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# GEELY

吉利汽車控股有限公司

## GEELY AUTOMOBILE HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 175)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2016 (Unaudited)	2015 (Unaudited)	
Revenue (RMB'000)	<b>18,089,274</b>	13,806,810	31
Profit attributable to the equity holders of the Company (RMB'000)	<b>1,907,242</b>	1,404,595	36
<b>Earnings per share</b>			
Basic (RMB cents)	<b>21.67</b>	15.96	36
Diluted (RMB cents)	<b>21.65</b>	15.90	36
Sales volume (Units)	<b>280,337</b>	251,873	11
	<b>At 30 June 2016 (Unaudited)</b>	<b>At 31 December 2015 (Audited)</b>	
Total assets (RMB'000)	<b>44,974,733</b>	42,292,460	6
Equity attributable to the equity holders of the Company (RMB'000)	<b>21,132,654</b>	19,523,816	8
Net assets per share attributable to the equity holders of the Company (RMB)	<b>2.40</b>	2.22	8
<i>Note:</i>			
1.	At a meeting of the Board held on 18 August 2016, the Directors resolved not to pay an interim dividend to the shareholders of the Company (2015: Nil).		

## INTERIM RESULTS

The Board of Directors (the “Board”) of Geely Automobile Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016. These interim results have been reviewed by the Company’s Audit Committee, comprising solely the independent non-executive directors, one of whom chairs the committee, and the Company’s auditors, Grant Thornton Hong Kong Limited.

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<b>RMB’000</b>	<b>RMB’000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>18,089,274</b>	13,806,810
Cost of sales		<b>(14,882,254)</b>	(11,371,818)
<b>Gross profit</b>		<b>3,207,020</b>	2,434,992
Other income	4	<b>743,592</b>	650,076
Distribution and selling expenses		<b>(821,392)</b>	(782,075)
Administrative expenses, excluding share-based payments		<b>(712,713)</b>	(558,924)
Share-based payments		<b>(23,671)</b>	(29,034)
Finance costs, net	5(a)	<b>(22,877)</b>	(21,043)
Share of results of associates		<b>6,206</b>	22,796
Share of results of joint ventures		<b>(33,506)</b>	20,646
<b>Profit before taxation</b>	5	<b>2,342,659</b>	1,737,434
Taxation	6	<b>(412,771)</b>	(317,887)
<b>Profit for the period</b>		<b>1,929,888</b>	1,419,547
<b>Attributable to:</b>			
Equity holders of the Company		<b>1,907,242</b>	1,404,595
Non-controlling interests		<b>22,646</b>	14,952
		<b>1,929,888</b>	1,419,547
<b>Earnings per share</b>			
Basic	8	<b>RMB21.67 cents</b>	RMB15.96 cents
Diluted	8	<b>RMB21.65 cents</b>	RMB15.90 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<b>1,929,888</b>	1,419,547
<b>Other comprehensive income (after tax of RMBNil)</b> <b>for the period:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>(42,759)</u>	<u>(5,072)</u>
<b>Total comprehensive income for the period</b>	<b><u>1,887,129</u></b>	<b><u>1,414,475</u></b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>1,864,830</b>	1,399,544
Non-controlling interests	<b><u>22,299</u></b>	<u>14,931</u>
<b>Total comprehensive income for the period</b>	<b><u>1,887,129</u></b>	<b><u>1,414,475</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

		At 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	8,844,093	8,034,427
Intangible assets	10	5,975,546	5,260,241
Land lease prepayments		1,519,081	1,537,713
Goodwill		2,584	2,584
Interests in associates	11	276,772	284,774
Interests in joint ventures	12	1,776,727	1,709,081
Available-for-sale financial assets		21,650	21,650
Deferred tax assets		94,715	94,138
		<u>18,511,168</u>	<u>16,944,608</u>
<b>Current assets</b>			
Land lease prepayments		36,938	37,001
Inventories	13	1,274,613	1,226,169
Trade and other receivables	14	13,861,744	14,836,439
Financial assets at fair value through profit or loss		16,931	17,118
Income tax recoverable		9,140	23,666
Pledged bank deposits		39,131	40,533
Bank balances and cash		11,225,068	9,166,926
		<u>26,463,565</u>	<u>25,347,852</u>
<b>Current liabilities</b>			
Trade and other payables	16	20,838,072	20,114,371
Income tax payable		269,775	334,883
Bank borrowing	17	325,500	–
		<u>21,433,347</u>	<u>20,449,254</u>
<b>Net current assets</b>		<u>5,030,218</u>	<u>4,898,598</u>
<b>Total assets less current liabilities</b>		<u>23,541,386</u>	<u>21,843,206</u>

