**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)**

# 2018 INTERIM RESULTS ANNOUNCEMENT

## IMPORTANT NOTICE

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

(II) All directors of the Company have attended the meeting of the Board.

(III) The interim financial report of the Company is unaudited. The Audit Committee of the Company has reviewed the unaudited interim results of the Company for the six months ended 30 June 2018 and agreed to submit it to the Board for approval.

(IV) Zeng Qinghong, the person in charge of the Company and Feng Xingya, the General Manager of the Company, Wang Dan, the person in charge of accounting function and Zheng Chao, the manager of the accounting department (Chief Accountant), warrant the truthfulness, accuracy and completeness of the financial statements contained in this announcement.

(V) The Board proposed payment of interim dividend of RMB1 (tax inclusive) in cash for every 10 shares to all shareholders.

(VI) The forward-looking statements contained in this announcement regarding the Company's future plans and development strategies do not constitute any substantive commitment to investors and investors are reminded of investment risks.

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

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

## CHAIRMAN'S STATEMENT

Dear shareholders,

This year marks the beginning of full implementation of spirit of the 19th National Congress of the Communist Party of the PRC, the 40th anniversary of Reform and Opening up, and also a critical year to implement the 13th Five-Year plan. In the first half of the year, despite the complicated domestic and international situation, the Group has worked hard to overcome difficulties and promoted high-quality development of the Group to achieve steady growth in production and operation with the trust and support of our shareholders. On behalf of the Board, I would like to hereby express my heartfelt gratitude to all shareholders, partners and stakeholders.

In the first half of the year, **we moved forward in face of challenges, achieving steady development in production and operation.** In the first half of the year, the Group launched 8 new vehicle models and altered vehicle models. Production and sales volume of automobiles both reached over 1,000,000 units. Among which, self-developed brand has mapped out its focus on high-end products. GAC Trumpchi GS8 and GM8 occupied the top rankings in domestic segmental markets. Trumpchi GS4, the first model installed with the smart system collaborated with Tencent was successfully launched after alteration. GAC New Energy created the new form of marketing service, the "25-hour Experience Center+City Showroom+Mixed Brand Store". Sales volume in the first half of the year was 6,301 units which represented a significant leap as compared with the corresponding period last year. The joint venture brands GAC Honda, GAC Toyota and GAC Mitsubishi maintained a rapid growth in terms of sales volume. Star products such as the brand new 8th generation Camry, Levin, Highlander, the 10th generation Accord, Avancier, Odyssey, Outlander remained hot sales. The commercial vehicles segment developed accordingly, with sales volume of GAC Hino increased sharply by 213.15% and GAC BYD received nearly 5,000 pure electric bus orders in the first half of the year. For the first half of the year, revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB172.607 billion, representing an increase of 6.22% as compared with the corresponding period last year. The consolidated total operating revenue amounted to approximately RMB37.200 billion, representing an increase of 7.00% as compared with the corresponding period last year. Net profit attributable to owners of the company was approximately RMB6.913 billion, representing an increase of 10.31% as compared with the corresponding period last year. Basic earnings per share amounted to approximately RMB0.68 because of the implementation of the issue of 0.4 share for every share by way of conversion of capital reserve during the reporting period, representing a decrease of approximately 1.45% as compared with the corresponding period last year. In the list of 2018 Fortune Global 500 published by the magazine "Fortune", we have been shortlisted as one of the Fortune Global 500 Companies for six years consecutively and we ranked the 202nd which is 36 places higher than last year.

**We share the results and continue to create values for shareholders.** With regards to the profitability level and future development needs of the Group, the Board recommended distributing an interim dividend of RMB1.0 (tax inclusive) in cash for every 10 shares to all shareholders with an estimated total cash dividend distributable of approximately RMB1.021 billion, representing an increase of approximately 57% as compared with the corresponding period last year. Cash dividend is a basic method for listed companies to reward its investors. We have always adhered to a long-term and continuously stable profit distribution policy and we distribute dividend twice a year to share results with investors. The annual dividend payout ratio has always been over 30%. The accumulated cash dividend distributed since listing was over RMB11.0 billion. The Group was also included in the "List of high returns for listed companies" jointly announced by the China Association for Public Companies together with Shanghai Stock Exchange and Shenzhen Stock Exchange, ranking the 39th.

**We focus on the future and actively enhance our strategic layout.** Firstly, the Group extended the depth of strategic layout and increased effort in R&D of EIC system and core technology of smart connection enhancement. The Group spared no effort to promote the implementation of GAC smart connection new energy vehicles industrial park project. Secondly, the Group extended the width of strategic layout and promote internationalisation strategy in depth. The newly-established Los Angeles Cutting-edge Design Center and Detroit R&D Center in the first half of the year after the Silicon Valley R&D Center has brought the 24-hour non-stop collaborative development to reality. The large-scale overseas recruitment in Europe has ended with fruitful results with more talents joining the Group. Thirdly, the Group mapped out its strategic layout from innovative perspective. In the first half of the year, the Group has jointly incorporated new energy vehicles company with NIO Inc., and has initiated strategic cooperation with various partners such as Aisin, Didi, Contemporary Amperex, Pony.ai., etc. The Group was gradually extending its ends to trendy segments such as new energy, intelligent network, mobile travel, etc. and fields of upstream and downstream key technology such as EIC technology, gearbox and V2X/5G application.

