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)**

## 2014 ANNUAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2014 together with the comparative figures of the corresponding period ended 31 December 2013. The result has been reviewed by the Audit Committee of the Company and the Board.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| Revenue | 3 | **22,375,934** | 18,824,199 |
| Cost of sales | 4 | **(19,828,678)** | (16,829,736) |
| **Gross profit** | | **2,547,256** | 1,994,463 |
| Selling and distribution costs | 4 | **(1,841,061)** | (1,070,813) |
| Administrative expenses | 4 | **(1,873,500)** | (1,712,901) |
| Interest income | | **317,678** | 373,577 |
| Other gains/(losses) – net | 5 | **345,402** | (432,824) |
| **Operating loss** | | **(504,225)** | (848,498) |
| Finance costs | 6 | **(745,410)** | (645,305) |
| Interest income | | **120,935** | 102,745 |
| Share of profit of joint ventures and associates | 7 | **4,181,213** | 4,020,350 |
| **Profit before income tax** | | **3,052,513** | 2,629,292 |
| Income tax expense | 8 | **(126,094)** | (100,784) |
| **Profit for the year** | | **2,926,419** | 2,528,508 |
| Other comprehensive income | | | |
| Items that will be reclassified subsequently to profit or loss | | | |
| -change in value of available-for-sale financial assets, net of tax | | **11,293** | 437 |
| **Total comprehensive income for the year** | | **2,937,712** | 2,528,945 |
| **Profit/(loss) attributable to:** | | | |
| Equity holders of the Company | | **3,185,261** | 2,652,837 |
| Non-controlling interests | | **(258,842)** | (124,329) |
| | | **2,926,419** | 2,528,508 |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the Company | | **3,193,244** | 2,653,949 |
| Non-controlling interests | | **(255,532)** | (125,004) |
| | | **2,937,712** | 2,528,945 |
| **Earnings per share attributable to equity holders of the Company** | | | |
| (expressed in RMB per share) | | | |
| – basic | 9 | **0.49** | 0.41 |
| – diluted | 9 | **0.49** | 0.41 |
| Dividends | 10 | **1,029,604** | 1,029,604 |

## CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **1,501,392** | 1,150,803 |
| Property, plant and equipment | | **8,535,881** | 7,366,265 |
| Investment properties | | **342,232** | 143,474 |
| Intangible assets | | **3,997,256** | 3,083,630 |
| Investments in joint ventures and associates | 7 | **18,692,856** | 18,424,546 |
| Deferred income tax assets | | **481,411** | 529,587 |
| Available-for-sale financial assets | | **899,626** | 152,228 |
| Held-to-maturity investments | | **79,639** | 49,853 |
| Prepayments and long-term receivables | | **867,290** | 429,063 |
| | | **35,397,583** | 31,329,449 |
| **Current assets** | | | |
| Inventories | | **2,660,569** | 2,036,360 |
| Trade and other receivables | 11 | **5,514,858** | 4,724,819 |
| Available-for-sale financial assets | | **227,950** | 688,183 |
| Held-to-maturity investments | | **110,000** | 22,334 |
| Financial assets at fair value through profit or loss | | **–** | 2,562 |
| Time deposits | | **7,422,367** | 4,665,056 |
| Restricted cash | | **674,180** | 291,173 |
| Cash and cash equivalents | | **10,268,354** | 14,083,345 |
| | | **26,878,278** | 26,513,832 |
| Non-current assets held for sale | | **95,922** | – |
| | | **26,974,200** | 26,513,832 |
| **Total assets** | | **62,371,783** | 57,843,281 |
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | | **6,435,019** | 6,435,019 |
| Other reserves | | **10,848,026** | 10,562,909 |
| Retained earnings | | **18,089,648** | 16,313,263 |
| – Proposed final dividend | 10 | **514,802** | 643,502 |
| – Others | | **17,574,846** | 15,669,761 |
| | | **35,372,693** | 33,311,191 |
| **Non-controlling interests** | | **795,956** | 805,005 |
| **Total equity** | | **36,168,649** | 34,116,196 |

| | Note | As at 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | *12* | **1,151** | 4,134 |
| Borrowings | | **4,769,367** | 4,775,127 |
| Deferred income tax liabilities | | **34,882** | 21,339 |
| Provisions | | **186,256** | 74,221 |
| Government grants | | **989,817** | 793,541 |
| | | **5,981,473** | 5,668,362 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **10,644,529** | 8,637,253 |
| Borrowings | | **9,540,517** | 9,396,766 |
| Current income tax liabilities | | **36,615** | 24,704 |
| | | **20,221,661** | 18,058,723 |
| **Total liabilities** | | **26,203,134** | 23,727,085 |
| **Total equity and liabilities** | | **62,371,783** | 57,843,281 |
| **Net current assets** | | **6,752,539** | 8,455,109 |
| **Total assets less current liabilities** | | **42,150,122** | 39,784,558 |

## NOTES

### 1. GENERAL INFORMATION

Guangzhou Automobile Group Company Limited (The "Company") and its subsidiaries (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 People's Republic of China (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 at 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 its shareholders. After the capital injection and as at 31 December 2009, the Company's total issued domestic shares were 3,934,757,457.

The Company privatised Denway Motors Limited ("Denway"), a subsidiary listed on the Hong Kong Stock Exchange (the "HKSE") 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 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")). 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.

These financial statements are presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated.

### 2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

(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 | Effective for accounting periods beginning on or after |
|---|---|---|
| Amendment to HKFRS 10, HKFRS 12 and HKAS 27 | Consolidated financial statements: disclosure of interests in other entities and separate financial statements | 1 January 2014 |
| Amendment to HKAS 32 | Offsetting financial assets and financial liabilities | 1 January 2014 |
| Amendment to HKAS 36 | Impairment of non-financial assets – recoverable amount disclosures | 1 January 2014 |
| Amendment to HKAS 39 | Novation of derivatives | 1 January 2014 |
| HK (IFRIC)-Int 21 | Levies | 1 January 2014 |

(b) The following amendments to standards have been issued and effective for the financial year beginning 1 January 2016 and have been early adopted by the Group for the financial year beginning 1 January 2014:

| **Standards** | **Subject of amendment** |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture |

The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets a in a subsidiary.

The early adoption of the above amendments has an impact on the Group's transactions with joint ventures and associates in 2014. According to the amendments:

(i) Gains and losses resulting from transactions involving assets that do not constitute a business, as defined in HKFRS 3, between an entity (including its consolidated subsidiaries) and its associate or joint venture are recognised in the entity's consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

(ii) Gains or losses resulting from transactions involving assets that constitute a business, as defined in HKFRS 3, between an entity (including its consolidated subsidiaries) and its associate or joint venture are recognised in full in the entity's consolidated financial statements.

The early adoption of amendments above has following impacts on the Group's consolidated financial statements:

– An increase in the carrying amount of the investments in joint ventures and associates and retained earnings of RMB30,848,000 as at 31 December 2014 respectively;

– An increase in share of profit of joint ventures and associates of RMB30,848,000 for the year ended 31 December 2014;

– An increase in basic earnings per share and diluted earnings per share of RMB0.005 for the year ended 31 December 2014 respectively.

(c) The following new standards and amendments and revisions to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

| **Standards** | **Subject of amendment** | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Amendment to HKAS19 (Amendment) | Defined benefit plans: employee contributions | 1 July 2014 |
| Annual improvements 2012 | Annual improvements 2010-2012 cycle | 1 July 2014 |
| Annual improvements 2013 | Annual improvements 2011-2013 cycle | 1 July 2014 |
| HKFRS 14 | Regulatory deferral accounts | 1 January 2016 |
| Amendment to HKFRS 11 | Acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortization | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: bearer plants | 1 January 2016 |
| Amendment to HKAS 27 | Equity method in separate financial statements | 1 January 2016 |
| Annual improvements 2014 | Annual improvements 2012-2014 cycle | 1 January 2016 |
| Amendments to HKFRS 10, HKAS 12 and HKAS 28 | Investment entities: applying the consolidation exception | 1 January 2016 |
| Amendments to HKFRS 1 | Disclosure initiative | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| HKFRS 9 | Financial instruments | 1 January 2018 |

The Group has already commenced an assessment of the impact of these new or revised standards and amendments to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

3. **SEGMENT INFORMATION**

The chief operating decision-maker has 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 two 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, and investing 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.

