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广汽集团
GAC GROUP

GUANGZHOU AUTOMOBILE GROUP CO., LTD.

廣州汽車集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2238)

2013 INTERIM RESULTS ANNOUNCEMENT

1. IMPORTANT NOTICE

(I) The Board, the supervisory committee and the Directors, supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in or material omissions from this report, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

This announcement is extracted from the full text of the interim report, which will be published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.gagc.com.cn). Investors should read the full text of the interim report for details.

(II) The interim financial report of the Company is unaudited. The Audit Committee of the Company has reviewed the unaudited interim results of the Company for the six months ended 30 June 2013 and agreed to submit it to the Board for approval.

(III) Zhang Fangyou, the Chairman of the Company, Zeng Qinghong, the General Manager of the Company, Wang Dan, the person in charge of finance and Li Canhui, the head of the finance department, warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.

(IV) Interim profit distribution plan: the Board declared the payment of 2013 interim cash dividend of RMB0.06 per share (tax inclusive) to all shareholders.

(V) There is no non-operational appropriation of the Company's funds by its controlling shareholders and their connected parties.

(VI) The Company has not provided any third-party guarantees in violation of stipulated decision-making procedures.

II. CHAIRMAN'S STATEMENT

During the first half of 2013, the overall macroeconomy maintained steady growth, as the nation aimed at improving quality and efficiency of economic development under the general tone of upholding stable growth to accelerate the structural adjustment, enhance economic transformation and achieve continuous improvement in the livelihood of the people in light of the complex domestic and international economic environment.

In the first half of the year, production and sales of vehicles in the PRC both exceeded 10,000,000 units and reached 10,751,700 units and 10,782,200 units, representing an increase of 12.8% and 12.3%, respectively and the growth rate increased by 8.75 and 9.41 percentage points respectively compared with the corresponding period last year, among which production and sales of passenger vehicles amounted to 8,664,500 units and 8,665,100 units, representing an increase of 14% and 13.8% respectively compared with the corresponding period last year.

In the first half of the year, production and sales of motorcycles amounted to 11,274,500 units and 11,453,600 units, representing a decrease of 3.1% and 2.4%, respectively, among which domestic sales and export amounted to 6,820,000 units and 4,630,000 units, representing a decrease of 6% and an increase of 3% respectively compared to the corresponding period last year.

In the first half of the year, production and sales of vehicles of the Group together with its jointly-controlled entities and associated companies were 435,500 units and 424,400 units, representing an increase of 11.55% and 15.46% respectively compared to the corresponding period last year, among which production and sales of passenger vehicles amounted to 422,400 units and 413,600 units, representing an increase of 14.10% and 18.27% respectively compared to the corresponding period last year; production and sales of commercial vehicles amounted to 13,100 units and 10,800 units, representing a decrease of 35.13% and 39.49% respectively compared to the corresponding period last year; the increase in sales of vehicles (especially passenger vehicles) of the Group was higher than the industry standard.

In the first half of the year, production and sales of motorcycles of Wuyang-Honda, a jointly-controlled entity of the Group, were 455,100 units and 479,100 units, representing an increase of 4.57% and 1.48%, respectively compared to the corresponding period last year; the corresponding increase in production and sales of motorcycles of the Group was higher than the industry standard.

During the reporting period, revenue of the Group together with its jointly-controlled entities and associated companies amounted to RMB81,767 million, representing an increase of 3.74% compared to the corresponding period last year.

Revenue of the Group in the consolidated financial statements amounted to RMB8,247 million, representing an increase of 50.44% compared to the corresponding period last year; net profit attributable to owners of the Company amounted to RMB1,219 million, representing a decrease of 17.75% compared to the corresponding period last year.

In the first half of the year, as the Board focused on the innovation and reform of management system and mechanism with an aim of improving quality and efficiency of economic development, the production and operation of the Group remained a recovery growth, the strength of proprietary innovation was greatly enhanced, the implementation of a major strategic layout was expedited, capital management systems were continuously enhanced, management infrastructure was constantly solidified, organizational system was further streamlined and comprehensive competitiveness was continuously improved.

In the second half of the year, it is expected the macroeconomic policy will maintain relative continuity and stability, which mean the active fiscal policy and stable monetary policy will be extended while timely fine tuning may be implemented. The growth momentum and downward pressure for domestic macroeconomy will exist simultaneously, but there will be lower chance of economic hard-landing. It is also expected the overall economic performance will maintain a stable growth. For the automobile industry, there will be both development opportunities and challenges, while policies in maintaining the consumption, reform and urbanization trends will provide support for the development of the automobile industry.

In the second half of the year, on the basis of the works performed in the first half, the Group will further deepen innovation and reform and vitalize enterprise development with confidence. Through further strengthening of cost control and establishing a more effective internal control system for the prevention of operating risk, our focus on project management will facilitate the orderly implementation of related works, such that our market-oriented operation will be enhanced with improved performance.

III REPORT OF THE BOARD

(1) Summary of Business of the Group

The Group's main business consists of researching and developing, manufacturing and sales of passenger vehicles, commercial vehicles, motorcycles, engines and auto parts, as well as car sale and leasing, after-sale services, import and export of automobile-related products, logistics services, automobile finance, automobile insurance and brokerage services.

1. Vehicles

(1) Passenger vehicles

The Group produces a variety of passenger vehicles mainly through JCEs, namely Guangqi Honda, GAC Toyota, GAC Fiat and GAC Mitsubishi, its wholly-owned subsidiary GAMC and the subsidiary GAC Gonow and others. As at 30 June 2013, the Group produced more than ten series of sedans, SUV and MPV, including GAC Toyota Camry, GAC Toyota Highlander, Guangqi Honda Crosstour, Guangqi Honda Accord, Guangqi Honda Odyssey, GAC Honda Crider, GAC Fiat viaggio, GAC Mitsubishi ASX, GAC Trumpchi, GAC Trumpchi GS5 and GAC Gonow Aoxuan G5 etc. The Group also participates in the production of Jazz sedans through its associated company, Honda (China).

(2) Commercial vehicles

The commercial vehicles of the Group are mainly manufactured by its subsidiary, GAC Bus and JCE, GAC Hino. Main products include light and heavy trucks, construction vehicles and large-tomedium-sized passenger vehicles (including new energy vehicles purely electrically powered and hybrid).

As at 30 June 2013, production capacity of passenger vehicles and commercial vehicles of the Group together with its JCEs and associated companies was 1,350,000 units.

(3) Motorcycles

The Group manufactures motorcycles mainly through its JCE, Wuyang Honda. Main products include standard motorcycles, sport bikes and scooters. As at 30 June 2013, the production capacity of motorcycles of Wuyang-Honda was 1 million units.

2. *Parts and components*

The Group's auto-part products include engines, gearboxes, car seats, HVAC systems, auto lamps, shock absorbers and accessories. The Group's research and development and production of engines is mainly carried out through GAC Toyota Engine, Shanghai Hino and a wholly-owned subsidiary, GAMC, that of gearboxes through HAVECO, and that of other vehicles parts and components including car seats, HVAC systems, auto lamps, automation accessories, redirectors and shock absorbers through other subsidiaries, jointly controlled companies and investees of GAC Component, a wholly-owned subsidiary.

3. *Automobile-related services and financial business*

The Group's business of trading, automobile finance, insurance and brokerage, automobile logistics are mainly carried out through its subsidiaries, GAC Commercial and investees thereof, Urtrust Insurance, Guang Ai Insurance Brokers and the JCE, GAC-SOFINCO and the associated company, Tong Fang Logistics to provide automobile sales, automobile finance, automobile insurance and insurance brokerage, automobile leasing, logistics and import and export and other services.

