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)

2016 ANNUAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2016 together with the comparative figures of the corresponding period ended 31 December 2015. The result has been reviewed by the Audit Committee and the Board of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	3	**49,417,676**	29,418,223
Cost of sales		**(41,961,379)**	(25,974,620)
Gross profit		**7,456,297**	3,443,603
Selling and distribution costs		**(3,396,393)**	(1,866,537)
Administrative expenses		**(2,738,874)**	(2,037,088)
Interest income		**488,696**	411,556
Other gains – net	4	**331,196**	435,386
Operating profit		**2,140,922**	386,920
Interest income		**97,240**	127,955
Finance costs	5	**(962,927)**	(849,396)
Share of profit of joint ventures and associates	6	**5,774,362**	4,720,117
Profit before income tax		**7,049,597**	4,385,596
Income tax expense	7	**(754,342)**	(400,067)
Profit for the year		**6,295,255**	3,985,529
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss-change in value of available-for-sale financial assets, net of tax		**(18,950)**	52,189
Total comprehensive income for the year		**6,276,305**	4,037,718
Profit/(loss) attributable to:			
Owners of the Company		**6,287,542**	4,211,553
Non-controlling interests		**7,713**	(226,024)
		6,295,255	3,985,529
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**6,268,022**	4,266,093
Non-controlling interests		**8,283**	(228,375)
		6,276,305	4,037,718
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– basic	8	**0.98**	0.65
– diluted	8	**0.97**	0.65

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Land use rights		**2,308,959**	1,819,702
Property, plant and equipment		**11,856,013**	10,581,208
Investment properties		**1,311,433**	343,958
Intangible assets		**5,319,222**	4,826,902
Investments in joint ventures and associates	*6*	**22,658,119**	18,478,158
Deferred income tax assets		**789,875**	440,538
Available-for-sale financial assets		**2,024,359**	2,035,344
Held-to-maturity investments		**–**	79,854
Prepayments and long-term receivables		**933,059**	620,125
		47,201,039	39,225,789
Current assets			
Inventories		**2,493,564**	1,926,988
Trade and other receivables	*10*	**8,371,237**	8,726,885
Available-for-sale financial assets		**2,098,856**	245,482
Held-to-maturity investments		**59,964**	40,000
Financial assets at fair value through profit or loss		**604,551**	486,531
Time deposits		**7,189,931**	4,086,517
Restricted cash		**1,547,528**	837,094
Cash and cash equivalents		**12,579,571**	11,548,480
		34,945,202	27,897,977
Non-current assets held for sale		**–**	95,922
		34,945,202	27,993,899
Total assets		**82,146,241**	67,219,688
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,453,360**	6,435,019
Other reserves		**11,848,133**	11,321,467
Retained earnings		**25,554,660**	20,890,023
		43,856,153	38,646,509
Non-controlling interests		**1,037,308**	844,811
Total equity		**44,893,461**	39,491,320

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*11*	**30,801**	74,331
Borrowings		**10,346,462**	7,648,901
Deferred income tax liabilities		**71,952**	41,607
Provisions		**371,641**	230,813
Government grants		**2,158,642**	1,076,795
		12,979,498	9,072,447
Current liabilities			
Trade and other payables	*11*	**19,128,114**	14,076,709
Current income tax liabilities		**667,415**	300,491
Borrowings		**4,477,753**	4,278,721
		24,273,282	18,655,921
Total liabilities		**37,252,780**	27,728,368
Total equity and liabilities		**82,146,241**	67,219,688

NOTES

1. GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and automotive 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 RMB 1 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 ("CSRC"), the Company paid cash and issued 286,962,422 ordinary shares denominated in RMB of the Company to acquire the remaining interests of GAC Changfeng. On 20 March 2012, GAC Changfeng was delisted from SSE and became a wholly-owned subsidiary of the Company. On 29 March 2012, the Company was listed on the SSE.

On 22 January 2016, the Company issued 41,055,800 units of convertible bonds at a total par value of RMB 4,105,580,000. Up to 31 December 2016, certain convertible bond holders have partially converted the convertible bonds and the Company allotted and issued a total of 1,615,855 shares to such convertible bond holders.

During the year ended 31 December 2016, accumulated total of 16,724,653 share options, which were granted in 2014, were exercised by relevant employees and the Company issued 16,724,653 shares accordingly.

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 all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap.622. 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) Changes in accounting policy

Amendments to HKAS 27 "Equity method in separate financial statements" (the "Amendments") are effective for the financial year beginning on 1 January 2016. The Company has adopted the Amendments retrospectively which resulted in the Company changing its accounting policy for its investments in joint ventures and associates from stating at cost to using the equity method. These changes in accounting policies have no material impact on the Group's financial statements except disclosure.

(b) New and amended standards adopted by the Group

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 2016:

Standards/Interpretation	Subject of amendment
HKFRS 14	Regulatory Deferral Accounts
Amendment to HKFRS 11	Acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendment to HKAS 27	Equity method in separate financncial statements
Annual improvements 2014	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

The impact of the adoption of the amendments to HKAS 27 to the Company has been disclosed in Note 2(a); The adoption of the remaining new and amended standards has no material impact on the Group's financial statements.

(c) New and amended standards not yet adopted

A number of new and amended standards are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing the Group's consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Notes (i), (ii) and (iii) below.

Standards	Subject of amendment	Effective for accounting periods beginning on or after
Amendments to HKFRS 12	Income taxes	1 January 2017
Amendments to HKFRS 7	Statement of cash flows	1 January 2017
HKFRS 15 *(Note (i))*	Revenue from contracts with customers	1 January 2018
HKFRS 9 *(Note (ii))*	Financial instruments	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 *(Note (iii))*	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service-the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract-certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

(ii) HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed. Accordingly, the Group does not expect a significant impact on the classification and measurement of financial assets.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(iii) HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB 480,029,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

For management purpose, the executive directors considered the nature of the Group's products and services 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 production and sale of motorcycles, automobile finance and insurance, and investing business.

Certain operating segments have been aggregated into one reportable segment as they have similar expected growth rates.

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.

During the year ended 31 December 2016, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

The segment results for the year ended 31 December 2016 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	**48,271,360**	**1,265,866**	**(119,550)**		**49,417,676**
Inter-segment revenue	**(62,639)**	**(56,911)**	**119,550**		**–**
Revenue (from external customers)	**48,208,721**	**1,208,955**	**–**		**49,417,676**
Segment results	**2,033,836**	**125,062**	**(39,265)**		**2,119,633**
Unallocated income – Headquarters interest income				**147,714**	**147,714**
Unallocated costs – Headquarters expenditure				**(126,425)**	**(126,425)**
Operating profit					**2,140,922**
Finance costs	**(328,112)**	**(102,469)**	**–**	**(532,346)**	**(962,927)**
Interest income	**41,612**	**1,934**	**–**	**53,694**	**97,240**
Share of profit of joint ventures and associates	**5,383,493**	**390,869**	**–**	**–**	**5,774,362**
Profit before income tax					**7,049,597**
Income tax expense	**(714,829)**	**(31,852)**	**–**	**(7,661)**	**(754,342)**
Profit for the year					**6,295,255**
Other segment items					
Depreciation and amortisation	**2,103,630**	**26,531**	**–**	**53,158**	**2,183,319**
Provision for impairment loss of trade and other receivables	**96,136**	**519**	**–**	**–**	**96,655**
Impairment charges of inventories	**206,205**	**–**	**–**	**–**	**206,205**
Impairment charges of available-for-sale financial assets	**405**	**1,769**	**–**	**–**	**2,174**
Impairment charges of property, plant and equipment	**87,096**	**–**	**–**	**–**	**87,096**
Impairment charges of intangible assets	**590,889**	**–**	**–**	**–**	**590,889**

The segment assets and liabilities as at 31 December 2016 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	**62,618,154**	**9,388,108**	**(11,777,584)**	**21,917,563**	**82,146,241**
Total assets include:					
Investments in joint ventures and associates	**19,860,246**	**2,797,873**	**–**	**–**	**22,658,119**
Total liabilities	**25,257,657**	**4,226,921**	**(12,657,027)**	**20,425,229**	**37,252,780**
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	**7,422,020**	**294,732**	**–**	**–**	**7,716,752**

The segment results for the year ended 31 December 2015 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	28,322,995	1,224,882	(129,654)		29,418,223
Inter-segment revenue	(37,751)	(91,903)	129,654		–
Revenue (from external customers)	28,285,244	1,132,979	–		29,418,223
Segment results	205,441	49,008	(33,893)		220,556
Unallocated income-Headquarters interest income				245,440	245,440
Unallocated costs-Headquarters expenditure				(79,076)	(79,076)
Operating profit					386,920
Finance costs	(331,514)	(22,202)	–	(495,680)	(849,396)
Interest income	51,737	2,642	–	73,576	127,955
Share of profit of joint ventures and associates	4,283,757	436,360	–	–	4,720,117
Profit before income tax					4,385,596
Income tax expense	(371,150)	(23,999)	–	(4,918)	(400,067)
Profit for the year					3,985,529
Other segment items					
Depreciation and amortisation	1,589,512	19,789	–	50,913	1,660,214
Provision/(reversal) for impairment loss of trade and other receivables	74,988	(80)	–	1	74,909
Impairment charges of inventories	91,107	–	–	–	91,107
Impairment charges of available-for-sale financial assets	–	12,732	–	–	12,732
Impairment charges of property, plant and equipment	30,168	–	–	–	30,168
Impairment charges of intangible assets	66,821	–	–	–	66,821