The segment results for the year ended 31 December 2014 and other segment items included in the consolidated statement of comprehensive income are as follows:

| | **Vehicles and related operations** | **Others** | **Eliminations** | **Unallocated** | **Consolidated** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Total gross segment revenue | **21,583,476** | **857,275** | **(64,817)** | | **22,375,934** |
| Inter-segment revenue | **(30,755)** | **(34,062)** | **64,817** | | **–** |
| **Revenue (from external customers)** | **21,552,721** | **823,213** | **–** | | **22,375,934** |
| Segment results | **(608,297)** | **(18,050)** | **(34,980)** | | **(661,327)** |
| Unallocated income-Headquarter interest income | | | | **296,421** | **296,421** |
| Unallocated costs-Headquarter expenditure | | | | **(139,319)** | **(139,319)** |
| **Operating loss** | | | | | **(504,225)** |
| Finance costs | **(257,806)** | **(12,573)** | **–** | **(475,031)** | **(745,410)** |
| Interest income | **46,650** | **2,075** | **–** | **72,210** | **120,935** |
| Share of profit of joint ventures and associates | **3,966,251** | **214,962** | **–** | **–** | **4,181,213** |
| **Profit before income tax** | | | | | **3,052,513** |
| Income tax (expense)/credit | **(138,511)** | **20,403** | **–** | **(7,986)** | **(126,094)** |
| **Profit for the year** | | | | | **2,926,419** |
| **Other segment items** | | | | | |
| Depreciation and amortisation | **1,149,247** | **16,227** | **–** | **50,156** | **1,215,630** |
| Provision for impairment loss of trade and other receivables | **31,189** | **740** | **–** | **–** | **31,929** |
| Impairment of inventories | **44,945** | **–** | **–** | **–** | **44,945** |
| Impairment charges of property, plant and equipment | **28,005** | **–** | **–** | **–** | **28,005** |
| Impairment charges of intangible assets | **12,307** | **–** | **–** | **–** | **12,307** |

The segment assets and liabilities as at 31 December 2014 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

| | **Vehicles and related operations** *RMB'000* | **Others** *RMB'000* | **Eliminations** *RMB'000* | **Unallocated** *RMB'000* | **Consolidated** *RMB'000* |
|---|---|---|---|---|---|
| **Total assets** | | | | | |
| Total assets include: | **40,237,161** | **4,523,232** | **(1,041,437)** | **18,652,827** | **62,371,783** |
| Investments in joint ventures and associates | **16,764,459** | **1,928,397** | **–** | **–** | **18,692,856** |
| **Total liabilities** | **14,102,049** | **1,488,739** | **(971,456)** | **11,583,802** | **26,203,134** |
| **Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)** | **3,126,097** | **213,029** | **–** | **–** | **3,339,126** |

The segment results for the year ended 31 December 2013 and other segment items included in the consolidated statement of comprehensive income are as follows:

| | **Vehicles and related operations** *RMB'000* | **Others** *RMB'000* | **Eliminations** *RMB'000* | **Unallocated** *RMB'000* | **Consolidated** *RMB'000* |
|---|---|---|---|---|---|
| Total gross segment revenue | 18,146,617 | 748,983 | (71,401) | | 18,824,199 |
| Inter-segment revenue | (22,727) | (48,674) | 71,401 | | – |
| **Revenue (from external customers)** | 18,123,890 | 700,309 | – | | 18,824,199 |
| Segment results | (783,607) | (73,257) | (57,922) | | (914,786) |
| Unallocated income-Headquarter interest income | | | | 343,215 | 343,215 |
| Unallocated costs-Headquarter expenditure | | | | (276,927) | (276,927) |
| **Operating loss** | | | | | (848,498) |
| Finance costs | (193,122) | (5,922) | – | (446,261) | (645,305) |
| Interest income | 34,411 | 1,737 | – | 66,597 | 102,745 |
| Share of profit of joint ventures and associates | 3,824,022 | 196,328 | – | – | 4,020,350 |
| **Profit before income tax** | | | | | 2,629,292 |
| Income tax (expense)/credit | (92,032) | 16,363 | – | (25,115) | (100,784) |
| **Profit for the year** | | | | | 2,528,508 |
| **Other segment items** | | | | | |
| Depreciation and amortisation | 920,326 | 8,308 | – | 22,182 | 950,816 |
| Provision for/(reversal of) impairment loss of trade and other receivables | 34,749 | 115 | – | (2,193) | 32,671 |
| Impairment of inventories | 44,884 | – | – | – | 44,884 |
| Impairment charges of property, plant and equipment | 2,729 | – | – | – | 2,729 |

The segment assets and liabilities as at 31 December 2013 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

| | **Vehicles and related operations** | **Others** | **Eliminations** | **Unallocated** | **Consolidated** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Total assets** | 35,022,645 | 3,512,778 | (853,804) | 20,161,662 | 57,843,281 |
| Total assets include: | | | | | |
| Investments in joint ventures and associates | 16,607,675 | 1,816,871 | – | – | 18,424,546 |
| **Total liabilities** | 11,874,456 | 551,172 | (853,804) | 12,155,261 | 23,727,085 |
| **Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)** | 1,388,095 | 783,012 | – | – | 2,171,107 |

Reportable segments' assets are reconciled to total assets as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Total segment assets | **43,718,956** | 37,681,619 |
| Unallocated assets: | | |
| – Cash and bank balance and other assets of headquarter | **18,652,827** | 20,161,662 |
| Total assets | **62,371,783** | 57,843,281 |

Reportable segments' liabilities are reconciled to total liabilities as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Total segment liabilities | **14,619,332** | 11,571,824 |
| Unallocated liabilities: | | |
| – Borrowings and other liabilities of headquarter | **11,583,802** | 12,155,261 |
| Total liabilities | **26,203,134** | 23,727,085 |

Revenue from external customers by geographical location is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **22,373,227** | 18,822,022 |
| Hong Kong | **2,707** | 2,177 |
| | **22,375,934** | 18,824,199 |

Non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) located by geographical location are as follows:

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **33,843,624** | 30,498,430 |
| Hong Kong | **93,283** | 99,351 |
| | **33,936,907** | 30,597,781 |

Analysis of revenue by category:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Sales of products | **21,738,481** | 18,313,879 |
| Rendering of services | **364,732** | 273,617 |
| Others | **272,721** | 236,703 |
| | **22,375,934** | 18,824,199 |

## 4. EXPENSES BY NATURE

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Auditors' remuneration | **8,607** | 6,668 |
| Depreciation and amortisation | **1,215,630** | 950,816 |
| Impairment charges of property, plant and equipment | **28,005** | 2,729 |
| Impairment charges of intangible assets | **12,307** | – |
| Impairment of inventories | **44,945** | 44,884 |
| Provision for impairment loss of trade and other receivables | **31,929** | 32,671 |
| Employee benefit expenses | **2,775,942** | 2,165,669 |
| Changes in inventories of finished goods, merchandise and work-in-progress | **(517,232)** | (604,878) |
| Raw materials, goods and consumables used | **17,182,607** | 14,936,490 |
| Sales tax and levies | **877,070** | 740,659 |
| Transportation | **373,288** | 129,982 |
| Advertising and promotion | **789,518** | 580,832 |
| Warranty expenses | **154,511** | 97,237 |
| Research costs | **299,473** | 262,887 |
| Amortisation of government grants | **(44,799)** | (44,029) |
| Operating lease expenses | **71,332** | 78,083 |
| Other expenses | **240,106** | 232,750 |
| Total cost of sales, selling and distribution costs and administrative expenses | **23,543,239** | 19,613,450 |

## 5. OTHER (GAINS)/LOSSES-NET

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Net foreign exchange gains | **(3,494)** | (8,169) |
| (Gain)/loss on disposal of property, plant and equipment and intangible assets (Note a) | **(3,997)** | 498,622 |
| Donations | **17,023** | 42,815 |
| (Gain)/loss on disposal of subsidiaries, associates and joint ventures | **(1,433)** | 51,618 |
| Government grants | **(71,253)** | (125,599) |
| Gain on acquisition of GAC Hino (Shenyang) Motors Co., Ltd. ("Shenyang Hino") (Note b) | **(157,069)** | – |
| Investment income from available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss | **(107,104)** | (28,056) |
| Others | **(18,075)** | 1,593 |
| | **(345,402)** | 432,824 |

(a) The Group disposed of certain assets to a third party in 2013. The loss on this disposal amounted to approximately RMB498,192,000.

(b) As one of the precondition of the Company's acquisition of Shenyang Hino's equity interests from GAC Hino Motors Co., Ltd. ("GAC Hino", a joint venture of the Group), the Company entered into agreements with Hino Motors Limited ("Hino Motors", another joint venture partner of GAC Hino) on 4 November 2013, according to which Hino Motors should make a payment of RMB 206,000,000 ("Compensation") to Shenyang Hino for its settlement of liabilities. On 16 July 2014, the Compensation was received by Shenyang Hino.

On 29 April 2014, the Company entered into an agreement with GAC Hino to acquire 80.02% equity interests of Shenyang Hino held by GAC Hino at a consideration of RMB 1. On 9 June 2014 ("Acquisition Date"), the Company obtained the control over Shenyang Hino. As at the Acquisition Date, the fair value of identifiable net liabilities of Shenyang Hino amounted to RMB 61,149,000. The difference among 80.02% of the fair value of identifiable net liabilities acquired by the Company at the Acquisition Date of RMB 48,931,000, the consideration of RMB 1 paid by the Company and the Compensation received by Shenyang Hino, amounting to RMB 157,069,000, was recorded as "Other gains/(losses) – net". Subsequently, the Company further acquired 5% and 4.98% equity interests in Shenyang Hino from its other two shareholders at considerations of RMB 1 and RMB 5,500,001 respectively. This acquisition was treated as "transactions with non-controlling interests", and the difference between the consideration paid by the Company and the relevant share of the carrying amount of the net assets of Shenyang Hino acquired amounting to RMB 15,028,000 was debited to equity.