Meanwhile, the Group conducts businesses such as equity investment management and investment consultancy through its subsidiary, GAC Capital, and creates synergies with related financial segment businesses of the Group, which together further explores and expands a new path for combining manufacturing and financial businesses and a more comprehensive GAC financial investment platform with GAC features is formed.

After strategic and business development in recent years, the Group has established a complete production chain, centering upon manufacture of vehicles and covering research and development and parts and components in the upper stream and trading, finance, insurance, leasing and logistics of automobiles in the lower stream, and become one of the automobile groups having the most integrated production chain in China.

(2) Major Performance

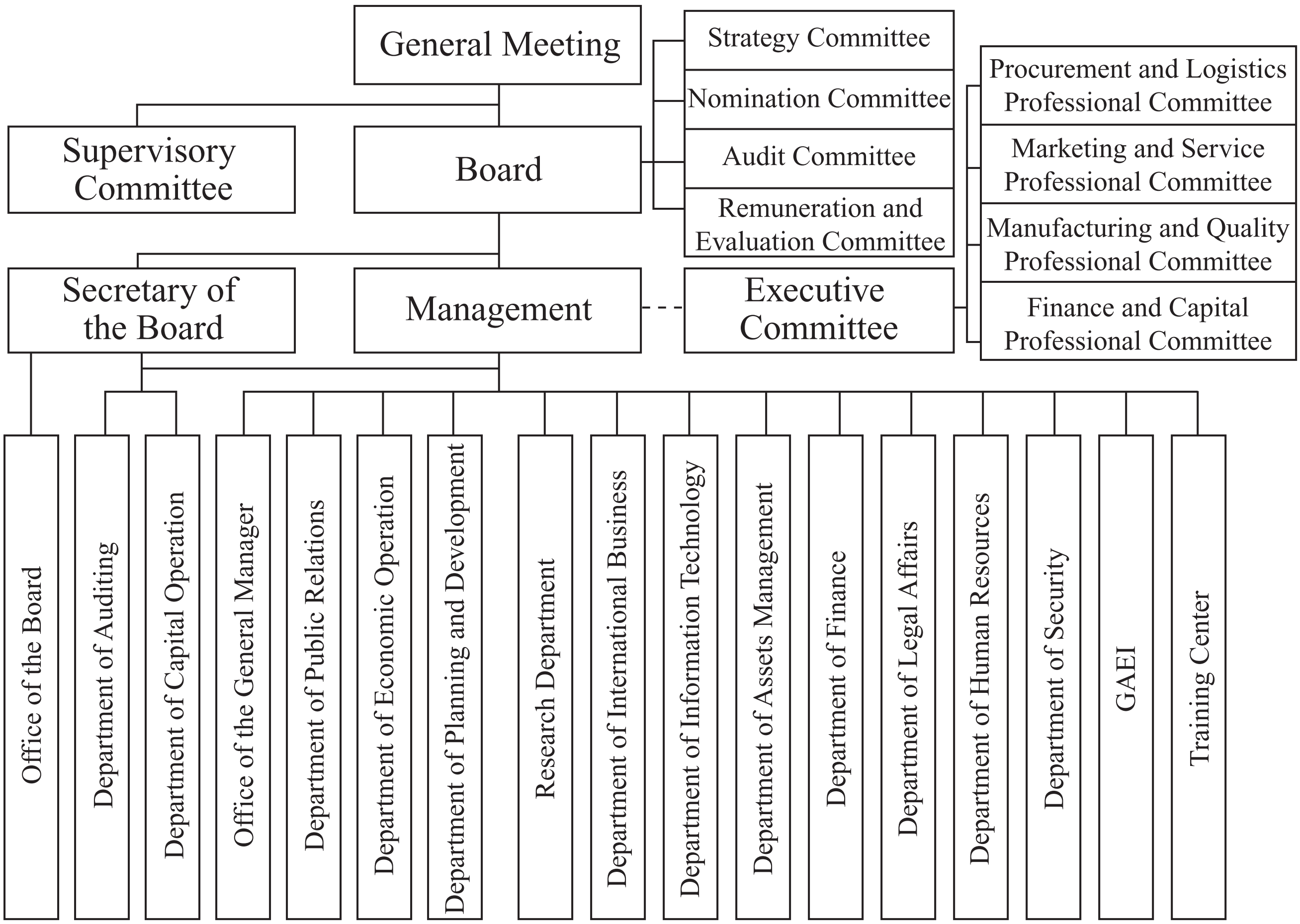
Major works performed in the first half of the year are as follows.

1. Facilitate the innovation and reform of management mechanism and system

With a view to adapt to changes in the external environment and respond to the needs of our business development and sustainable development, in the first half of the year, in pursuing the established overall objective of "spurring development by innovation and reform" by the Board, the Group formulated and proceeded with various works in the innovation and reform of management mechanism and system, completed the adjustment of organizational structure of the Group's headquarter, created an Executive Committee with 4 professional sub-committees to coordinate the development of all business segments and strengthen the Group's strategic collaboration capabilities; 4 functional departments including research department, international business department, information technology department and training center and 1 branch office were established while better delineation of responsibilities of different departments was achieved in promoting labour cost reduction and efficiency enhancement; communication between shareholders and the Board was strengthened and the division of responsibilities in operational level and management were more clearly defined and the management model of the Group on its invested enterprises was optimized which enhanced the management efficiency through the deployment of directors, supervisors and chief financial officer to such enterprises to perfect the corporate governance structure which further enhanced the Group's control and service coordination; the Group also amended systems of investment management and cadre management, decentralized the authority in relation to investment decisions, cadre management and remuneration and appraisal to enable more rapid and flexible response of its enterprises to market movement.

With the implementation of such innovation and reform works, the Company can now break through the bottleneck of the original management mechanism and system, further strengthen the power of execution of the Group and pave a new way for increasing the competitiveness of the Company for sustainable development and breaking new grounds.

Corporate Organizational Structure



2. *Gradually advance production capacity/product planning*

Based on its strategic planning, the Group has gradually advanced the construction of new production capacity and new product development and manufacturing projects of major invested enterprises.

(1) The gasoline engine manufacturing project of 240,000 units annual production capacities and production capacity expansion project of Zengcheng plant of Guangqi Honda officially commenced in May.

(2) The production capacity expansion and new product manufacturing projects of GAC Toyota were approved and land use approval obtained.

(3) 100,000 to 200,000 units production capacity expansion project of GAC passenger vehicles and new products manufacturing projects of A28 and AD2 were approved and manufacturing commenced.

(4) New progress in relation to the production capacity expansion and new products planning of GAC Fiat and the cooperation enhancement with Fiat-Chrysler alliance were achieved.

In addition, plant construction and equipment installation of NR engine capacity expansion project of GAC Toyota Engine were completed and trial-production commenced.

At the same time, the Group launched at different stages various new vehicle models in the first half of the year, such as proprietary brands, Trumpchi SUV GS5 1.8T, sedan GA51.8T, self-developed product of new idea S1 and strategic intermediate vehicle model of Guangqi Honda Crider; it is expected the new Ninth generation Guangqi Honda Accord and new economical sedan of GAC Toyota will be launched in the second half of the year.

The implementation of a series of capacity expansion projects and new product advancement and planning will facilitate the optimization of capacity layout of the Group, expand the scale of production, enrich and improve the Group's product mix, lower production cost to enhance its core competitiveness.

3. *New progress of proprietary research and development and intellectual property*

In the first half of the year, the Group continued to increase investment in research and innovation and capacity building, vigorously expanded the market for its own branded product and achieved new progress in proprietary research and development and building of its own brand.

(1) Various vehicle projects including A28, AD2 and A68 were approved and entered the phase of design and development and power train development projects and other pilot research projects progressed smoothly. Trumpchi SUV GS5 1.8T and GA3 have been put into production, product line of proprietary brand was further enriched, first model of power train GS platform was commissioned successfully and the mass production of 1.6DCVVT engine was ready.