**We increased effort in reformation and continue to enhance development momentum.** In the first half of the year, the Group has successfully completed the optimisation reform of corporate organisation and optimised organisation setting and division of responsibilities. The Group has straightened out and reorganised functions of various departments and implemented super-ministry system to further improve management efficiency. The Group explored on the professional manager reform while adhering to the belief of "talents are the most important resources". The Group also promoted talent and remuneration reform to improve and optimise employee's remuneration and welfare management system and performance appraisal system, while the corporate development momentum has been maintained by implementing share option incentive scheme.

**We have the common goal of strengthening corporate culture and the soft power of the brand.** The Group has made cultural cultivation one of the corporate strategies and introduced the GAC Philosophy. The Group has announced the brand new corporate culture slogan as "Innovation without limits; Plans for future" in April this year to build the GAC culture strategic and visionary system. The Group also established GAC University and GAC Academy to spread the spirit of corporate culture and nurture quality talents teams with specialised skills and high recognition of the corporate values. The Group has increased effort in brand promotion by joining car exhibitions in the North America and Beijing which would further improve brand influence. The Group has first entered the Best China Brands Ranking List published by Interbrand, a global comprehensive brands consultation company.

Currently, the domestic automobile market has entered the phase with low growth rate. The adjustment of new energy vehicles subsidy policy and implementation of policies such as relaxation of joint venture share proportion and the downward adjustment of import tariffs have driven domestic automobile enterprises to make enhancement of core competitiveness as future focus. The change in new energy vehicles market will change from policies-driven to consumption-driven. With accelerated integration of new technologies and vehicles and self-evolution of automobile industry driven by new business model, embracing new industrial practice is inevitable for automobile manufacturers to develop. It is certain that challenges will be brought by complicated external environment, fierce market competition and rapid industrial changes, but it is also certain that the Group can overcome such challenges with incomparable advantages, robust foundations and coping ability. In the second half of the year, the Group will integrate reformation and innovative development so as to increase core competitiveness in all aspects. The Group will spare no effort to achieve annual operation objectives with clear thoughts and hard-work.

In the second half of the year, **development is the first priority of the Group.** The Group will accomplish such goal with increasing efforts in productivity, marketing, brand promotion and execution. In order to cope with the trend of upgrading consumption, R&D direction will be changed from engineering-oriented to client-demand-oriented projects. The Group will focus on making "hot sales" and star models to form a service system that centered around customers' experience. The Group will construct the GAC Smart Connected New Energy Vehicles Industrial Park. With 70% of projects firmly implemented, the Industrial Park was progressing steadily as planned. Among which, the first phase of construction of the GAC New Energy automobile manufacturing plant is expected to be completed and be put into operation by the end of the year. The construction of GAC Aisin automatic transmission plant project, GAC Contemporary Amperex battery joint venture project and GAC powertrain plant were planned to commence at the end of this year which will become new drivers of the industrial upgrading and transformation of the Group.

**We will insist on using reform and innovation as the driving force for development.** The Group promoted the implementation of professional manager reform pilot program. According to the overall planning and guidance requirements of the "Double Hundred Actions" issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Group explored and established comprehensive reform plans for the "Double Hundred Actions" which clearly specified the specific reform objectives and reform measures and performed the corresponding reporting and approval procedures. The technology-based and innovative enterprises with relatively high contribution of talents capital and technology elements in the Group have increased the pace of mixed ownership reform and introduced strategic investors, and encouraged core members of the team to hold shares and promoted the transformation of achievements in science and technology and innovation. The Group will focus on "Electrification, Intelligence, Networking, and Sharing", keep up with the changes in travel mode and plan to build a mobile travel platform and form a valuable closed loop from R&D to travel application scenarios and big data acquisition in driverless and intelligent networking technology in order to transform from hardware manufacturers to overall travel solution providers. Aimed for commercialised application, the development of 4 key projects, including GOS operating system, integrated electric drive unit, automatic driving system and digital cockpit were initiated. Promotion on the R&D of new energy and intelligent network essential components, G-MC 2.0 and battery cells were accelerated. The network connection terminal overall solution G2.2 will be installed in models such as GM6 while the self-developed motor controller is expected to meet the conditions for mass production by the end of the year.

**We will insist on treating talents as the most important resources.** The Group has built a systematic talent strategy system, established protection of a competent talent system and vigorously promoted innovation in the employment environment, employment mechanism and supervision system. Combined with the professional manager reform, the Group explored on the reform of labour, personnel, and allocation systems so as to form a viable employment mechanism and establish and improve various incentive scheme and allocation system. The Group has gone to great lengths to introduce foreign talents and cultivate internal talents in order to achieve "perfection both internally and externally" in terms of talents strategy. The Car Town is scheduled to commence at the end of this year with plans to build over 4,200 staff residence units to allow employees to share results of development and continue to improve employees' satisfaction and well-being.

**We will insist on treating culture as foundation of soft power.** The depth of culture determines the achievement of an enterprise. Culture is the spirit of an enterprise. Enterprises with a year depend on opportunities, with a decade depend on management and with a century depend on culture. The Group has launched the "Cultural Development Year" this year which vigorously cultivated corporate culture, demonstrated the new GAC, new endeavours and new image, took culture as an important component of the Group's core competitiveness and a booster for transformation and development and placed it as a development strategy. We will continue to create a good atmosphere for the GAC brand, promote the in-depth integration of corporate culture and brand building, enterprise management, and infiltrate the corporate culture into the whole process of brand building so as to make the brand a recognisable mark, a spiritual symbol and a valued concept which would continue enhancing the brand value of GAC.

At the beginning of this year, the Group confirmed its development vision and mission for 2027 and 2037. The blueprint was drawn up and the only way to succeed is through effective implementation. We will adhere to the beliefs of "Humanity, Credibility, Creativity" as always and to promote high quality development with quality change, efficiency change and dynamic change. We will stand firm and work hard without fear of risks, and will not be blinded by any distraction, in order to become a world-class enterprise with customers' trust, happy employees and social expectations and strive to achieve the vision of a better mobile life for humanity.