Up to 31 December 2014, all the share transfers have been completed. The Company and GAC Hino held 90% and 10% equity interests in Shenyang Hino as at 31 December 2014, respectively.

## 6. FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Interest expense | **806,777** | 700,351 |
| Interest capitalised in qualifying assets | **(62,808)** | (46,550) |
| Net foreign exchange losses/(gains) on financing activities | **1,441** | (8,496) |
| | **745,410** | 645,305 |

## 7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The amounts recognised in the balance sheet are as follows:

| | | As at 31 December | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Investments in joint ventures | *(a)* | **13,424,452** | 13,200,531 |
| Investments in associates | | **5,268,404** | 5,224,015 |
| | | **18,692,856** | 18,424,546 |

The amounts recognised in the consolidated statement of comprehensive income are as follows:

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Share of profit of joint ventures | *(a)* | **3,213,104** | 3,100,223 |
| Share of profit of associates | | **968,109** | 920,127 |
| | | **4,181,213** | 4,020,350 |

**(a) Investments in joint venture**

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Investment in unlisted shares | **13,424,452** | 13,200,531 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| At beginning of the year | **13,200,531** | 12,313,895 |
| Additions | **280,513** | 827,600 |
| Share of profits | **3,130,271** | 3,136,213 |
| Dividends received | **(3,132,961)** | (3,077,177) |
| Disposals | **(53,902)** | – |
| End of the year | **13,424,452** | 13,200,531 |

(ii) 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).

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 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| **Assets** | | |
| Non-current assets | **26,490,675** | 24,769,987 |
| Current assets | | |
| – Cash and cash equivalents | **15,521,723** | 17,203,187 |
| – Other current assets | **46,339,877** | 37,500,378 |
| | **61,861,600** | 54,703,565 |
| Total assets | **88,352,275** | 79,473,552 |
| **Liabilities** | | |
| Non-current liabilities | | |
| – Financial liabilities (excluding trade and other payables) | **6,564,689** | 4,450,020 |
| – Other non-current liabilities (including trade and other payables) | **2,011,747** | 1,667,281 |
| | **8,576,436** | 6,117,301 |
| Current liabilities | | |
| – Financial liabilities (excluding trade and other payables) | **15,976,893** | 15,080,345 |
| – Other current liabilities (including trade and other payables) | **42,636,068** | 37,505,715 |
| | **58,612,961** | 52,586,060 |
| Total liabilities | **67,189,397** | 58,703,361 |
| **Net assets** | **21,162,878** | 20,770,191 |
| Less: Non-controlling interests | **(17,593)** | (16,528) |
| | **21,145,285** | 20,753,663 |

**Summarised statement of comprehensive income**

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Revenue | **140,472,444** | 131,999,726 |
| Cost of sales | **(118,596,075)** | (100,949,654) |
| Other expenditures | **(15,732,879)** | (24,824,593) |
| Profit after tax | **6,143,490** | 6,225,479 |
| Add: losses shared by non-controlling interests | **2,734** | 11,082 |
| | **6,146,224** | 6,236,561 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **6,146,224** | 6,236,561 |

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.

## 8. TAXATION

### (a) Income tax expense

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax: | | |
| – Hong Kong profits tax | **–** | – |
| – PRC enterprise income tax | **95,018** | 57,172 |
| | **95,018** | 57,172 |
| Deferred tax | **31,076** | 43,612 |
| | **126,094** | 100,784 |

The difference between the actual income tax credit in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **3,052,513** | 2,629,292 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | **762,044** | 631,606 |
| Share of profit of joint ventures and associates | **(1,045,303)** | (1,005,088) |
| Income not subject to tax | **–** | (4,183) |
| Expenses not deductible for tax purposes | **29,128** | 25,757 |
| Utilisation of previously unrecognised tax losses | **(19,275)** | (7,708) |
| Tax losses and deductible temporary differences for which no deferred income tax asset was recognised | **399,500** | 460,400 |
| Income tax expense | **126,094** | 100,784 |

The tax rates applicable to the major subsidiaries, joint ventures and associates for the year ended 31 December 2014 are 25% (2013: 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year ended 31 December 2014.

## 9. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Profit attributable to equity holders of the Company | **3,185,261** | 2,652,837 |
| Weighted average number of ordinary shares in issue (thousands) | **6,435,019** | 6,435,019 |
| Basic earnings per share (RMB per share) | **0.49** | 0.41 |

### (b) Diluted

Diluted earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue adjusted by all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options in 2014 (2013: none). When calculating the diluted earnings per share, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares from the grant date to the year end) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Profit attributable to equity holders of the Company | **3,185,261** | 2,652,837 |
| Weighted average number of ordinary shares in issue (thousands) | **6,435,019** | 6,435,019 |
| Add: weighted average number of ordinary shares assuming conversion of all share options (thousands) | **1,431** | – |
| Weighted average number of ordinary shares in issue for diluted earnings per share (thousands) | **6,436,450** | 6,435,019 |
| Diluted earnings per share (RMB per share) | **0.49** | 0.41 |

## 10. DIVIDENDS

Dividends paid in 2014 and 2013 were RMB1,158,304,000 and RMB514,802,000 respectively. A final dividend in respect of the year ended 31 December 2014 of RMB0.08 per ordinary share, amounting to a total dividend of approximately RMB514,802,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Interim dividend paid of RMB0.08(2013: RMB0.06) per ordinary share | **514,802** | 386,102 |
| Proposed final dividend of RMB0.08 (2013: RMB0.10) per ordinary share | **514,802** | 643,502 |
| | **1,029,604** | 1,029,604 |

## 11. TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables *(Note (a))* | **1,208,870** | 1,167,049 |
| Less: provision for impairment | **(149,576)** | (142,431) |
| Trade receivables-net | **1,059,294** | 1,024,618 |
| Notes receivable | **290,059** | 262,071 |
| Interest receivable | **82,320** | 183,953 |
| Consideration receivable for transfer of equity investment | **174,949** | – |
| Entrusted loans to related parties | **705,516** | 112,500 |
| Value added tax recoverable | **379,140** | 286,903 |
| Prepayments | **310,680** | 484,251 |
| Dividends receivable | **1,259,157** | 1,588,237 |
| Other receivables | **1,253,743** | 782,286 |
| | **5,514,858** | 4,724,819 |

(a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 2 to 170 days. As at 31 December 2014 and 2013, ageing analysis of trade receivables at respective balance sheet dates is as follows:

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **793,388** | 783,626 |
| Between 3 months and 1 year | **189,692** | 176,372 |
| Between 1 and 2 years | **62,050** | 58,743 |
| Between 2 and 3 years | **26,400** | 17,914 |
| Over 3 years | **137,340** | 130,394 |
| | **1,208,870** | 1,167,049 |

## 12. TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables *(Note (a))* | **4,601,335** | 3,624,095 |
| Notes payable | **1,066,509** | 944,122 |
| Advances from customers | **498,205** | 408,946 |
| Employee benefits payable | **704,703** | 568,656 |
| Other taxes | **234,987** | 359,516 |
| Interest payable | **300,395** | 361,091 |
| Government grants | **13,293** | 9,670 |
| Other payables | **3,226,253** | 2,365,291 |
| | **10,645,680** | 8,641,387 |
| Less: non-current portion of trade and other payables | **(1,151)** | (4,134) |
| Current portion | **10,644,529** | 8,637,253 |

(a) As at 31 December 2014 and 2013, the ageing analysis of the Group's trade payables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **4,545,382** | 3,572,843 |
| Between 1 and 2 years | **32,686** | 35,449 |
| Between 2 and 3 years | **5,716** | 9,763 |
| Over 3 years | **17,551** | 6,040 |
| | **4,601,335** | 3,624,095 |

## CHAIRMAN'S STATEMENT

### BUSINESS REVIEW

During 2014, faced with the complex and changing international environment and the pressure of a decline in the macro economy, the central government insisted on the general principle of stability and progress, it carried out advance adjustments, minor adjustments in a targeted way, adequately made use of the market adjustment mechanism, optimized resource allocation, the domestic economy maintained stability while making progress during the structural adjustments, the economy and the society realized stable development, the year-on-year GDP growth was 7.4%.