(2) 120 new effective patents were granted to GAEI, of which 59 were invention patents, representing an increase of 167% and 321% compared with the corresponding period of last year; it published 115 technical standards, declared 16 technology projects and reported 14 technology progress awards.

(3) The Group (including major investment companies) applied for 154 new patents and was granted 111 new patents.

4. *New achievements in capital operation*

In the first half of the year, the Group actively seized the capital market dynamics in accordance with the related development diversification concept, continued to optimize domestic and foreign capital operating platform, strengthen capital market financing and construction of capital operation system.

(1) In March, the Group captured favourable market opportunity and timely and successfully issued RMB4 billion corporate bonds; of which RMB1 billion with maturity of 5 years and interest rate of 4.89%; RMB3 billion with maturity of 10 years and interest rate of 5.09%; the issuance of RMB4 billion corporate bonds optimized the financial structure of the Group, lowered its finance costs and effectively supported the development of the Group's operation.

(2) The Group contributed RMB1 billion in the incorporation of GAC Capital on 28 April in an attempt to enter the financial business (including equity investment); accelerate the cultivation of upstream and downstream industries including innovative industries, advanced manufacturing industries and high-end service industry through venture capital investment and capital operation; further perfected the product chain and laid a solid foundation in achieving effective combination of organic growth and external expansion.

5. *Strengthen internal control and risk management*

In order to further improve the Company's internal control and corporate governance standards, the Group continued to refine its internal control management system by combining innovation and reform on management mechanism and system, organizational restructuring of headquarter and regulatory requirements and formulated 11 new systems including the "Accountability System for Material Errors in Information Disclosure in the Annual Report" and amended 8 systems including the "articles of association" and "Management System of deployed Directors and Supervisors" to optimize the Company's internal control system.

Meanwhile, under the requirements of the Basic Principles for Internal Control of Enterprises and the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange, the Group consistently implemented internal control and risk management work, formulated the internal control and risk management plan for 2013, pursuant to which the Group updated the internal control documents of the Company's headquarter and investee companies, systemized the internal control procedures and developed the list of risks. On 20 March and 27 April 2013, the Company engaged Ernst & Young (China) Advisory Limited to provide practical training on internal control to internal control personnel of investee companies within the Group and carry out evaluation on internal control and risk assessment as planned, thereby further strengthening our internal control and risk prevention.

6. *Standardize information disclosure to strengthen investor relations management*

In compliance with regulatory requirements of the Chinese and overseas listing rules and the principle of strict information disclosure, the Group further standardized the information disclosure system and registered insider information and made relevant announcements in a timely manner when dealing with sensitive materials.

In the first half of the year, the Group uploaded a total of 46 regular reports and ad hoc announcements to the Hong Kong Stock Exchange and a total of 54 regular reports and ad hoc announcements to the SSE, which ensured a timely, fair, accurate and complete information disclosure of the Company's operation.

The Group insists on working out the principle of "transparency, openness and truthfulness" and established various communication channels while ensuring the quality of information disclosure, actively conducted various type of investor relations activities and communicated with investors.

During the reporting period, the Group has organized 1 large scale domestic and overseas roadshow, 1 investor open day; arranged about 52 telephone conferences for institutional investors and global analysts and 1 automobile show; attended 3 domestic and overseas investor forums; receptions of about 30 visits by investors and analysts from investment institutions in its ordinary course of business and receptions for more than 300 persons through various ways.

7. *Strengthen building of corporate culture and fulfill social responsibility*

Adhering to its corporate philosophy of "people as foundation, integrity as principle, innovation as priority", the Group cares for its employees and the society, actively fulfills its social responsibilities, supports social welfare activities and promotes social harmony.

(1) The Group continues to advance the construction of education training system and put up a management, curriculum and teacher system for training; implemented a diversified internal and external on-the-job training for management staff and production workers, while it supported and encouraged employees to use their spare time to learn and improve, the Group and its investing companies have completed the training for 144,800 staff.

(2) The Group and its major investee companies actively participated in social welfare activities in relation to environmental protection, traffic safety and aid and relief programs such as the large environmental protection and social welfare activity "Thanksgiving Guangdong" (感恩東江) organized by Guangdong Provincial Environmental Protection Foundation, "Giving a Helping Hand Day Guangdong" (廣東扶貧濟困日), "One-to-one Charity" (對口幫扶工程), and gave donations to the earthquake-stricken area in Sichuan Ya'an and "safety in China"(安全中國行)". The Group and its investee companies so far invested approximately RMB24.2126 million in aggregate into various social welfare activities.

(3) In the first half of the year, the Group has been awarded the ''Guangdong Poverty Alleviation Hongmian Copper Cup'' by the Leading Group of Poverty Alleviation Development of Guangdong Province; GAC Toyota, the major investee of the Group, and GAMC have been awarded environmental protection and social responsibilities related prizes of the "2013 Exemplary low-carbon Chinese Company" and "Outstanding contributions to Environmental Protection Activities" respectively.

IV. DISCUSSION AND ANALYSIS BY THE BOARD ON OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, revenue of the Group together with its JCEs and associated companies amounted to RMB81,767 million, representing an increase of RMB2,951 million or 3.74% as compared to the corresponding period last year.

During the reporting period, revenue of the Group amounted to RMB8,247 million, representing an increase of 50.44% as compared to the corresponding period last year; net profit attributable to owners of the parent company amounted to RMB1,219 million, representing a decrease of 17.75%. Earnings per share amounted to RMB0.19, representing a decrease of 20.83% compared to the corresponding period last year.

The major factors leading to variation of results during the reporting period included new joint JCEs were at their start-up stage and the production capacity of which was not adequately utilized and efficiency took time to achieve. While at the same time, Trumpchi SUV GS5 of the Group achieved stable growth in sales and significant improvement in results; sales volume of major JCEs of the Group has gradually recovered and results were basically back to the level of the corresponding period of last year; rapid development was seen in new businesses such as automobile finance and automobile insurance and the effect of industry chain resources integration has gradually emerged.

(1) ANALYSIS ON PRINCIPAL BUSINESS

1. *Analysis on changes of items in the statement of comprehensive income and the cash flow statement*

Unit: RMB100 million

Item	Current period	Corresponding period last year	Change *(%)*
Revenue	82.47	54.82	50.44
Cost of sales	76.15	52.27	45.69
Selling and distribution costs	4.97	3.08	61.36
Administrative expenses	6.61	6.15	7.48
Finance costs	2.95	2.32	27.16
Share of profit of jointly-controlled entities and associates	18.45	21.47	-14.07
Net cash flow arising from operating activities	-4.51	-5.15	12.43
Net cash flow arising from investing activities	-20.38	12.51	-262.91
Net cash flow arising from financing activities	39.32	-1.97	2,095.94

2. *Revenue*

During the reporting period, revenue of the Group amounted to RMB8,247 million, representing an increase of 50.44% compared with the corresponding period last year, mainly due to the Trumpchi SUV GS5 was well-received by the market resulting in sales increase.

3. *Cost of sales and gross profit*

During the reporting period, the cost of sales of the Group amounted to RMB7,615 million, representing an increase of RMB2,388 million or 45.69% compared with the corresponding period last year; gross profit amounted to RMB632 million, representing an increase of RMB377 million or 147.84% compared with the corresponding period of last year.

Gross profit margin increased by 3.01% from 4.65% of last year to 7.66% of this year, mainly due to the increase in sales of the Group's Trumpchi SUV GS5 and decrease in apportionment of fixed costs.

4. *Expense*

(1) Selling and distribution costs increased by RMB189 million compared with the corresponding period last year, mainly due to an increase in advertising and marketing expenses correspondent to the expansion of business scale.

