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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)

2014 INTERIM RESULTS ANNOUNCEMENT

I. IMPORTANT NOTICE

- (I) The Board, the supervisory committee and the directors, supervisors and senior management of the Company warrant that the contents contained herein are true, accurate and complete, there are no false representations or misleading statements contained in or material omissions from this report, and they will jointly and severally accept responsibility.

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 2014 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 accounting function and Li Canhui, the manager of the accounting department (Chief of Accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this announcement.

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

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

II. CHAIRMAN'S STATEMENT

Business Review

During the first half of the year, through scientific overall planning, China stabilized growth, promoted the reform, adjusted the structure and benefited the people's livelihood, further changed the government's functions, fully exerted the role of market adjustment, and improved the efficiency of resources allocation. The national economy made progresses in stability during its structural adjustment and realized overall and stable growth. GDP grew by 7.4% as compared with the corresponding period last year.

In the first half of the year, domestic automobile industry presented a stable and upward trend; major economic indicators continued to improve, and key enterprises achieved good economic benefits. From January to June, production and sales of vehicles amounted to 11,783,400 units and 11,683,500 units, representing an increase of 9.60% and 8.36% as compared with the corresponding period last year; among others, the production and sales of passenger vehicles amounted to 9,708,500 units and 9,633,800 units, representing an increase of 12.05% and 11.18% as compared with the corresponding period last year; the production and sales of commercial vehicles amounted to 2,074,900 units and 2,049,700 units, representing a decrease of 0.59% and 3.18% as compared with the corresponding period last year.

The motorcycle market experienced constant downturn, the production and sales amounted to 10,372,100 units and 10,417,400 units, representing a decrease of 8.00% and 9.05% as compared with the corresponding period last year.

In the first half of the year, the Group seized the market opportunities and maintained the good trend of rapid development. The growth rates of production and sales of vehicles were both more than 10 percentage points higher than that of the industry, and the market share increased by 0.4%.

Production and sales of vehicles of the Group were 581,100 units and 503,700 units, representing an increase of 33.43% and 18.68% as compared with the corresponding period last year; among others, production and sales of passenger vehicles amounted to 571,500 units and 494,200 units, representing an increase of 35.30% and 19.46% as compared with the corresponding period last year; both of the production and sales of commercial vehicles amounted to 9,600 units, representing a decrease of 27.05% and 11.23% as compared with the corresponding period last year. The Group realized production and sales of motorcycle of 470,200 units and 460,400 units, representing an increase of 3.31% and a decrease of 3.90% as compared with the corresponding period last year.

In the first half of the year, the operating income of the Group together with its joint ventures and associated companies amounted to approximately RMB92.943 billion, representing an increase of approximately 13.67% as compared with the corresponding period last year; the consolidated operating income amounted to approximately RMB10.766 billion, representing an increase of 30.55% as compared with the corresponding period last year; and the net profit attributable to owners of the parent company amounted to approximately RMB1.725 billion, representing an increase of 41.52% as compared with the corresponding period last year.

In the first half of the year, the Group, with faith, innovation and groundbreaking drive and passion, created new achievements, mainly including: (1) the operation of the Group achieved a new high: along with the gradual release of the newly increased production capacity, and the successive introduction of strategic products, the product line was further enriched; preliminary results were achieved in the synergetic development of automobile industry chain promoted by the integration of industry and finance; (2) there were more project constructions: a number of new projects were successfully promoted or initiated to optimize capacity layout and fill in new vitalities for the development of the Group; (3) new outstanding achievements were made in independent innovation: in the circumstances of minimal growth of self-owned brands, the brand “Trumpchi” of the Group realized production and sales of more than 50,000 units, representing an increase of 51% as compared with the corresponding period last year; the new energy and overseas strategy was promoted steadily and the capability in independent research and development were enhanced; (4) there was new splendor in joint venture cooperation: with the deepened cooperation with Fiat-Chrysler, and the cooperation with BYD Company Limited in the field of new energy passenger vehicles, the Group initially formed the pattern of capital and brand pattern of “three pillars” consisting of the Japanese vehicles, European vehicles and independent brands, strengthening risk resistance capacity and promoting the steadily development of the “Great GAC”.

Prospects

In the second half of the year, there are both advantageous and disadvantageous conditions. On one hand, affected by the slowing growth rate of the economy, environment, energy and transportation concerned issues and the increase in consumption costs of the vehicles will inhibit consumption of vehicles; on the other hand, due to the continuous deepening of the reform in China, the continuous increase in residents’ income, the promotion of new urbanization and the gradual release of potential demands for purchase of vehicles brought by consumption and upgrading, the rigid demands for automobile consumption will continue. It is expected that in the second half of the year, the domestic automobile market will overall maintain a stable development trend and the growth rate of annual sales will be at around 10%.

It is easy to know but difficult to act. In the second half of the year, faced with the complicated world economy and the increasingly fierce global competition, the Group will constantly expand the scope of its sustainable development through structural adjustment and industrial upgrading; continue to deepen the innovation and reform, practically improve the quality and efficiency of economic operation; continue to improve the development planning, optimize resources allocation, and strive to make better use of resources; promote the mutual development of independent brands and joint venture cooperation, and focus on the improvement of independent innovation; enhance capital operation and improve ability of the industry cooperation effectively; and reinforce the construction of featured brands, and enhance the soft power of the Group comprehensively.

III. REPORT OF THE BOARD

(1) Summary of Business

The Group's main businesses consist of research and development, 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 credit, automobile insurance and brokerage services. The Group has become the most comprehensive automobile group within the domestic industry chain.

1. *Vehicles*

The Group produces a variety of passenger vehicles mainly through Guangqi Honda, GAC Toyota, GAC Fiat and GAC Mitsubishi, GAMC and GAC Gonow. As at 30 June 2014, the Group had more than ten series of sedans, SUV and MPV, including Guangqi Honda Accord, Crider, Odyssey, Fit, Everus, etc; GAC Toyota Camry, Highlander, Yaris L, E'Z, Levin, etc; GAC Fiat Viaggio, Ottimo, etc; GAC Mitsubishi ASX, Pajero, etc; GAC Trumpchi (GA5, GS5, GA3 and GA3S•Vision), GAC Gonow Aoxuan G5, Xinglang etc. The Group also participates in the production of Jazz and Accord sedans through Honda (China).

The commercial vehicles of the Group are mainly manufactured by GAC Hino, GAC Bus and GAC Gonow. Main products include light and heavy trucks, construction vehicles, large to medium-sized passenger vehicles (including new energy vehicles such as purely electrically powered and hybrid), and pickups, etc.