		At <b>30 June 2016</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2015 <i>RMB'000</i> <b>(Audited)</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>18</i>	<b>161,362</b>	161,354
Reserves		<b>20,971,292</b>	19,362,462
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		<b>21,132,654</b>	19,523,816
Non-controlling interests		<b>236,897</b>	215,707
		<hr/>	<hr/>
<b>Total equity</b>		<b>21,369,551</b>	19,739,523
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Senior notes	<i>15</i>	<b>1,976,503</b>	1,928,856
Deferred tax liabilities		<b>195,332</b>	174,827
		<hr/>	<hr/>
		<b>2,171,835</b>	2,103,683
		<hr/>	<hr/>
		<b>23,541,386</b>	21,843,206
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	2,342,659	1,737,434
Adjustments for non-cash items	607,000	433,925
	<hr/>	<hr/>
Operating profit before working capital changes	2,949,659	2,171,359
Net changes in working capital	930,977	2,125,996
	<hr/>	<hr/>
Cash generated from operations	3,880,636	4,297,355
Income taxes paid	(443,370)	(217,339)
	<hr/>	<hr/>
<i>Net cash generated from operating activities</i>	<b>3,437,266</b>	<b>4,080,016</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(725,675)	(441,818)
Addition of intangible assets	(1,007,439)	(760,067)
Addition of land lease prepayments	–	(29,252)
Proceeds from disposal of property, plant and equipment	18,895	47,851
Government grants received	–	52,221
Change in pledged bank deposits	1,402	(18,397)
Net cash outflow on acquisition of a subsidiary	–	(1,133,895)
Net cash outflow on disposal of subsidiaries	(1,991)	(3,047)
Investments in financial assets at fair value through profit or loss	–	(609)
Investment in a joint venture	–	(720,000)
Interest received	31,658	28,502
	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	<b>(1,683,150)</b>	<b>(2,978,511)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares upon exercise of share options	1,304	965
Proceeds from bank borrowing	325,500	–
Repayment of bank borrowing	–	(391,616)
Interest paid	(52,370)	(56,052)
Capital contribution from non-controlling interests	–	8,931
	<hr/>	<hr/>
<i>Net cash generated from/(used in) financing activities</i>	<b>274,434</b>	<b>(437,772)</b>
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>2,028,550</b>	<b>663,733</b>
Cash and cash equivalents at the beginning of the period	9,166,926	7,203,176
Effect of foreign exchange rate changes	29,592	(44,407)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>11,225,068</b>	<b>7,822,502</b>
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## NOTES

### 1. BASIS OF PREPARATION

The interim financial report (the “Interim Financial Report”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 18 August 2016.

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

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2015 except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2015.

### 2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current period, the HKICPA has issued the following amendments to HKFRSs (the “amended HKFRSs”) which are relevant to and effective for the current accounting period of the Group:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Presentation of Financial Statements: Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

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

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

### 3. REVENUE AND SEGMENT INFORMATION

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

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

#### 4. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants and subsidies ( <i>note</i> )	534,366	532,622
Unrealised gain on financial assets at fair value through profit or loss	–	21,519
Gain on disposal of scrap materials	2,528	7,624
Gain on disposal of subsidiaries ( <i>note 19</i> )	72	62,879
Net foreign exchange gain	143,886	–
Rental income	11,728	23,755
Sundry income	51,012	1,677
	<u>743,592</u>	<u>650,076</u>

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

#### 5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>(a) Finance income and costs</b>		
<b>Finance costs</b>		
Interest expense on senior notes	54,479	49,545
Interest on bank borrowing wholly repayable within five years	56	–
	<u>54,535</u>	<u>49,545</u>
<b>Finance income</b>		
Bank and other interest income	<u>(31,658)</u>	<u>(28,502)</u>
<b>Net finance costs</b>	<u>22,877</u>	<u>21,043</u>

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	<b>1,168,951</b>	743,306
Retirement benefit scheme contributions	<b>81,329</b>	68,810
Equity settled share-based payments	<b>23,671</b>	29,034
	<u><b>1,273,951</b></u>	<u>841,150</u>
<b>(c) Other items</b>		
Cost of inventories	<b>14,882,254</b>	11,371,818
Depreciation	<b>363,893</b>	274,414
Net foreign exchange (gain)/loss	<b>(143,886)</b>	60,431
Amortisation of land lease prepayments	<b>18,695</b>	16,067
Amortisation of intangible assets	<b>292,064</b>	157,102
Research and development costs	<b>96,578</b>	–
Net loss on disposal of property, plant and equipment	<b>26,787</b>	2,268
Written off of intangible assets	–	14,252
Impairment loss on interest in an associate	<b>3,349</b>	–
Unrealised loss/(gain) on financial assets at fair value through profit or loss	<b>187</b>	(21,519)
	<u><b>187</b></u>	<u>(21,519)</u>

## 6. TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC enterprise income tax	387,762	310,284
– Overseas tax	6,038	–
– (Over)/under-provision in prior years	(957)	759
	<u>392,843</u>	<u>311,043</u>
Deferred tax	19,928	6,844
	<u>412,771</u>	<u>317,887</u>

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the periods ended 30 June 2016 and 2015.

The income tax provision of the Group in respect of its operations in the People's Republic of China (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%.

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%.