(2) Administrative expenses increased by RMB46 million compared with the corresponding period last year, mainly due to the increase in operation costs, labor costs and research expenditures due to the expansion of the Group's scale.

(3) Finance costs increased by RMB63 million compared with the corresponding period last year, mainly due to the increase in finance expenses resulting from the issuance of corporate bonds by the Group during the reporting period.

5. *Share of profit of jointly-controlled entities and associates*

During the reporting period, share of profit of joint-contolled entities and associates of the Group amounted to RMB1,845million, representing a decrease of RMB302 million as compared with the corresponding period last year, mainly as a result of new JCEs being at their start-up stage and production capacity of which was not adequately utilized and efficiency took time to emerge. While at the same time, major JCEs of the Group have achieved recovery in sales and results were basically back to the level of the corresponding period of last year.

6. *Cash flow*

(1) During the reporting period, net cash outflow used in operating activities amounted to RMB451 million, representing a decreased out flow by RMB64 million as compared with net cash outflow of RMB515 million of the corresponding period last year, mainly due to increased sales in the reporting period which led to an increase in sales proceeds and other cash inflow.

(2) During the reporting period, net cash outflow used in investing activities amounted to RMB2,038 million, representing an increased outflow of RMB3,289 million as compared with net cash inflow of RMB1,251 million of the corresponding period last year, mainly due to the increase in time deposits; the non-recurrence of long-term investment in last year such as the acquisition of share of GAC Changfeng and the construction of new research and development base of GAEI during the reporting period.

(3) During the reporting period, net cash inflow generated from financing activities amounted to RMB3,932 million, representing an increase inflow of RMB4,129 million as compared with net cash outflow of RMB197 million of the corresponding period last year, mainly due to the issuance of RMB4 billion corporate bonds during the reporting period.

(4) As at 30 June 2013, cash and cash equivalent of the Group amounted to RMB10,749 million, representing an increase of RMB1,965 million as compared with RMB8,784 million as at 30 June 2012.

7. *Others*

Earnings per share amounted to RMB0.19, representing a decrease of 20.83% as compared with RMB0.24 of the corresponding period last year, mainly because the Group's net profit attributable to the owners of the Company was RMB1,219 million, representing a decrease by 17.75% as compared with the corresponding period last year, and because of the increase in weighted average number of shares compared with the corresponding period of last year.

(2) ANALYSIS ON INDUSTRY OR REGIONAL OPERATION

1. *Principal businesses by industry*

Unit: RMB100 million

Industry	Revenue	Cost of sales	Profit margin (%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in profit margin as compared with last year (%)
Vehicles and related operations	80.02	74.08	7.42	48.38	43.54	3.12
Others	2.45	2.07	15.51	175.28	213.64	-10.33
Total	82.47	76.15	7.66	50.44	45.69	3.01

2. *Principal businesses by region*

Unit: RMB100 million

Region	Revenue	Change in revenue as compared with last year (%)
Mainland China	82.46	50.45
Hong Kong	0.01	0.00
Total	82.47	50.44

(3) ANALYSIS ON ASSETS AND LIABILITIES

1. *Table of assets and liabilities analysis*

Unit: RMB100 million

Item	Balance at the end of the current period	Balance at the end of the period to total assets *(%)*	Balance at the end of previous year	Balance at the end of previous year to total assets *(%)*	Change *(%)*
Property, plant and equipment	61.67	11.16	59.27	11.99	4.05
Land use rights	10.57	1.91	10.65	2.15	–0.75
Intangible assets	31.59	5.72	30.76	6.22	2.70
Investment in jointly controlled entities and associates	170.18	30.79	168.82	34.15	0.81
Deferred income tax assets	5.73	1.04	5.68	1.15	0.88
Prepayments	14.65	2.65	13.96	2.82	4.94
Inventories	15.81	2.86	13.97	2.83	13.17
Trade and other receivables	30.73	5.56	33.03	6.68	–6.96
Time deposits	91.10	16.48	55.59	11.25	63.88
Cash and cash equivalents	107.49	19.45	93.16	18.85	15.38
Trade and other payables	75.94	13.74	63.94	12.93	18.77
Borrowings	140.12	25.35	102.91	20.82	36.16

2. *Explanation on the changes*

(1) Time deposits and cash and cash equivalents: mainly due to the issuance of RMB4 billion corporate bonds and the decrease in investment expenses during the reporting period;

(2) Borrowings: mainly due to the issuance of RMB4 billion corporate bonds during the reporting period.

(4) ANALYSIS ON FINANCIAL POSITION

1. *Financial indicators*

As at 30 June 2013, the Group's current ratio was 1.52 times, representing a decrease from 2.25 times as at 31 December 2012; quick ratio was 1.37 times, representing a decrease from 2.01 times as at 31 December 2012, mainly due to debenture issued by the Group with nominal value of RMB6,700 million will mature within 1 year and was reclassified to current liabilities.

2. *Financial resources and capital structure*

As at 30 June 2013, the Group's current assets amounted to RMB25,414 million, current liabilities amounted to RMB16,690 million and current ratio was 1.52 times. As at 30 June 2013, the Group's total borrowings amounted to RMB14,012 million, mainly consisted of debenture issued by the Group with nominal value of RMB6,700 million, corporate bonds issued by the Group with nominal value of RMB600 million, corporate bonds issued by the Group with nominal value of RMB4 billion and loans from bank and financial institutions amounting to RMB2,783 million, which resulted in a gearing ratio of 29.74%. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

3. *Foreign exchange risk*

As the Group mainly conducts its business in the PRC and the sales and purchases of the Group in the PRC were denominated in RMB. The Group's operating results and cash flow were not exposed to any foreign currency risk during the reporting period.

4. *Contingent liabilities*

As at 30 June 2013, third-party guarantee committed by the Group amounted to RMB5,666,667, whereas that as at 31 December 2012 was RMB7,366,667; as at 30 June 2013, financial guarantee of the Company for its subsidiaries amounted to RMB0, whereas that as at 31 December 2012 was RMB0.

(5) ANALYSIS ON CORE COMPETITIVENESS

1. *Complete production chain*

After years of strategic development, the Group has established a complete production chain centring upon manufacture of vehicles and covering research and development and parts and components in the upper stream and trading, finance, insurance, leasing and logistics of automobiles in the lower stream, and has become one of the automobile groups having the most integrated production chain in China. The Group recorded greater profit contribution from businesses related to automobile in the upper and lower stream and is fostering profit growth points.

2. *Advanced technology and management*

Amid intensified market competition and years of jointly-controlled entities cooperation, the Group accumulated abundant experience in development, production, quality control and marketing services and established modernized process management systems and production operation mechanisms which provided the Group with comprehensive competitive advantages.

3. *Domestic and overseas dual capital operation platform*

The domestic and foreign financing channels placed the Group in a good position to grow its capital through capital and financial instruments from various channels and maximize capital return while facilitating the development of main operation.

V. SIGNIFICANT EVENTS

(1) Profit distribution

1. *Implementation of profit distribution plan during the reporting period*

During the reporting period, the Company approved the profit distribution plan for 2012 (i.e. final dividend for the year 2012), a cash dividend of RMB0.02 (tax inclusive) per share will be distributed to all shareholders and the profit distribution was completed before 26 July 2013.

2. *Declared half-year profit distribution plan*

The Board declared a cash dividend of RMB0.06 per share (tax inclusive) to all shareholders.

(2) Production Safety

The Group adhered to the guidelines of safety first, focus on prevention, comprehensive control, strictly implemented accountability system for production safety and performed duties of supervising and instructing respective investment enterprises on their safety management. During the first half of the year, no production safety accidents of serious injury or worse occurred among the Group and the respective investment enterprises. In general, the "safe-production" condition remained stable.

(3) Environmental Protection

Working towards the targets of energy saving, consumption reduction, pollution reduction and efficiency enhancement, the Group carried out a wide range of energy saving and emission reduction activities. During the first half of the year, the Group had no circumstances that fell short of environmental standards.