As at 30 June 2014, production capacity of passenger vehicles and commercial vehicles of the Group was 1,450,000 units.

2. *Motorcycles*

The Group manufactures motorcycles mainly through Wuyang-Honda. Main products include standard motorcycles, sport bikes and scooters, etc.

As at 30 June 2014, the production capacity of motorcycles of Wuyang-Honda was 1 million units.

3. *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 production of engines is mainly carried out through GAC Toyota Engine, Shanghai Hino and GAMC, and that of other vehicles parts and components including gearboxes, 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.

4. *Automobile-related services*

The Group's businesses of automobile services and financial investments are mainly carried out through GAC Commercial, GAC-SOFINCO, Urtrust Insurance, GAC Capital, Guang Ai Brokers, Tong Fang Logistics to provide automobile sales, automobile credit, automobile insurance, automobile leasing, logistics and import and export and other services.

(2) Major Performance of the Board

In the first half of the year, with a development target of doing well, the Group actively seized the favorable timing of structural adjustment and economy stabilization, and continued to deepen innovative changes, optimize system and mechanism, comply with the development trend and market demand, and realized growth in production and sales of vehicles and motorcycles higher than industry level, reached the expected targets determined by the Board.

1. *Improving quality and efficiency of development, and ensuring the accomplishment of annual operating targets*

In the first half of the year, the Company persisted with steady and progressive working methods, and steadily improved operating efficiency.

The Group enhanced the linkage mechanism of production, supplies and sales, improved the quality of products and brand value, introduced new products and released new capacity, thus improving its market share. In particular, the self-owned brands bucked the trend with a breakthrough in overseas business, and the brand effect of "Trumpchi" has been increasingly enlarged.

The Group not only improved traditional marketing models, but also highly emphasized the construction of e-commerce platform, and actively promoted network marketing model using internet thinking, integrated internal favorable resources, established core businesses which could create values for customers, thus ensuring the accomplishment of annual targets and the improvement of corporate value.

2. *Optimizing product structure and enhancing sustainable development*

In the first half of the year, in the field of joint venture cooperation, the first SUV model of Guangqi Honda "Vezel" and the first medium grade model of GAC Toyota "Levin" were officially launched; the executive version of GAC Mitsubishi Pajero Sport and the sport version of GAC Fiat Ottimo were successively launched. In terms of self-owned brand, GAMC launched its A+ sedan "Trumpchi GA3S•Vision (視界), GAC Gonow 2014 Xinglang MPV and first sedan "E Beauty (E美)" were officially introduced; the first model of sedan of GAC-ZX (Yichang) Auto Co., Ltd (廣汽中興(宜昌)汽車有限公司) was removed from sale; in the field of motorcycles, 3 brand new motorcycle products of Wuyang-Honda were successfully launched into the market.

Meanwhile, the Group promoted the construction projects of new production capacity according to the determined strategic plans.

- (1) The 240,000-unit expansion and productivity construction of 120,000 gasoline engine projects of factory of Guangqi Honda in Zengcheng, and independent research and development construction was conducted as scheduled;
- (2) The 200,000-unit expansion of GAMC completed equipment switch and was expected to accomplish by the end of October;
- (3) The construction of the 160,000-unit expansion of factory of GAC Fiat in Guangzhou started on 18 June; and
- (4) The new energy passenger vehicles project of GAC BYD was progressing.

3. *Strengthening independent innovation, enhancing independent research and development capability*

Full-scale development of more than 20 whole vehicles and key parts and components, including traditional power vehicles, new energy vehicles, smart vehicles and lightweight vehicles was launched; the research of 26 leading technologies was advanced; 224 new effective patent applications were approved (including 56 applications for invention patents), with a total of 131 new patent rights granted, which provided strong product planning and technical support for the development of GAC.

4. *Improving industry cooperation capability and deepening the advantages in the entire industry chain*

In the first half of the year, the Group kept enhancing the resources integration and coordination, promoted the co-development of high end service industry and advanced manufacturing industry, formed a complete closed-loop industry chain. The overall production scale of GAC Component was enlarged to keep the percentage of business beyond the system of over 20%; GAC Commercial vigorously expanded the post automobile market service system, acquired the qualification for recycling and dismantling automobiles, and established the first domestic finance leasing in Guangzhou to pilot GAC lease company; the scale of automobile credit business of GAC-SOFINCO developed rapidly; the number of activated distributors amounted to 1,190, and GAC-SOFINCO initialized the capital securitization of personal automobile mortgage loan of RMB800 million for the first time; Urtrust Insurance and Guang Ai Brokers developed well in the automobile insurance business.

5. *Leveraging on capital market platform and enhancing operational management of capital*

In the first half of the year, the Group completed the strategic planning of capital operation, actively seized the dynamics of capital market, expanded the investing and financing channel, reduced the capital costs, improved the financial structure and supported key projects. The Group finished the registration of short-term financing bonds in the amount of RMB11 billion and the issuance of first tranche of bonds in the amount of RMB1 billion; and initiated the application and issuance of A share convertible bonds in the amount of RMB6 billion. Meanwhile, the Group enriched utilization methods of capital, conducted direct investments in domestic and overseas capital markets, and increased capital return.

6. *Continuously implementing internal control management, preventing corporate risks*

The Group continuously improved internal control and risk management system, promoted multi-layer trainings on risk management and internal control, established a mechanism combining internal control inspection and self-appraisal, and formulated and revised over 10 systems regarding internal control management, thus continuously enhancing the risk management senses and risk identification level of all staff, improving the capability of risk management and ensuring the sustainable and stable development of the Company.

7. *Strengthening management of information disclosure and investor relations, ensuring standard operation*

Based on the “transparent, open and authentic” principles, the Group further standardized the information disclosure and inside information management. In the first half of the year, the Group uploaded a total of 118 regular reports and temporary announcements in Hong Kong Stock Exchange and SSE, and was rated Grade A by SSE in the evaluation of information disclosure (the percentage of listed companies rated Grade A by SSE does not exceed 30%).

In the first half of the year, the Group communicated with around 300 investors and analysts through activities such as annual result release conference, domestic and overseas on-site and internet roadshows, open day for investors and annual auto show. The Group established the mechanism of handling complaints from investors to protect the legal rights of investors.

8. *Improving incentive mechanism and promoting the benign development of the Company*

In the first half of the year, for providing medium and long-term incentive to the directors, senior management of the Company and key technical and management employees of the Group, totaling over 600 people, the Company introduced the A share option incentive scheme, which makes the Group the first state holding listed company in the PRC to launch share option incentive scheme.