In 2014, the production and sales of vehicles in China were 23,722,900 units and 23,491,900 units respectively, recording a global historic high, and were the first in the world for six consecutive years. The increases in the production and sales of vehicles for the year were 7.26% and 6.86% respectively, the growth rates fell substantially, representing a decrease of 7.54% and 7.04% as compared with the corresponding period last year; among them, the production and sales of passenger vehicles amounted to 19,919,800 units and 19,700,600 units, representing an increase of 10.15% and 9.89% respectively compared to the corresponding period last year; the growth rates fell 6.35 % and 5.81% respectively compared to last year; the production and sales of commercial vehicles amounted to 3,803,100 units and 3,791,300 units, representing a decrease of 5.69% and 6.53% respectively compared to the corresponding period last year.

In 2014, the scale of production and sales of motorcycles continued to drop, the production and sales of motorcycles in China were units and 21,267,800 and 21,294,400 units respectively, representing a decrease of 7.08% and 7.59% respectively compared to last year, their production and sales fell for three consecutive years, being the lowest since 2007, among them, the domestic sales of motorcycles amounted to 12,710,600 units, representing a decrease of 8.41% compared to the corresponding period last year, and the export of motorcycles were 8,583,800 units, representing a decrease of 6.37% compared to the corresponding period last year.

During the year, the production and sales of vehicles of the Group together with its joint ventures and associated companies were 1,218,500 units and 1,172,300 units respectively, representing an increase of 20.95% and 16.69% respectively compared to the corresponding period last year; being 10% above the industry compared to the corresponding period last year. It realized the production and sales of 1,072,100 units and 1,062,300 units, representing an increase of 10.92% and 6.22% respectively compared to the corresponding period last year, the motorcycles business maintained a growth despite a falling trend of China.

Operating income of the Group together with its joint ventures and associated companies amounted to approximately RMB204.517 billion, representing an increase of approximately 7.96% as compared with the corresponding period last year; the consolidated operating income amounted to approximately RMB22.376 billion, representing an increase of 18.87% as compared with the corresponding period last year; the net profit attributable to owners of the parent company amounted to approximately RMB3.185 billion, earning per share was RMB0.49, representing an increase of 20.07% as compared with the corresponding period last year. Return on net assets was 9.25%, representing an increase of 1.03% as compared with the corresponding period last year.

During the year 2014, under the circumstances of a decline pressure of the macro economy and the narrowing of growth in the automobile industry, the Group seized in time the policy trend and market direction, active in overcoming difficulties and taking actions, achieved stability with some progress in its operation as a whole, favourable trend in co-ordinated development the above can be specifically seen in: 1. steady growth: the new output capacity was gradually released, new products were introduced one after another, the main business indicators registered double-digit growth; 2. Exploration and development: a group of key projects were started and constructed successively and the construction work of projects were carried out steadily according to schedule; 3. Emphasis on innovation: The independent development strategy was established and started, an independent industry system was built, the study and development of new products, new techniques were promoted systematically, the demonstration and operation of new energy vehicle were made; 4. Strict management: the coordination and service functions of the Group were further strengthened; the internal control, risk management and clean practice were strengthened; the long term incentive mechanism was improved, the long and medium term incentive scheme was implemented; 5. Optimize layout: All business segments speeded up their consolidation, faster development of the capital operation and auto credit, insurance and investment and other auto related to the services, the synergies continued to appear, the level of industry and financing integration was enhanced step by step.

## PROSPECTS

Currently, the economies in the world are still undergoing intensive adjustment, the recovery lacks momentum, increasing significance of geopolitics, uncertain factors increase, the promotion of growth, increase employment level, structural adjustment have gradually become the consensus of the international society. 2015 is a critical year in which China pushes ahead a comprehensive deepening of reform, the economy of China will, according to the "four comprehensive" strategic layout, in general persist to maintain stability while making progress, maintaining that economic operation will remain in a reasonable range.

In 2015 the development of the automobile industry is still in a period with promising and significant strategic opportunities, and it will have huge potential, resilience and room for maneuvering. The continuous promotion of new industrialisation, informatisation and urbanization will give rise to sustaining rigid demands for automobile consumption. It is expected that in 2015 sales of vehicles in China will grow by approximately 7% when compared with the same period last year, as a whole, a stable development trend will be maintained in the industry.

In 2015, the Group will proactively adapt to the New Normal of economic development, seize favourable conditions and positive factors, commit to development, deepen the reform, further push forward the Group to do well in the followings: First, organizational bottleneck and habits were broken down to accelerate transformation in development; secondly, economic quality and efficiency were raised to ensure stable growth; thirdly, independent development was accelerated to speed up the implementation of overseas strategy; fourthly, contemporary corporate governance was constantly improved and internal control and risk management were strengthened; fifthly, the development approach of integration with the Internet was expanded to increase the Group's vigour and competitiveness in development.

## I. SUMMARY OF BUSINESS

The main businesses consist of the research and development, manufacturing, sales and after-sales services of passenger vehicles, commercial vehicles, motorcycles, engines and other auto parts, the import and export of automobile-related products, automobile leasing, logistics services, automobile disassembling and automobile credit, insurance, insurance brokerage services and equity interest investment. 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 Chrysler and GAC Mitsubishi, GAMC and GAC Gonow. As at 31 December 2014, the Group had more than ten series of sedans, SUV and MPV, including Guangqi Honda Accord, Crider, VEZEL of Guangqi Honda, Crosstour of Guangqi Honda, Odyssey, Fit, Everus, etc.; GAC Toyota Camry, Highlander, Yaris L, E'Z, Levin, etc.; GAC Fiat Chrysler Viaggio, Ottimo, etc.; GAC Mitsubishi ASX, Pajero, etc.; GAC Trumpchi (GA5, GA6, GS5, GS5 SUPER, GA3 and GA3S•Vision), GAC Gonow Aoxuan G5, Xinglang etc.

The Group also participates in the production of Accord sedans through its associates 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 energy saving new energy vehicles such as purely electrically powered and hybrid), and pickups, etc.

During the reporting period, vehicle production capacity increased 180,000 units. As at 31 December 2014, production capacity of passenger vehicles and commercial vehicles of the Group was 1,550,000 units.

### *2. Motorcycles*

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

During the reporting period, the motorcycle production capacity increased 250,000 units. As at 31 December 2014, the production capacity of motorcycles of the Group was 1.25 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 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.

## II. MAJOR PERFORMANCE OF THE BOARD

During 2014, the Group, under the situations of a slowdown in growth in the automobile industry, actively grasped market opportunities, continued to deepen innovation and reform, and made good achievements in enhancing its management systems, improving industrial system capacity, strengthening capital operation ability and perfecting corporate governance structure, with the rapid growth in various indicators maintained. In 2014 the major performance of the Board is as below:

### *1. Maintain operation growth*

During the reporting period, due to the addition of new capacity of the Group, the further enrichment of product lines and synergies and contribution of the emerging segment business, the slowdown of growth rate of the industry, the quality and benefits of the development of the Company were stable and enhanced, the major economic indicators obtained a double-digit growth, the growth of sales and production of vehicles outperformed the counterparts in the industry by approximately 10%, in particular the brand "Trumpchi" made a year-on-year growth of 37.48% despite the fact that the market share of independent brands fell 1.9% for the whole year; GAC Mitsubishi, GAC Fiat Chrysler also realized year-on-year growth of sales of more than 40%.

### *2. Promotion of key projects*

During the reporting period, the Group completed key projects including the 240,000-unit expansion of the Zengcheng plant of Gaungqi Honda, the construction of phase 1 of the plant of the 240,000-unit petrol engine project, the 200,000-unit expansion of GAMC, the 130,000-unit technical expansion of GAC Mitsubishi and the 250,000-unit expansion of phase 2 of the workshop of Wuyang-Honda. The 160,000-unit capacity building of the branch factory of GAC Fiat Chrysler in Guangzhou was initiated. The progress achieved in the key projects solidly enhanced the comprehensive competitiveness of the Group.

### *3. Further enrichment of product lines*

The Group actively promoted the launching of new products and the implementation of product strategic planning, a total of 14 new car models were launched in 2014. The product line of the group was enriched and comprehensive, enhancing the Group's ability to meet market demands. New car models in 2014 include: Guangqi Honda launched the 3 new SUV car models Vezel and the new Fit, the new Odyssey; the first medium car – Levin of GAC Toyota, GAMC launched Trumpchi sedan GA6 for the first time in the world, the SUV models GS5 SUPER, GA3S VISION, added the programmed electric car Trumpchi GA5, the executive edition and new ASX special edition of Pajero of GAC Mitsubishi, 2015 models of Ottimo and Viaggio of GAC Fiat Chrysler, the SUV model GX6 and MPV Xinglang model of GAC Gonow.

### *4. Strengthening of independent innovation*

During the reporting period, the Group promoted systematically the independent research and development and development of new products, continued to strengthen the research and development and ability building of new energy. The Group (including its investment companies) applied for 448 new patents, of which 136 invention patents, accounting for 30.36%, it was granted 297 patents, of which 11 invention patents, accounting for 3.70%, it actively promoted the research and development of new energy, new technologies, intelligent cars and other advanced technologies and the research and development of key parts. The Group obtained the Class one prize in technological advancement of the automobile industry of China for its "Research and application of automobile forward development technology based on cross platform module structure", its independent research and development strength gradually strengthened, the research and development system was gradually improved. The Group's project listed in the national 863 plan – the "research and development and industrialization techniques of programmed pure electric sedan" was inspected by the technological department of the state, the product was for demonstration and in operation. The independent brands were highly recognized by professional institutions, in the new car quality study report in China of J. D. Power in 2014, GAC Trumpchi ranked 14th among all car brands which had entered into the Chinese market, and was ranked the first for two consecutive years in the domestic brands.