Last but not least, I would like to thank the investors, customers, partners and stakeholders for their attention and support to GAC Group!

## SUMMARY OF BUSINESS OF THE COMPANY

### (I) Summary of business

The principal businesses of the Group consist of five major segments, namely research and development, whole vehicles (vehicles and motorcycles), parts and components, commercial services and financial services, which form a complete closed-loop industry chain.

*1. Research and development segment*

The Group's R&D is based on GAEI, a directly funded and managed body of the Company, and also a subsidiary of the Company and a strategic division operating relatively independently within the authorised scope. It is mainly responsible for the Group's general development plan of new products and new technologies, as well as implementation of material R&D projects.

*2. Whole vehicles segment*

(1) Production of whole vehicles is mainly conducted through its subsidiary, GAMC, and joint ventures including GAC Honda, GAC Toyota, GAC FCA and GAC Mitsubishi.

➢ **Products:** The Group's passenger vehicles include 17 series of sedans, 15 series of SUV and 3 series of MPV, details of which are set forth below:

- GAC Trumpchi (GA5, GA6, GA3S, GA8, GA4, GA3S PHEV, GS5 Series, GS4, GS8, GS3, GS7, GS4 PHEV, GM8, GE3);
- GAC Honda Accord, Crider, Vezel, Odyssey, City, Fit, Avancier, Acura CDX, Acura TLX-L, etc.;
- GAC Toyota Camry, Highlander, Yaris L, Levin, C-HR, etc.;
- GAC FCA JEEP Cherokee, JEEP Renegade, JEEP Compass, JEEP Grand Commander, Viaggio, Ottimo, etc.;
- GAC Mitsubishi ASX, Outlander, Qizhi PHEV, etc.;

Besides, the Group also produces City sedans through Honda (China), primarily oriented to markets in the Middle East, the South America, etc.

The commercial vehicles are mainly manufactured by GAC Hino, a joint venture, and GAC BYD, an associated company. Main products include heavy trucks, new energy passenger vehicles, etc.

Energy conservation and new energy products of the Group include: GAC Trumpchi GA3S PHEV, GS4 PHEV, GE3, hybrid GAC Honda Accord Sport Hybrid, Acura CDX Sport Hybrid, GAC Toyota Camry HEV and Levin HEV, GAC Mitsubishi Qizhi PHEV, and GAC BYD pure electric passenger vehicles.

- **Production capacity:** During the reporting period, GAC Toyota added production capacity of 100,000 units/year to its third production line which commenced operation in January 2018; GAMC Xinjiang plant added production capacity of 20,000 units/year which commenced operation in March 2018. As at the end of the reporting period, the total vehicle production capacity amounted to 2,103,000 units/year.

- **Sales channel:** The Group conducts automobile sales through sales outlets and online channels. As at the end of the reporting period, the Company, together with its joint ventures and associated companies, had 3,079 sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC. 103,339 units of vehicles were sold through online channels during the reporting period, representing 10.16% 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 total production capacity of motorcycles of the Group was 1.25 million units/year.

*3. Commercial services segment*

Through GAC Business (a subsidiary) and its controlled and joint stock companies and Tong Fang Logistics (an associated company) in the upstream and downstream of the automobile industrial chain, the Company carried on businesses in vehicle sales, logistics, international trading, second-hand vehicles, disassembling, resources recycling, supporting services, etc.

Through its subsidiary, Da Sheng Technology, the Company established a one-stop platform in consolidating vehicle repair, usage, purchase, lease and exchange, forming an open and common automobile ecosystem on the internet.

4. *Parts and components segment*

The Group's production of parts and components was mainly carried out through the controlled companies, joint control and joint stock companies of its subsidiary, GAC Component, and GAC Toyota Engine and Shanghai Hino, the Group's associated companies. The parts and components include engines, gearboxes, car seats, HVAC systems, auto lamps, automation accessories, redirectors, shock absorbers and accessories, etc.

5. *Financial segment*

The Group provides services related to financial investment, insurance, insurance brokerage, financial lease, automobile credit, etc. mainly through its subsidiaries, namely GAC Finance, China Lounge Investments, GAC Capital, Urtrust Insurance, Guang Ai, GAC Leasing and its joint venture, GAC-SOFINCO.

## (II) INDUSTRY ENVIRONMENT

According to the data from the Society of Automotive Engineers of China, during the first half of the year, domestic production and sales volume of vehicles were 14,060,000 units and 14,070,000 units respectively, representing increases of 4.2% and 5.6% respectively as compared with the corresponding period last year. The overall performance was satisfactory. Among them, the growth of commercial vehicles was higher than that of passenger vehicles. The production and sales volume of passenger vehicles increased by 3.2% and 4.6% respectively as compared with the corresponding period last year; production and sales volume of commercial vehicles increased by 9.4% and 10.6% respectively as compared with the corresponding period last year. In terms of categories of passenger vehicles, the production and sales volume of sedans and SUV increased, while that of MPV and cross-type passenger vehicles declined. In terms of brands of passenger vehicles, the Korean series and German series experienced a relatively rapid growth, while the USA series experienced a decline as compared with the corresponding period last year. Sales volume of Chinese brand passenger vehicles maintained a growing trend yet a lower market share was recorded with a 0.5% drop as compared with the corresponding period last year. In the first half of 2018, sales volume of new energy vehicles increased sharply. Production and sales volume of new energy vehicles were 413,000 units and 412,000 units respectively, representing increases of 94.9% and 111.5% respectively as compared with the corresponding period last year. Among them, production and sales volume of pure electric vehicles were 314,000 units and 313,000 units respectively, representing increases of 79.0% and 96.0% respectively as compared with the corresponding period last year; production and sales volume of plug-in hybrid vehicles were 100,000 units and 99,000 units respectively, representing increases of 170.2% and 181.6% respectively as compared with the corresponding period last year.