9. *Actively supporting public welfare, striving to be an excellent enterprise*

The Group regards being an excellent enterprise as its responsibility, actively supports public welfare, and shares the results of harmonious development. In the first half of the year, the Group has made donations to different public welfare activities, including the “Education Support and Ambition Promotion Education Fund Program of Qingyuan City” (清遠市助學扶志教育基金項目), the “Caring for the Elders Who Lost Their Only Child Program” (失獨老人關愛項目), the “Construction Project of the First Retirement Home in Tianhe District” (天河區第一老人院建設項目), the “Aiding Program for the Specially Challenged” (特殊困難人員救助項目), the “Relief Program for Financially Challenged Employees” (困難職工生活救助項目), the “Golden Autumn Education Support Program” (金秋助學項目), and to poor college students in Luoding county, as well as the renovation of dangerous buildings of schools in Luoding county. The accumulative donations to public welfare activities made by the Group and its employees amounted to over RMB22.60 million, and the Group was awarded with the golden prize of “Guangdong Province Hongmian Cup of Poverty Alleviation”.

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 JVs and associated companies amounted to approximately RMB92.943 billion, representing an increase of approximately RMB11.176 billion or 13.67% as compared to the corresponding period last year.

During the reporting period, revenue of the Group amounted to approximately RMB10.766 billion, representing an increase of approximately 30.55% as compared to the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB1.725 billion, and earnings per share amounted to RMB0.27, both representing an increase of approximately 41.52% compared to the corresponding period last year.

The major factors leading to variation of results during the reporting period included: (1) the gradual release of new production capacity, successive introduction of strategic products and successive launch of new products into the markets promoted the growth of sales of the Group; (2) along with the continuous strengthening of industry synergistic effect, the businesses in the upstream and downstream of the industry chain such as the business of auto parts and components, commercial and trade services, automobile credit and insurance developed rapidly.

(1) ANALYSIS ON PRINCIPAL BUSINESS

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

Unit: RMB100 million

Item	Current period	Corresponding period last year	Change (%)
Revenue	107.66	82.47	30.55
Cost of sales	97.05	76.15	27.45
Selling and distribution costs	5.95	4.97	19.72
Administrative expenses	6.41	6.61	-3.03
Finance costs	3.59	2.95	21.69
Interest income	1.55	1.32	17.42
Share of profit of JVs and associated companies	21.30	18.45	15.45
Net cash flow generated from operating activities	-4.64	-4.51	-2.88
Net cash flow generated from investing activities	-5.54	-20.38	72.82
Net cash flow generated from financing activities	-26.52	39.32	-167.45

2. *Revenue*

During the reporting period, revenue of the Group amounted to approximately RMB10.766 billion, representing an increase of approximately 30.55% as compared with the corresponding period last year, mainly due to the strong growth of the independent brand “Trumpchi” of the Group and the rapid development of businesses in the upstream and downstream of the industry chain such as the automobile parts and components, insurance and commerce and trade service.

3. *Cost of sales and gross profit*

During the reporting period, the cost of sales of the Group amounted to approximately RMB9.705 billion, representing an increase of approximately RMB2.09 billion or 27.45% as compared with the corresponding period last year, lower than the growth rate of the revenue from operations; the gross profit amounted to approximately RMB1.061 billion, representing an increase of approximately RMB429 million or 67.88% as compared with the corresponding period last year, far higher than the grow rate of the revenue from operations. The profitability was improved.

4. *Expense*

- (1) The increase of approximately RMB98 million in selling and distribution costs as compared with the corresponding period last year was mainly attributable to the increase of labor costs, after-sales service fees and sales bonus;
- (2) The decrease of approximately RMB20 million in the administrative expenses as compared with the corresponding period last year was mainly attributable to the government grants received by subsidiaries of the Group and the increase in labor costs, technical research and development expenditure and depreciation and amortization along with the expansion of the Group;
- (3) The increase of approximately RMB64 million in the finance costs as compared with the corresponding period last year was mainly attributable to the increase of average borrowings of the Group during the reporting period, resulting in the increase of interests expenses;
- (4) The increase of approximately RMB23 million in interest income as compared with the corresponding period last year was mainly attributable to the increase of average bank deposits during the reporting period.

5. *Profits of JVs and associated companies attributable to the Group*

During the reporting period, profits of JVs and associated companies attributable to the Group amounted to approximately RMB2.13 billion, representing an increase of approximately RMB285 million as compared with the corresponding period last year, which was mainly attributable to the following factors that (a) the gradual release of the newly increased production capacity and the successive launch of new products into the market promoted the increase of sales of joint ventures for vehicles; and (b) along with the continuous strengthening of industry synergistic effect, the businesses in the upstream and downstream of the industry chain such as the business of automotive parts and components, automobile financing and automobile logistics service developed rapidly.

6. *Cash flow*

- (1) During the reporting period, net cash outflows arising from operating activities amounted to approximately RMB464 million, representing an increase of approximately RMB13 million as compared with the net cash outflows of RMB451 million in the corresponding period last year, which was mainly attributable to the increase in sales collection along with the increase of sales, increase of restricted cash and increase in the interests paid in the reporting period.
- (2) During the reporting period, net cash outflows arising from investing activities amounted to approximately RMB554 million, representing a decrease of approximately RMB1,484 million as compared with the net cash outflows of RMB2,038 million in the corresponding period last year, which was mainly attributable to improvement of production capacity, increase of research and development investment and reduced increase in the amount of time deposits during the reporting period.

- (3) During the reporting period, net cash outflows arising from financing activities amounted to approximately RMB2,652 million, representing a decrease of approximately RMB6,584 million as compared with net cash inflows of approximately RMB3,932 million of the corresponding period last year, which was mainly attributable to repayment of the medium term notes due in the amount of RMB6.7 billion.
- (4) As at 30 June 2014, cash and cash equivalent of the Group amounted to approximately RMB10.415 billion, representing a decrease of approximately RMB334 million as compared with approximately RMB10.749 billion as at 30 June 2013.

7. Others

- (1) Income tax expense amounted to approximately RMB92 million, representing an increase of approximately RMB60 million as compared with the corresponding period last year, which was mainly attributable to the decrease of losses of certain enterprises in the period.

In conclusion, the net profit attributable to the parent company of the Group during the reporting period was approximately RMB1.725 billion, representing an increase of approximately 41.52% as compared with the corresponding period last year; earnings per share was approximately RMB0.27, representing an increase of approximately RMB0.08 as compared with the corresponding period last year.