The segment assets and liabilities as at 31 December 2015 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	48,087,334	8,614,956	(7,405,435)	17,922,833	67,219,688
Total assets include:					
Investments in joint ventures and associates	15,921,336	2,556,822	–	–	18,478,158
Total liabilities	19,149,256	6,243,336	(7,404,831)	9,740,607	27,728,368
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	2,372,111	277,421	–	–	2,649,532

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Mainland China	**49,414,863**	29,402,583
Hong Kong	**2,813**	15,640
	49,417,676	29,418,223

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	
	2016	2015
	RMB'000	*RMB'000*
Mainland China	**44,293,275**	36,576,217
Hong Kong	**93,530**	93,836
	44,386,805	36,670,053

Analysis of revenue by category:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Sales of products	**46,006,011**	26,642,420
Rendering of services and others	**3,411,665**	2,775,803
	49,417,676	29,418,223

4. OTHER GAINS – NET

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Net foreign exchange gains	**85,275**	28,962
(Losses)/gains on disposal of property, plant and equipment, land use right, intangible assets, investment properties and non-current assets held for sale	**(16,368)**	17,662
Donations	**(28,708)**	(12,038)
Gains on disposal of joint ventures and associates	**1,659**	5,824
Government grants	**99,968**	203,232
Net investment income relating to available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss	**111,561**	190,522
Fair value gains on financial assets at fair value through profit or loss	**52,220**	11,273
Others	**25,589**	(10,051)
	331,196	435,386

5. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest expense	**1,016,313**	920,899
Interest capitalised in qualifying assets	**(55,282)**	(79,860)
Net foreign exchange losses on financing activities	**1,896**	8,357
	962,927	849,396

6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Investments in joint ventures	**16,730,779**	12,966,481
Investments in associates	**5,927,340**	5,511,677
	22,658,119	18,478,158

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Share of profit of joint ventures *(Note (i))*	**4,685,223**	3,595,926
Share of profit of associates *(Note (i))*	**1,049,556**	1,043,312
Government grants to compensate share of loss of a joint venture	**39,583**	80,879
	5,774,362	4,720,117

(i) Unrealised profits or losses resulting from up stream and down stream transactions are eliminated.

6.1. INVESTMENTS IN JOINT VENTURES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Investment in unlisted shares	**16,730,779**	12,966,481

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Beginning of the year	**12,966,481**	13,424,452
Additions	**1,003,340**	1,793,553
Share of profits	**4,680,016**	3,579,723
Dividends declared	**(1,919,058)**	(5,777,200)
Disposals	**–**	(54,047)
End of the year	**16,730,779**	12,966,481

(b) Summarised financial information for joint ventures

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

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

The information below 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.

Summarised balance sheet

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Assets		
Non-current assets	**31,908,651**	29,435,534
Current assets		
– Cash and cash equivalents	**36,672,418**	23,542,801
– Other current assets	**50,990,849**	44,943,305
	87,663,267	68,486,106
Total assets	**119,571,918**	97,921,640
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**6,355,026**	7,184,736
– Other non-current liabilities (including trade and other payables)	**4,905,790**	3,497,192
	11,260,816	10,681,928
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**18,886,229**	16,749,389
– Other current liabilities (including trade and other payables)	**61,645,004**	50,518,592
	80,531,233	67,267,981
Total liabilities	**91,792,049**	77,949,909
Net assets	**27,779,869**	19,971,731
Less: Non-controlling interests	**(18,520)**	(17,225)
	27,761,349	19,954,506

Summarised statement of comprehensive income

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**183,892,389**	147,460,779
Cost of sales	**(153,840,386)**	(124,446,423)
Other expenditures	**(20,776,089)**	(15,944,812)
Profit after tax	**9,275,914**	7,069,544
(Less)/Add: (gains)/losses shared by non-controlling interests	**(1,295)**	368
	9,274,619	7,069,912
Other comprehensive income	**–**	–
Total comprehensive income	**9,274,619**	7,069,912

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax	**1,073,809**	350,760
Deferred tax	**(319,467)**	49,307
	754,342	400,067

The tax rates applicable to the Company and its major subsidiaries for the year ended 31 December 2016 are 15% or 25% (2015: 15% or 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year ended 31 December 2016.

The Group's subsidiaries, China Lounge Investment Ltd. and Denway, are recognised as PRC resident taxpayer by Guangzhou Yuexiu District Local Taxation Bureau, and are subject to the PRC Enterprise Income Tax Law.

8. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**6,287,542**	4,211,553
Weighted average number of ordinary shares in issue (thousands)	**6,439,235**	6,435,019
Basic earnings per share (RMB per share)	**0.98**	0.65

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense. For the share options, 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 for the year ended 31 December 2016) 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	
	2016	2015
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**6,287,542**	4,211,553
Add: Interest expense on convertible bonds	**126,245**	–
Profit used to determine diluted earnings per share	**6,413,787**	4,211,553
Weighted average number of ordinary shares in issue (thousands)	**6,439,235**	6,435,019
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	**25,125**	28,654
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	**177,355**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**6,641,715**	6,463,673
Diluted earnings per share (RMB per share)	**0.97**	0.65

9. DIVIDENDS

Dividends paid in 2016 and 2015 were RMB 1,288,266,000 and RMB 1,029,604,000 respectively. A final dividend in respect of the year ended 31 December 2016 of RMB 0.22 per ordinary share, amounting to a total dividend of approximately RMB 1,419,739,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interim dividend paid of RMB 0.08 (2015: RMB 0.08) per ordinary share	**516,064**	514,802
Proposed final dividend of RMB 0.22 (2015: RMB 0.12) per ordinary share	**1,419,739**	772,202
	1,935,803	1,287,004

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*	**1,341,432**	892,778
Less: provision for impairment	**(186,685)**	(160,310)
Trade receivables-net	**1,154,747**	732,468
Notes receivable	**2,066,254**	1,097,627
Interest receivable	**88,850**	67,180
Consideration receivable for transfer of equity investment	**185,446**	185,446
Entrusted loans to related parties	**859,560**	668,100
Value added tax recoverable	**370,415**	325,087
Prepayments	**779,221**	435,788
Dividends receivable	**1,820,194**	4,000,842
Other receivables	**1,046,550**	1,214,347
	8,371,237	8,726,885

(a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 0 to 170 days. As at 31 December 2016 and 2015, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**1,006,728**	633,490
Between 3 months and 1 year	**140,384**	76,841
Between 1 and 2 years	**16,890**	20,436
Between 2 and 3 years	**16,037**	24,998
Over 3 years	**161,393**	137,013
	1,341,432	892,778

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**8,999,168**	6,673,973
Notes payable	**385,065**	682,448
Advances from customers	**1,328,170**	1,261,586
Employee benefits payable	**1,220,771**	853,284
Other taxes	**465,115**	266,575
Interest payable	**328,585**	295,512
Dividend payable	**–**	11,289
Government grants	**10,675**	44,651
Construction cost payables	**678,810**	268,416
Sales rebate	**1,935,309**	551,637
Payable for mould expenses	**731,729**	414,525
Advertising expense payables	**336,460**	181,653
Development cost payables	**245,435**	143,309
Other payables	**2,493,623**	2,502,182
	19,158,915	14,151,040
Less: non-current portion of trade and other payables	**(30,801)**	(74,331)
Current portion	**19,128,114**	14,076,709

(a) As at 31 December 2016 and 2015, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**8,606,071**	6,592,829
Between 1 and 2 years	**357,300**	59,023
Between 2 and 3 years	**20,754**	13,038
Over 3 years	**15,043**	9,083
	8,999,168	6,673,973

CHAIRMAN'S STATEMENT

MACROECONOMIC AND INDUSTRY ENVIRONMENT

2016 is the first year of the national implementation of the "Thirteenth Five-Year" Plan. The national economy maintained a modestly-slow-down-to-stabilising trend and made progress while maintaining stability. Year-on-year GDP growth was 6.7% and CPI recorded a year-on-year increase of 2.0% as compared with the corresponding period last year.