Since 2018, competition in the automobile industry was becoming increasingly intense with greatly variable competitive landscape. Firstly, the domestic automobile market was further opened up. Due to the adjustment of new energy vehicles subsidy policies, relaxation on share ratio and reduction of automobile tariffs, the future focus of domestic automobile enterprises will be to strengthen their own core competitiveness. Secondly, regulations on automobiles (fuel consumption and emissions) were gradually tightened. The requirements of CAFC (corporate-average fuel consumption) figures have been tightened year by year, and the corresponding fuel consumption limit per-vehicle was becoming more stringent. It is imperative to develop advanced powertrains addressing the fuel consumption and emission regulations. Lastly, the electrification, intelligence, networking and sharing of vehicles were vigorously promoted. With the implementation of new policy in relation to new energy subsidies, the government strongly supports pure electric high endurance vehicles and the requirements of policies for power consumption, endurance and energy density would be greatly lifted, and the development of the new energy vehicles market will gradually shift from policy-driven to consumption-driven. The above changes will accelerate the transformation and upgrading of the automobile industry and the ecological and competitive landscape will be restructured. Automotive products will be further driven towards intelligence, networking and sharing. The automobile industry trend will gradually develop into a connected, intelligent and shared travel system.

## (III) ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the reporting period, the core competitiveness of the Group remained unchanged and 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, making the Group one of the automobile groups in the PRC with the most integrated industry chain 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 Guangzhou Automobile Zhilian New Energy Automotive Industrial Park project has progressed as planned. The welding and coating plant for construction of phase one of GAC New Energy plant has completed as planned. The GAMC Yichang plant alteration project has officially commenced in January. The main construction of phase one of GAMC Xinjiang plant was completed in February. The phase one project of the third production line of GAC Toyota has been put into operation since mid-January and the preparation work for the phase two capacity expansion project of the third production line has started. The production layout has been continuously enhanced.

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 pursuit of excelsior.

3. *Continued to enrich product line and optimise product structure*

The Group has a full range of products including sedans, SUV, MPV, etc. and continued to introduce new models and product iterations to maintain market competitiveness of its products in order to meet changes in demand of consumers. It maintained customer loyalty and a widely-recognised brand reputation. Self-developed brand series, Japanese series, European and American series developed balancedly, and the "three pillars" situation is becoming more satisfactory. During the reporting period, the Group continued to promote the development and introduction of new products, each of the major vehicle factories successively launched eight brand new models and altered vehicle models, which has enriched the product variety.

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 accumulated funds, technology, talents and experience and formulated a world class production system. For R&D, through the integration of advantageous global resources and the establishment of a cross-platform and modular-structured R&D system, the Group has been equipped with the advantage of integrated innovation. During the reporting period, with constantly strengthened product development efforts, GAEI actively promoted development projects of 14 regular car models and 8 new energy vehicles. Meanwhile, 462 new patent applications (26% was invention patents) were made during the reporting period, achieving a total of 3,850 cumulative effective patent applications. The scale of intellectual property kept expanding.

5. *Connection to worldwide capital operation platforms*

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 explored structural reform in governance, continued to improve the medium and long-term incentive mechanism, continued to expand the investment and financing areas, optimised the financing structure, and enhanced the supporting function of the financial business. During the reporting period, the registration of grant of the second A-share option incentive scheme was completed. A total of 403,335,400 registered options were granted to 2,358 participants in total.

## DISCUSSION AND ANALYSIS ON OPERATION OF THE COMPANY

### (I) Major works

During the first half of 2018, the Group actively advanced various works and ensured stable and steady development of production and operation. Major works performed are as below:

1. *Focusing on quality and effectiveness, maintaining stable development of operation*

   The Group has adhered to focusing on quality and effectiveness. Major indicators such as production and sales volume and effectiveness grew steadily, various vehicle manufacturing enterprises were grasping market opportunities and new models were successfully launched. In the first half of the year, sales volume of GAMC grew by 6.9%, sales volume of Sedans and MPVs continued to increase while the new model, GA4, achieved an upward sales trend with its advanced model structure. The 10th generation Accord and the 2018 model City of GAC Honda were successfully launched, which led to a 5.5% growth in the sales volume. GAC Toyota has made plentiful preparation and its 8th generation Camry achieved significant growth in sales volume. The trendy and high performance SUV, C-HR model under the TNGA structure was also launched successfully, hitting its historical peak sales again in the first half year with increase of 16.4% as compared with the corresponding period. GAC Mitsubishi continued its satisfactory operation with a 38.6% growth in sales volume while Outlander remained as a hot sale item and the new strategic model Eclipse Cross was launched. The new model of GAC FCA, JEEP Grand Commander, was officially launched in April. The commercial vehicle segment grew synergistically and the 700 Zhenzhi Series of GAC Hino was launched with positive sales momentum. The business landscape of segments including parts and components, commercial services and finance and vehicles segments was improved, which largely supported the development of the principal vehicles business.