(2) ANALYSIS BY INDUSTRY OR REGIONAL OPERATION

1. Revenue by industry

Unit: RMB100 million

Industry	Revenue	Cost of sales	Profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost of sales compared with last year (%)	Changes in profit margin compared with last year (%)
Vehicles and related operations	103.99	94.67	8.97	29.97	27.79	1.55 % increase
Others	3.67	2.38	35.15	49.80	14.98	19.64 % increase
Total	107.66	97.05	9.86	30.55	27.45	2.20 % increase

During the reporting period, the increase of 2.20% in the profit margin of the Group was mainly attributable to a combination of the scale effects resulted from the increase in sales of passenger vehicles, and the reduced unit cost caused by strengthening cost control.

2. Revenue by region

Unit: RMB100 million

Region	Revenue	Changes in revenue as compared with last year (%)
Mainland China	107.66	30.55
Hong Kong	0.00	-43.71
Total	107.66	30.55

(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	80.55	14.30	73.66	12.73	9.35
Land use rights	13.47	2.39	11.51	1.99	17.03
Intangible assets	32.70	5.81	30.84	5.33	6.03
Investments in JVs and associated companies	177.65	31.54	184.25	31.85	-3.58
Inventories	21.96	3.90	20.36	3.52	7.86
Trade and other receivables	49.04	8.71	47.25	8.17	3.79
Time deposits	58.20	10.33	46.65	8.06	24.76
Cash and cash equivalents	104.15	18.49	140.83	24.35	-26.05
Borrowings	112.11	19.91	141.72	24.50	-20.89
Government grants	5.88	1.04	7.94	1.37	-25.94
Trade and other payables	92.15	16.36	86.41	14.94	6.64

2. Analysis on change of items:

During the reporting period, there was no material change in the main assets and liabilities items.

(4) ANALYSIS ON FINANCIAL POSITION

1. Financial indicators

As at 30 June 2014, the Group's current ratio was 1.56 times, representing an increase from approximately 1.47 times as at 31 December 2013, and quick ratio was approximately 1.35 times representing an increase from approximately 1.30 times as at 31 December 2013; both at normal levels.

2. Financial resources and capital structure

As at 30 June 2014, the Group's current assets amounted to approximately RMB24.378 billion, current liabilities amounted to approximately RMB15.669 billion and current ratio was 1.56 times. As at 30 June 2014, the Group's total borrowings amounted to approximately RMB11.211 billion, mainly consisting of debenture issued by the Group with nominal value of RMB600 million, corporate bonds issued with nominal value of RMB4 billion, short-term financing bonds with nominal value of RMB1 billion, and loans from bank and financial institutions amounting to approximately RMB5.653 billion, which resulted in a gearing ratio of 24.17%. 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, changes in foreign exchange did not have any material effect on the Group's operating results and cash flow during the reporting period.

4. Contingent liabilities

As at 30 June 2014, third-party guarantee committed by the Group amounted to RMB2,266,668, whereas that as at 31 December 2013 was RMB3,966,667; as at 30 June 2014, financial guarantee of the Company for its subsidiaries amounted to RMB0, whereas that as at 31 December 2013 was RMB0.

(5) ANALYSIS ON CORE COMPETITIVENESS

The core competitiveness of the Group is mainly characterized as:

1. Complete industry chain and industry layouts with optimized structure

After years of resources integration and operation of industry re-organization, the Group has formed a complete closed-loop industry chain centering upon manufacture of vehicles and covering research and development and parts and components in the upstream and automobile service and financial investment in the downstream; it has formed the industry layout based on South China and radiating to North China, Central China, East China and Bohai Rim Region; and has become one of the automobile groups with the most integrated industry chain nationally, and the most optimized industry layout. The cooperation effects in the upstream and downstream of the industry chain will appear gradually; the new profit growth points are coming into existence and the comprehensive competitiveness of the Group will constantly be enhanced.

2. Advanced manufacturing, craftsmanship, quality and procedure management

The Group has comprehensive advantages in terms of manufacturing, craftsmanship, quality and procedure management, mainly including: (1) world leading quality advantage; (2) innovation advantage brought about by “continued improvement”; (3) cost advantage brought by seeking for ever greater perfection.

3. Enriched product line and optimized product structure

The Group has a full range of sedans, SUV, MPV and other types of products, and it actively promotes the upgrading of products based on the changes in the markets and the demands of consumers, continuously launches new products and seizes the market structural growth opportunities, which will maintain a widely recognized brand popularity and higher customer loyalty in the fierce market competition, and realize the long-term and solid development of the Company.

4. Worldwide connecting capital operation platforms

The Group is the first large state-owned automobile group to achieve listing in both A share and H share markets, so that it may realize capital appreciation in various forms by leveraging on domestic and overseas capital market, and achieve the maximization of capital profits by improving financing and investing efficiency by capital operation.

V. PROFIT DISTRIBUTION OR PLAN OF INCREASE OF SHARE CAPITAL WITH CAPITAL RESERVE

(1) Implementation or adjustment of profit distribution plan during the reporting period

Upon the consideration and approval of 2013 annual general meeting of shareholders of the Company held on 30 June 2014, the Company intended to declare dividend of RMB1 for each 10 shares to all shareholders and such dividend had already been distributed.

(2) Declared half-year profit distribution plan

The Board declared a cash dividend of RMB0.08 per share (tax inclusive) to all shareholders of the Company.

VI. OTHER DISCLOSURES

1. Production safety

The Group adhered to the guidelines of “safety first, focus on prevention, comprehensive control” and the principles of “people orientation and safe development”, strictly implemented accountability system for production safety, continued to enhance the targeted management of safety production responsibilities, comprehensively carried out the standardized production safety, improved the emergency rescue system for production safety accidents, actively carried out the propaganda and training of safety production and handling of potential accident hazards, actively and practically enhanced the cultural construction of safety.

During the reporting period, no accidents causing serious injury or death occurred, and the safety production condition remained stable.

2. Environmental protection

The Group focused on the targets of energy conservation, emission reduction, sewage reduction and efficiency improvement, conducted various activities of energy conservation and emission reduction, vigorously developed eco-friendly vehicles; took on the green and eco-friendly philosophy and promoted construction of intelligence intensive eco-friendly factories when constructing factories.

During the reporting period, the Group had no circumstances that fell short of environmental standards.

3. Remuneration policy and legal rights of employees

As of 30 June 2014, the number of registered employees of the Group (including its major joint ventures) amounted to 42,636.

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 focusing more on the key management and professional technical positions, it is able to attract, encourage and retain the talented personnel, thereby promoting the sustainable growth of our performance. The Group is also concerned about the establishment and improvement of employee benefits system, 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).

VII.SIGNIFICANT EVENTS

(1) 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.

