well as a small amount of office equipment and software system) for a maximum cash consideration of approximately RMB632,800,000; and (ii) the Group agreed to sell and the Geely Holding Group agreed to purchase the assets (which comprise vehicle testing related machinery and equipment which are idle for use) for a maximum cash consideration of approximately RMB357,900,000.
- (e) Ningbo Viridi had been acquired by the Group in October 2021. The amount disclosed represented the transactions entered into before the acquisition.
- # The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

- ^ The companies are the wholly-owned subsidiaries of Lynk & Co JV.
- * The company is the wholly-owned subsidiary of Zhejiang Haohan Energy Technology Company Limited.

Facility Agreements with Covenant of the Controlling Shareholders

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

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

On 5 July 2022, the outstanding loan plus accrued interest under the Facility Agreement have been repaid in full.

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

As at 30 June 2022, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the directors or the chief executives of the Company, the persons, other than the directors or the chief executives of the Company, who had interests or a short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Substantial Shareholders

(as defined in the SFO)

Name	Nature of interests	Number of shares held Long position	Approximate percentage of shareholding (%)
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	26.31
Zhejiang Geely Holding Group Company Limited (Note 1)	Interest in controlled corporation	4,019,391,000	40.11
Geely Group Limited (Note 1)	Beneficial owner	196,497,000	1.96
Zhejiang Geely Automobile Company Limited (Note 2)	Beneficial owner	796,562,000	7.95

Notes:

- (1) Proper Glory Holding Inc. ("Proper Glory") is a limited liability 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 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu. Geely Holding is a limited liability 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 limited liability company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li's interested entities and as to 25.99% by independent third parties.

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

Save as disclosed above, as at 30 June 2022, the directors and the chief executives of the Company are not aware of any other person (other than the directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and of any other member of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

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 2022, except for CPs B.2.3, B.3.4 and E.1.2 as explained below:

Pursuant to CP B.2.3, if an independent non-executive director has served more than nine years, the papers to the shareholders in relation to his re-election should state why the board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination. CP B.3.4 also provides that the circular should include the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent, the perspectives, skills and experience that the individual can bring to the board, and how the individual contributes to diversity of the board.

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Wang Yang (“Mr. Wang”) was first appointed as an independent non-executive director of the Company on 17 May 2012 and had served as an independent non-executive director of the Company for more than nine years. Owing to an inadvertent oversight, the Company has not included in the circular sent to the shareholders on, among other things, the re-election of Mr. Wang in relation to the information required under CP B.2.3 and CP B.3.4.

The Board considers that notwithstanding Mr. Wang had served as independent non-executive director for more than nine years, (i) the Board affirmed that Mr. Wang remains independent after having assessed and reviewed the annual confirmation of independence of Mr. Wang based on the criteria set out in Rule 3.13 of the Listing Rules, (ii) the nomination committee of the Company has assessed and is satisfied of the independence of Mr. Wang, and (iii) the Board considers that Mr. Wang remains independent of the management and free of any relationship which could materially interfere with the exercise of his independent judgment. In view of the aforesaid factors and the fact that the experience and knowledge of Mr. Wang in the business sector in which the Company operates, the Board recommended Mr. Wang for re-election at the annual general meeting of the Company held on 25 May 2022.

CP E.1.2 provides that the chairman of the Board (the “Chairman”) and the chairman of respective Board committees should attend the annual general meeting of the Company. During the six months ended 30 June 2022, 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 2022. Due to conflict of his schedules and other prior business engagement in the PRC, the Chairman was unable to attend the general meeting. One independent non-executive Director, one executive Director and the Company’s external auditor attended and answered questions raised by the Shareholders at the meeting physically. Four other independent non-executive Directors and two other executive Directors attended the meeting via conference call.

In the interim period under review, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by officers (the “Code”). All Directors have confirmed their compliance during the review period with the required standards set out in both the Model Code and the Code.

Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting processes, risk management systems and internal controls. As at 30 June 2022, the audit committee comprises Mr. An Qing Heng, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie who are the independent non-executive Directors.

Appreciation

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

ON BEHALF OF THE BOARD

Li Shu Fu
Chairman

Hong Kong
18 August 2022