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 2015 of HK\$0.038 per share (six months ended 30 June 2015: HK\$0.025 per share), amounting to approximately RMB280,967,000 (six months ended 30 June 2015: RMB173,834,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2015 final dividend was paid in July 2016 and is reflected as a dividend payable in the Interim Financial Report.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB1,907,242,000 (six months ended 30 June 2015: RMB1,404,595,000) and the weighted average number of ordinary shares of 8,802,127,148 shares (2015: 8,801,545,822 shares), calculated as follows:

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

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Issued ordinary shares at 1 January	8,801,986,540	8,801,446,540
Effect of shares options exercised	140,608	99,282
Weighted average number of ordinary shares at 30 June	<u>8,802,127,148</u>	<u>8,801,545,822</u>

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB1,907,242,000 (six months ended 30 June 2015: RMB1,404,595,000) and the weighted average number of ordinary shares of 8,808,966,024 shares (2015: 8,834,646,540 shares), calculated as follows:

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

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,802,127,148	8,801,545,822
Effect of shares issued upon exercise of share options	6,838,876	33,100,718
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>8,808,966,024</u>	<u>8,834,646,540</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately RMB1,219,437,000 (six months ended 30 June 2015: RMB738,528,000). Property, plant and equipment with net book value of approximately RMB45,682,000 (six months ended 30 June 2015: RMB102,340,000) were disposed of during the period, resulting in a loss on disposal of approximately RMB26,787,000 (six months ended 30 June 2015: RMB2,268,000).

## 10. INTANGIBLE ASSETS

During the period, additions to intangible assets by acquisition and capitalisation of development costs amounted to approximately RMB1,007,439,000 (six months ended 30 June 2015: RMB760,067,000).

During the period, there was no written off of the capitalised development costs (six months ended 30 June 2015: RMB14,252,000) in relation to particular projects which would not be put into commercialisation in view of the change in market conditions.

## 11. INTERESTS IN ASSOCIATES

	At 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
Share of net assets	280,121	284,774
Goodwill	663	663
Impairment loss recognised	(4,012)	(663)
	<u>276,772</u>	<u>284,774</u>

## 12. INTERESTS IN JOINT VENTURES

	At 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
Share of net assets	<u>1,776,727</u>	<u>1,709,081</u>

## 13. INVENTORIES

	At 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
Raw materials	610,866	394,917
Work in progress	222,490	244,098
Finished goods	441,257	587,154
	<u>1,274,613</u>	<u>1,226,169</u>

## 14. TRADE AND OTHER RECEIVABLES

		At 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
<b>Trade and notes receivables</b>			
Trade receivables			
– Third parties		917,868	890,920
– A joint venture		68,479	53,256
– Associates		105,620	111,757
– Related parties controlled by the substantial shareholder of the Company		<u>658,820</u>	<u>537,203</u>
	(a)	1,750,787	1,593,136
Notes receivables	(b)	<u>8,485,707</u>	<u>10,203,692</u>
		<u>10,236,494</u>	<u>11,796,828</u>
<b>Deposits, prepayment and other receivables</b>			
Prepayment to suppliers			
– Third parties		128,323	82,609
– Related parties controlled by the substantial shareholder of the Company		<u>931,879</u>	<u>750,645</u>
		1,060,202	833,254
Deposits paid for acquisition of property, plant and equipment		632,152	558,920
VAT and other taxes receivables		1,450,001	1,187,706
Utility deposits and other receivables		<u>345,905</u>	<u>370,875</u>
		3,488,260	2,950,755
Amounts due from related parties controlled by the substantial shareholder of the Company	(c)	117,132	62,605
Amount due from ultimate holding company	(c)	–	27
Amount due from a joint venture	(c)	<u>19,858</u>	<u>26,224</u>
		<u>3,625,250</u>	<u>3,039,611</u>
		<u>13,861,744</u>	<u>14,836,439</u>

(a) Trade receivables

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

	At <b>30 June 2016</b> <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
0 – 60 days	<b>563,484</b>	275,711
61 – 90 days	<b>64,441</b>	95,013
Over 90 days	<b>482,468</b>	745,188
	<b>1,110,393</b>	1,115,912

For overseas customers, the Group allows credit period ranged from 180 days to 450 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date, at the reporting date:

	At <b>30 June 2016</b> <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
0 – 60 days	<b>348,504</b>	178,886
61 – 90 days	<b>13,830</b>	17,208
91 – 365 days	<b>49,715</b>	125,509
Over 365 days	<b>228,345</b>	155,621
	<b>640,394</b>	477,224

**(b) Notes receivables**

All notes receivables are denominated in RMB. At 30 June 2016 and 31 December 2015, all notes receivables are guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

The Group pledged notes receivables of RMB20,700,000 (31 December 2015: RMB23,365,000) to banks to secure the Group's notes payables as at 30 June 2016.

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

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

Except for trade and other receivables of RMB178,917,000 (31 December 2015: RMB116,789,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

**15. SENIOR NOTES**

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

The Senior Notes are listed on the SEHK. Details of the terms of the Senior Notes have been set out in the Group's annual financial statements for the year ended 31 December 2015.