(4) Remuneration policy and legal rights of employees

As of 30 June 2013, the number of registered employees of the Group (including its major joint ventures) amounted to 35,175.

The Group has put much emphasis on research and analysis of market remuneration data and strives to offer reasonable and competitive salaries for its employees. The Group always advocated the implementation of performance-linked-remuneration policy and improved incentive and constraint mechanism. By more focusing on the key management and professional technical positions, it is able to attract, encourage and retain the talented personnel, promoting the sustainable growth of our performance; the Group is also concerned about the establishment and improvement of employee benefits system, the Group readjusted and amended the "employee salaries and benefits management system" combining the innovation and reform works in the first half of the year, further reflected and protected the interests of employees; and apart from making timely contributions to social insurance, housing provident funds and other statutory benefit schemes, certain investee companies of the Group have established and improved their benefits systems, including supplementary medical insurance, supplementary pension insurance or enterprise annuity systems.

(5) Material litigations, arbitrations and matters generally questioned by the media

During the reporting period, the Company was not involved in any material litigation, arbitration or matters generally questioned by the media.

(6) Matters relating to insolvency or restructuring

The Company did not have any matter relating to insolvency or restructuring during the reporting period.

(7) Transaction of assets and combination of business

Business Combinations

Merger Project of Guangzhou Auto Group Corporation (please refer to the two overseas regulatory announcements of the Company dated 27 August 2012): Pursuant to the planning, Creditors Notice was published in January 2013 and subsequent works have been carried out in accordance with related laws and regulations, including tax and cancellation of business registration of Guangzhou Auto Group Corporation and foreign investment approval and change of business of Guangqi Honda. Deregistration of Guangzhou Auto Group Corporation was completed in mid-April.

(8) Implementation of the share option incentive scheme and its effects

On 29 February 2012, the "Scheme of H Share Appreciation Rights of Guangzhou Automobile Group Co., Ltd." was reviewed and approved at the first extraordinary general meeting of the Company in 2012. On the same date, as considered and passed at the 53rd meeting of the second session of the Board, the Company officially implemented the initial grant of the H share appreciation rights.

During the reporting period, there was no change in the said share option incentive scheme.

(9) Material contracts and their performance

1. *Trusts, contracts and lease arrangements which contribute 10% or more of the total profit of the Company for the period*

   (1) Custody

   During the reporting period, the Company had no custody.

   (2) Contracting

   During the reporting period, the Company had no contracting.

   (3) Leases

   During the reporting period, the Company had no leases.

2. *Guarantee*

Unit: RMB

External Guarantee of the Company (excluding those provided to subsidiaries)											
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	The guarantee is fully performed	Overdue	Is counter guarantee available	Guarantee provided to the related parties
GAC Bus	Wholly-owned subsidiaries	韶關市公共汽車公司	10,200,000	20 July 2011	16 February 2012	16 February 2015	Suretyship of joint and several liability	No	No	No	No
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)							0				
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)							5,666,667				

3. *Other material contracts*

During the reporting period, the Company had no other material contracts.

(10) Corporate governance

The Group strictly complied with the requirements relating to corporate governance under the "Company Law", the "Securities Law", "Corporate Governance Guidelines of Listed Companies", "Listing Rules of the Shanghai Stock Exchange", "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" and its Appendix "Corporate Governance Code". The Group has established relatively sound governance structure, and to adopt to the need of sustainable development, further enhanced management structure, standardised operations and established new systems and mechanisms through innovation and reform.

During the reporting period, a total of 1 general meeting, 10 Board meetings, 2 meetings of the Supervisory Committee were held, and the procedures of the convening, holding and considering and voting for meetings have been in strict compliance with the Articles of Association and rules of proceedings.

During the operation decision-making process, the special committees of the Board fully played their roles. During the reporting period, a total of 2 Strategy Committee meetings, 2 Audit Committee meetings and 1 Remuneration and Evaluation Committee meeting and 1 Nomination Committee meeting were held, which provided effective decision-making support for the investments in significant projects and personnel nomination and dismissal, and provided active and effective recommendations and advices for the preparation of periodic reports in compliance with applicable regulations and the continuous improvement of internal control mechanism of the Company.

During the reporting period, the Company implemented relevant systems such as the Accountability System for Material Errors in Information Disclosure in the Annual Report of GAC Group, Management System for Dispatched Directors and Supervisors of GAC Group and Chief Executive Officer to be based in GAC Group for management, which further improved the basic management system of the Company and laid a solid foundation for the continuous enhancement in operation efficiency and management standard through corporate governance.

In addition, in accordance with the requirement of Basic Principles for Internal Control of Enterprises and Guidelines of SSE for the Internal Control of Listed Companies, the Company continued to execute work on internal control and risk management during the reporting period. The Company implemented internal control and risk management plan for 2013, and updated the internal control documents for the Company's headquarter and invested companies according to the plan, which refined the internal control processes and formulated risk list, and engaged Ernst & Young (China) Advisory Limited to provide develop specific training in respect of internal control to each of the invested enterprise.

During the reporting period, the Company has been in full compliance with the Corporate Governance Code under the Listing Rules.

The Company has adopted the Model Code for "Securities Transactions by Directors of Listed Issuers" of the Listing Rules. After making specific enquiries with all Directors by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the reporting period.

VI. CHANGES IN SHARES AND SHAREHOLDERS

(I) Statement of changes in share capital

Statement of changes in shares

During the reporting period, there was no change to the total number of shares and share capital structure of the Company.

(II) Purchase, sale or redemption of listed securities of the Company

The Company had not redeemed any of its listed securities during the reporting period. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the reporting period.

VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes of shareholding

There was no change in shareholding held by incumbent and resigned directors, supervisors and senior management of the Company during the reporting period.

(II) Movement in Directors, Supervisors and Senior Management of the Company

Due to change in organisational structure, movements in some positions at management level are as follows:

Name	Position	Change
Yuan Zhongrong	Standing Deputy General Manager	Dismissed, and appointed as deputy Chairman of the Company and deputy manager of the executive committee of the Company
Fu Shoujie	Director, Deputy General Manager	Resigned from all duties due to job relocation
Feng Xingya	Standing Deputy General Manager	Appointed as deputy manager of the executive committee of the Company
Zhang Qingsong	Deputy General Manager	Appointed as deputy manager of the executive committee of the Company
Huang Xiangdong	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Wu Sung	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Liu Wei	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Qu Yongjian	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company

Name	Position	Change
Chen Maoshan	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Lai Boyi	Supervisor	Elected in staff representative committee election
Ye Ruiqi	Supervisor	Resigned as not elected in staff representative committee election

Note: Fu Shoujie was the Director of the 3rd session of Board, and was appointed as Deputy General Manager of the Company on 3 June 2013. Due to change in organisational structure, he submitted his resignation on 1 August 2013, and resigned all his duties of the Company (including the invested enterprises). Please refer to the announcement of the Company dated 1 August 2013 for details.