Automobile industry actively promoted supply-side reform. The policy of levying half of the purchase tax regarding passenger vehicles with emission of 1.6 litres or less and the increasing demand for upgrade and replacement facilitated the growth of the annual vehicles sales volume. According to the data from CAAM, both production and sales volume of vehicles in the PRC in 2016 exceeded 28 million units, which represented a record high once again, and the vehicles sales volume in the PRC has ranked first worldwide for eight consecutive years. In particular, the production and sales of SUV maintained a rapid growth, which was the fastest growing segment in passenger vehicles. As for new energy vehicles, the growth of production and sales volume both exceeded 50% as compared with the corresponding period last year, keeping on a good development trend. Sales of self-developed brand passenger vehicle exceeded 10 million units for the first time, and its market share has shown an uprising trend for two consecutive years, representing the rise of self-developed brand passenger vehicle in all respects. Annual production and sales of motorcycles decreased by 10.70% and 10.80% respectively as compared with the corresponding period last year, which have been decreasing for five consecutive years.

ANNUAL RESULT

In 2016, the Group fully implemented the strategy of the "Thirteenth Five-Year Plan" by implementing comprehensively and consistently the five major development ideals, namely "Innovation, Coordination, Environmental Protection, Openness and Shared Development". With all-time highs of major financial indicators, the Company grasped new business opportunities alongside with the automobile industry development, speeded up the launching of new products and launched the first share option incentive scheme smoothly. All of these has helped us achieve a brilliant start for the "Thirteenth Five-Year Plan". GAIG, the Group's parent company, has been listed on the Fortune 500 enterprises for four consecutive years and ranked 303 in 2016, 59 ranks higher than in 2015. Guangqi Honda and GAC Toyota, our joint ventures, have formally started using brand new company logos, which highlight GAC's brand image, increasing the brand appeal significantly.

The production and sales of vehicles of the Group together with its joint ventures and associated companies were 1,659,600 units and 1,650,100 units respectively, representing an increase of 30.28% and 26.96% respectively as compared with the corresponding period last year, which had the highest growth rate among the six major automobile groups in the PRC. Market share was 5.89%, increased by approximately 0.6% as compared with last year, of which the production and sales of passenger vehicles of the self-developed brand increased by 90.66% as compared with the corresponding period last year. The proportions of production, sales and inventories for the year reached the best level in recent years. The production and sales of motorcycles were 1,040,900 and 1,022,000 units respectively. The overall business scale further extended and operating income increased steadily. Annual operating income amounted to approximately RMB275,772 million, representing an increase of approximately 27.67% as compared with the corresponding period last year.

The Group's consolidated operating income was approximately RMB49,418 million, representing an increase of approximately 67.99% as compared with the corresponding period last year; the net profit attributable to owners of the parent company was approximately RMB6,288 million, representing an increase of approximately 49.29% as compared with the corresponding period last year; and earnings per share was approximately RMB0.98, representing an increase of approximately 50.77% as compared with the corresponding period last year.

Amazing Result in Self-developed Brand Business

The expansion project of GAMC with production capacity of 150,000 units/year completed construction and commenced operation. Trumpchi GA8, the first C class sedan, and Trumpchi GS8, seven-seat high-end SUV, were launched successfully. The sales volume of GS4, the star vehicle model, exceeded 300,000 units, ranking second in SUV market and breaking the sales record of the "Trumpchi Legacy". The sales volume of GAC Trumpchi GS8 ranked second in segment market in the first month after its launch, being the first self-developed vehicle model to achieve stable sales within the price range of RMB200,000. The scale of self-deveopled intellectual property expanded continuously. Throughout the year, the Group validly applied for 490 new patents, of which 157 were invention patents. The Company has continuously improved product quality. In the new vehicle quality study report (IQS) released by J.D. Power and Associates in 2016, GAC Trumpchi ranked first for four consecutive years in self-developed brand.

Joint venture business made progress while maintaining stability

Constantly building and releasing the production capacity of joint venture businesses: production capacity of GAC Toyota expanded, new products and brand projects successfully built and GAC Fiat-Chrysler Guangzhou factory project completed construction and commenced operation; product line further enhanced: various models, including Guangqi Honda SUV Avancier, GAC Acura CDX, GAC Fiat-Chrysler Jeep Renegade and GAC Mitsubishi SUV Outlander, have been successively launched, creating a more reasonable production-sales structure; improving economic benefits significantly, of which European and American series joint ventures turned loss to profit under the contribution of Jeep, consolidating the healthy tripod layout formed by self-developed brand series, Japanese series and European and American series.

Improving industry chain layout

In 2016, the Group further improved its layout in R&D, commerce and financial segments, which enhanced the synergy between business segments. In R&D segment, the Company insisted on innovation-driven development strategy, continuously improved R&D capability, prepared for the establishment of the research center in North America, consolidated international advanced technology and recruited top talents around the world; in commerce segment, the Group focused on automobile accessories and finance leasing businesses and accelerated the expansion of sales network by setting up 32 new points of sales during the year with all-time highs of the major financial indicators; in financial segment, the Group constantly extended the scope in the investment and financing businesses. Our financial company has been approved by CBRC for fund raising; Urtrusts Insurance was successfully listed on NEEQ; and GAC Capital set up 2 new industrial funds. Integration of production and financing continued to be enhanced. The Group took an important step in the breakthrough in internet connection and established Da Sheng Ke Ji (大聖科技).

Automobile industry is undergoing energy reform, interconnection reform and intelligent network reform, which are the main drivers of the full reconstruction of automobile industry and will bring six revolutionary changes to the industry: mobile utility becomes a transportation services provider; information islet turns into an intelligent terminal; energy-consuming machinery becomes a mobile energy source; focus of automobile manufacture shifts to smart system; human driven vehicles become automated vehicles; ownership and usage changes to sharing pattern. Under the backdrop of industrial reconstruction, challenge is inevitable. Nonetheless, it represents an unprecedented opportunity to develop and consolidate new industry model. In accordance with the planning and deployment of the "Thirteenth Five-year Plan", the Group will actively promote a breakthrough in critical technique in intelligent networked new energy vehicle, and create an ecosystem of an open industrial chain consisting of R&D, manufacture, sales, services and automobile branding, and cultural experience.

PROSPECTS

Looking forward into 2017, there will be significant uncertainty in global economy and politics. The PRC's economic situation remains complex and grim. Making progress while maintaining stability is the general direction of the economic policy during the year. It is expected that the annual GDP growth rate will be about 6.5%. In 2017, the PRC's automobile industry will undergo two major reforms, the rise of self-developed brand and the shift to intelligent electronic vehicle, which create opportunities and challenges. Positive factors such as the continuous adjustment of the preferential purchase tax policy, increased demand for vehicle upgrading, and new development opportunity brought about by electronic vehicles and intelligent network will be favourable for the continuous growth of automobile market. However, the aggravating problems of environmental pollution and traffic jam would put pressure on the automobile industry. It is expected that the PRC's automobile production and sales growth rate will be around 6% in 2017.

"A great ambition leads to great success". We have been firmly holding the aspiration and insight to succeed, espousing corporate philosophy of "people-oriented value, truthful practice and innovative idea", and considering "world-leading, domestically first-rating" as a culture, ideology and attitude. 2017 is the 20th anniversary of the Group's establishment. We will center on "one core theme" – quality and efficiency; adhere to "two unwavering strategies" – joint venture cooperative business model and independent innovation never change; and achieve "three changes" – shifting from manufacture to innovation, shifting from speed to quality and shifting from product to brand. The annual sales volume of vehicles of the Group, together with its joint ventures and associated companies, is expected to increase by 10% as compared with the corresponding period last year, and that 16 brand new and facelift models are planned to be launched, which would allow us to continue to provide better products and services to customers and take up more social responsibility, which conveys more deep-going positive message to society and the public to a wider extent.

I. SUMMARY OF BUSINESS

The main businesses of the Group consist of five major segments, namely R&D, manufacture of vehicles and motorcycles, parts and components, commercial services and financial services, which form a complete closed-loop industry chain.

1. R&D segment

The Group's R&D is based on GAEI, a directly funded and managed body, which is also a subsidiary of the Company and a relatively independent strategic business department operating within the authorised scope. It is mainly responsible for the Group's general development plan of new products and new technology, as well as implementation of material R&D projects. GAEI is a State-Accredited Enterprise Technology Centre. In 2015, it ranked 10th (top 1%) among over 1,100 National-level Enterprise Technology Centres in the accreditation in different industries in China.

2. Manufacture segment

(1) Automobile manufacture is mainly conducted through joint ventures, including Guangqi Honda, GAC Toyota, GAC Fiat-Chrysler, GAC Mitsubishi and GAMC, (a subsidiary), and GAMC Hangzhou

Products: The Group's passenger vehicles include 16 series of sedans, 14 series of SUV and 2 series of MPV, details of which are set forth below:

- Guangqi Honda Accord, Crider, Vezel, Crosstour, Odyssey, City, Fit, Everus, Avancier, Acura CDX, etc.;
- GAC Toyota Camry, Highlander, Yaris L, E'Z, Levin, etc.;
- GAC Fiat-Chrysler Viaggio, Ottimo, JEEP Cherokee, JEEP Renegade, JEEP Compass, etc.;

- GAC Mitsubishi ASX, Pajero, Outlander, etc.;
- GAC Trumpchi (GA5, GA6, GA3, GA3S•Vision, GA8, GS5, GS5•SUPER, GS4, GS8);

Besides, the Group also participates in the production of Accord and City sedans through its associated company, Honda (China), primarily oriented to markets such as the Middle East and South America.