(2) Matters relating to insolvency or restructuring

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

(3) Transaction of assets and merger of business

- I. Matters concerning acquisition and disposal of assets as well as merger of business of the Company that had been disclosed in the announcement and had no changes in subsequent implementation:

Description

Acquisition of equity interest of GAC Hino (Shenyang) Automobile Co., Ltd (廣汽日野(瀋陽)汽車有限公司) (currently, acquisition of 80.02% equity interests has been completed and GAC Hino (Shenyang) Automobile Co., Ltd becomes a subsidiary controlled by the Company)

Query Index

On 18 February 2014, the “Announcement on the Decision of the 30th Meeting of the 3rd Session of the Board of Guangzhou Automobile Group Co., Ltd.” was disclosed on the websites of SSE and Hong Kong Stock Exchange, in which the matter concerning acceptance of the transfer of 80.02% equity interest in GAC Hino (Shenyang) Automobile Co., Ltd was considered and passed.

On 20 March 2014, the “Announcement on the Decision of the 31st Meeting of the 3rd Session of the Board of Guangzhou Automobile Group Co., Ltd.” was disclosed on the websites of SSE and Hong Kong Stock Exchange, in which the matter concerning acceptance of the transfer of 10% equity interest in GAC Hino (Shenyang) Automobile Co., Ltd was considered and passed.

(4) Implementation of the share option incentive scheme and its effect

- I. Matters concerning share option incentives that had been disclosed in the announcement and had no changes in subsequent implementation:

Description

The Group approved the “Scheme of H Share Appreciation Rights and the first grant scheme”. The targeted participants included the directors, senior management, key technical and management staff of the Group.

As the grant condition with respect to the results was not met, the first session of H share appreciation rights were invalid.

The Group intended to implement the A share option incentive scheme, and the targets targeted participants included the directors, senior management, key technical and management staff of the Group.

Query Index

The “Poll Results of the First Extraordinary General Meeting of 2012 Held on 29 February 2012 and Grant of H Share Appreciation Rights” was disclosed on the website of Hong Kong Stock Exchange on 29 February 2012 (H share announcement). The “Announcement on Implementation Progress of First Grant Plan of H Share Appreciation Rights” was disclosed on the websites of SSE and Hong Kong Stock Exchange on 3 March 2014 stating the retirement of the targets and the reasons for invalidity of the first grant plant, and currently the total number of unvested share appreciation rights amounts to 23,899,981 shares.

According to the “Announcement on Overview of the Scheme of Share Option Incentive Scheme (Draft) of Guangzhou Automobile Group Co., Ltd.” disclosed on the websites of SSE and Hong Kong Stock Exchange on 11 July 2014, upon the deliberation of the 39th meeting of the 3rd session of the Board, the Company intended to implement the A share option incentive scheme.

(5) Material contracts and their performance

1. Trusts, contracts and lease arrangements

The Company had no trusts, contracts or lease arrangements during the reporting period.

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 subsidiary	Shaoguan City Public Motor Company (韶關市公共汽車公司)	2,266,668	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)							2,266,668				
Total guarantee of the Company (including those provided to subsidiaries)											
Total guarantee (A+B)							2,266,668				
Proportion of total guarantee in the net assets of the Company (%)							0.01				

3. Other material contracts or transactions

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

(6) Convertible bond of the Company

The Company held the 37th meeting of the third session of the Board on 23 June 2014, in which relevant resolutions such as the “Proposal on Issuing A Share Convertible Bonds of the Company” were passed. The Company intended to issue A share convertible bonds in the amount of no more than RMB6 billion, which should be approved at the general meeting of the Company after matters concerning issuance of such bonds were approved by the regulatory authority of the state-owned assets.

(7) 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 adapt to the need of sustainable development, further enhanced management structure, standardized operations and established new systems and mechanisms through innovation and reform. During the reporting period, the corporate governance of the Company was the same as required by the Company Law and relevant provisions of CSRC.

During the reporting period, a total of 1 general meeting, 8 Board meetings, 3 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 operational decision-making process, the special committees of the Board fully played their roles. During the reporting period, a total of 2 Strategy Committee meetings, 3 Audit Committee meetings and 1 Remuneration and Evaluation Committee meeting were held, which provided effective decision-making support for the investments in significant projects, 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 formulated the working system of GAC Group for the complaints from investors, the financial management system of GAC Group and the measures of GAC Group on investment, further improved the basic management system and provided solid foundation for the continuous improvement of working efficiency and management level for the corporate governance.

In addition, in accordance with the requirement of Basic Principles for Internal Control of Enterprises and Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, the Company prepared and disclosed 2013 evaluation report of internal control and engaged intermediaries to audit the internal control of the Company.

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.

VIII. 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.

IX. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

INTERIM CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
ASSETS			
Non-current assets			
Land use rights		1,346,611	1,150,803
Property, plant and equipment		8,055,438	7,366,265
Investment properties		142,728	143,474
Intangible assets		3,269,830	3,083,630
Investments in joint ventures and associates	7	17,765,121	18,424,546
Deferred income tax assets		480,406	529,587
Available-for-sale financial assets		382,379	152,228
Held-to-maturity investments		79,554	49,853
Prepayments and long term receivables		422,035	429,063
		31,944,102	31,329,449
Current assets			
Inventories		2,196,145	2,036,360
Trade and other receivables	8	4,903,792	4,724,819
Available-for-sale financial assets		376,054	688,183
Held-to-maturity investments		22,908	22,334
Financial assets at fair value through profit or loss		2,562	2,562
Time deposits		5,819,764	4,665,056
Restricted cash		641,298	291,173
Cash and cash equivalents		10,415,000	14,083,345
		24,377,523	26,513,832
Total assets		56,321,625	57,843,281
EQUITY			
Equity attributable to owners of the Company			
Share capital		6,435,019	6,435,019
Other reserves		10,562,982	10,562,909
Retained earnings		17,395,162	16,313,263
– Proposed dividend	14	514,802	643,502
– Others		16,880,360	15,669,761
		34,393,163	33,311,191
Non-controlling interests		780,021	805,005
Total equity		35,173,184	34,116,196