(III) Others

As at 30 June 2013, the interests of the directors, supervisors and senior management of the Company in the shares of the Company and its associated corporations (as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") of the Listing Rule, to be notified to the Company and the Hong Kong Stock Exchange, were as follows (unit: share):

Name	Capacity	Number of shares held at the reporting period	Number of shares held at the end of reporting period	Increase/ decrease during the reporting period
Gao Fusheng	Supervisor	87	87	0
Yao Yiming	Deputy General Manager	536,597	536,597	0

VIII. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Interim consolidated statement of comprehensive income

		Unaudited	
		Six months ended 30 June	
	Note	**2013**	2012
		RMB'000	*RMB'000*
Revenue	*6*	**8,247,265**	5,481,982
Cost of sales		**(7,615,291)**	(5,226,906)
Gross profit		**631,974**	255,076
Selling and distribution costs		**(496,794)**	(307,647)
Administrative expenses		**(660,547)**	(614,683)
Interest income		**100,560**	48,202
Other gains – net		**37,466**	30,570
Operating losses	*7*	**(387,341)**	(588,482)
Finance costs	*8*	**(294,893)**	(231,938)
Interest income		**31,728**	55,609
Share of profit of jointly-controlled entities and associates	*12*	**1,844,554**	2,147,445
Profit before income tax		**1,194,048**	1,382,634
Income tax (expense)/credit	*9*	**(32,048)**	66,320
Profit for the period		**1,162,000**	1,448,954
Other comprehensive income			
Items that will be reclassified to profit or loss -			
Losses from changes of fair value of available-for-sale financial assets, net of tax		**(804)**	(602)
Total comprehensive income for the period		**1,161,196**	1,448,352

	Note	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000
Profit/(loss) attributable to:			
– owners of the Company		**1,219,179**	1,481,605
– non-controlling interests		**(57,179)**	(32,651)
		1,162,000	1,448,954
Total comprehensive income/(loss) attributable to:			
– owners of the Company		**1,218,697**	1,481,244
– non-controlling interests		**(57,501)**	(32,892)
		1,161,196	1,448,352
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– basic and diluted	*10*	**0.19**	0.24
Dividends	*11*	**386,101**	450,451

Interim consolidated balance sheet

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Land use rights		**1,056,799**	1,064,581
Property, plant and equipment		**6,166,596**	5,927,416
Investment properties		**45,277**	30,580
Intangible assets		**3,158,797**	3,076,492
Investments in jointly-controlled entities and associates	*12*	**17,018,198**	16,881,951
Deferred income tax assets		**573,115**	567,622
Available-for-sale financial assets		**299,558**	144,099
Held-to-maturity investments		**71,653**	71,175
Prepayment		**1,464,852**	1,395,654
		29,854,845	29,159,570
Current assets			
Inventories		**1,580,978**	1,397,419
Trade and other receivables	*13*	**3,072,876**	3,303,090
Available-for-sale financial assets		**465,000**	–
Financial assets at fair value through profit or loss		**13,190**	31,455
Time deposits		**9,109,686**	5,558,589
Restricted cash		**423,480**	667,952
Cash and cash equivalents		**10,748,855**	9,315,874
		25,414,065	20,274,379
Total assets		**55,268,910**	49,433,949
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,435,019**	6,435,019
Other reserves		**10,189,873**	10,190,029
Retained earnings			
– Proposed dividend		–	128,700
– Others		**15,607,502**	14,388,323
		32,232,394	31,142,071
Non-controlling interests		**877,610**	921,760
Total equity		**33,110,004**	32,063,831

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*14*	**18,378**	18,530
Borrowings		**4,926,944**	7,776,084
Deferred income tax liabilities		**16,075**	16,323
Provisions		**37,576**	21,587
Government grants		**469,849**	507,786
		5,468,822	8,340,310
Current liabilities			
Trade and other payables	*14*	**7,575,289**	6,375,740
Current income tax liabilities		**29,701**	139,348
Borrowings		**9,085,094**	2,514,720
		16,690,084	9,029,808
Total liabilities		**22,158,906**	17,370,118
Total equity and liabilities		**55,268,910**	49,433,949
Net current assets		**8,723,981**	11,244,571
Total assets less current liabilities		**38,578,826**	40,404,141

Interim Consolidated Statement of Changes in Equity

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2013	**6,435,019**	**10,190,029**	**14,517,023**	**31,142,071**	**921,760**	**32,063,831**
Comprehensive income						
Profit/(loss) for the year	–	–	**1,219,179**	**1,219,179**	**(57,179)**	**1,162,000**
Other comprehensive income/(loss) – Available-for-sale financial assets – net of tax	–	**(482)**	–	**(482)**	**(322)**	**(804)**
Total comprehensive income/(loss)	–	**(482)**	**1,219,179**	**1,218,697**	**(57,501)**	**1,161,196**
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Dividend declared by the Company and subsidiaries	–	–	**(128,700)**	**(128,700)**	**(17,500)**	**(146,200)**
Others	–	**316**	–	**316**	**268**	**584**
Total contributions by and distributions to equity holders of the Company	–	**316**	**(128,700)**	**(128,384)**	**(17,232)**	**(145,616)**
Contribution from non-controlling shareholders of subsidiaries	–	**10**	–	**10**	**30,583**	**30,593**
Total transactions with owners	–	**326**	**(128,700)**	**(128,374)**	**13,351**	**(115,023)**
Balance as at 30 June 2013	**6,435,019**	**10,189,873**	**15,607,502**	**32,232,394**	**877,610**	**33,110,004**
Balance as at 1 January 2012	6,148,057	7,869,317	15,192,198	29,209,572	976,052	30,185,624
Comprehensive income						
Profit/(loss) for the period	–	–	1,481,605	1,481,605	(32,651)	1,448,954
Other comprehensive income/(loss) – Available-for-sale financial assets – net of tax	–	(361)	–	(361)	(241)	(602)
Total comprehensive income/(loss)	–	(361)	1,481,605	1,481,244	(32,892)	1,448,352
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Issue of new shares	286,962	2,246,621	–	2,533,583	–	2,533,583
Appropriation to reserve fund	–	72,135	(72,135)	–	–	–
Dividend declared by the Company and subsidiaries	–	–	(1,287,004)	(1,287,004)	(13,464)	(1,300,468)
Total contributions by and distributions to equity holders of the Company	286,962	2,318,756	(1,359,139)	1,246,579	(13,464)	1,233,115
Disposal of subsidiaries	–	–	–	–	(127)	(127)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	7,900	7,900
Total transactions with owners	286,962	2,318,756	(1,359,139)	1,246,579	(5,691)	1,240,888
Balance as at 30 June 2012	6,435,019	10,187,712	15,314,664	31,937,395	937,469	32,874,864

Notes to the interim consolidated financial statements

1 General information

Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and auto parts.

The registered address of the Company is 23/F, Chengyue Building, No. 448-No. 458, Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong, the PRC.

The Company was established in June 1997 as a limited liability company in the PRC. In June 2005, the Company underwent a reorganisation and transformed itself into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserve as of 30 June 2004 into 3,499,665,555 shares at RMB 1 each. In 2009, the Company issued additional 435,091,902 shares at par value of RMB1 each to all its shareholders. After the capital injection and as of 31 December 2009, the Company's total issued domestic shares were 3,934,757,457 shares.

The Company privatised Denway Motors Limited ("Denway") by issuance of 2,213,300,218 foreign shares on 27 August 2010. Thereafter, Denway became a wholly-owned subsidiary of the Company. The Company's 2,213,300,218 newly issued shares were then listed on the HKSE by way of Introduction on 30 August 2010.

The Company previously held 29% interests in GAC Changfeng Motor Co., Ltd. ("GAC Changfeng", which was listed on the Shanghai Stock Exchange ("SSE")), an associate of the Company, and was the largest shareholder of GAC Changfeng. According to the approval of the Company's shareholders' meeting and China Securities Regulatory Commission, the Company paid a cash consideration totalling RMB 2,409,409,738 to the second largest shareholder of GAC Changfeng, Changfeng Group Limited Company, and the third largest shareholder, Mitsubishi Motors Corporation, to acquire 36.57% interests in GAC Changfeng held by these two companies in 2012. Up to 23 March 2012, the Company has issued 286,962,422 A shares in exchange for 34.43% interests in GAC Changfeng held by the remaining shareholders and then GAC Changfeng was delisted. Upon the above arrangement became effective, GAC Changfeng became a wholly owned subsidiary of the Company. On 29 March 2012, the 286,962,422 new shares issued by the Company were listed on the SSE.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB") Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 29 August 2013.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with HKAS 34, 'Interim financial reporting'.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

3 Accounting policies

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those described in the annual financial statements for the year ended 31 December 2012.