2. *Optimising structures, implementing key projects*

   During the reporting period, the Group achieved remarkable performance in its key projects. The Guangzhou Automobile Zhilian New Energy Automotive Industrial Park project has commenced on schedule and the construction of phase one of GAC New Energy's manufacturing plant is completing. The reconstruction of GAMC Yichang factory officially commenced in early January while the major construction of GAMC Xinjiang factory completed in early February. Phase one of the third production line of GAC Toyota was put into operation in mid-January and preparation work of phase two of the third production line also commenced. The equity transfer agreement on reorganisation of Honda (China) of GAC Honda was signed. GAEI Hualong base phase one expansion and phase two construction project, GAC Mitsubishi's engine construction project and GAC Toyota Engine's TNGA engines production line project are also being put in practice gradually. We have achieved breakthroughs in our core parts and components. In particular, we entered into joint cooperation agreements with Aisin and CATL, respectively, in the first half year in order to promote the automatic transmission and power batteries projects. The implementation of numerous key projects has effectively enhanced the Group's development potential.

3. *Innovation development, with accelerated progress on smart networking new energy*

During the reporting period, the Group strengthened its ability to develop new products. GAEI promoted development projects of 14 regular car models and 8 new energy vehicles, continued to strengthen its research capability of core systematic parts and key components and self-developed the 1.5T GDI cylinder direct injection engine. Also, its self-designed 7WDCT wet dual clutch transmission was under vehicle-manufacturing verification phase. Qiyun Concept Smart System (祺雲概念智聯系統), a new artificial intelligence car networking solution jointly developed with Tencent, was installed in GS4 altered model. During the reporting period, the Group had 462 new effective patent applications (119 of which were invention patent applications), achieving a total of 3,850 cumulative patents application (1,061 of which were invention patent applications). The "Gasoline Engine Efficient Combustion Technology and Product Development" project was awarded the First Prize of Machinery Industry Science and Technology Award 2017 in Guangdong Province. Aiming at establishing a new business model of GAC new energy marketing service, GE3 530 was launched for pre-sales, which has become the only pure electric SUV model in China that meets the highest subsidy standard in terms of power consumption, battery life and energy intensity after the implementation of new subsidy policies. Our self-developed brand has put effort in providing products and technologies to Chinese-foreign joint ventures. Sales volume of Qizhi, a model of GAC Mitsubishi, exceeded 1,000 units, while new energy models of GAC Toyota and GAC Honda will be launched in the second half of the year, which will further increase the influence of the GAC self-developed brand.

4. *Reinforcing reform of systems and mechanisms and continuously improving corporate governance standard*

The Group continued the reform of systems and mechanisms, commenced the reform of organisation structure and implemented a large-scale system. The Company's headquarter coordinated the functions of relevant departments, optimised organisational formation and job duties allocation of different departments and explored the feasibility of professional managers reform and talent and remuneration reform. In addition, it continued to implement the second exercise of the first A share option incentive scheme and completed the registration procedures of the grant under the second A share option incentive scheme. The Group also re-elected new sessions of the Board and the Supervisory Committee and improved the corporate governance structure. During the reporting period, two new systems were added and six of the existing systems were revised.

5. *Conducting information disclosure pursuant to laws and regulations, strengthening management on investor-relationship*

In accordance with the requirements of "legal, comprehensive and strict" supervision, the Group insisted on making consistent and simultaneous information disclosure on A and H shares markets and continued to conduct information disclosure in accordance with the principle of being "truthful, accurate, complete, timely, fair and effective". 85 and 68 corporate documents were disclosed on the SSE and the Stock Exchange respectively in the first half of 2018 and such information was disclosed "without error, delay, amendment and supplement". Besides, various modes of investor relationship activities such as domestic and overseas roadshows, vehicles exhibition communication activities and investor summits were held. The Company organised 22 visits for investors' investigation and research in total, organised 8 phone conferences, 1 annual results release conference and 1 investor open day, entertaining more than 500 investors and analysts, through which our operation concept and investment value were effectively delivered.

6. *Strengthening brand and corporate culture, continuously enhancing brand image*

The Group demonstrated its corporate culture and new strategic concept at the vehicles exhibition held in Beijing in April this year, which upgraded its corporate culture to a strategic level. Through its clear corporate vision, corporate mission and operation strategies, the Group came up with a cohesive and encouraging GAC philosophy and created a GAC cultural and strategic system. With the products under our brand being listed in the brand list by various authoritative brand research institutions such as Interbrand, our brand value has been widely recognised. The Group also established the GAC University and GAC Academy as the cultivation base to nurturing new talents who are loyal to the Party, faithful, familiar with new technology and are willing to be innovative. The Group endeavoured to participate in charity works, perform its social responsibilities, continue to help the poor in the villages in Lianzhou city, Qingyuan, Guangdong Province, promote the project of Meizhou GAC Parts and Components Industrial Park, the poverty alleviation in Qiannan and Bijie of Guizhou Province and the cooperation with Weinan City, Shaanxi Province. During the reporting period, the Group and investee enterprises have cumulatively invested more than RMB40.6416 million in social charity such as poverty alleviation, culture and science education, green environment and transportation safety.

## (II) DISCUSSION AND ANALYSIS BY THE BOARD ON OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, operating revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB172.607 billion, representing an increase of approximately RMB10.101 billion, and a growth of approximately 6.22% as compared with the corresponding period last year.

During the reporting period, revenue of the Group amounted to approximately RMB37.200 billion, representing a growth of approximately 7.00% as compared with the corresponding period last year; net profit attributable to owners of the company amounted to approximately RMB6.913 billion, representing a growth of approximately 10.31% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.68 because of the implementation of the issue of 0.4 share for every share by way of conversion of capital reserve during the reporting period, representing a decrease of approximately 1.45% as compared with the corresponding period last year.