The commercial vehicles of the Group are mainly manufactured by GAC Hino, a joint venture, and GAC BYD, an associated company. Main products include light and heavy trucks, construction vehicles and large to medium-sized passenger vehicles, etc.

Energy conservation and new energy products of the Group include: hybrid Guangqi Honda Accord Sport Hybird, GAC Toyota Camry HEV and Levin HEV, GAC Trumpchi GA5PHEV, and GAC BYD purely electrically powered passenger vehicles.

Production capacity: During the reporting period, the Guangzhou plant of GAC Fiat-Chrysler and the second production line of GAMC had successively been built and commenced operation, which increased production capacity by 164,000 units/year and 150,000 units/year respectively. As at the end of the reporting period, the total vehicle production capacity amounted to 1,888,000 units/year.

Sales channel: The Group develops automobile sales through sales outlet and online channels. As at the end of the reporting period, the Company, together with its joint ventures and associated companies, have 2,443 sales outlets covering 31 provinces, counties, autonomous regions and municipalities. 258,487 units of vehicles were sold through online channels during the reporting period, representing 15.66% of the total sales of vehicles for the year.

(2) Motorcycles

The Group manufactures motorcycles mainly through its joint venture Wuyang-Honda. Main products include standard motorcycles, sport bikes and scooters, etc. As at the end of the reporting period, the production capacity of motorcycles of the Group was 1.25 million units/year.

(3) Commercial services segment

Through the engagement of GAC Commercial, a subsidiary, and its controlling, investee companies and associated companies and Tong Fang Logistics in the upstream and downstream of the automobile industrial chain, the Company commenced businesses in vehicle sales, logistics, international trading, second-hand vehicles, disassembling, resources recycling, supporting services, etc.

Through Da Sheng Ke Ji (大聖科技), a subsidiary, the Company established an one-stop platform in consolidating vehicle repair, usage, purchase, lease and exchange and forming an open and common automobile ecosystem on the Internet.

(4) Parts and components segment

The Group's production of auto-parts was mainly carried out through the controlling, jointly controlled, investee companies of GAC Component, a subsidiary and GAC Toyota Engine and Shanghai Hino, the Group's associated companies. The autoparts include engines, gearboxes, car seats, HVAC systems, auto lamps, automation accessories, redirectors, shock absorbers, etc. and accessories. About 75% of the products were whole vehicle accessories of the Group.

(5) Financial segment

The Group provides financial investment, insurance, insurance broker, financial lease, automobile credit, and other related services mainly through its subsidiaries, namely China Lounge Investments, GAC Capital, Urtrusts Insuranc, Guang Ai Brokers, GAC Lease, and its joint venture, GAC-SOFINCO.

II. INDUSTRY ENVIRONMENT

In 2016, under the macro-environment of stably progressing national economy, performance indicators of the PRC's automobile industry showed an obvious growth with production and sales volumes remaining on the top of the world for eight consecutive years. The overall automobile industry showed the following features:

Firstly, the production and sales volume of automobile recorded a remarkable growth in 2016, which amounted to 28,118,800 units and 28,028,200 units respectively, representing an increase of 14.46% and 13.65% respectively as compared with the corresponding period last year.

Secondly, sales of passenger vehicles recorded its all-time high. In 2016, production and sales of passenger vehicles amounted to 24,420,700 units and 24,376,900 units respectively, representing a growth of 15.50% and 14.93% respectively, which were higher than the overall production and sales growth rates of vehicle by 1.04% and 1.28%. In particular, the production and sales of SUV remained a rapid growth, representing a growth of 45.72% and 44.59% respectively, accounting for 37.11% of total sales of passenger vehicles which is 7.61% higher than that in the corresponding period last year. The growth of production and sales volume of MPV was 17.11% and 18.38% respectively.

Market share of self-developed brand passenger vehicles showed a trend of growth for two consecutive years, which amounted to 43.19% in terms of market sales volume in 2016, being 1.99% higher than 2015, of which self-developed brand SUV accounted for a market share of 58.22% in terms of sales volume, representing a significant increase of 4.8%.

Thirdly, small displacement vehicles with emission of 1.6 litres or less accounted for a larger market share. Preferential purchase tax policy had great guidance effects on energy-saving and emission reduction and facilitating the consumption on small displacement vehicles. In 2016, sales volume of passenger vehicles with emission of 1.6 litres or less amounted to 17,607,000 units, representing an increase of 21.36% as compared with the corresponding period last year and accounting for 72.23% of the sales of passenger vehicles, being 3.62% higher than that in the corresponding period last year.

Fourthly, new energy vehicles market maintained a rapid growth. In 2016, production volume amounted to 516,600 units and sales volume amounted to 506,600 units, representing a growth of 51.73% and 53.01% respectively, which were the top of the world for two consecutive years. In particular, the production and sales volume of electrically powered vehicle amounted to 417,300 units and 408,700 units respectively, representing an increase of 63.87% and 65.14% respectively as compared with the corresponding period last year, and accounting for 80.78% and 80.68% of the sales of new energy vehicle respectively. Production and sales volume of plug-in hybrid vehicle amounted to 99,300 units and 97,900 units respectively, representing an increase of 15.71% and 17.11% respectively as compared with the corresponding period last year.

Fifthly, industry concentration remained at a high level. Aggregate sales volume of vehicles of top ten corporate groups amounted to 24,778,100 units, accounting for 88.40% of the aggregate sales volume of vehicle and representing a decrease of approximately 0.92% as compared with the corresponding period last year.

III. 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 optimised structure

The Group has formed an industry strategic layout based in South China and radiating to Central China, East China, Northwest China and Bohai Rim Region and a complete closed-loop industrial chain centering upon manufacture of vehicles and covering R&D of vehicles and parts and components in the upstream and automobile commercial service and automobile financial service in the downstream, which is one of the automobile groups with the most integrated industry chain nationally, and the most optimised industry layout. The synergy in the upstream and downstream of the industrial chain progressed gradually, new profit growth points are emerging and the comprehensive competitiveness of the Group has been constantly enhanced. During the reporting period, the acquisition of GAC Gonow was completed, which further optimised the existing production capacity layout and helped increase the market share in East China market.

2. Advanced manufacturing, craftsmanship, quality and procedural management

The Group has comprehensive advantages in terms of manufacturing, craftsmanship, quality and procedural management which mainly include: (1) the world's leading quality advantage; (2) innovative advantage brought by "continuous improvement"; (3) cost advantage brought by the seek of greater perfection.

3. Enriched product line and optimised product structure

The Group has a full range of products including sedans, SUV, MPV, and it actively promotes the iteration of products based on the changes in the markets and the demand of consumers. It maintained customer loyalty and a widely recognised brand reputation. During the reporting period, the Group accelerated the development and introduction of new products. Each major vehicle-manufacturing plants progressively launched new vehicle models and the products were well-accepted by the market.

4. Initialised the "GAC Model" for the R&D and production system of self-developed brand

After years of introduction, digestion, absorption and innovation, the Group acquired the funding, technology, talents and experience and formulated a world class production system. For R&D, through the integration of excellent global resources and the establishment of a cross-platform and modular-structured R&D system, the Group acquired the advantage of integrated innovation. During the reporting period, numerous vehicle model and advanced-technology R&D were initialised; R&D in brand new vehicle model and core parts and components achieved satisfactory results, including the initiation of 22 regular car models, 8 new energy car models, 20 projects on engine and transmission. The scale of self-developed intelligent properties kept expanding.

5. Connection to capital operation platforms worldwide

The Group successfully built capital operation platforms in both A share and H share markets, which was favourable to the Group in leveraging on domestic and overseas capital markets in various forms to achieve effective resources allocation and realise the maximisation of capital appreciation and corporate value through the integration of internal and external growth. During the reporting period, the Company further regulated the corporate governance structure, continuously optimised middle-to-long term incentive mechanism, constantly expanded investment scope and optimised financing structure, through which the supporting effect from the financial business on the core businesses has been enhanced greatly.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

In 2016, the Group strived to achieve greater goals proactively. During the reporting period, the major work of the Board were as follows:

1. Dedicating efforts to quality and efficiency and achieving a new start in production and operation

During the reporting period, benefited from the enhanced investment on new products and the contribution from hot-selling star vehicle models, the Group's financial indicators reached all-time highs and growth rates of production and sales volume were 15.82% and 13.31% higher than the industry growth rates. Sales of star vehicle models, including Trumpchi GS4, Vezel, Levin (including HEV), Accord (including hybrid), Cherokee, Highlander, etc., remained hot. New vehicle models, including Trumpchi GS8, Avancier, Outlander, etc., were well-accepted by the market, which drove the growth in scale and efficiency simultaneously.