Taxes on income in the interim periods have been accrued using the tax rate that would be applicable to the estimated annual earnings.

(a) The following new standards and amendments, revisions and interpretations to existing standards are mandatory for the first time for the financial year beginning 1st January 2013:

Standards/interpretations	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Investment in associates and jointly-controlled entities	1 January 2013
HKFRS 1 (Amendment)	First-time adoption-Government Loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
Annual Improvements	Annual Improvements 2009-2011 Cycle	1 January 2013

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

HKFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. The Group has included the disclosures for financial assets and non-financial assets.

As a result, the adoption of above new standards and amendments, revisions and interpretation to existing standards does not have material impact on the results and financial position of the Group.

(b) The following new or revised standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

Standards/interpretations	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Consolidated financial statements, disclosure of interests in other entities and separate financial statements	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HK(IFRIC)-Int21	Levies	1 January 2014

The Group has already commenced an assessment of the impact of these new or revised standards and amendments to determine whether there will be any substantial change to the Group's accounting policies and financial information presented.

4 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, except for the new issuance of RMB4 billion corporate bonds during the period, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
– Trading debt investments	**10,965**	**–**	**–**	**10,965**
– Fund investments	**2,225**	**–**	**–**	**2,225**
Available-for-sale financial assets				
– Bond investments	**237,135**	**–**	**–**	**237,135**
– Fund investments	**62,423**	**–**	**–**	**62,423**
– Wealth management products	**–**	**–**	**465,000**	**465,000**
Total assets	**312,748**	**–**	**465,000**	**777,748**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
– Trading debt investments	29,230	–	–	29,230
– Fund investments	2,225	–	–	2,225
Available-for-sale financial assets				
– Bond investments	144,099	–	–	144,099
Total assets	175,554	–	–	175,554

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

6. Segment information

The chief operating decision-makers have been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors considered the nature of the Group's business and determined that the Group has reportable operating segments as follows:

Vehicles and related operations segment-production and sale of a variety of passenger vehicles, commercial vehicles, automotive parts and related operations.

Others mainly comprise production and sale of motorcycles, automobile finance and insurance business.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	Vehicles and related operations	**Others**	**Eliminations**	**Unallocated**	**Consolidated**
	RMB' 000	*RMB'000*	*RMB' 000*	*RMB' 000*	*RMB' 000*
Six months ended 30 June 2013					
Total segment revenue	**8,015,658**	**272,295**	**(40,688)**		**8,247,265**
Inter-segment revenue	**(13,428)**	**(27,260)**	**40,688**		**–**
Revenue (from external customers)	**8,002,230**	**245,035**	**–**		**8,247,265**
Segment results	**(308,276)**	**(47,718)**	**–**		**(355,994)**
Unallocated income-Headquarter interest income				**66,333**	**66,333**
Unallocated costs-Headquarter expenditure				**(97,680)**	**(97,680)**
Operating losses					**(387,341)**
Finance costs	**(92,569)**	**(1,143)**	**–**	**(201,181)**	**(294,893)**
Interest income	**16,090**	**2,495**	**–**	**13,143**	**31,728**
Share of profit of jointly-controlled entities and associates	**1,760,475**	**84,079**	**–**	**–**	**1,844,554**
Profit before income tax					**1,194,048**
Income tax (expense)/credit	**(25,374)**	**4,744**	**–**	**(11,418)**	**(32,048)**
Profit for the period					**1,162,000**

	Vehicles and related operations *RMB' 000*	Others *RMB'000*	Eliminations *RMB' 000*	Unallocated *RMB' 000*	Consolidated *RMB' 000*
For six months ended 30 June 2012					
Total segment revenue	5,400,738	120,997	(39,753)		5,481,982
Inter-segment revenue	(7,794)	(31,959)	39,753		–
Revenue (from external customers)	5,392,944	89,038	–		5,481,982
Segment results	(459,112)	(17,297)	(21,258)		(497,667)
Unallocated income-Headquarter interest income				47,772	47,772
Unallocated costs-Headquarter expenditure				(138,587)	(138,587)
Operating losses					(588,482)
Finance costs	(80,792)	(84)	–	(151,062)	(231,938)
Interest income	10,438	688	–	44,483	55,609
Share of profit of jointly-controlled entities and associates	2,087,322	60,123	–	–	2,147,445
Profit before income tax					1,382,634
Income tax credit/(expense)	69,955	(431)	–	(3,204)	66,320
Profit for the period					1,448,954

	Vehicles and related operations ***RMB' 000***	**Others** ***RMB' 000***	**Eliminations** ***RMB' 000***	**Unallocated** ***RMB' 000***	**Consolidated** ***RMB' 000***
Total assets					
At 30 June 2013	**35,653,336**	**5,113,841**	**(1,202,817)**	**15,704,550**	**55,268,910**
At 31 December 2012	34,135,580	4,375,091	(1,227,708)	12,150,986	49,433,949
Total liabilities					
At 30 June 2013	**11,339,589**	**780,093**	**(1,190,259)**	**11,229,483**	**22,158,906**
At 31 December 2012	10,484,526	780,928	(1,166,630)	7,271,294	17,370,118

7 Operating losses

The following items have been charged/(credited) to the operating losses during the period:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Depreciation and amortisation	**414,592**	288,204
Impairment charges on intangible assets	**5**	–
Impairment of inventory	**40,876**	4,198
Reversal of provision for impairment loss for trade and other receivables	**(2,193)**	(794)
Staff costs	**809,844**	587,719
Gain on diposal of property, plant and equipment	**(3,611)**	(613)
Government grants	**(41,518)**	(51,896)
Donation	**10,936**	4,582

8 Finance costs

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Interest for borrowings from bank and other financial institutions	**284,166**	212,201
Others	**10,727**	19,737
	294,893	231,938

9 Income tax expense/(credit)

The amount of taxation charged to the interim consolidated statement of comprehensive income:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**37,767**	38,462
Deferred income tax	**(5,719)**	(104,782)
	32,048	(66,320)

10 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during each period. During the relevant periods, there were no potential dilutive ordinary shares, diluted earnings per share was equal to the basic earnings per share.

11 Dividend

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Interim dividend declared: RMB0.06 (2012: RMB0.07)	**386,101**	450,451

There was no dividend paid (2012: RMB6,715,000) for the six months ended 30 June 2013.

In addition, an interim dividend of RMB0.06 per share (2012: RMB0.07) was declared by the board of directors on 29 August 2013. This interim dividend, amounting to approximately RMB386,101,000 (2012: RMB450,451,000), has not been recognized as a liability in this interim financial information.

12 Investments in jointly-controlled entities and associates

	As at	
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Investments in jointly-controlled entities	**12,360,832**	12,313,895
Investments in associates	**4,657,366**	4,568,056
	17,018,198	16,881,951

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Share of profit of jointly-controlled entities	**1,400,849**	1,720,207
Share of profit of associates	**443,705**	427,238
	1,844,554	2,147,445

12.1 Investments in jointly-controlled entities

(a) Movements of investments in jointly-controlled entities are set out as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
At beginning of the period	**12,313,895**	9,284,474
Additions	**184,500**	3,345,740
Share of profit	**1,395,856**	1,730,194
Dividend declared	**(1,533,419)**	(2,178,292)
End of the period	**12,360,832**	12,182,116

(b) The following amounts represent the Group's share of the assets and liabilities (excluding goodwill), and income and expenses of the jointly-controlled entities.