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

1. The Group's self-developed brand experienced continuous growth in production and sales as a result of its improved research and development capability, fast introduction of new products, enhanced quality of products and outstanding performance of "star" models. During the first half of 2018, under the circumstances where production and sales in the domestic automobile industry slowed down, production and sales volume of self-developed brand vehicles of the Group increased by 13.98% and 6.90% respectively as compared with the corresponding period last year. MPV GM8 and sedan GA4 were launched in the first half of the year with relatively outstanding market sales and has further enriched the star products mix of the self-developed brand. The sales of self-developed new energy vehicles experienced twofold increase;

2. Japanese series joint ventures launched new products and technologies which further increased integrated competitiveness. Sales volume of the brand new 8th generation Camry increased significantly as compared with the corresponding period last year. Sales volume of vehicle models such as Levin, Avancier and Outlander grew steadily;

3. Ancillary businesses in the upstream and downstream of the industrial chain such as financial services, parts and components 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. GAC Finance has further facilitated the provision of effective financial support for the Group's business development.

## (III) ANALYSIS OF PRINCIPAL BUSINESS

1. *Analysis table of relevant items of consolidated statement of comprehensive income and statement of cash flows*

*Unit: 100 million* *Currency: RMB*

| Item | Current period | Corresponding period last year | Percentage Change *(%)* |
|---|---|---|---|
| Revenue | 372.00 | 347.65 | 7.00 |
| Costs of sales | 299.09 | 290.26 | 3.04 |
| Selling and distribution costs | 29.04 | 20.13 | 44.26 |
| Administrative expenses | 19.29 | 14.46 | 33.40 |
| Finance costs | 2.40 | 4.08 | -41.18 |
| Interest income | 2.49 | 2.73 | -8.79 |
| Share of profit of joint ventures and associated companies | 49.43 | 46.01 | 7.43 |
| Net cash flow generated from operating activities | -46.30 | 38.98 | -218.78 |
| Net cash flow generated from investing activities | -22.22 | 34.61 | -164.21 |
| Net cash flow generated from financing activities | -34.26 | -35.61 | 3.79 |

2. *Revenue*

During the reporting period, total revenue of the Group amounted to approximately RMB37.200 billion, representing an increase of approximately 7.00% as compared with the corresponding period last year, mainly due to the continuous enrichment of products mix and growth of sales volume of the self-developed brand "Trumpchi" of the Group, as well as the rapid development of businesses in the upstream and downstream of the industry chain such as the parts and components and automobile after-production service.

3. *Costs of sales and gross profit*

During the reporting period, the Group recorded costs of sales of approximately RMB29.909 billion, representing an increase of approximately 3.04% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB7.291 billion, representing an increase of approximately RMB1.552 billion as compared with the corresponding period last year. Gross profit margin increased by 18.72% as compared with the corresponding period last year, mainly due to the combined effect of the economies of scale from the continuous increase in sales of passenger vehicles, the reduction in unit cost as a result of the strengthened cost control, etc.

4. *Expenses*

(1) The increase of approximately RMB891 million in selling and distribution costs as compared with the corresponding period last year was mainly attributable to the combined effect of the increase in expenses in logistics and warehousing and aftersales services in line with the growth in business sales, the increase in advertisement and promotion expenditures, etc;

(2) The increase of approximately RMB483 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the combined effect of the increase in A share option incentive, amortisation of intangible assets, etc;

(3) The decrease of approximately RMB168 million in finance costs as compared with the corresponding period last year was mainly attributable to the combined effect of the decrease in borrowings as well as the decrease in average borrowing interest rate during the reporting period;

(4) The decrease of approximately RMB24 million in interest income as compared with the corresponding period last year was mainly attributable to the decrease in average deposit balance during the reporting period.

5. *Cash flow*

(1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB4.630 billion, representing an increase in outflow of approximately RMB8.528 billion as compared with the net cash inflow of RMB3.898 billion in the corresponding period last year, which was mainly attributable to the combined effect of the payment to suppliers for payables last year, the outflow of deposit at GAC Finance for non-consolidated enterprises, etc. during the reporting period;

(2) During the reporting period, net cash outflow arising from investing activities amounted to approximately RMB2.222 billion, representing an increase in outflow of approximately RMB5.683 billion as compared with the net cash inflow of approximately RMB3.461 billion in the corresponding period last year, which was mainly attributable to the combined effect to the increase in fixed asset and intangible assets investment during the reporting period as well as receiving less government grants related to investment activities received, etc.;

(3) During the reporting period, net cash outflow arising from financing activities amounted to approximately RMB3.426 billion, representing a decrease in outflow of approximately RMB0.135 billion as compared with the net cash outflow of RMB3.561 billion of the corresponding period last year, which was mainly attributable to the combined effect of the repayment of RMB1 billion corporate bonds during the reporting period, the repayment of short-term financing bonds with face value of RMB 2.3 billion during the same period of last year and the increase in distribution of dividend, etc.

(4) As at 30 June 2018, cash and cash equivalent of the Group amounted to approximately RMB26.923 billion, representing an increase of approximately RMB10.570 billion as compared with approximately RMB16.353 billion as at 30 June 2017.

6. *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 amounted to approximately RMB4.943 billion, representing an increase of approximately RMB0.342 billion as compared with the corresponding period last year, which was mainly attributable to the combined effect of the following: (1) the hot sales of models such as the brand new 8th generation Camry, Avancier, Outlander drove the increase in overall sales and the steady increase of economical benefit of joint ventures; (2) the synergies of industries continued to strengthen, the service businesses of the auto financing, parts and components and auto logistics in the upstream and downstream of the industry chain developed rapidly.