	<i>Note</i>	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	9	15,937	4,134
Borrowings		4,758,349	4,775,127
Deferred income tax liabilities		21,753	21,339
Provisions		95,814	74,221
Government grants		587,678	793,541
		<u>5,479,531</u>	<u>5,668,362</u>
Current liabilities			
Trade and other payables	9	9,199,293	8,637,253
Current income tax liabilities		17,283	24,704
Borrowings		6,452,334	9,396,766
		<u>15,668,910</u>	<u>18,058,723</u>
Total liabilities		<u>21,148,441</u>	<u>23,727,085</u>
Total equity and liabilities		<u>56,321,625</u>	<u>57,843,281</u>
Net current assets		<u>8,708,613</u>	<u>8,455,109</u>
Total assets less current liabilities		<u>40,652,715</u>	<u>39,784,558</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2014	2013
		RMB'000	RMB'000
Revenue	6	10,766,397	8,247,265
Cost of sales		(9,705,066)	(7,615,291)
Gross profit		1,061,331	631,974
Selling and distribution costs		(595,185)	(496,794)
Administrative expenses		(641,427)	(660,547)
Interest income		107,286	100,560
Other gains-net		56,205	37,466
Operating loss	10	(11,790)	(387,341)
Finance costs	11	(359,089)	(294,893)
Interest income		47,271	31,728
Share of profit of joint ventures and associates	7	2,129,634	1,844,554
Profit before income tax		1,806,026	1,194,048
Income tax expense	12	(92,434)	(32,048)
Profit for the period		1,713,592	1,162,000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss-fair value loss on available-for-sale financial assets, net of tax		(433)	(804)
Total comprehensive income for the period		1,713,159	1,161,196

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2014	2013
		RMB'000	RMB'000
Profit/(loss) attributable to:			
– Equity holders of the Company		1,725,401	1,219,179
– Non-controlling interests		(11,809)	(57,179)
		<u>1,713,592</u>	<u>1,162,000</u>
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		1,723,944	1,218,697
– Non-controlling interests		(10,785)	(57,501)
		<u>1,713,159</u>	<u>1,161,196</u>
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– basic and diluted	<i>13</i>	<u>0.27</u>	<u>0.19</u>
		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2014	2013
		RMB'000	RMB'000
Dividends	<i>14</i>	<u>514,802</u>	<u>386,101</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at 1 January 2014	6,435,019	10,562,909	16,313,263	33,311,191	805,005	34,116,196
Comprehensive income						
Profit/(loss) for the period	–	–	1,725,401	1,725,401	(11,809)	1,713,592
Other comprehensive (loss)/income-Available-for-sale financial assets, net of tax	–	(1,457)	–	(1,457)	1,024	(433)
Total comprehensive (loss)/income	–	(1,457)	1,725,401	1,723,944	(10,785)	1,713,159
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Dividends declared by the Company and subsidiaries	–	–	(643,502)	(643,502)	(18,450)	(661,952)
Others	–	1,530	–	1,530	401	1,931
Total contributions by and distributions to equity holders of the Company	–	1,530	(643,502)	(641,972)	(18,049)	(660,021)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	3,850	3,850
Total transactions with owners	–	1,530	(643,502)	(641,972)	(14,199)	(656,171)
Balance at 30 June 2014	6,435,019	10,562,982	17,395,162	34,393,163	780,021	35,173,184
Balance 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 period	–	–	1,219,179	1,219,179	(57,179)	1,162,000
Other comprehensive loss-Available-for-sale financial assets, net of tax	–	(482)	–	(482)	(322)	(804)
Total comprehensive (loss)/income	–	(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						
Dividends 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 at 30 June 2013	6,435,019	10,189,873	15,607,502	32,232,394	877,610	33,110,004

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 RMB 1 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.

The Company privatised Denway Motors Limited (“Denway”) through the issuance of 2,213,300,218 foreign shares on 27 August 2010. Thereafter, Denway has become a wholly-owned subsidiary of the Company. The Company’s 2,213,300,218 newly issued shares for privatisation of Denway were then listed on the Stock Exchange 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”)). Subsequent to the approval by the Company’s shareholders and China Securities Regulatory Commission, the Company paid cash and issued 286,962,422 RMB ordinary shares of the Company to acquire the remaining interests of GAC Changfeng. GAC Changfeng was then delisted from SSE and became a wholly-owned subsidiary of the Company. On 29 March 2012, the Company was 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 26 August 2014.

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 2014 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 2013, 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 2013.

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 interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2014:

Standards/Interpretation	Subject of amendment
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidated for investment entities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement
HK(IFRIC) Interpretation 21	Levies

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 standards and amendments, revisions and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

Standards/Interpretation	Subject of amendment
Amendment to HKAS 19	Regarding defined benefit plans
Annual Improvement Project	Annual improvements 2010-2012 cycle
Annual Improvement Project	Annual improvements 2011-2013 cycle
HKFRS 14	Regulatory Deferral Accounts
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization
HKFRS 15	Revenue from Contracts with Customers

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

4 Estimates

The preparation of interim financial statements requires management to make judgements, 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 judgements 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 2013.

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, fair value interest rate risk and cash flow 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 2013.

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 new issuance of RMB 1,000,000,000 short term bonds and redemption of medium-term note of RMB6,700,000,000 during the period, there was no material change in the contractual undiscounted cash out flows 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 financial assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Fund investments	2,562	–	–	2,562
Available-for-sale financial assets				
– Stock investments	54,678	–	146,807	201,485
– Bond investments	172,500	–	–	172,500
– Fund investments	42,761	–	15,787	58,548
– Financial products	–	–	222,000	222,000
– Trust products	–	–	103,900	103,900
Total assets	272,501	–	488,494	760,995

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Fund investments	2,562	–	–	2,562
Available-for-sale financial assets				
– Bond investments	163,567	–	–	163,567
– Fund investments	14,367	–	32,477	46,844
– Financial products	–	–	590,000	590,000
– Trust products	–	–	40,000	40,000
Total assets	180,496	–	662,477	842,973

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-maker has been identified as the executive directors. The executive directors reviews 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 two reportable operating segments as follows:

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

Others mainly comprise production and sale of motorcycles, and automobile finance, insurance and investment 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 RMB' 000	Others RMB'000	Eliminations RMB' 000	Unallocated RMB' 000	Consolidated RMB' 000
Six months ended 30 June 2014					
Total segment revenue	10,417,106	408,368	(59,077)	–	10,766,397
Inter-segment revenue	(17,522)	(41,555)	59,077	–	–
Revenue (from external customers)	<u>10,399,584</u>	<u>366,813</u>	<u>–</u>	–	<u>10,766,397</u>
Segment results	15,694	(33,759)	–	–	(18,065)
Unallocated income-Headquarter interest income	–	–	–	54,450	54,450
Unallocated costs-Headquarter expenditure	–	–	–	(48,175)	(48,175)
Operating losses					(11,790)
Finance costs	(116,502)	(867)	–	(241,720)	(359,089)
Interest income	19,891	710	–	26,670	47,271
Share of profit of joint ventures and associates	2,033,581	96,053	–	–	2,129,634
Profit before income tax					1,806,026
Income tax (expense)/credit	(90,146)	4,669	–	(6,957)	(92,434)
Profit for the period					<u>1,713,592</u>