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

	At <b>30 June 2016</b> <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
<b>Carrying amount</b>		
At the beginning of the period/year	<b>1,928,856</b>	1,820,138
Exchange differences	<b>45,482</b>	104,486
Interest expenses	<b>54,479</b>	103,295
Coupon payment	<b>(52,314)</b>	(99,063)
	<hr/>	<hr/>
At the end of the period/year	<b><u>1,976,503</u></b>	<b><u>1,928,856</u></b>

## 16. TRADE AND OTHER PAYABLES

		At 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
<b>Trade and notes payables</b>			
Trade payables			
– Third parties		10,927,500	9,001,560
– An associate		523,980	737,199
– Related parties controlled by the substantial shareholder of the Company		<u>921,872</u>	<u>1,394,491</u>
	(a)	12,373,352	11,133,250
Notes payables	(b)	<u>122,450</u>	<u>71,655</u>
		<u>12,495,802</u>	<u>11,204,905</u>
<b>Other payables</b>			
Receipts in advance from customers			
– Third parties		1,920,467	2,064,772
– A joint venture		45,809	–
– Related parties controlled by the substantial shareholder of the Company		<u>57,465</u>	<u>234,574</u>
		2,023,741	2,299,346
Deferred government grants which conditions have not been satisfied		3,176,326	2,737,519
Payables for acquisition of property, plant and equipment		493,762	211,267
Accrued staff salaries and benefits		249,742	419,020
VAT and other taxes payables		200,305	171,957
Dividend payable		281,103	136
Other accrued charges		<u>1,318,666</u>	<u>1,534,606</u>
		7,743,645	7,373,851
Amounts due to related parties controlled by the substantial shareholder of the Company	(c)	598,334	1,535,585
Amount due to ultimate holding company	(c)	<u>291</u>	<u>30</u>
		<u>8,342,270</u>	<u>8,909,466</u>
		<u>20,838,072</u>	<u>20,114,371</u>

**(a) Trade payables**

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

	At <b>30 June 2016</b> <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
0 – 60 days	<b>9,869,884</b>	8,746,578
61 – 90 days	<b>1,389,146</b>	1,090,495
Over 90 days	<b>1,114,322</b>	1,296,177
	<b>12,373,352</b>	11,133,250

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

**(b) Notes payables**

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 30 June 2016 and 31 December 2015, all notes payables have maturities of less than one year from the reporting date.

As at 30 June 2016, the Group pledged notes receivables and pledged bank deposits of RMB20,700,000 (31 December 2015: RMB23,365,000) and RMB39,131,000 (31 December 2015 RMB40,533,000) respectively to secure the notes payables.

**(c) Amounts due to related parties/ultimate holding company**

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

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

## 17. BANK BORROWING

	At 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
Bank loan, unsecured	<u>325,500</u>	<u>–</u>

As at 30 June 2016, the Group's bank borrowing was carried at amortised cost, repayable in September 2016 and interest bearing at the London Interbank Offered Rates plus 1% per annum. Also, there is a demand clause in the bank facility and, therefore, the bank loan is classified as a current liability at the reporting date.

## 18. SHARE CAPITAL

	Number of shares	Nominal value <i>RMB'000</i>
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2015 and 30 June 2016	<u>12,000,000,000</u>	<u>246,720</u>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2015	8,801,446,540	161,346
Shares issued under share option scheme	<u>540,000</u>	<u>8</u>
At 31 December 2015 and 1 January 2016	8,801,986,540	161,354
Shares issued under share option scheme	<u>460,000</u>	<u>8</u>
At 30 June 2016 (unaudited)	<u>8,802,446,540</u>	<u>161,362</u>

## 19. DISPOSAL OF SUBSIDIARIES

On 28 January 2016, the Group entered into an equity transfer agreement with an independent third party for the disposal of the entire interests in Zhejiang Shou La Shou Automobile Services Company Limited (“Shou La Shou”) and Hangzhou Ha Man Automobile Services Company Limited (“Ha Man”), the indirectly owned subsidiaries with 64.4% equity interest (the “Disposal”), which are engaged in sales of sedans and provision of automobile services. The Disposal was completed on the same date. The aggregate consideration for the Disposal was RMB2,110,000 and a gain on disposal of subsidiaries of RMB72,000 was recorded in “Other income” in the condensed consolidated income statement. The fair value of total net assets disposed of and non-controlling interests at the disposal date were RMB3,147,000 and RMB1,109,000 respectively.

## 20. EVENTS AFTER THE REPORTING DATE

### **Acquisitions of Baoji Geely Automobile Components Company Limited (“Baoji Target”) and Shanxi Geely Automobile Components Company Limited (“Shanxi Target”)**

On 1 June 2016, Zhejiang Jirun Automobile Company Limited (“Jirun Automobile”), a 99% owned subsidiary of the Company, and two fellow subsidiaries owned by the Company’s ultimate holding company entered into acquisition agreements pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiaries have conditionally agreed to sell the entire equity interests of Baoji Target and Shanxi Target for a total cash consideration of approximately RMB702,207,000 and RMB720,244,000, respectively. Baoji Target and Shanxi Target had accounts payable to the fellow subsidiaries of the Company of approximately RMB1,173.5 million and RMB659.9 million respectively, which arose from the acquisitions of machinery and equipment from the fellow subsidiaries as at 31 May 2016. As at 30 June 2016, the acquisitions were not yet completed. The acquisitions have been approved by the independent shareholders of the Company at the extraordinary general meeting held on 8 August 2016. Please refer to the Company’s circular dated 21 July 2016 for further details.