During the reporting period, the Group announced the development strategies of independence, which will centre on the "Two centres, four platforms", that means GAEI was used as a technological research and development centre, GAMC was used as the production and manufacturing centre, they shared the research and development, sourcing, brand sales and service channels, human resources and other resources; development strategies, production standards, resources sharing and overseas business were centralized according to the principles of "Four centralization" to carry out coordination and planning, facilitate sharing of module resources, building the layout of the independent industry.

### 5. *Enhancement of integration of industry and financing*

The Group vigorously promoted the development of contemporary service industry. As the industry chain and finance sector business were constantly enhanced, the synergy of the industry gradually takes effect.

During the reporting period, the Group received the qualification of scrap vehicles recycling and dismantling, entering the business of recycling economy. The Group completed the preparation of capital operation planning and strategic planning, specified the business layout of using financial to promote the development of the main automobile business, seized the favourable time in the capital market and issued two tranches of short term financing bond for a total of RMB5 billion, and initiated the project of issuance of A share convertible bonds, actively explored the financing channels, realized low finance costs and promoted the pilot business of financial lease. The efficiency of automobile credit, automobile insurance, insurance brokerage and financial investment were gradually raised and their synergies were further realised.

### 6. *Enhancement of management*

During the period, the Group continued to deepen reform and changes, continued to improve the system mechanism, made partial adjustments and refinement of some institutions and duties of the Group; strengthened the promotion of integrity as Party conduct, promoted multi-layered risk management and training of internal control, set up a combined mechanism of internal control inspection and self-assessment, revised 9 internal management systems including the "Articles of Association", the "Financial management system", the "Regulatory measures for internal control and audit", and made 4 internal management systems of "Regulatory measures for internal control of investment companies", the "Working system for complaints from investors", continued to improve the internal control and risk management system, enhanced the risk management ability, ensured that the Company continued its healthy development.

### 7. *Implementation of incentive scheme*

During the reporting period, the Group amended the "Proposal on the Remuneration and Performance Management of Senior Management Officers (《高級管理人員薪酬和績效管理方案》)" which further improved the appraisal of the senior management officers. It also formulated a medium and long-term incentive scheme and successfully implemented the grant of A share option incentive scheme, the incentive scheme covers a total of 620 of directors, senior management, core management, technical personnel of the Company and the core personnel of the major investment companies, it became the first whole vehicle manufacturer which comprehensively implemented the share option incentive scheme during the reporting period.

### 8. *Ensuring regulated operation*

The Group increased proactive information disclosure and made better information disclosure under the principles of truth, accuracy, completeness, timeliness, compliance, openness, fair and justice. For the year 130 and 151 regular reports and ad hoc announcements were disclosed in HKEX and SSE respectively, there was no "delay, omission and errors, supplementary" disclosure; at the same time, it strengthened the management of inside information such as annual results of the Company, and reminded the persons with knowledge of the sensitive information and made filing and registration.

At the same time, investor relationship activities such as annual result release conference, overseas roadshows, open day for investors and auto show were made for the year, positive interaction was made between the Company and the investors; a total of more than 80 communication meetings were arranged for the year, corresponding to almost 500 person-times of investors and analysts, and established the mechanism of handling complaints from investors to protect the legal rights of investors.

### 9. *Performing social responsibilities*

The Group strongly promoted energy saving, emission reduction and environmental protection, used quality products, services to devote to create a harmonious company, undertook the responsibilities towards the staff, the society and the biological environment, supported sports, environmental protection, cultural education, charity medical relief, assistance and other public welfare. During the reporting period, the Group and its staff raised a total of around RMB89.24 million to donate to assistance and charitable bodies.

## III. DISCUSSION AND ANALYSIS BY THE BOARD ON OPERATION OF THE COMPANY

During the reporting period, revenue of the Group together with its JVs and associated companies amounted to approximately RMB204.517 billion, representing an increase of approximately RMB15.072 billion or 7.96% as compared to the corresponding period last year.

During the reporting period, revenue of the Group amounted to approximately RMB22.376 billion, representing an increase of approximately 18.87% as compared to the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB3.185 billion, and earnings per share amounted to RMB0.49, representing an increase of approximately 20.07% 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 boosting the sales growth of the Group; 2. Following the growth in sales of passenger cars, 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.

For the year ended 31 December 2014, according to the proportion of shareholdings of the Group in the jointly controlled entities, the total jointly controlled assets and liabilities were RMB33,401,753,152 and RMB70,274,691,266 respectively, which will be used in the calculation of waivers granted by the Stock Exchange to the Company in respect of asset and revenue ratios.

### (1) ANALYSIS ON PRINCIPAL BUSINESS

### 1. Analysis on changes of items in the Profit & Loss Account and the cash flow statement

*Unit: 100 million Currency: RMB*

| Item | Current period | Corresponding period last year | Change (%) |
|---|---|---|---|
| Total operating revenue | 223.76 | 188.24 | 18.87 |
| Operating cost | 198.29 | 168.30 | 17.82 |
| Selling expenses | 18.41 | 10.71 | 71.90 |
| Administrative expenses | 18.74 | 17.13 | 9.40 |
| Finance costs | 7.45 | 6.45 | 15.50 |
| Interest income | 4.39 | 4.77 | -7.97 |
| Share of profit of jointly controlled entities and associates | 41.81 | 40.20 | 4.00 |
| Net cash flow generated from operating activities | 3.48 | 5.48 | -36.50 |
| Net cash flow generated from investment activities | -32.52 | 7.08 | -559.32 |
| Net cash flow generated from financing activities | -9.09 | 35.12 | -125.88 |

## 2. Revenue

During the reporting period, total operating revenue of the Group was RMB22.376 billion, representing a growth of 18.87% compared to the corresponding period last year, mainly because the Group successively launched new products, there was a substantial growth in sales of the independent brand "Trumpchi" and the rapid development of businesses in the upstream and downstream of the industry chain such as the automobile parts and components, insurance, logistics and commerce and trade service.

## 3. Cost of sales and gross profit

During the reporting period, the cost of sales of the Group was approximately RMB19.829 billion, representing an increase of approximately RMB2.999 billion or 17.82% as compared to the corresponding period last year, which is lower than the growth of operating revenue; total gross profit was approximately RMB2.547 billion representing an increase of approximately RMB553 million or 27.73% as compared to the corresponding period last year. The increase was mainly due to the combined effect of economy of scale brought by sale increase in passenger cars and strengthened cost control resulting in lower unit costs.

## 4. Expenditures

(1) Selling and distribution expenses increased by approximately RMB770 million compared with the corresponding period last year, mainly due to an increase in marketing expenses, sales incentives, logistics expenses and after-sales service expenses corresponding to the increase in sales volume;

(2) Administrative expenses increased by approximately RMB161 million compared with the corresponding period last year, mainly due to the increase in labour costs, research and development costs and depreciation and amortisation;

(3) Finance costs increased by approximately RMB100 million compared with the corresponding period last year, mainly due to the increase in the average borrowings of the Group during the reporting period;

(4) Interest income decreased by approximately RMB3,700 million as compared to the corresponding period last year, mainly due to decrease in average bank deposits during the reporting period.

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

During the period, the Group's share of profit of jointly controlled entities and associates was RMB4.181 billion, representing an increase of approximately RMB161 million as compared with the corresponding period last year, mainly as a result of the combined effect of the following factors: a. The gradual release of new capacity and launching of new products in the market facilitated the growth of sales of whole vehicles of the joint ventures; b. The synergies of industries continued to strengthen, the auto parts business and the service businesses of auto financing and auto logistics in the upstream and downstream of the industry chain developed rapidly.

**6. Research and development expenditure**

***(1) Table of research and development expenditure***

*Unit: 100 million Currency: RMB*

| | |
|---|---|
| Current period expensed research and development expenditure | 2.99 |
| Current period capitalised research and development expeure | 12.94 |
| Total research and development expenditure | 15.93 |
| Total research and development expenditure to net assets (%) | 4.40 |
| Total research and development expenditure to sales revenue (%) | 7.12 |

***(2)*** During the reporting period, the Group increased the investment in independent research and development, strengthened the research and development innovation and capability building, it actively promoted the research and development of new technologies, intelligent cars, new energy and other advanced technologies and the research and development of key parts, the independent research and development strengths gradually increased, the research and development system was gradually improved.