2. Advancing core projects and setting a new layout with intelligent manufacture

During the reporting period, production capacity expansion project with 150,000 units/year of GAMC and Guangzhou plant with 164,000 units/year of GAC Fiat-Chrysler were completed and commenced operation successively. GAMC Hangzhou completed reorganisation and successfully advanced project modification. GAMC established a branch in Xinjiang with production capacity of 50,000 units/year and successfully advanced core projects such as the expansion of production capacity of GAC Toyota and the launch of increased prodcut mix as scheduled and planned. GAC Acura, a high-end brand of a joint venture, successfully launched its first vehicle model. 7 new vehicle models under the Group's manufacture brand name were successively launched to the market. All these have strengthened the Group's comprehensive competitiveness.

3. Strengthening capital operation and integration of production and financing, and creating new driving force

The Group took full advantage of the capital market to strengthen its financing capacity and further optimised the financing structure. The proportion of direct financing increased to approximately 61.8%. The Group successfully issued 6-year A Shares convertible bonds in principal amount of RMB4.1 billion carrying interest at the rates ranging from 0.2% to 1.6%; as well as short-term financing bonds in principal amount of RMB2.3 billion carrying interest at the rate of 2.85%, representing the lowest rate for the period, which saved financing costs of RMB30 million. Also, CSRC accepted the application for non-public issuance of A Shares of RMB15 billion, proceeds of which will be mainly invested in intelligent network, new energy and emerging technology, critical parts and components and self-developed brand development.

4. ***Continuously regulating the corporate governance and optimising internal control system***

Taking the opportunity alongside with state-owned enterprise reform, the Group improved its middle-to-long term incentive mechanism and further motivated the enthusiasm in business start-up of core management staff. The Group's result has satisfied the condition of share option incentive program. 541 grantees, including directors, middle-to-senior management staff and core technicians were qualified to participate in the first exercisable period. Besides, the Group optimised corporate governance at each level, commenced specified inspection and reviews on the operation of investment corporations, selectively conducted corporate governance training and continuously optimised internal control and risk management system. 7 new systems were introduced during the reporting period. In 2016, no material defect and important defect in internal audit were identified.

5. ***Regulating information disclosure and investment relationship and creating a positive capital market image***

The Group adhered to the principle of protecting the legal interests of investors, continuously made information disclosure based on the principle of "truth, accuracy, completeness, promptness, fairness and efficiency". 188 and 169 corporate documents were disclosed to the SSE and Stock Exchange respectively. The Group insisted on making consistent and simultaneous information disclosure on A and H Shares markets and ensuring the information disclosed was "without error, delay, amendment and supplement". Besides, various modes of investor relationship activities such as domestic and overseas roadshows, vehicle exhibition communication activities and investor summits were held throughout the year. The Company organised more than 35 visits for investors' investigation and research in total, organised 40 phone conferences and entertained more than 600 investors and analysts, through which our operation concept and investment value were delivered.

6. ***Performing social responsibilities and being a model corporate citizen***

During the reporting period, the Group made a contribution of over RMB67.20 million in total on environmental protection, safety, education, medical and other public welfare and charity, practically performing our social responsibilities.

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

During the reporting period, sales revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB275.772 billion, representing an increase of approximately RMB59.773 billion or approximately 27.67% as compared with the corresponding period last year.

During the reporting period, sales revenue of the Group amounted to approximately RMB49.418 billion, representing a growth of approximately 67.99% as compared with the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB6.288 billion, representing an increase of approximately 49.29% as compared with the corresponding period last year. Basic earnings per share amounted to approximately RMB0.98, representing a growth of approximately RMB0.33 as compared with the corresponding period last year.

The major factors leading to the variation of results during the reporting period included:

1. The Group's self-developed brand experienced explosive growth as a result of its advanced research and development capability, speeding up the introduction of new products and increasing the quality of products and due to an outstanding performance of "star" models. In 2016, the production and sales volume of GAMC sustained a rapid growth, representing a significant increase of 101.84% and 90.66%, respectively, as compared with the corresponding period last year. In particular, Trumpchi GS4 continued to experience hot sales and GS8 became another star product of our self-developed brand;

2. Sales of domestic Jeep products achieved a significant increase and European and American series joint venture turned losses into gains during the year;

3. Japanese series joint venture further increased its integrated competiveness with a positive development trend. Sales volume of vehicle models such as Highlander, Levin, Accord, Vezel and Outlander achieved a steady growth;

4. Ancillary businesses in the upstream and downstream of industrial chain such as financial services, auto-parts and commercial services expanded alongside with the increase in production and sales volume of self-developed brand and joint ventures, which facilitated the growth of operating results and the enhancement of synergy among business sectors.

As at 31 December 2016, according to the proportion of shareholdings of the Group in the joint ventures, the total liabilities and total revenues of jointly controlled entities were RMB45,767,574,724 and RMB91,821,875,826 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.

(I) ANALYSIS OF PRINCIPAL BUSINESS

Analysis of changes of items in the consolidated statement of comprehensive income and the cash flow statement

Unit: 100 million Currency: RMB

Item	Current period	Corresponding period last year	Change (%)
Revenue	494.18	294.18	67.99
Cost of sales	419.61	259.75	61.54
Selling and distribution cost	33.96	18.67	81.90
Administrative expenses	27.39	20.37	34.46
Finance costs	9.63	8.49	13.43
Interest income	5.86	5.40	8.52
Share of profit of joint ventures and associated companies	57.74	47.20	22.33
Net cash flow generated from operating activities	49.10	38.91	26.19
Net cash flow generated from investment activities	-61.14	7.42	-923.99
Net cash flow generated from financing activities	21.94	-33.72	165.07

1. Analysis on revenue and cost

During the reporting period, revenue of the Group amounted to RMB49.418 billion, representing an increase of approximately 67.99% as compared with the corresponding period last year. This was mainly due to the rapid growth in sales volume of the Group's self-developed brand "Trumpchi" and the rapid development of various businesses such as auto-parts and automobile after-sales service in the upstream and downstream of industrial chain.

During the reporting period, the Group recorded total cost of sales of approximately RMB41.961 billion, representing an increase of approximately 61.54% as compared with the corresponding period last year, which was lower than the growth rate of the profit margin. Total gross profit amounted to approximately RMB7.456 billion, representing an increase of approximately RMB4.012 billion or 116.49% as compared with the corresponding period last year. The gross profit margin increased by 3.38% as compared with the corresponding period last year, mainly due to the combined effect of economies of scale from the significant increase in sales of passenger vehicles and the lower unit cost by strengthening its cost control.

Principal business by industry

Unit: 100 million Currency: RMB

By industry	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Automobile manufacturing industry	334.19	274.30	17.92	88.61	72.84	71.66
Auto-parts manufacturing industry	26.38	22.17	15.96	67.03	70.77	-10.34
Commercial services	121.52	115.04	5.33	35.22	45.27	-55.11
Financial services and others	12.09	8.10	33.00	6.71	-8.78	412.46
Total	494.18	419.61	15.09	67.99	61.54	28.97

Principal business by product

Unit: 100 million Currency: RMB

By product	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Passenger vehicles	334.00	274.10	17.93	90.50	76.57	56.49
Vehicles related trades	147.90	137.21	7.23	39.98	48.87	-43.40
Financial services and others	12.28	8.30	32.41	-6.90	-32.74	403.27
Total	494.18	419.61	15.09	67.99	61.54	28.97

Principal business by region

Unit: 100 million   Currency: RMB

By region	Revenue	Cost of Sales and tax	Gross profit margin (%)	Increase/ decrease in operating revenue over last year (%)	Increase/ decrease in operating cost and tax over last year(%)	Increase/ decrease in gross profit margin over last year (%)
Mainland China	494.15	419.61	15.08	68.07	61.54	29.33
Hong Kong	0.03	–		-81.25		
Total	494.18	419.61	15.09	67.99	61.54	28.97

Analysis of sales and production

Unit: Vehicle

Major products	Production volume	Sales volume	Inventory	Increase/ decrease in production volume over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory over last year (%)
Sedans	27,956	27,230	352	-12.47	-19.92	87.23
SUV	353,225	344,804	1,454	125.11	113.99	-22.37

Illustration on sales and production: mainly from the sales and production data of the GAMC consolidated report, the sales of the SUV models by GAMC in 2016 amounted to 344,800 units, accounting for 92.68% of its total sales volume.

Sales to major customers

Unit: 100 million   Currency: RMB

Customers	Revenue	Ratio to revenue (%)
Total sales to top 5 clients	23.75	4.81

Major Suppliers

Unit: 100 million Currency: RMB

Suppliers	Amount of procurement	Ratio to total procurement (%)
Total procurement from the top 5 suppliers	91.02	25.75

Amount of procurement paid to the largest supplier of the Group accounted for 8.02% of the total amount of procurement of the Group for the year.

During the year, to the directors' knowledge, no directors, supervisors or their close associates or shareholders holding more than 5% of the Company's share capital has any interest in the top 5 suppliers.

2. Expenditures

(1) The increase of approximately RMB1,529 million in selling and distribution cost as compared with the corresponding period last year was mainly due to the increase of warehousing expenses and after-sales services expenses resulting from higher sales volume, and the increase in advertisement expenditure.