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Assets		
Non-current assets		
– Property, plant and equipment	**8,750,280**	8,356,861
– Other non-current assets	**2,409,989**	2,295,694
	11,160,269	10,652,555
Current assets		
– Inventories	**2,533,353**	2,349,445
– Trade and other receivables	**7,258,999**	7,125,643
– Other current assets	**8,801,560**	7,849,310
	18,593,912	17,324,398
Total assets	**29,754,181**	27,976,953

	As at	
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Liabilities		
Non-current liabilities		
– Borrowings and other non-current liabilities	**2,094,295**	1,779,423
Current liabilities		
– Trade and other payables	**12,121,080**	11,773,285
– Borrowings	**5,922,469**	4,459,333
– Other current liabilities	**541,256**	532,523
	18,584,805	16,765,141
Total liabilities	**20,679,100**	18,544,564
Net assets	**9,075,081**	9,432,389
Less: Non-controlling interests	**(11,968)**	(13,787)
	9,063,113	9,418,602

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Income	**28,315,585**	26,912,200
Cost of sales	**(23,495,902)**	(22,050,208)
Other expenses	**(3,425,876)**	(3,132,498)
Profit after income tax	**1,393,807**	1,729,494
Add: Loss shared by non-controlling interests	**2,049**	700
	1,395,856	1,730,194
Add/(less): Impact of unrealised profit arising from transactions between the Group and jointly-controlled entities	**4,993**	(9,987)
Share of profit of jointly-controlled entities	**1,400,849**	1,720,207

12.2 Investments in associates

(a) Movements of investments in associates are set out as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
At beginning of the period	**4,568,056**	5,097,755
Additions	**142,792**	52,965
Disposals	**–**	(1,040,842)
Share of profit	**443,705**	427,238
Dividend declared	**(497,187)**	(573,461)
End of the period	**4,657,366**	3,963,655

(b) The combined results, total assets and liabilities of the Group's associates are as follows:

	As at	
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Total assets	**21,440,123**	19,802,688
Total liabilities	**(8,697,813)**	(7,232,150)
Net assets	**12,742,310**	12,570,538

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Revenue	**16,586,731**	18,246,852
Profit after tax	**1,290,200**	1,406,487

13 Trade and other receivables

Sales of passenger vehicles were normally made with advance payment. Sales of other products were made on credit terms ranging from 2 to 170 days.

As at 30 June 2013 and 31 December 2012, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Trade receivables		
Within 3 months	**689,086**	610,317
Between 3 months and 1 year	**622,198**	402,522
Between 1 and 2 years	**21,327**	23,325
Between 2 and 3 years	**3,489**	3,243
Over 3 years	**132,698**	134,176
	1,468,798	1,173,583
Less: Provision for impairment	**(136,301)**	(137,655)
Trade receivables-net	**1,332,497**	1,035,928

14 Trade and other payables

As at 30 June 2013 and 31 December 2012, the ageing analysis of the trade payables is as follows:

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Trade payables		
Within 1 year	**3,743,210**	2,771,967
Between 1 and 2 years	**49,198**	37,959
Between 2 and 3 years	**957**	3,612
Over 3 years	**6,279**	3,705
	3,799,644	2,817,243

(IX)DEFINITION

In this announcement, unless the context otherwise requires, all terms used shall have the following meaning:

"Company" or "GAC Group"	Guangzhou Automobile Group Co., Ltd.(廣州汽車集團股份有限公司)
"Board"	the board of Directors
"associated companies"	all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
"Company Law"	Company Law of the PRC
"GAC Bus"	Guangzhou Automobile Group Autobus Co., Ltd (廣州汽車集團客車有限公司) (formerly known as Guangzhou Denway Bus Co., Ltd (廣州駿威客車有限公司)), a company incorporated on 18 January 1993 under PRC law and a wholly-owned subsidiary of the Company
"GAC Capital"	GAC Capital Co., Ltd.(廣汽資本有限公司), a subsidiary incorporated in March 2013, in which the Company holds 100% equity interest
"GAC Changfeng"	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co. Ltd. (湖南長豐汽車製造股份有限公司)), a company incorporated in November 1996 under PRC Law, in which the Company currently holds 100% equity interest
"GAC Commercial"	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a company incorporated on 21 March 2000 under PRC law and a wholly-owned subsidiary of the Company
"GAC Component"	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), which was incorporated on 29 August 2000 under PRC law and which is directly owned as to 51% by the Company and is asubsidiary of the Company
"GAC Fiat"	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a JCE incorporated on 9 March 2010 under PRC law by Fiat Group Automobiles S.P.A. and the Company, in which the Company holds 50% equity interest

"GAC Gonow"	GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a company incorporated on 8 December 2010 under PRC Law, in which the Company holds 51% of its equity interest
"GAC Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a JCE incorporated on 28 November 2007 under PRC law by the Company and Hino, in which the Company holds 50% equity interest
"GAC Mitsubishi"	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a JCE incorporated on 25 September 2012 under PRC law held by the Company and Mitsubishi. The Company holds 50% equity interest in it
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a JCE incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO), in which the Company holds 50% equity interest
"GAC Toyota"	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a company incorporated on 1 September 2004 under PRC law, which is a JCE held by the Company and Toyota. The Company holds 50% equity interest in GAC Toyota
"GAC Toyota Engine"	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004, in which the Company holds 30% equity interest
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, an affiliate of our Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which our Company has proprietary right
"GAMC"	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a company incorporated on 21 July 2008 under PRC law and a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Guang Ai Insurance Brokers"	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a company incorporated on 7 June 2006, in which the Company holds 75.1% equity interest

"Guangqi Honda"	Guangqi Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co. Ltd (廣州本田汽車有限公司)), a company incorporated on 13 May 1998 under PRC law, which is a JCE held by the Company and Honda
"HAVECO"	Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司), a JCE incorporated on 26 September 1996 under PRC Law, which is held by GAC Components, Hangzhou Advance Gearbox Group Co., Ltd., and IVECO Ltd; in which GAC Components holds 33.3% equity interest
"Honda (China)"	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), a company incorporated on 8 September 2003 under PRC law, of which the Company holds 25% of its equity interest, and which is one of the Company's associated companies
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent director"	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
"jointly-controlled entities" or "JCE"	a jointly-controlled entities company which is subject to direct or indirect joint control (shareholding ratio: 50%:50%), such that none of the participating parties has unilateral control over the economic activity of the jointly-controlled entities
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Shares on the SSE, as amended from time to time
"MPV"	multi-purpose passenger vehicle
"PRC"	the People's Republic of China
"Securities Law"	Securities Law of the PRC
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), a company incorporated on 8 October 2003 under PRC law. Shanghai Hino was held as to 50% by Hino, 30% by the Company and 20% by Shanghai Electric (Group) Corporation

"SSE"	the Shanghai Stock Exchange
"SUV"	sports utility vehicle
"Tong Fang Logistics"	Tong Fang Global (Tianjin) Logistics Co., Ltd.（同方環球（天津）物流有限公司）, a company incorporated on 16 July 2007 under the laws of the PRC, in which the Company own 25% equity interests
"Urtrust Insurance"	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), which was incorporated on 8 June 2011 and in which the Company holds 60% equity interest
"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd. a JCE jointly established in 1992 by the Company, Honda and Honda, Technology & Research Industry (China) Investment Co., Ltd., in which the Company holds 50% equity interest

By order of the Board
Guangzhou Automobile Group Co., Ltd.
Zhang Fangyou
Chairman

Guangzhou, the PRC, 29 August 2013

As at the date of this announcement, the executive directors of the Company are ZHANG Fangyou, ZENG Qinghong, YUAN Zhongrong and LU Sa, the non-executive directors of the Company are LIU Huilian, WEI Xiaoqin, LI Tun, LI Pingyi and DING Hongxiang and the independent non-executive directors of the Compnay are WU Gaogui, MA Guohua, XIANG Bing, LAW Albert Yu Kwan and LI Zhengxi