### **Disposals of Kandi Electric Vehicles Group Co., Ltd. (“Kandi Electric”) and Ninghai Zhidou Electric Vehicles Company Limited (“Zhidou Electric”)**

On 25 July 2016, the Company entered into a master disposal agreement with its ultimate holding company to dispose of the Group’s entire interests in Kandi Electric and Zhidou Electric to the Company’s ultimate holding company at an aggregate cash consideration of approximately RMB1,346,487,000, out of which RMB725,413,000 and RMB621,074,000 are for the disposal of Kandi Electric and Zhidou Electric, respectively. The disposals will be subject to, amongst others, the approval of the independent shareholders of the Company at the extraordinary general meeting.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's performance in the first half of 2016 exceeded the management's expectations, helped by the continued good domestic demand for its sedan models like "New Emgrand", "New Vision", "Kingkong" and "Geely GC9" as well as strong market response to its new Sport Utility Vehicle ("SUV") model "Geely Boyue" (吉利博越) and new crossover model "Emgrand GS", more than offsetting the continued weak export sales during the same period. In the first half of 2016, passenger vehicle sales volume of the Chinese indigenous brands exhibited strong growth, with their overall sales volume growing 13% year-on-year ("YoY") during the period, compared with the only 9% YoY growth of the overall Chinese passenger vehicle market in the same period, according to China Association of Automobile Manufacturers. The Group's sales performance in the China market continued its strong growth momentum, with the total sales volume up 15% YoY to 269,669 units in the first half of 2016. The Group's export sales volume, however, slid 40% YoY to 10,668 units in the first half of 2016 given the continued unfavourable political and economic environment in some of its major export markets and the Group's strategy on taking a more conservative approach to contain financial risks in the export markets. The Group sold a total of 280,337 units of vehicles in the first six months of 2016, achieved an 11% YoY growth over the same period last year. Total revenues increased by 31% to RMB18,089 million during the period. Profit attributable to the equity holders of the Company for the first half of 2016 was up 36% to RMB1,907 million compared to the first half of 2015. Despite benefits from improved product mix and higher average selling price were largely offset by the inclusion of newly launched models like "Geely Boyue" and "Emgrand GS", which usually carry relatively lower margins at the initial stage of their product cycle, the gross margin ratio remained stable during the period. Savings from well-controlled selling and distribution expense, which was up only 5% during the period, was however not adequate to cover the increase in administrative expenses, driven by the rapid growth in related expenditures on research and development (R&D). These, together with the stable government grants and subsidies during the period and the write-back of some foreign exchange losses from the Group's ruble-denominated assets, resulted in net profit growing faster than the overall revenue growth in the first six months of 2016. Fully diluted earnings per share (EPS) was up 36% to RMB21.65 cents.

### Financial Resources

As a result of higher revenues and operating profits in the first half of 2016, the Group's financial position continued to be very strong at the end of June 2016. The Group's total cash level (bank balances and cash + pledged bank deposits) increased by 22% from the end of 2015 to RMB11,264 million at the end of June 2016, while its total borrowings (including bank borrowing and the 5-year US\$300 million 5.25% senior notes due 2019 ("Senior Notes")) increased by 19% to RMB2,302 million during the same period. Net cash on hand (total cash level – bank borrowing – Senior Notes) amounted to RMB8,962 million, the highest level in the Group's history, versus a net cash level of RMB7,279 million six months ago. In addition, net notes receivables (bank notes receivables – bank notes payables) at the end of June 2016 amounted to RMB8,363 million, which could provide the Group with additional cash reserves when needed through discounting the notes receivables with the banks.

## Vehicle Manufacturing

The Group sold a total of 280,337 units of vehicles in the first half of 2016, up 11% YoY, driven by the good market demand for the Group's sedan models like "New Emgrand", "New Vision", "Kingkong" and "Geely GC9" as well as the strong market response to the new SUV model namely "Geely Boyue" (吉利博越) and new crossover model "Emgrand GS". The decent volume growth during the first half of the year was despite the Group's lack of new products in the first three months of 2016 and the continued weak export sales during the period.

The Group's domestic sales volume in the first half of 2016 increased 15% YoY to 269,669 units, much stronger than the overall passenger vehicle market in China and outperformed the Chinese indigenous brand sedan segment, which was up 9% YoY and down 16% YoY, respectively, according to China Association of Automobile Manufacturers. The Group's market share in China's overall passenger vehicle market remained at around 2% in the first half of 2016, according to figures from the same organization. Export sales volume was down 40% to 10,668 units in the first half of 2016, as a result of the uncertain political and economic environment in some of the Group's major export markets in the Eastern Europe, Middle East and Africa and the Group's strategy of taking a more conservative approach to contain financial risks in its export markets. Consequently, export sales accounted for only 4% of the Group's total sales volume in the first half of 2016, compared with 7% in the same period in 2015 and over 20% in 2013.