(2) The increase of approximately RMB702 million in the administrative expenses as compared with the corresponding period last year was mainly attributable to the increase in labor cost, depreciation and amortisation and R&D expenses in line with the scale expansion of the Group.

(3) The increase of approximately RMB114 million in the finance costs as compared with the corresponding period last year was mainly attributable to the increase of average borrowings of the Group during the reporting period.

(4) The increase of approximately RMB46 million in interest income as compared with the corresponding period last year was mainly attributable to an increase in interest income generated from the strengthened capital allocation of the Group during the reporting period.

3. Research and development expenditures

(1) Table of research and development expenditures

Unit: 100 million Currency: RMB

Expensed research and development expenses for the period	3.94
Capitalised research and development expenses for the period	19.82
Total research and development expenditures	23.76
Percentage of total research and development expenditures over total operating income (%)	4.81
Number of research and development staff	3,398
Number of research and development staff over total number of staff (%)	14.42
Percentage of capitalised research and development expenditures (%)	83.41

(2) During the reporting period, the investment in research and development was RMB2.376 billion, representing an increase of RMB457 million as compared with the corresponding period last year, mainly due to the continuous enhancement in independent research and development and innovation capacity and the development for traditional energy vehicle model, smart and new energy vehicle model as well as core parts.

4. Share of profit of joint ventures and associated companies

During the reporting period, the Group's share of profit of joint ventures and associated companies was approximately RMB5.774 billion, representing an increase of approximately RMB1.054 billion as compared with the corresponding period last year, mainly as a result of the combined effect of the following factors: a. sustaining hot sales of vehicle models such as Highlander, Levin, Accord, Vezel, Cherokee and Outlander which drove the increase in overall sales and facilitated the steady increase of economic efficiency; b. the synergies of industries continued to strengthen, the service businesses of auto-financing, auto-parts and auto-logistics in the upstream and downstream of the industrial chain developed rapidly.

5. Cash flows

(1) During the reporting period, net cash inflow generated from operating activities amounted to approximately RMB4.910 billion, representing an increased inflow by approximately RMB1.019 billion as compared with net cash inflow of approximately RMB3.891 billion of the corresponding period last year, mainly due to an increase in sales;

(2) During the reporting period, net cash outflow generated from investment activities amounted to approximately RMB6.114 billion, representing an increased outflow by approximately RMB6.856 billion as compared with net cash inflow of approximately RMB742 million of the corresponding period last year, mainly due to the combined effect of reasonable arrangement of deposit structure according to the capital requirements and increased investment in financial products;

(3) During the reporting period, net cash inflow generated from financing activities amounted to approximately RMB2.194 billion, representing an increased inflow by approximately RMB5.566 billion as compared with net cash outflow of approximately RMB3.372 billion of the corresponding period last year, mainly due to the combined effect of repayment of matured short-term financing bonds in the corresponding period last year.

As at 31 December 2016, cash and cash equivalent of the Group amounted to approximately RMB12.580 billion, representing an increase of approximately RMB1.032 billion as compared with approximately RMB11.548 billion as at 31 December 2015.

6. Other

Income tax amounted to approximately RMB754 million, representing an increase of approximately RMB354 million as compared with the corresponding period last year, mainly due to the increase in profit of the subsidiaries during the reporting period.

To sum up, the Group's net profit attributable to owners of the Company for the reporting period was approximately RMB6.288 billion, representing an increase of approximately 49.29% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.98, representing an increase of approximately RMB0.33 as compared with the corresponding period last year.

(II) ANALYSIS OF ASSETS AND LIABILITIES

1. Analysis table on assets and liabilities

Unit: 100 million Currency: RMB

Item	Balance at the end of current period	Balance at the end of current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change (%)
Time deposits	71.90	8.75	40.87	6.08	75.92
Available-for-sale financial assets	41.23	5.02	22.81	3.39	80.75
Trade and other payables	191.59	23.32	141.51	21.05	35.39
Income tax liabilities for current period	6.67	0.81	3.00	0.45	122.33

2. Analysis on change of items

(1) Time deposits: mainly due to the reasonable arrangement of deposits structure in accordance with capital needs during the reporting period;

(2) Available-for-sale financial assets: due to the combined effect of the increase in bonds, funds, and financial products acquired during the reporting period;

(3) Trade and other payables: mainly due to the combined effect of the significant increase in production and sales volume resulting in higher payables for the purchase of raw materials, prepayments from the distributing outlets and payables to the distributing outlets, as well as the increase in construction costs for enlarging production capacity;

(4) Income tax liabilities for current period: the increase is mainly due to the increase in profits of subsidiaries during the reporting period.

(III) ANALYSIS OF FINANCIAL POSITION

1. Financial indicators

As at 31 December 2016, the Group's current ratio was approximately 1.44 times, representing a decrease from approximately 1.50 times as at 31 December 2015, and quick ratio was approximately 1.34 times, which represents an increase compared with that of approximately 1.31 times as at 31 December 2015. Current ratio and quick ratio remained normal.

2. Financial resources and capital structure

As at 31 December 2016, the Group's current assets amounted to approximately RMB34.945 billion, current liabilities amounted to approximately RMB24.273 billion and current ratio was approximately 1.44 times.

As at 31 December 2016, the Group's total borrowings amounted to RMB14.824 billion, mainly consisting of debenture issued by the Group with nominal value of RMB600 million, corporate bonds issued with nominal value of RMB6 billion, short term financing bonds with nominal value of RMB2.3 billion, convertible bonds with nominal value of RMB4.1 billion (the exercise of conversion rights amounted to RMB31.61 million during the reporting period) and loans from bank and financial institutions etc. amounting to approximately RMB1.856 billion. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital.

As at 31 December 2016, the Group's gearing ratio was approximately 24.82%. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

3. Foreign exchange risk

As the Group mainly conducts its business in the PRC and the sales and purchases of the Group in the PRC were denominated in RMB, changes in foreign exchange did not have any material effect on the Group's operating results and cash flow during the reporting period.

4. Contingent liabilities

As at 31 December 2016, third-party guarantee committed by the Group amounted to RMB5,463,150, whereas that as at 31 December 2015 was RMB8,577,078; as at 31 December 2016, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2015 was RMB0.

VI. ANALYSIS OF AUTOMOBILE MANUFACTURING INDUSTRY OPERATION

1. Production capacity

Existing production capacity

Names of major factories	Designed production capacity	Production capacity during the reporting period	Production capacity utilisation rate (%)
Guangqi Honda	600,000 units	635,400 units	105.90
GAC Toyota	380,000 units	423,300 units	111.39
GAMC	365,000 units	381,200 units	104.43
GAC Mitsubishi	100,000 units	56,700 units	56.70
GAC Fiat-Chrysler	328,000 units	150,000 units	45.73
Honda (China)	60,000 units	10,800 units	18.00
GAMC Hangzhou	40,000 units	400 units	1.00
GAC Hino	10,000 units	1,400 units	14.00
GAC BYD	5,000 units	400 units	8.00

Note:

1. Production capacity during the reporting period refers to the actual production capacity during the reporting period.

2. Construction of the second production line of GAMC was completed and commenced operation in July 2016, which increased production capacity by 150,000 units/year.

3. Construction of the Guangzhou factory of GAC Fiat-Chrysler was completed and commenced operation in April 2016, which increased production capacity by 164,000 units/year.

4 GAMC Hangzhou is under transformation, production capacity of which reduced to 40,000 units/year.

Production capacity in construction

Unit: '0,000 Currency: RMB

Names of the factories in construction	Planned investment amount	Investment amount during the reporting period	Total investment amount	Expected commencement date of production	Expected production capacity
GAMC Xinjiang factory	108,700	8,700	8,700	October 2017	50,000 units
GAMC Hangzhou factory	330,038	100,700	100,700	December 2017	150,000 units
GAC Toyota production capacity expansion project	350,403	268,811	316,748	January 2018	220,000 units

Production capacity calculation standards

Calculated based on standard production capacity and two production shifts.

2. Sales volume of whole vehicles

By vehicle models

	Sales volume (units)			Production volume (units)		
Vehicle types	**Total number for the year**	**Total number for last year**	**Changes in sales volume compared with the corresponding period last year (%)**	**Total number for the year**	**Total number for last year**	**Changes in production volume compared with the corresponding period last year (%)**
Passenger vehicle	1,647,383	1,293,173	27.39	1,657,755	1,267,181	30.82
Sedans	793,350	804,295	-1.36	781,826	787,019	-0.66
MPV	47,030	58,138	-19.11	46,743	54,724	-14.58
SUV	806,509	428,531	88.20	829,150	423,897	95.60
Cross-over utility vehicle	494	2,209	-77.64	36	1,541	-97.66
Commercial vehicle	2,712	6,487	-58.19	1,851	6,724	-72.47
Passenger vehicle	178	279	-36.20	378	208	81.73
Truck	1,801	1,666	8.10	1,429	2,241	-36.23
Pickup	733	4,542	-83.86	44	4,275	-98.97
Total vehicles	1,650,095	1,299,660	26.96	1,659,606	1,273,905	30.28

By regions

Vehicle types	Domestic sales (units) Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)	Overseas sales (units) Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)
Passenger vehicle	1,634,385	1,278,243	27.86	12,998	14,930	-12.94
Sedans	781,399	791,761	-1.31	11,951	12,534	-4.65
MPV	47,020	58,085	-19.05	10	53	-81.13
SUV	805,595	427,593	88.40	914	938	-2.56
Cross-over utility vehicle	371	804	-53.86	123	1,405	-91.25
Commercial vehicle	2,602	3,337	-22.03	110	3,150	-96.51
Passenger vehicle	168	271	-38.01	10	8	25.00
Truck	1,801	1,666	8.10	–	–	–
Pickup	633	1,400	-54.79	100	3,142	-96.82
Total vehicles	1,636,987	1,281,580	27.73	13,108	18,080	-27.50

Note: The above sales and production data includes that of the joint ventures and associated companies.