**7. Cash flow**

(1) During the reporting period, net cash inflow generated from operating activities amounted to approximately RMB348 million, representing a decreased inflow by approximately RMB200 million as compared with net cash inflow of approximately RMB548 million of the corresponding period last year, mainly due to an increase in sales, increase in employee salary payment and the increase in the payment of trade payables.

(2) During the reporting period, net cash outflow generated from investment activities amounted to approximately RMB3.252 billion, representing an increased outflow by approximately RMB3.960 billion as compared with net cash inflow of approximately RMB708 million of the corresponding period last year, mainly due to the combined effect of the increase of purchase of long-term assets including fixed assets and the increase in time deposits.

(3) During the reporting period, net cash outflow generated from financing activities amounted to approximately RMB909 million, representing an increased outflow by approximately RMB4.421 billion as compared with net cash inflow of approximately RMB3.512 billion of the corresponding period last year, mainly due to the combined effect of repayment of RMB6.7 billion medium term notes falling due, issuance of RMB5 billion short term financing bonds and increase in payment of cash dividend in the reporting period.

(4) As at 31 December 2014, cash and cash equivalent of the Group amounted to approximately RMB10.268 billion, representing a decrease of approximately RMB3.815 billion as compared with approximately RMB14.083 billion as at 31 December 2013.

**8. Others**

Income tax amounted to approximately RMB126 million, representing an increase of approximately RMB25 million as compared with the corresponding period last year, mainly due to the increase in profit of subsidiaries in the period.

To sum up, the Group's net profit attributable to the parent company was approximately RMB3.185 billion, representing an increase by 20.07% as compared with the corresponding period last year; earnings per share amounted to approximately RMB0.49, representing an increase of approximately RMB0.08 as compared with the corresponding period last year.

## (2) ANALYSIS ON INDUSTRY OR REGIONAL OPERATION

**1. Principal businesses by industry**

*Unit: 100 million Currency : RMB*

| By industry | Operating revenue | Operating cost, tax | Gross profit margin *(%)* | Change in operating revenue as compared with last year *(%)* | Change in operating cost as compared with last year *(%)* | Change in gross profit margin as compared with last year *(%)* |
|---|---|---|---|---|---|---|
| Automobile and related trading | 215.53 | 192.41 | 10.73 | 18.92 | 18.01 | 0.69 |
| Others | 8.23 | 5.87 | 28.68 | 17.57 | 11.81 | 3.68 |
| Total | 223.76 | 198.29 | 11.38 | 18.87 | 17.82 | 0.79 |

## 2. Principal businesses by region

*Unit: RMB100 million*

| Region | Operating revenue | Change in operating revenue as compared with last year (%) |
|---|---|---|
| Mainland China | 223.73 | 18.87 |
| Hong Kong | 0.03 | 50.00 |
| Total | 223.76 | 18.87 |

## (3) ANALYSIS ON ASSETS AND LIABILITIES

## 1. Table of assets and liabilities analysis

*Unit: 100 million Currency: RMB*

| Item | Balance at the end of the period | Balance at the end of the period to total assets *(%)* | Balance at the end of previous period | Balance at the end of the previous period to total assets *(%)* | Change in balance at the end of the period to the end of the previous period *(%)* |
|---|---|---|---|---|---|
| Land use rights | 15.01 | 2.41 | 11.51 | 1.99 | 30.41 |
| Inventories | 26.61 | 4.27 | 20.36 | 3.52 | 30.70 |
| Available-for-sale financial assets | 11.28 | 1.81 | 8.40 | 1.45 | 34.29 |
| Time deposits | 74.22 | 11.90 | 46.65 | 8.06 | 59.10 |

## 2. Explanation on the changes

1) Land use rights: Mainly due to the purchase of land by subsidiaries during the reporting period;

2) Inventories: Mainly due to the increase in production and sales volume which in turn led to the increase of inventories during the reporting period;

3) Available-for-sale financial assets: Mainly due to the increase in investment expenses by subsidiaries;

4) Time deposits: Mainly due to the reasonable arrangement of deposits structure in accordance with capital needs.

## (4) ANALYSIS ON FINANCIAL POSITION

## 1. Financial indicators

As at 31 December 2014, the Group's current ratio was approximately 1.33 times, representing a decrease from approximately 1.47 times as at 31 December 2013; quick ratio was approximately 1.15 times, representing a decrease from approximately 1.30 times as at 31 December 2013, mainly due to the increase in short term borrowings in the reporting period.

## 2. Financial resources and capital structure

As at 31 December 2014, the Group's current assets amounted to approximately RMB26.974 billion, current liabilities amounted to approximately RMB20.222 billion and current ratio was approximately 1.33 times. As at 31 December 2014, the Group's total borrowings amounted to approximately RMB14.310 billion, mainly consisted of corporate bonds with nominal value of RMB600 million, enterprise bonds with nominal value of RMB4,000 million, short term financial bonds with nominal value of RMB5,000 million and loans from bank and financial institutions amounting to approximately RMB4.773 billion, which resulted in a gearing ratio of approximately 28.35%. The above borrowings and bonds will be payable upon maturity. The Group generally funded 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

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

**4. Contingent liabilities**

As at 31 December 2014, third-party guarantee committed by the Group amounted to RMB12,637,594, whereas that as at 31 December 2013 was RMB3,966,667; as at 31 December 2014, financial guarantee of the Company for its subsidiaries was RMB0, whereas that as at 31 December 2013 was RMB0.

## (5) ANALYSIS ON CORE COMPETITIVENESS

In the reporting period, the core competitiveness of the Group is mainly reflected in:

**1 Industry layouts with complete industry chain and 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 strategic layout based in 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 synergistic 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, the Group implemented the development strategy of "three pillars" consisting of the European vehicles, Japanese vehicles and independent brands, and it actively promotes the upgrading of products based on the changes in the markets and the demand 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 has capital operation platforms 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.

# IV. DISCUSSION AND ANALYSIS BY THE BOARD ON FUTURE DEVELOPMENT

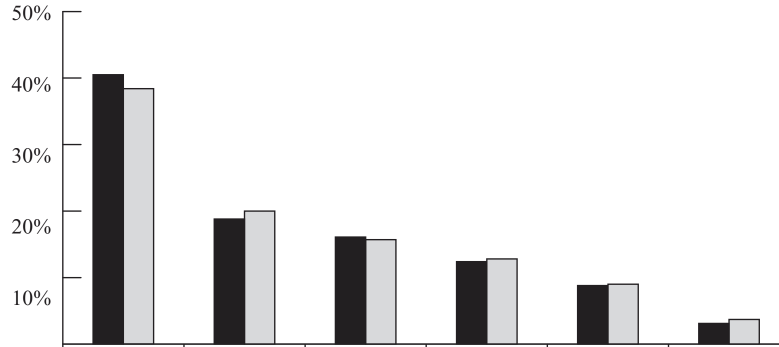
## (1) Industrial competition and development trend

### *1. Competition in the industry*

Being the largest automobile market, China has been the number one in sales volume for 6 consecutive years, various international auto companies speeded up the exploration of business in China, increased investment in research and development in their joint venture companies in China, accelerated the launching of strategic car models, further raised the proportion of domestic vehicles, drove a downward movement of prices; at the same time, they accelerated sales and import of high-end models, increased investment in research and development of new energy vehicles, introduced energy saving environmental protection car models, intensified the competition in the domestic automobile market. According to the sorted statistics of the customs, 947,300 units of whole vehicles were exported in 2014, representing a decrease of 0.1% compared to the corresponding period last year; 1,426,000 units of whole vehicles were imported in 2014, representing an increase of 19.3% compared to the corresponding period last year.

In the recent years, the major independent brand automobile companies in China have always been aiming at capacity and output expansion, launching of new products, continuous enhancement of technological innovation ability and cost control ability, enhance the quality of products and brand influence, however as a whole, China still faces harsh challenges, in 2014, the sales volume in China's independent brand passenger vehicles was 38.4%, representing a decrease of 2.1% compared to the corresponding period last year. The sales volumes of German, Japanese, American, Korean and French passenger vehicles took up 20.0%, 15.7%, 12.8%, 9.0% and 3.7% respectively, indicating an upward trend.

In the future, it is expected that independent brand automobile companies will face more challenges in the technical, quality, services, pricing, equipment, design, brand influence aspects, the competition in the industry will tend to be fierce.




| | China | Germany | Japanese | American | Korean | French |
|---|---|---|---|---|---|---|
| 2013 | 40.5% | 18.8% | 16.1% | 12.4% | 8.8% | 3.1% |
| 2014 | 38.4% | 20.0% | 15.7% | 12.8% | 9.0% | 3.7% |

Following the enhancement in design and production capability of domestic automobile makers, the frequency of introduction of new products speeds up, the competition in the industry further intensifies; as a result of the keen market competition and economies of scale, selling prices of vehicles will continue to fall. At the same time, with the expansion of production scale, enhancement of technical level, gradual improvement of parts systems of automobile makers in China, the ratio of local procurement continues to raise, the procurement costs of some parts fall, consequently, the room for cost reduction of production and operation costs of vehicles are gradually shrinking.