	Vehicles and related operations <i>RMB' 000</i>	Others <i>RMB' 000</i>	Eliminations <i>RMB' 000</i>	Unallocated <i>RMB' 000</i>	Consolidated <i>RMB' 000</i>
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)	<u>8,002,230</u>	<u>245,035</u>	<u>–</u>	–	<u>8,247,265</u>
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 joint ventures 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					<u>1,162,000</u>

	Vehicles and related operations <i>RMB' 000</i>	Others <i>RMB' 000</i>	Eliminations <i>RMB' 000</i>	Unallocated <i>RMB' 000</i>	Consolidated <i>RMB' 000</i>
Total assets					
At 30 June 2014	<u>36,219,517</u>	<u>3,798,354</u>	<u>(859,083)</u>	<u>17,162,837</u>	<u>56,321,625</u>
At 31 December 2013	<u>35,022,645</u>	<u>3,512,778</u>	<u>(853,804)</u>	<u>20,161,662</u>	<u>57,843,281</u>
Total liabilities					
At 30 June 2014	<u>11,528,459</u>	<u>882,466</u>	<u>(859,083)</u>	<u>9,596,599</u>	<u>21,148,441</u>
At 31 December 2013	<u>11,874,456</u>	<u>551,172</u>	<u>(853,804)</u>	<u>12,155,261</u>	<u>23,727,085</u>

7 Investments in joint ventures and associates

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Investments in joint ventures	12,841,728	13,200,531
Investments in associates	4,923,393	5,224,015
	<u>17,765,121</u>	<u>18,424,546</u>
	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Share of profit of joint ventures	1,576,447	1,400,849
Share of profit of associates	553,187	443,705
	<u>2,129,634</u>	<u>1,844,554</u>

7.1 Investments in joint ventures

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
At beginning of the period	13,200,531	12,313,895
Additions	60,000	184,500
Share of profit	1,547,378	1,395,856
Disposals	(57,471)	—
Dividend declared	(1,908,710)	(1,533,419)
	<u>12,841,728</u>	<u>12,360,832</u>
End of the period		

- (b) Set out below are the joint ventures of the Group as at 30 June 2014, which, in the opinion of the directors, are material to the Group. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of joint ventures	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Guangqi Honda Automobile Co., Ltd. ("Guangqi Honda")	Mainland China	50	Note 1	Equity
GAC Toyota Motor Co., Ltd. ("GAC Toyota")	Mainland China	50	Note 1	Equity
GAC Fiat Automobiles Co., Ltd. ("GAC Fiat")	Mainland China	50	Note 1	Equity
GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi")	Mainland China	50	Note 1	Equity
GAC Hino Motors Co., Ltd. ("GAC Hino")	Mainland China	50	Note 1	Equity
GAC-SOFINCO Automobile Finance Co., Ltd ("GAC Sofinco")	Mainland China	50	Note 1	Equity
Wuyang-Honda Motors Guangzhou) Co., Ltd. ("Wuyang-Honda")	Mainland China	50	Note 1	Equity

Note1: Guangqi Honda, GAC Toyota, GAC Fiat, GAC Mitsubishi, GAC Hino are companies manufacturing and selling automobiles and automotive parts, GAC Sofinco is a company providing automotive financing services, and Wuyang-Honda is a company manufacturing and selling of motorcycles and motorcycle parts. All of them are unlisted companies.

- (c) Summarised financial information for joint ventures

Set out below is the summary of combined financial information for all the joint ventures of the Group (excluding goodwill). As restricted by the confidentiality agreements entered into with other shareholders of certain joint ventures, the Group has not disclosed certain financial data of material joint ventures separately. The aggregate of the financial information of the seven material joint ventures identified by directors cover over 90% of combined financial information of all the joint ventures of the Group listed below.

The below financial information of the joint ventures has been consistently measured based on the fair values of the identifiable assets acquired and the liabilities assumed at the date of acquisition.

Summarised balance sheet

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Assets		
Non-current assets	25,805,312	24,756,458
Current assets		
Cash and cash equivalents	13,322,915	17,203,187
Other current assets	42,482,230	37,482,874
	55,805,145	54,686,061
Total assets	81,610,457	79,442,519
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	6,037,641	3,541,434
– Other non-current liabilities (including trade and other payables)	1,805,332	1,674,395
	7,842,973	5,215,829
Current liabilities		
– Financial liabilities (excluding trade and other payables)	15,694,687	16,038,930
– Other current liabilities (including trade and other payables)	38,032,921	37,437,090
	53,727,608	53,476,020
Total liabilities	61,570,581	58,691,849
Net assets	20,039,876	20,750,670
Less: Non-controlling interests	(12,952)	(18,569)
	20,026,924	20,732,101

Summarised statement of comprehensive income

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Revenue	62,129,970	56,936,456
Cost of sales	(52,048,779)	(48,397,013)
Other expenditures	(6,936,924)	(5,680,228)
Profit after tax	3,144,267	2,859,215
Add: losses shared by non-controlling interests	3,576	4,098
	3,147,843	2,863,313
Other comprehensive income	—	—
Total comprehensive income	3,147,843	2,863,313

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in the joint ventures:

	As at 30 June 2014			Carrying amount of investments in joint ventures RMB'000
	Net assets excluding non-controlling interests RMB'000	Interests in joint venture@50% RMB'000	Goodwill RMB'000	
Guangqi Honda	7,685,844	3,842,922	—	3,842,922
GAC Toyota	5,567,484	2,783,742	—	2,783,742
GAC Fiat	905,378	452,689	—	452,689
GAC Mitsubishi	1,304,356	652,178	2,895,293	3,547,471
GAC Hino	91,812	45,906	—	45,906
GAC Sofinco	1,872,666	936,333	—	936,333
Wuyang-Honda	1,134,438	567,219	21,259	588,478
Total	18,561,978	9,280,989	2,916,552	12,197,541

As at 31 December 2013				
	Net assets excluding non-controlling interests <i>RMB '000</i>	Interests in joint venture@50% <i>RMB '000</i>	Goodwill <i>RMB '000</i>	Carrying amount of investments in joint ventures <i>RMB '000</i>
Guagnqi Honda	6,747,682	3,373,841	—	3,373,841
GAC Toyota	7,011,566	3,505,783	—	3,505,783
GAC Fiat	1,223,302	611,651	—	611,651
GAC Mitsubishi	1,165,732	582,866	2,895,293	3,478,159
GAC Hino	149,996	74,998	—	74,998
GAC Sofinco	1,752,202	876,101	—	876,101
Wuyang-Honda	1,196,680	598,340	21,259	619,599
Total	<u>19,247,160</u>	<u>9,623,580</u>	<u>2,916,552</u>	<u>12,540,132</u>