3. New energy vehicle business

Production capacity of new energy vehicles

Name of major factories	Designed production capacity (units)	Production capacity during the reporting period (units)	Production capacity utilisation rate (%)
GAMC	5,000	3,354	67.08

Sales of new energy vehicles

	Sales volume (units)			Production volume (units)		
Vehicle types	**Total number for the year**	**Total number for last year**	**Changes in sales volume compared with the corresponding period of last year (%)**	**Total number for the year**	**Total number for last year**	**Changes in production volume compared with the corresponding period of last year (%)**
Passenger vehicle	3,665	1,430	156.29	3,354	1,496	124.20

Income and subsidies for new energy vehicles

Unit: '0,000 Currency: RMB

Vehicle types	**Income**	**Subsidy for new energy vehicle**	**Ratio of subsidy (%)**
Passenger vehicle	37,108	2,874	7.74

VII. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

Nil

VIII. ANALYSIS OF MAJOR SUBSIDIARIES AND ASSOCIATES

Guangqi Honda, GAC Toyota and GAMC are important joint ventures and subsidiaries of the Group. During the reporting period, the three companies accelerated the launch of products, optimised product structure, actively adopted a series of effective measures to maintain production and increase sales volume according to their own situation and the development trend of the industry, which materially increased the sales of vehicles and effectively drove the growth in the results of the Group, among which:

The production and sales of Guangqi Honda amounted to 635,443 units and 638,791 units respectively, representing an increase of 13.40% and 10.12% respectively as compared with the corresponding period last year; operation income amounted to RMB75,833.72 million, representing an increase of 9.28% as compared with the corresponding period last year;

The production and sales of GAC Toyota amounted to 423,275 units and 421,800 units respectively, representing an increase of 4.90% and 4.64% respectively as compared with the corresponding period last year; operation income amounted to RMB57,760.20 million, representing an increase of 5.67% as compared with the corresponding period last year;

The production and sales of GAMC amounted to 381,181 units and 372,034 units respectively, representing an increase of 101.84% and 90.66% respectively as compared with the corresponding period last year; operation income amounted to RMB35,334.34 million, representing an increase of 100% as compared with the corresponding period last year.

IX. STRUCTURED ENTITIES UNDER THE CONTROL OF THE COMPANY

Nil

X. DISCUSSION AND ANALYSIS BY THE BOARD ON FUTURE DEVELOPMENT

(1) Development trend and industry layout

Under the encouragement and guidance of state policy, the revolutionary impact of new energy vehicle on automobile manufacture industry has been emerging; intelligent network vehicle has been showing a positive development trend; strategy of manufacture in PRC will comprehensively upgrade the standard of automobile manufacturing. Environmental friendly vehicle, social vehicle and safety vehicle has been the new development direction of automobile industry.

The following are the characteristics of the future industrial competition and development trend:

1. More intense competition: With increasing base number of car owners, continuously rolling-out of new vehicle model and further decrease in vehicle price under joint venture brand, competition in vehicle market will be more intense. It is expected that in 2017, among each segments, sales of SUV will keep its leading position and MPV will keep growing strongly while sales of sedans and commercial vehicles will slightly increase.

2. Coexistence of opportunities with challenges: In 2017, automobile industry will undergo a transformation from the rise of self-developed brand and new smart energy vehicle. It is expected that supportive policy and consumption demand will continue. However, official implementation of a series of new vehicle policies, including levy of 7.5% purchase tax, cutting-off of subsidiary and CHINA 5 Emission Standards, as well as cross-sector investment in automobile industry by Internet companies, will pose new challenges to the future development of automobile industry. Meanwhile, functionality of self-developed brand vehicle further improves and is showing a strong uprising trend with structural opportunity in overseas market. The PRC government strengthens control over vehicle exhaust by basically eliminating yellow-label vehicle, accelerating the phase-out of old vehicles and encouraging the use of new and clean energy car, which will continue to facilitate the development of new energy vehicle. Besides, with further integration of the Internet and automobile industry, development of intelligent network, online and offline sales and financial insurance platform as well as vehicle leasing and sharing of service, there are a lot of opportunities in the development of automobile industry.

(2) Development strategy of the Company

During the period of the "Thirteen Five-year Plan", the Group will carry on the development principle of "internal coordination and innovation, open for external cooperation" to complete 1 objective, strengthen 5 segments, focus on 1 major subject and realise 3 breakthroughs in order to achieve its goals of production volume exceeding 3,000,000 units at the end of the "Thirteenth Five-year" with 80% production capacity utilisation rate and becoming a modern automobile enterprise. Also, the Group will strengthen its five major segments (namely R&D, whole vehicles, parts and components, commercial services and financial services); strive to develop self-developed brand so as to achieve forward-leaping development; and achieve breakthroughs in areas of automisation, internationalisation and internet connection.

(3) Operational plan

In 2017, the working guidelines of the Group are to: maintain general working principle of steadily progress; consolidate and thoroughly implement the development ideals of innovation, coordination, environmental protection, open and shared development; stick to our main plan of "one core theme, two unwavering strategies, three changes"; fully improve our corporate core competitiveness, self-development ability and economies of scale of each business segment; advance the in-depth reform in system; and comprehensively increase employees' wellbeing.

In 2017, the annual sales volume of vehicles of the Group, together with its joint ventures and associated companies, is expected to increase by 10% as compared with the corresponding period last year. We plan to launch 16 brand new and facelift models to strengthen the overall competitiveness of the products, including 9 self-developed brand products, namely "Rock 5-seat SUV" Trumpchi GS7, "Youth City SUV" Trumpchi GS3, "Flagship Deluxe MPV" Trumpchi GM8, "Compact Mid-end Sedan" Trumpchi GA4, "Hybrid Intelligent New Energy SUV" Trumpchi GS4 PHEV, "Purely Electrical New Energy SUV" Trumpchi GE3, "Hybrid Intelligent New Energy Sedan" Trumpchi GA6 PHEV, upgraded model of Trumpchi GA8 (1.8T) and facelift model of Trumpchi GS4; and 7 products under joint venture brands, namely Guangqi Honda Avancier 1.5T model, facelift model of Fit and Acura TLX, GAC Toyata YARiS L, a small sedan, and first TNGA model in China, upgraded model of GAC Mitsubishi Outlander and one model of PHEV SUV.

The specific work measures are:

1. Centering around quality and efficiency and promoting the Group's sustainable development;

2. Committing to the pragmatic implementation of our plan for the "Thirteenth Five-year Plan";

3. Further improving R&D capability, optimising the system of self-development business and increasing core competitiveness of self-developed brand;

4. Continuing joint venture cooperation model and developing joint venture with the ideas of openness and sharing;

5. Strengthening brand establishment, improving reputation and brand influence;

6. Advancing on cooperative development among segments and improving overall competitiveness of each segment of the Group;

7. Increasing resources inputs in new energy vehicle development and accelerating the development of new energy vehicle;

8. Strengthening reform and innovation to realise a better and more vivid development;

9. Enhancing capital operation, advancing the project of non-public issuance of A Shares and further developing the coordination of industrial and financial sectors;

10. Continuing the good grasp on doing business with integrity, safe production, comprehensive management and maintenance of stability and work on 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 globalisation of economy, the automobile industry is also affected by the international macro environment and circumstances. In recent years, sustained growth in China's economic scale, steady growth in resident's disposable income, prompt economic policies promulgated by the PRC and relatively favourable international circumstances resulted in an overall trend of growth in demand for China's automobile industry. However, with slower macroeconomic growth, the demand growth for China's automobile industry is currently gradually declining. In the 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 trend of growth 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 the annual sales in 2016 exceeded 28,028,200 units, recording another global historic high and becoming global no.1 position 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 self-developed brands, vehicles with similar emission volume and new and old models is relatively intense.

(3) Industry transformation risk

In face of shortage of energy and higher awareness of environmental protection, the technological research and development of new energy vehicles is becoming an important concern as well as the direction of future automobile technological innovation of all automobile companies. Intelligent network and autonomous technology has broadened people's knowledge of automobile, which is no longer restricted to being merely a transportation vehicle and to its traditional usage. Internet automobile manufacturing also poses a challenge to our original commercial model. Such transformation will create impact on and restrict traditional automobile consumption to a certain extent.