The concentration of China's automobile industry further increased. According to the statistics of the automobile industry association, the top 10 automobile corporations accounted for a total sale of 21,076,500 vehicles in 2014. The total market share reached 89.7%, representing an increase of 1.7 % over the previous year.

| | **2014 sales** | | **2014 industry concentration** | |
|---|---|---|---|---|
| | **Cumulative sales ('0000 units)** | **Compared with the same period last year** | **Cumulative ratio** | **Compared with the same period last year** |
| Top 10 auto companies | 2,107.65 | 8.9% | 89.7% | 1.7 |
| Top 5 auto companies | 1,742.10 | 10.0% | 74.2% | 2.2 |
| Top 3 auto companies | 1,247.24 | 8.3% | 53.1% | 0.7 |

In 2014 the production and sales of vehicles increased by 7.3% and 6.9% when compared with the corresponding periods last year, they continued to maintain higher speed, since the domestic economy continue to develop steadily, the urbanization reform of China speeded up and the reform of civil servant vehicles and the forthcoming peak of vehicle upgrade and replacement, the Chinese automobile car is still full of hope.

## 2. *Development trend of the automobile industry*

Despite the slowdown in sales growth of the automobile market in China in 2014, it still maintained faster growth, while the economic development has entered into the status of New Normal, the conditions for the automobile industry to maintain faster growth are still present. As far as the external environment is concerned, the demand for vehicles exists all the time; the continuous stable growth of the domestic economy and the continuous growth of income in the rural residents, the speeding up of the urbanization reform will continue to foster spending in automobile in China.

In particular, the development of independent brand has never been so much under the spot light, the reform of bus and the emphasis of "domestic vehicles" by governments at all level will have an important impact on the domestic consumption, the future may be a period of opportunities for the development of independent brand, innovation-driven and independent development will become the mainstream of the automobile industry; China's automobile enterprises speed up in overseas expansion, and strategic development in overseas markets is accelerated.

Besides, new energy vehicles will have an unprecedented development period. Under the pressure of resources scarcity and environmental protection, the world is paying great attention to developing new energy vehicles. Various car makers increase the R & D of new energy vehicle, and continue to launch more and more developed new energy car models. There was faster development of new energy vehicles in 2014, sales in the whole year was 75,000 units, representing an increase of 324% compared to the corresponding period last year. Among them, 45,000 pure electric cars were sold, representing an increase of 208% compared to the corresponding period last year; 30,000 chargeable electric cars (插電式) were sold, representing an increase of 878% compared to the corresponding period last year. Following the full promulgation of supportive policies by the state for the development of new energy vehicle and the upgrade and transformation of products by companies, it is expected that the recognition of new energy vehicles by the society will gradually increase, the advantages of quality-price ratio of new energy vehicle will gradually be seen, and sales will rise rapidly.

At last, following the changes in the trend of spending characteristics and preferences, the need for personalisation, intelligence and experience will continue to rise and the market for automobile modern services industry will continue to expand. Based on the development experience of the automobile industry of developed countries, the sources of profit growth of the Chinese automobile industry will gradually shift from the whole vehicle manufacturing stage to the automobile financing and services fields, the reform of the industry environment will promote cross-border integration, creating new competitive and cooperative relationships.

As the local economy maintained a high-speed development trend, the Chinese automobile market, especially the after-market, is filled with expectations.

## (2) Development strategy of the Company

The Group aims to become a large-scale market-oriented leading international and the most trusted public company.

For this, the Group will, through focusing on the building of business capacity, allow the Group to realise the leap from production base to industry base, from asset operation to capital operation, from operating goods to operating brands; during this period, will focus on increasing the level of joint venture cooperation, increasing the ability of independent creations, improving the industry structure and industry layout, enriching the product line and promoting the coordinated development of the Group's industry chain business.

## (3) Operational plan

In 2015, the working guidelines of the Group are: To continue to deepen system reform, implement management innovation, product innovation, marketing and sales innovation and service innovation thoroughly; to persist on the development model of independent innovation along side with joint venture cooperation, promote the implementation of the "3+e" strategy, facilitate the solid development of "Great GAC"; to continue to explore sustainable development potential through structural adjustment and industry upgrade, enhance the quality and operation efficiency of the Company thoroughly, strengthen the core competitiveness of the entire industry chain, ensure the achievement of the annual business plan.

It is expected that the growth of sales volume of vehicles for the whole year will not be lower than 15% when compared with the corresponding period last year, and the other major business indicators will maintain a stable growth. The specific working measures are:

1. Reach targets fiercely, complete each mission using best effort;

2. Improve management, increase quality and effectiveness of economic operation;

3. Deepen independent creativity, construct great independent industry layout;

4. Good grasp on project management, ensure its expected highly effective advance;

5. Persist on market-orientation, increase the speed of new product launches;

6. Strengthen creativity drive, to form new development advantage of the Group;

7. Increase market expansion, relentlessly strengthening the sales services capability;

8. Improve segment sources, turn around the difficult operation circumstances of certain enterprises;

9. Perfect corporate governance, strengthen market value management;

10. Continue the good grasp on doing business with integrity, safety production, comprehensive management and maintenance of stability and continue the work with reproduction planning.

## (4) Potential risks

### *1. Risks of the industry*

(1) Risk of fluctuation in macro economy

The overall automobile industry significantly depends on the level of development of the national economy, where changes in the economic growth rate would directly stimulate or suppress consumption in automobile. Moreover, due to globalization of economy, the automobile industry depends on international macro environment and circumstances the same way. In recent years, sustained growth in China's economic scale, steady growth in resident's disposable income, prompt economic policies promulgated by the State and relatively favourable international circumstances resulted in an overall growth trend in demand of China's automobile industry. However, with slower macroeconomic growth, the demand growth for China's automobile industry is currently gradually slowing down. In future, automobile consumption demand will continue to be influenced by China's macroeconomic policies, industrial structural adjustments and international economic and political circumstances.

(2) Risks of rapid growth in China's vehicle production capacity

China's automobile industry showed an overall growth trend in the past 10 years. China has become the top in the world in terms of automobile sales of 13.64 million units since 2009, and annual sales in 2014 exceeded 23 million units, recording another global historic high, and became the number one in the world for six consecutive years; with the opportunities in the market, a large number of automobile companies target at the domestic market by implementing or formulating output expansion plans, the competition between joint ventures and local companies, international brands and independent brands, among vehicles with similar emission volume and new and old models is relatively intense.

(3) Impact and risks of technological development of new energy vehicle products and technological research on conventional vehicle products

Under shortage of energy and higher awareness of energy saving and environmental protection, the technological research and development of new energy vehicles are an important concern as well as the direction of future automobile technological innovation of all automobile companies, whereas the consumption in conventional vehicles will be suppressed and hindered to a certain extent. Although the Company is currently committed to development, promotion and industrialization of new energy vehicles, the technology of new energy vehicle is undergoing constant improvements and the ancillary systems are not yet complete, it is hard for new energy vehicles to completely replace conventional fuel vehicles in short term, and in the short run there is relatively large uncertainty in the future development prospects and direction of this technology.

## 2. *Operational risks*

(1) Risk of fluctuation in financial conditions and operating results of joint venture companies

The Group has established close cooperation relationship with international cooperation partners such as Honda, Toyota, Fiat, Mitsubishi and Hino, the joint venture companies set up and funded jointly with them have a larger impact on the operating results of the Company. Although the Company has continued to nurture independent R & D ability and to accumulate core techniques, and it has successfully developed the first independent brand passenger car Trumpchi in September 2010, and successively introduced GA5, GS5, GA3 models, the production of which were made by GAMC, a wholly owned subsidiary of the Company, and in 2013 GAMC made a profit, the Group has initially formed a new layout of coordinated development of three series, namely the Japanese series, European, American series and independent brand series, yet judging from the present situations, joint ventures companies such as Guangqi Honda and Gaungqi Toyota, etc. still exert a larger impact on the operating results of the Group. If there are fluctuations in the financial conditions and operating results of the joint venture companies, the financial conditions and operating results of the Group may be affected in a negative way.

(2) Risk of fluctuation of prices of factors of production

The factors of production for car manufacturing include labour, and different types of raw materials, including steel, aluminum, rubber, plastics and paints, thinners and other chemical products; and those of manufacturing automobile parts and components include metallic components, chemical components and electronic devices. In manufacturing passenger and commercial vehicles and products such as engines and parts and components, the Group has to purchase a large amount of raw materials from upstream companies. If bulk raw materials prices rise, the production costs of those companies will significantly increase. When the suppliers raise their prices, despite that the Group can offset the size, through measures such as launching new products, resetting its product prices, passing the cost, optimizing work flow and reducing consumption, it may have a negative impact on the profit of the Group if the prices rise abruptly to an overly high level.