7.2 Investments in associates

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

	Six months ended 30 June	
	2014 <i>RMB '000</i>	2013 <i>RMB '000</i>
Beginning of the period	5,224,015	4,568,056
Additions	6,690	142,792
Share of profits	553,187	443,705
Disposals	(129,610)	—
Dividend declared	(730,889)	(497,187)
End of the period	<u>4,923,393</u>	<u>4,657,366</u>

- (b) In the opinion of the board, there are no associates individually material to the Group. Set out below is the Group's share of associates' results:

	Six months ended 30 June	
	2014 <i>RMB ' 000</i>	2013 <i>RMB ' 000</i>
Associates		
Profit from continuing operations	553,187	443,705
Other comprehensive income	—	—
Total comprehensive income	<u>553,187</u>	<u>443,705</u>

8 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 2014 and 31 December 2013, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables		
Within 3 months	741,125	783,626
Between 3 months and 1 year	85,734	176,372
Between 1 and 2 years	19,438	58,743
Between 2 and 3 years	4,116	17,914
Over 3 years	138,965	130,394
	989,378	1,167,049
Less: Provision for impairment	(141,432)	(142,431)
Trade receivables-net	847,946	1,024,618

9 Trade and other payables

As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade payables is as follows:

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade payables		
Within 1 year	3,788,243	3,572,843
Between 1 and 2 years	32,365	35,449
Between 2 and 3 years	6,661	9,763
Over 3 years	9,427	6,040
	3,836,696	3,624,095

10 Operating losses

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Depreciation and amortisation	556,733	414,592
Impairment charge for intangible assets	—	5
Impairment of inventories	2,270	40,876
Provision/(reversal of) for impairment of trade and other receivables	21,583	(2,193)
Staff costs	1,035,557	809,844
Gain on disposal of property, plant and equipment	(950)	(3,611)
Government grants	(194,372)	(41,518)
Donation	2,053	10,936
	<u>556,733</u>	<u>414,592</u>

11 Finance costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest for borrowings from banks and other financial institutions	337,002	284,166
Others	22,087	10,727
	<u>359,089</u>	<u>294,893</u>

12 Income tax expense

Hong Kong profits tax and China enterprise income tax have been provided at the rate of taxation prevailing in the regions in which the Group operates respectively.

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	43,692	37,767
Deferred income tax	48,742	(5,719)
	<u>92,434</u>	<u>32,048</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The tax rates applicable to the Company and its major joint ventures for the period ended 30 June 2014 is 25% (the period ended 30 June 2013: 25%).

13 Earnings per share

Basic earnings per share is 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 period, there were no potential dilutive ordinary shares, diluted earnings per share was equal to the basic earnings per share.

14 Dividend

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interim dividend declared: RMB 0.08 (2013: RMB 0.06)	514,802	386,101

No dividend was paid in six months ended 30 June 2014 (2013: nil).

In addition, an interim dividend of RMB 0.08 per share (2013: RMB 0.06) was declared by the Board on 26 August 2014. This interim dividend, amounting to approximately RMB 514,802,000 (2013: RMB386,101,000), has not been recognised as a liability in this interim financial information.

X. DEFINITIONS

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

“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
“Board”	the board of directors
“Company” or “GAC” or “GAC Group”	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)
“Company Law”	Company Law of the PRC
“CSRC”	China Securities Regulatory Commission
“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 wholly-owned subsidiary of the Group incorporated on 18 January 1993 under PRC law

“GAC BYD”	Guangzhou GAC BYD New Energy Passenger Vehicle Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), an associated company incorporated on 4 August 2014 under PRC law by the Group and BYD Company Limited, in which the Group holds 49% equity interest
“GAC Capital”	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary incorporated in April 2013
“GAC Commercial”	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law
“GAC Component”	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), which was a wholly-owned subsidiary incorporated on 29 August 2000 under PRC law with the joint capital contribution of the Group and the companies owned by the Group
“GAC Fiat”	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a JV incorporated on 9 March 2010 under PRC law by Fiat Group Automobiles S.P.A. and the Company
“GAC Gonow”	GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a subsidiary incorporated on 8 December 2010 under PRC Law by the Company and Gonow Auto, 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 JV incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd.
“GAC Mitsubishi”	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a JV incorporated on 25 September 2012 under PRC law held by the Company and Mitsubishi Motors Corporation
“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a JV incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel etCommercial (SOFINCO)
“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 JV incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company

“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 under PRC law by the Group and Toyota Motor Company, in which the Company held Company holds 30% equity interest
“GAIG”	Guangzhou Automobile Industry Group Co., Ltd., which was a state-owned enterprise incorporated on 18 October 2000, and is the controlling shareholder of the Company
“GAMC”	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
“Group”	the Company, its subsidiaries, joint ventures and associated companies
“Guang Ai”	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a subsidiary incorporated on 7 June 2006 under PRC law by the Company, in which the Company accumulatively (directly and indirectly) 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 JV incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd.
“HAVECO”	Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司), a JV incorporated on 26 September 1996 under PRC Law, which is held by GAC Components, Hangzhou Advance Gearbox Group Co., Ltd., and IVECO Ltd with equal equity interest
“Honda (China)”	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), an associated company incorporated by the Company, Honda Motor Co. Ltd. and Dongfeng Motor Company 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
“Interim Report”	the 2014 interim report to be published by the Company in September 2014
“joint venture” or “JV”	a joint venture which is subject to direct or indirect joint control, such that none of the participating parties has unilateral control over the economic activity of the joint venture

“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
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the PRC
“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 Motors, Ltd., 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., Limited (同方環球(天津)物流有限公司), jointly established by China First Automobile Works Group and Toyota Motor Company in July 2007, in which the Company holds 25% equity interest
“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 Group totally (directly and indirectly) holds 60% equity interest
“Wuyang-Honda”	Wuyang-Honda Motors (Guangzhou) Co., Ltd. a JV jointly established in 1992 by the Company, Honda Motor Co. Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which each company holds 50% equity interest

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

Guangzhou, the PRC, 26 August 2014

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 are LIU Huilian, WEI Xiaoqin, LI Tun, LI Pingyi and DING Hongxiang and the independent non-executive directors are FU Yuwu, LAN Hailin, LI Fangjin, LIANG Nianchang and WANG Susheng.