7. *Others*

Income tax amounted to approximately RMB669 million, representing a decrease of approximately RMB12 million as compared with the corresponding period last year, mainly due to changes in enterprise profit during the reporting period.

To sum up, the Group's net profit attributable to owners of the company for the reporting period amounted to approximately RMB6.913 billion, representing a growth of approximately 10.31% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.68 because of the implementation of the issue of 0.4 share for every share by way of conversion of capital reserve during the reporting period, representing a decrease of approximately 1.45% as compared with the corresponding period last year.

## (IV) ANALYSIS BY INDUSTRY, PRODUCT OR REGIONAL OPERATION

### 1. *Principal business by industry*

*Unit: 100 million* *Currency: RMB*

| By industry | Revenue | Cost of sales | Gross profit margin (%) | Changes in revenue compared with last year (%) | Changes in costs of sales compared with last year (%) | Changes in gross profit margin compared with last year (%) |
|---|---|---|---|---|---|---|
| Automobile manufacturing industry | 266.05 | 215.48 | 19.01 | 6.11 | 4.68 | Increased by 1.11 percentage points |
| Parts and components manufacturing industry | 8.89 | 6.93 | 22.05 | 0.57 | 10.17 | Decreased by 6.80 percentage points |
| Commercial services | 83.36 | 70.25 | 15.73 | 4.38 | -4.63 | Increased by 7.97 percentage points |
| Financial services and others | 13.70 | 6.43 | 53.07 | 66.87 | 44.17 | Increased by 7.39 percentage points |
| Total | 372.00 | 299.09 | 19.60 | 7.00 | 3.04 | Increased by 3.09 percentage points |

### 2. *Principal business by product*

*Unit: 100 million* *Currency: RMB*

| By product | Revenue | Cost of sales | Gross profit margin (%) | Changes in revenue compared with last year (%) | Changes in cost of sales compared with last year (%) | Changes in gross profit margin compared with last year (%) |
|---|---|---|---|---|---|---|
| Passenger vehicles | 266.00 | 215.48 | 18.99 | 6.10 | 4.68 | Increased by 1.10 percentage points |
| Vehicles-related trades | 92.25 | 77.18 | 16.34 | 4.00 | -3.46 | Increased by 6.48 percentage points |
| Financial services and others | 13.75 | 6.43 | 53.24 | 66.67 | 43.85 | Increased by 7.42 percentage points |
| Total | 372.00 | 299.09 | 19.60 | 7.00 | 3.04 | Increased by 3.09 percentage points |

*3. Principal business by region*

*Unit: 100 million Currency: RMB*

| **By region** | **Revenue** | **Changes in revenue compared with last year** *(%)* |
|---|---|---|
| Mainland China | 371.98 | 7.14 |
| Hong Kong | 0.02 | -95.65 |
| Total | 372.00 | 7.00 |

## (V) ANALYSIS ON ASSETS AND LIABILITIES

*1. Analysis table of assets and liabilities*

*Unit: 100 million Currency: RMB*

| **Item** | **Balance at the end of the current period** | **Balance at the end of the period over total assets** *(%)* | **Balance at the end of previous period** | **Balance at the end of previous period over total assets** *(%)* | **Change** *(%)* |
|---|---|---|---|---|---|
| Inventories | 61.31 | 5.10 | 33.47 | 2.80 | 83.18 |
| Short-term borrowings | 19.76 | 1.64 | 26.40 | 2.21 | -25.15 |
| Share capital | 102.14 | 8.49 | 72.93 | 6.09 | 40.05 |

*2. Analysis on change of items*

(1) Inventories increased by 83.18% as compared with the balance at the end of the previous period, mainly due to the increase in production and sales volume during the reporting period which led to the corresponding increase in raw materials and finished products;

(2) Short-term borrowings decreased by 25.15% as compared with the balance at the end of the previous period, mainly due to the repayment of borrowings by headquarter of the Group and investee enterprises during the reporting period;

(3) Share capital increased by 40.05% as compared with the balance at the end of the previous period, mainly due to the combined effect of the conversion of convertible bonds and exercise of share options, as well as the distribution of dividend during the reporting period.

## (VI) ANALYSIS OF FINANCIAL POSITION

*1. Financial indicators*

As at 30 June 2018, the Group's current ratio was approximately 1.87 times, representing an increase from approximately 1.76 times as at 31 December 2017, and quick ratio was approximately 1.68 times, representing an increase as compared with that of approximately 1.67 times as at 31 December 2017. Current ratio and quick ratio remained normal.

*2. Financial resources and capital structure*

As at 30 June 2018, the Group's current assets amounted to approximately RMB61.282 billion, current liabilities amounted to approximately RMB32.781 billion and current ratio was approximately 1.87 times. As at 30 June 2018, the Group's total borrowings amounted to approximately RMB10.358 billion, mainly consisting of corporate bonds issued by the Group with nominal value of RMB3 billion and RMB2 billion respectively, medium-term notes with nominal value of RMB0.3 billion, convertible bonds with nominal value of RMB2.476 billion and loans from bank and financial institutions amounting to approximately RMB2.582 billion, gearing ratio was approximately 12.16%. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

*3. Foreign exchange risk*

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

*4. Contingent liabilities*

As at 30 June 2018, independent third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2017 was RMB0; as at 30 June 2018, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2017 was RMB0.

*5. Charges on the Group's assets*

Saved as disclosed in the latest published annual report of the Group, there has been no material change in charges on the Group's assets.