(3) Risks of continuous ability to launch popular products

The continuous ability to launch popular products directly affects product sales and operating results of the Group. The Company need to continue to improve existing products and develop and introduce new products promptly based on market demand in order to consolidate its market position and gain market share in targeted sub-markets. In September 2010 the Group successfully developed the first independent brand passenger car Trumpchi, and successively introduced GA5, GS5, GA3 models, and they gradually obtained good comments from the market, and achieved better sales results. However, at present, the production, sales and brand building of independent brand products of the Company are still in the development stage, meanwhile, the vehicle products of the joint venture brands are gradually penetrating to the medium and low end markets, if subsequently the Company fails to continue to develop and produce competitive products in the market, and fails to reach a certain market share within a reasonable time, and forms economies of scale, it will not be able to realize the business strategies of the Company, and will have negative impact on the business, financial conditions and business results of the Company.

### 3. *Risks of policies*

(1) Risks of product recall

In recent years, China has been stricter to the automobile industry in product quality and quantity regulations and technical standards. The Ordinance for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理條例》) came into effect on 1 January 2013. The Ordinance amends and supplements the Regulations for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理規定》) and requires automobile manufacturers to offer repair services and recall. The Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理、更換、退貨責任規定》) came into effect on 1 October 2013, which clearly provides the liability of repair, exchange and return of household automotive products. According to the data announced by the national quality supervisory and inspection bureau, in 2012, 2013, 2014 China recalled vehicles 113 times, 133 times and 176 times respectively, the total number of vehicles recalled amounted to 3.203 million units, 5.311 million units and 4.7863 million units respectively. If the products of the Group are recalled, the sales and results of the Company may be negatively affected.

(2) Risks of increased corporate cost due to higher safety standards

Safety standards of the automobile industry mainly include those related to car collision safety. In recent years, China has been stricter on regulations in relation to safety standards of the automobile industry and technical standards, and successively promulgated regulations including Side Impact Protection for Automotive Passengers (《汽車側面碰撞的乘員保護》) and Collision Safety Requirements for Fuel System of Passenger Car (《乘用車後碰撞燃油系統安全要求》).

If regulatory authorities promulgate stricter safety standards of the automobile industry and technical standards in future, it may increase production cost and expenses of automobile manufacturers and thus affect the operating results of the Company.

(3) Risks of increased corporate cost due to stricter environmental and energy saving standards

Starting from 1 July 2007, the national motor vehicle pollutant discharge standard phase 3 upper limit, i.e. Guo III standard (equivalent to Euro III standard) was implemented on a nationwide scale, marking the control of car pollutant discharge of China has entered into a new phase. The state Ministry of Environmental Protection specifies that starting from 1 July 2011, all light weight vehicles such as passenger cars sold in China must meet Guo IV standard, i.e. starting from 1 July 2011, new cars failing to meet the Guo IV standard for discharge level will not be able to be listed on the new car list of the Ministry of Industrial Information.

The state may promulgate more stringent environmental and energy saving policies to fulfill its goal of energy saving and reduction of consumption and emission reduction. This will increase research and productions cost of the Group and thus affect the operating results of the Company.

(4) Risks of amendments to vehicle consumption policies and fiscal policies

The long length of the industry chain of the automobile industry exerts an apparent impact in boosting the economy, it is a pillar industry in the national economy, while it is also an industry operating with a higher degree of market mechanism with adequately high competition. Recently, the state encouraged more on the spending in new energy vehicle, for example, the Secretariat of the State Council announced the "Guided Opinion on the Speeding Up of promotion and application of new energy vehicles" (《關於加快新能源汽車推廣應用的指導意見》) in July 2014, it deployed the further speeding up of the promotion and application of new energy vehicles to relieve the pressure of energy shortage and environment protection, and facilitate the transformation and upgrade of the automobile industry.

Yet, on the other hand, with increasing pressure exerted from the urban transportation, some regions in China also promulgated policies to control the total number of vehicles, those policies may have a certain negative impact on the local automobile spending. In the future, the government may also carry out further adjustment of the automobile spending policy, such that this may have a larger impact upon the production and consumption of automobile market.

(5) Risk of fuel price fluctuations

In the recent year, the prices of crude oil in the world have great volatility, the factors affecting its prices include the demand and supply relationship of crude oil, and also include the financial attribute of crude oil, the fluctuations of crude oil prices are more uncertain. The finished oil pricing mechanism of China continues to be reformed following the fluctuations in crude oil prices. At present, the pricing of finished oil is not totally under market mechanism, if there are gaps between the international crude oil prices and prices of the finished oil products in China, then the prices of the finished oil products in China may be adjusted. If there are substantial fluctuations in the crude oil prices in the whole world, or the state changes the current pricing policy of finished oil products, this may lead to the corresponding fluctuations in selling prices of the finished oil products in China, thus affect the structure of automobile spending, which in turn will affect the sales of our products.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company during the year.

## CORPORATE GOVERNANCE

During the year, the Company was in compliance with Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## AUDIT COMMITTEE

The audit committee of the Company comprised three independent non-executive directors, namely Mr. Leung Lincheong (Chairman), Mr. Li Fangjin and Mr. Wang Susheng. Their main responsibilities include supervising annual audit and internal audit system, financial information and disclosure thereof of the Company. The audit committee has mainly reviewed the quarterly, interim and final results and internal control system. The audit committee has also reviewed the results and financial statements of the Group for the year ended 31 December 2014.

## DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2014 of RMB0.08 per share (Total dividend for 2013: RMB0.16 per share). The proposed final dividend for the year is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. Details of the annual general meeting, the arrangement for closure of register of members and dividend payment date will be announced later.

**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 of the Company |
| "Company" or the "Company" | Guangzhou Automobile Group Co., Ltd. |
| "Company Law" | Company Law of the PRC |
| "China Lounge Investments" | China Lounge Investments Limited (中隆投資有限公司), a company incorporated in Hong Kong |
| "CSRC" | China Securities Regulatory Commission |
| "Denway Motors" | Denway Motors Limited (駿威汽車有限公司), a wholly-owned subsidiary of the Company incorporated on 23 June 1992 in Hong Kong |
| "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, and the Group holds 49% of its equity interest |
| "GAC Capital" | GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary incorporated in April 2013 under PRC Law |
| "GAC Changfeng" | GAC Changfeng Motor Co., Ltd. (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 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 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), a wholly-owned subsidiary incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries |
| "GAC Fiat Chrysler" | GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a jointly controlled entity incorporated on 9 March 2010 under PRC law by Fiat Group Automobiles S.P.A. and the Company, on 19 January 2015 the name of this company was changed to GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司) |
| "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, and 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 jointly controlled entity 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 jointly controlled incorporated on 25 September 2012 under PRC law held by the Company and Mitsubishi Motors Corporation |
| "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, and the Company holds 30% of its equity interest |
| "GAC-SOFINCO" | GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO) |
| "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 |

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| "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 jointly controlled entity incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company |
| "GAE1" | Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which the Company has proprietary rights |
| "GAIG" | Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司) , which was a state-owned enterprise incorporated on 18 October 2000, and is the controlling shareholder of the Company |
| "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 jointly controlled entity incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd. |
| "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, in which the Company accumulatively (directly and indirectly) holds 75.1% equity interest |
| The "Group" | The Company and its subsidiaries, joint venture companies, associated companies |
| "HAVECO" | Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司), a jointly controlled entity incorporated on 26 September 1996 under PRC Law, and GAC Component holds 1/3 of its equity interests |
| "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, and the Company holds 25% of its equity interest |
| "Independent Director" | independent non-executive director |

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| "jointly controlled entity" | joint venture companies under direct or indirect joint control, and the direct or indirect joint control causes no participating party has any unilateral control power over the economic activities of that jointly controlled entity |
| "joint venture" or "JV" | a joint venture which is subject to direct or indirect joint control (shareholding in 50%: 50%), such that none of the participating parties has unilateral control over the economic activity of joint ventures |
| "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" or "China" | the People's Republic of China |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Securities Law" | Securities Law of the PRC |
| "SFO" | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| "SSE" | the Shanghai Stock Exchange |
| "Shanghai Hino" | Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated 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 |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "SUV" | sports utility vehicle |

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| "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, and the Company holds 25% of its equity interest |
| "Urtrust Insurance" | Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a subsidiary incorporated on 8 June 2011 under PRC law, and in which the Group totally (directly and indirectly) holds 60% equity interest |
| "Wuyang-Honda" | Wuyang-Honda Motors (Guangzhou) Co., Ltd. a jointly controlled entity 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 |

On behalf of the Board
**Guangzhou Automobile Group Co., Ltd.**
**Zhang Fangyou**
*Chairman*

Guangzhou, the PRC, 25 March 2015

*As at the date of this announcement, the executive directors of the Company are ZHANG Fangyou, ZENG Qinghong, YUAN Zhongrong and LU Sa and FENG Xingya, the non-executive directors of the Company are LI Pingyi, DING Hongxiang, YAO Yiming, CHEN Maoshan and WU Song and the independent non-executive directors of the Company are FU Yuwu, LAN Hailin, LI Fangjin, LEUNG Lincheong and WANG Susheng.*