In the first half of 2016, the Group's "Emgrand" series, including "EC7", its upgraded version "New Emgrand" and its electric version "Emgrand EV", which was launched in November 2015, remained the Group's most popular sedan models in terms of sales volume. The combined sales volume of the "Emgrand" sedan series was 106,959 units, an increase of about 7% YoY, which accounted for 38% of the Group's total sales volume during the period. Sales of older models such as "Free Cruiser" and "Geely Panda" continued their downward trends in the first half of 2016 with their sales volume plunged 96% YoY and 56% YoY, respectively. New models launched during the period included a brand new SUV model called "Geely Boyue" (吉利博越) and the Group's first crossover vehicle model: "Emgrand GS", which have significantly strengthened the Group's products offering in the SUV and crossover segments. Both "Geely Boyue" and "Emgrand GS" received tremendous market response with their sales volumes well exceeded the management's expectations in their first few months of sales. The aggregate sales volume of "GX7", "Geely Boyue" (吉利博越) and "Emgrand GS" amounted to 40,697 units in the first half of 2016, an increase of 23% from the same period last year.

Thanks to the Group's competitive strength in China's sedan segment, "New Vision" (launched in late-2014) and "Geely GC9" (吉利博瑞) (launched in the second quarter of 2015) continued to record good sales performance in the first half of 2016. In the period, "New Vision" sedan and "Geely GC9" (吉利博瑞) B-segment sedan achieved sales volumes of 67,925 units (up 10% YoY) and 24,786 units (more than threefold YoY increase due to low base for the corresponding period of last year for comparison), respectively. The sales volume of "Kingkong" also increased by 17% YoY to 35,953 units in the first half of 2016. As a result of the improvement in product mix (i.e. higher proportion of higher-priced models), the Group's ex-factory average sales price increased by 17% during the first half of 2016 as compared with the same period last year.

Over the past few years, the Group had successfully restructured its three product brands and sales channels into a single “Geely” brand and distribution network enabling the Group to provide its customers with enhanced after-sales services. At the end of June 2016, the Group’s sales network in China comprised a total of 691 dealers.

Being the Group’s strategically important B-segment flagship car, “Geely GC9” has been well accepted by both the customers and the automobile industry since its initial launch last year. In addition to its top 5-star rating in the C-NCAP (China’s New Car Assessment Programme) crash test, “Geely GC9” was also awarded “2016 China Car of the Year” (2016中國年度車) and became the first vehicle model from the Chinese indigenous brands to win the award. Further, it was also awarded Xuanyuan Award 2016 (2016軒轅獎年度大獎) in Beijing Auto Museum in early 2016.

In “J.D. Power Asia Pacific 2016 China Customer Service Index (CSI) Study<sup>SM</sup>”, which analyzed after-sales dealer service satisfaction by vehicle owners, “Geely” brand achieved a high score of 741 compared with the mass market average score of 674 in 2016, being the fourth year in a row to maintain high ranking in this after-sales customer satisfaction survey. Amongst all the local brands in China, “Geely” ranked number three. In terms of overall ranking, “Geely” brand achieved number eight position among the 74 passenger vehicle brands in China examined by the study.

## **New Products**

The Group launched two new models namely the SUV model “Geely Boyue” (吉利博越) and the Group’s first crossover vehicle model: “Emgrand GS” during the first half of 2016. In the second half of 2016, the Group plans to launch the following new products:

- “Emgrand GL”: a new generation of A-segment sedan model;
- “Vision SUV”: a new compact SUV model; and
- A new hybrid electric version of “Emgrand” series sedans.

## **New Energy Vehicles Strategy**

The Group announced its new energy vehicle strategy named “Blue Geely Initiative” in November 2015. “Blue Geely Initiative” is a 5-year campaign and programmes displaying the Group’s dedication to transformation into industry leader in new energy vehicle technologies. The Group will leverage on CEVT (“Chine Europe Vehicle Technologies”) and Volvo Car’s, both are parts of the Group’s parent Zhejiang Geely Holding Group Company Limited, leading technologies on new energy vehicles to speed up its products offering on new energy vehicles, starting from pure electric vehicle (“EVs”), followed by gradual transition into PHEVs (“Plug-in Hybrid”) and HEVs (“Hybrid Electric Vehicles”). The Group’s first new energy vehicle model – “Emgrand EV” was launched in November 2015. Despite huge uncertainties caused by the government’s frequent revision of new energy vehicle subsidies and the still lack of proper supporting infrastructure in China, the sales volume of “Emgrand EV” had grown steadily since the beginning of 2016, reaching a monthly volume of over 1,500 units by July 2016.

## Exports

The Group exported a total of 10,668 units of vehicles in the first six months of 2016, down 40% from the same period last year, and accounted for 4% of the Group's total sales volume during the period. The weak export sales performance was mainly caused by the uncertain political and economic environment in some of the Group's major export markets in the Eastern Europe, Middle East and Africa and the Group's strategy on taking a more conservative approach to contain financial risks in its export markets. As a result, the Group's share of China's total exports of passenger vehicles was down to 5% in the first half of 2016, compared to 8% in the same period last year, according to China Association of Automobile Manufacturers. "EC7" and "New Emgrand" continued to be the Group's most popular export models in terms of sales volume in the first half of 2016. Export volume of "EC7" and "New Emgrand" amounted to 2,611 units and accounted for 25% of the Group's total export sales volume during the first six months of 2016. At the end of June 2016, the Group exported its products to 24 countries through 23 exclusive sales agents and 355 sales and service outlets in these countries.