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 partners such as Honda, Toyota, Fiat, Mitsubishi and Hino. These joint venture companies set up and funded jointly with the Group have a relatively large impact on the operating results of the Company. The Company has continued to nurture independent R&D ability and to accumulate core techniques, and it has successfully developed the first self-developed brand passenger vehicle Trumpchi in September 2010. After years of development, GS4, a new SUV model, was launched in April 2015, and GS8, a new middle-to-large SUV model was launched in October 2016, which was well-recognised by consumers. The Group has initially formed a new layout of coordinated development of three series, namely the Japanese series, European and American series and self-developed brand series. However, in view of the present situation, joint ventures companies such as Guangqi Honda and GAC Toyota still exert a relatively large 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 adversely.

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

The factors of production for vehicle 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 needs to purchase a large amount of raw materials from upstream companies. If the price of bulk raw materials increases, the production costs of upstream parts and component manufacturing companies will significantly increase. When the suppliers raise their prices, despite that the Group can offset the inflation of parts and components through measures such as launching new products, resetting its product price, optimising work flow and reducing wear and tear, it may still have a negative impact on the profit of the Group if the price of major raw materials increases abruptly to an exceedingly high level.

(3) Risks of ability to continuously launch popular products

The ability to continuously launch popular products directly affects product sales and operating results of the Group. The Company needs 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 2015, the Group launched hot vehicle models like Trumpchi GS4, JEEP Cherokee, upgraded Highlander, 1.5L Vezel, and in 2016, the Group continued to launch competitive new vehicle models like Guangqi Honda Avancier, JEEP Renegade, JEEP Compass, Trumpchi GS8, Outlander, leading to consistent growth in overall sales volume. 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 to form economies of scale, it will not be able to realise the business strategies of the Company, and will have an adverse impact on the business, financial conditions and operating results of the Company.

3. Risks of policies

(1) Risks of product recall

In recent years, China has been stricter with 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》) pursuant to which automobile manufacturers are required to provide 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 specifies the liability of repair, exchange and return of household automotive products. According to the statistics released by the National Quality Supervisory and Inspection Bureau (國家質量監督檢驗檢疫總局), in recent years, the number of recalled vehicles significantly increased. Such number exceeded 5 million for three consecutive years in 2013, 2014 and 2015 and in 2016, such number exceeded 10 million units for the first time and reached 11,325,600 units, representing an increase of 103%. This was the highest historical number. If the products of the Group are recalled, the sales and results of the Company may be adversely 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. In recent years, China has been stricter on relevant safety regulations and technical standards of the automobile industry, 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 the 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 January 2017, the National Motor Vehicle Pollutant Discharge Standard Phase 5 (國家機動車污染物排放標準第五階段) upper limit, i.e. Guo V standard (國五標準), will be implemented nationwide, marking a new phase of control of car pollutant discharge in China. China may promulgate more stringent environmental and energy saving policies to fulfill its goal of energy saving and consumption and emission reduction. This will increase research and production cost and thus affect the operating results of the Company.

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

The long length of the industry chain of the automobile industry exerts an apparent impact on 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 intense competition. The central government introduced more supportive policies in favor of new energy vehicles continuously, and deployed greater pace of promotion and application of new energy vehicles to relieve the pressure of energy shortage and pressure on the environment, and facilitate the transformation and upgrade of the automobile industry.

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

(5) Risk of fuel price fluctuations

In recent year, the price of crude oil in the world suffers great volatility. Factors affecting its price include the demand and supply relationship of crude oil and the financial attribute of crude oil. There are relatively more uncertainties in the fluctuations of crude oil price. The refined oil pricing mechanism of China continues to be reformed following the fluctuations in crude oil price. At present, the pricing of refined oil is not totally determined under market mechanism. If there are gaps between the international crude oil price and the price of the refined oil products in China, then the price of the refined oil products in China may be adjusted. If there are substantial fluctuations in the global crude oil price, or China changes the current pricing policy of refined oil products, this may lead to the corresponding fluctuations in sale price of the refined oil products in China, thus affecting the structure of automobile consumption, which in turn will affect the sales of 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 2016.

SIGNIFICANT SUBSEQUENT EVENTS

1. Pursuant to the "Notice Regarding the Provision of R&D Funding for New Energy Vehicles" (Sui Gui Zi Yu No.19 [2017]) issued by Guangzhou SASAC, the Company received subsidy of RMB300 million from the Department of Finance of Guangdong Province on 25 January 2017. The subsidy is designated for the development of Trumpchi car models and the R&D and promotion of new energy vehicles.

2. On 13 March 2017, GAMC Hangzhou, a subsidiary of the Company, received the "Reply to the Application for Government Support Fund by an Enterprise" from the Department of Finance of HZDJD Industrial Cluster, which informed GAMC Hangzhou that a dedicated support fund of RMB300 million for its self-developed vehicle brand project had been transferred to the Company's account. GAMC Hangzhou had confirmed receipt of above-mentioned dedicated support fund.

3. On 10 January 2017, the Company received the "China Securities Regulatory Commission's Acceptance Notice of the Application for Administrative Permission" (No.163889) issued by the CSRC, which resolved to accept the application for administrative permission in respect of the Company's non-public issuance of new shares. On 3 March 2017, the Company received the "Notice Regarding CSRC's Feedback on the Review of Administrative Permission Items" issued by the CSRC.

4. On 28 January 2017, the Company completed the settlement of the first batch short-term financing bonds in 2016 (16 GAC CP001 in short, code: 041653012). Interest was paid with the principal amount upon maturity.

5. On 30 March 2017, the Company convened the 43rd meeting of fourth session of the Board, at which the proposal for profit distribution for 2016 was considered and passed. The Company proposed to pay the 2016 final dividends of RMB0.22 per share (tax inclusive) in cash to the shareholders whose names are on the register of shareholders on the record date. Being affected by the conversion and exercise of the Company's convertible bonds and share options with respect to the share incentive scheme, the total share number of the Company cannot be estimated on the A shares record date. Calculation made hereinafter is temporarily based on the total share number of the Company of 6,453,360,605 shares as at 31 December 2016, by which the total amount of final dividend will be RMB1,419,739,330.10 (such distribution would be made to A shareholders in RMB, and be made to H shareholders in Hong Kong dollars). Such proposal for profit distribution is subject to the consideration and approval at the 2016 annual general meeting of the Company.

DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2016 of RMB0.22 per share (Total dividend for 2016: RMB0.30 per share) (Total dividend for 2015: RMB0.20 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, associated enterprises"	all entities over which the Company 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
"CAAM"	China Association of Automobile Manufacturers
"China Lounge Investments"	China Lounge Investments Limited, a wholly-owned subsidiary incorporated in Hong Kong
"Company" or "GAC"	Guangzhou Automobile Group Co., Ltd.（廣州汽車集團股份有限公司）
"CSRC"	China Securities Regulatory Commission

"Da Sheng Ke Ji"	大聖科技股份有限公司, jointly established by the Company, Urtrust Insurance and Le Holdings (Beijing) Co., Ltd. (樂視控股(北京)有限公司) on 8 June 2016, in which the Company, Urtrust Insurance and Le Holdings hold 45%, 15% and 40% equity interest respectively
"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 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 the Company and Fiat Group Automobiles S.P.A., 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 (廣汽吉奧汽車有限公司), 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 Leasing"	Guangzhou Automobile Leasing Co., Ltd. (廣州廣汽租賃有限公司), a subsidiary of GAC Commercial incorporated in February 2004 under PRC law

"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"	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
"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)
"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
"GAEI"	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
"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
"GAMC Hangzhou"	Its predecessor was GAC Gonow Automobile Co., Ltd (廣汽吉奧汽車有限公司), 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. In March 2016, GAMC, a wholly-owned subsidiary of the Company acquired the remaining 49% equity interest and renamed the entity as Guangzhou Automobile Group Motor (Hangzhou) Co., Ltd (廣州汽車集團乘用車(杭州)有限公司) in May 2016
"Group"	The Company and its subsidiaries

"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
"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.
"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
"joint venture, joint enterprise, jointly controlled entity"	joint venture companies under direct or indirect joint control, and the direct or indirect joint control causes no participating party to have any unilateral control power over the economic activities of that jointly controlled entity
"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
"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 is held as to 50% by Hino Motors, Ltd., 30% by the Company and 20% by Shanghai Electric (Group) Corporation respectively
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUV"	sports utility vehicle

"Tong Fang Logistics"	Tong Fang Global (Tianjin) Logistics Co., Limited (同方環球(天津)物流有限公司), jointly established by China First Automobile Works Group and Toyota Motor Company in July 2007, 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 directly and indirectly holds a total of 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

By order of the Board
Guangzhou Automobile Group Co., Ltd.
Zeng Qinghong
Chairman

Guangzhou, the PRC, 30 March 2017

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