Developing countries located in the Middle East, Asia, Southern America and Africa were the most important markets for the Group's exports in the first half of 2016. Amongst which, the most important export destinations in terms of sales volume were Saudi Arabia, Sri Lanka, Belarus, Cuba and Egypt, which together accounted for over 81% of the Group's total exports volume in the first half of 2016. In addition to export of vehicles from China, the Group also assembles some models sold overseas using contract manufacturing arrangements with local partners in Belarus, Russia, Sri Lanka, Ethiopia, Uruguay and Egypt.

### **Acquisitions of 100% interest in 寶雞吉利汽車部件有限公司 (Baoji Geely Automobile Components Co., Ltd. or "Baoji Automobile Components") and 山西吉利汽車部件有限公司 (Shanxi Geely Automobile Components Co., Ltd. or "Shanxi Automobile Components")**

On 1 June 2016, the Group agreed to acquire the entire registered capitals of Baoji Automobile Components and Shanxi Automobile Components from its parent – 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited or "Geely Holding") – for RMB702,206,798 and RMB720,244,135, respectively. These two acquisitions were not inter-conditional. The considerations for these two acquisitions were determined with reference to the net asset value of the 100% interest in the respective registered capital of Baoji Automobile Components and Shanxi Automobile Components as at 31 May 2016 and will be fully financed by internal resources of the Group. On 8 August 2016, the acquisitions had been duly approved by the independent shareholders of the Company at the extraordinary general meeting.

It is expected that the acquisitions will expand the Group's manufacturing capacity as well as production capabilities for the manufacture of new high-end sedan, SUV and mid-end to high-end electric vehicle models which will expand the Group's products offering and enhance the overall competitive strength of the Group's products in the market. These new products are expected to become one of the key drivers for the Group's future profitability. Upon completions of the acquisitions, Baoji Automobile Components and Shanxi Automobile Components will become the 99% owned subsidiaries of the Group and the financial statements of which will be consolidated into the financial statements of the Group.

**Disposals of equity interests in 康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd. or "Kandi JV") and 寧海知豆電動汽車有限公司 (Ninghai Zhidou Electric Vehicles Co., Ltd. or "Zhidou JV")**

On 25 July 2016, the Company entered into a master disposal agreement with Geely Holding to dispose of the Group's 50% and 45% interests in Kandi JV and Zhidou JV to Geely Holding at an aggregate consideration of RMB1,346,486,590, which was determined with reference to the historical financial performances of Kandi JV and Zhidou JV; and the future prospects of their respective electric vehicle product portfolios. These two disposals were inter-conditional. As at the date of this report, the disposals are still subject to the approval of the independent shareholders of the Company at the extraordinary general meeting.

The disposals are consistent with the Group's on-going strategy to enhance value for its shareholders through consolidating and enhancing its product portfolio and thus brand image by focusing on relatively higher-end automobiles going forward. It is expected that the disposals will allow the Group to allocate more time and resources to the development of mid to higher-end automobiles.

**Outlook**

The passenger vehicle market in China exhibited a faster-than-expected growth despite intensified competitive pressure in China's automobile market in the first half of 2016. Although more international brands started to adopt aggressive pricing and competitive strategies to safeguard their market shares in China whilst the more flexible indigenous brands have chosen to seize market shares through the offering of more innovated products with better value for money like the SUVs. During the same time, most indigenous brands also invested heavily to improve product performance, quality and dependability, resulting in higher market shares for indigenous brands in China's passenger vehicle market recently.

Despite the improved performance by the indigenous brands in China recently, the implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in China could put tremendous cost pressure on motor vehicle manufacturers in China. The impact could be even bigger for China's indigenous brands given their relatively weak pricing power, and thus their difficulties to pass on the additional costs to their customers. Further, the planned expiration of sales and purchase tax reduction policy by the end of 2016 could potentially shift some demand forwards from early 2017 to 2016, thus affecting demand for small and mid-size vehicles in early part of 2017.

The business environment in the Group's key export markets remains uncertain. The Group's exports businesses in developing markets in the Eastern Europe, Middle East and Africa remain weak due to the uncertain political and economic conditions there. It is envisaged these external factors would persist and the Group's exports business could continue to face tremendous challenges in the remainder of 2016.

On the positive front, the Group's overall competitiveness and management capabilities have been strengthened significantly following its strategic transformation to improve its brand image, product quality and satisfying service to its customers, as reflected by the excellent market acceptance received by the Group's recent new products, and the improved customer satisfactions shown in J.D. Power's recent study on customer services. So far in 2016, the Group's performance has exceeded management's expectations. The Group's long-term plan to further improve customer satisfaction through quality products offering, enhanced services, technologies and innovation is making significant progress.

With the continuous investments in the areas of new energy vehicles, new technologies and innovations like advanced powertrain and high-performance turbocharged engines over the past few years, the Group's products have become far more environmentally friendly and fuel-efficient. The Group will continue to replace its old models with more sophisticated new models equipped with more advanced powertrain technologies in the near future. The launch of "Emgrand EV", the Group's first new energy vehicle model, in November 2015 marked the beginning of its gradual transition from traditional to new energy vehicles.

While upholding its leading position in the Chinese mass market sedan segment, the Group will increase its products offering in the SUV segment. Following the successful launch of new SUV model "Geely Boyue" (吉利博越) and "Emgrand GS" (the Group's first crossover model) in the first half of 2016, a new compact SUV model will be launched later this year. These new SUV and crossover products should enable the Group to cater for the current rapid growth in SUV demand in China. Further, a new generation of A-segment sedan model is scheduled to be launched in the second half of the year to consolidate the Group's current leading position in China's A-segment sedan market. We believe that these new products offering should help to bolster the Group's overall sales performance in the remainder of 2016.

The development of compact modular architecture ("CMA") platform and the initial batch of new models under the platform via China Euro Vehicle Technology AB ("CEVT"), a wholly owned subsidiary of Geely Holding with independent operation based in Gothenburg, has been progressing well. The successful development and adoption of CMA platform could offer the Group competitive advantages like economies of scale, lower new model development costs and reduced marketing time of new products, and should provide the Group with a strong and unique advantage over its competitors in China.

Despite the fierce competition in China's automobile market and the continued uncertain market conditions in some of the Group's major export markets, the Group's new product launches so far this year have been very successful, thus enabling the Group to smoothly execute its business plan and achieve its performance targets set for the first half of 2016 ahead of schedule. With sign of continued strong sales enjoyed by new products launched recently and the initial good market feedback for upcoming new model launches in the remainder of the year, the management team is of the opinion that the Group's overall performance in 2016 should exceed our original expectations set at the beginning of the year and therefore decided to raise the Group's full year sales volume target from 600,000 units by 10% to 660,000 units, which is up 29% from 2015.

## **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 the credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, shareholders' loan from the its parent Geely Holding Group and fund raising exercises in the capital market. As at 30 June 2016, the Group's shareholders' fund amounted to approximately RMB21.1 billion (As at 31 December 2015: approximately RMB19.5 billion). Upon exercise of share options, 0.46 million new shares were issued by the Group during the six months ended 30 June 2016.

## **EXPOSURE TO FOREIGN EXCHANGE RISK**

During the six months ended 30 June 2016, the Group's operations were principally related to domestic sales of automobiles and related automobile parts and components in the Mainland China and the Group's assets and liabilities were mainly denominated in RMB, the functional currency of the Group.

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

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2016, the Group's current ratio (current assets/current liabilities) was 1.23 (As at 31 December 2015: 1.24) and the gearing ratio of the Group was 11% (As at 31 December 2015: 10%) which was calculated on the Group's total borrowings (including the 5-year US\$300 million 5.25% senior notes due 2019 ("Senior Notes") but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). Total borrowings (including Senior Notes but excluding the trade and other payables) as at 30 June 2016 amounted to approximately RMB2.3 billion (As at 31 December 2015: approximately RMB1.9 billion) were mainly the Group's bank borrowing and Senior Notes. At the end of June 2016, the majority of the Group's total borrowings were denominated in United States Dollars. They aligned with the currency mix of the Group's revenues, which were mainly denominated in United States Dollars. For the bank borrowing and Senior Notes, 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 2016, the total number of employees of the Group was about 23,929 (As at 31 December 2015: approximately 18,700). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

## **INTERIM DIVIDEND**

At a meeting of the Board held on 18 August 2016, the Directors resolved not to pay an interim dividend to the shareholders of the Company (2015: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

## **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 2016, except for CPs E.1.2 and A.6.7 as explained below:

CP E.1.2 stipulates that the chairman of the board, whereas CP A.6.7 provides that the non-executive directors (including the independent non-executive directors) of the company, should attend the general meetings of the company. However, with the conference call facility being made available by the Company, any directors of the Company who are unable to physically attend the general meetings can participate in the meetings and have direct communication with the Company’s shareholders.

Due to other business engagement outside Hong Kong, Mr. Li Shu Fu (“Mr. Li”), the chairman of the board of directors of the Company (the “Board”) was unable to attend the extraordinary general meeting of the Company held on 18 February 2016 in Hong Kong (“EGM”). Nevertheless, three independent non-executive directors attended the EGM via conference call. At the annual general meeting of the Company held on 27 May 2016 in Hong Kong (“AGM”), one independent non-executive director attended the AGM in person whilst the non-executive director and three independent non-executive directors attended via conference call in the absence of Mr. Li. The Board believes that the directors who participate in the general meetings via conference call are still able to directly conduct discussion with the Company’s shareholders on questions they have and such shareholders’ views would be properly channeled to the Board as a whole. In order to ensure that the shareholders’ questions about the proposed resolutions of the general meetings were properly addressed, representatives of the Company’s financial advisers attended the EGM in person; and representatives of the Company’s external auditors attended the AGM in person.

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

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group’s financial reporting processes and internal controls. As at 30 June 2016, the audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Yeung Sau Hung, Alex, An Qing Heng and Wang Yang who are the independent non-executive directors of the Company.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016.

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

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2016 interim report will set out all information disclosed in the interim results announcement for the first half of 2016 and will be disclosed on the websites of the Company (<http://www.geelyauto.com.hk>) and The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) in due course.

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

Hong Kong, 18 August 2016

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