## OTHER DISCLOSURES

### 1. Production safety

The Group adhered to the idea of "people-oriented and safe development", based on the guideline of supervising, monitoring and serving, and focusing on production safety work at the end and the beginning of a year, the Chinese New Year, during the period of the two national meetings, high season and rainy temperature season. For the first half of the year, the Group and its investee enterprises did not experience serious injury or production safety accidents, and its production safety conditions remained stable in general.

For the second half of the year, the Group's production safety work will continue to thoroughly implement the major responsibility in relation to full implementation of enterprises production safety and the relevant national laws and regulations on production safety. The Group will, in accordance with the annual business plan, strictly implement the respective requirements in relation to production satety management work, fulfill the supervision, guidance and service of the investee enterprises, in order to ensure that the targets of production safety responsibility will be achieved.

### 2. Remuneration and legal rights of employees

As at 30 June 2018, there are 86,969 registered employees of the Group (including its investee enterprises).

Based on its development plan, the Group strengthened macro-management of remuneration, and attached importance to maintaining the market competitiveness of its remuneration level. By studying and analysing market remuneration data, CPI growth rate and industry benchmark, it evaluated its remuneration level and popularised a salary negotiation mechanism, so as to ensure that remuneration plays an incentive role in retaining talents.

The Group advocated the implementation of performance-linked remuneration policy and continuously improved the corporate performance evaluation mechanism, individual performance evaluation measures and employee promotion system, and formulated remuneration policies that provide incentives and are binding.

Timely and full contributions to various social insurances were made on behalf of the employees in accordance with the requirements of national and provincial laws and regulations on labour and social security in order to safeguard the interests of the employees. The Group also purchased supplementary medical and other commercial insurances for its staff in order to further protect and safeguard their interests and health beyond the requirements of policies and regulations.

The Group will further improve the remuneration system in terms of incentive and retention of talents. Contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes will be made in accordance with the national laws and regulations. Investee enterprises under the Group are encouraged to further enhance the flexibility and protection of their staff welfare systems.

## SIGNIFICANT EVENTS

### 1. PROFIT DISTRIBUTION PLAN OR CONVERSION OF CAPITAL RESERVE

*Formulated half-year profit distribution plan and conversion of capital reserve*

| | |
|---|---|
| Whether making profit distribution or converting capital reserve into share capital | Yes |
| Number of bonus share for every 10 shares | 0 |
| Amount of cash dividend for every 10 shares (RMB) (tax inclusive) | 1.00 |
| Number of shares converted for every 10 shares | 0 |
| **Relevant Explanation on Profit Distribution Plan or Plan to Convert Capital Reserve into Shares** | |
| At the 2nd meeting of the 5th session of the Board of the Company held on 24 August 2018, it was considered and resolved that a cash interim dividend of RMB1.00 (tax inclusive) per 10 shares shall be distributed to all shareholders of the Company on the record date. | |

### 2. Matters relating to insolvency or restructuring

During the reporting period, the Company did not have any matter relating to insolvency or restructuring.

### 3. Material litigations or arbitrations matters

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

## 4. Share option incentive scheme, employee stock ownership scheme and other incentive measures of the company and the impacts thereof

*First A share option incentive scheme in 2014*

Incentive method: A share options
Source of subject share(s): issue A shares to participants

The measurement method of the fair value of the equity instrument, the selection criteria of parameters and the results:

| | |
|---|---|
| Measurement method | Black-Scholes model |
| Name of parameters | Closing price on the grant date S: RMB8.39/A share;<br>Exercise price of options K: RMB7.60/A share;<br>Risk-free interest rate r: 3.48%;<br>Validity of options t: 4 years;<br>Stock volatility σ: 17.46% (Using the historical volatility of the Shanghai Composite Index for the four years from 20 September 2010 to 19 September 2014);<br>Dividend rate i: 1.25% (Using the average cash dividend per share ratio from the listing date of A shares of GAC Group to the grant date) |
| Measurement result | Fair value of single option: RMB 1.8365/A share. |

On 19 September 2017, the second exercise period of the first A share option incentive scheme of the Company started. As at 30 June 2018, options equivalent to a total of 16,667,836 A shares have been exercised and the registration of shares transfer had been completed, accounting for 93.57% of the total exercisable A share options for the second exercise period. For details, please refer to the "Announcement on the Results on the Conversion of Convertible Bonds into Shares and the Exercise Results of the Second Exercise Period of the Share Option Incentive Scheme and the Changes in Shares" published on the websites of SSE and the Stock Exchange on 4 July 2018 (Announcement No.: Lin 2018-052).

On 18 December 2017, the second A share option incentive scheme was passed at the 2017 second extraordinary general meeting and the 2017 first class meetings for holders of A and H shares of the Company. A total of 403,335,400 A share options were granted to 2,358 participants upon the Company's implementation of the initial grant under the scheme on the same date and the registration of grant was completed on 9 February 2018. For details, please refer to the "Announcement on the Completion of Registration of the Initial Grant of the Second Share Option Incentive Scheme" published on the websites of SSE and the Stock Exchange on 9 February 2018 (Announcement No.: Lin 2018-011).

## MATERIAL CONTRACTS AND THEIR PERFORMANCE

### 1. Trusts

As considered and approved at the 59th meeting of the 4th session of the Board, the Company was entrusted by GAIG, its controlling shareholder, to manage the assets of its wholly-owned subsidiaries, namely Guangzhou Automobile Industry Group Co., Ltd. (廣州摩托集團有限公司), Guangzhou Guangyue Assets Administration Co., Ltd. (廣州廣悦資產管理有限公司) and Guangzhou Zifeng Asset Management Co., Ltd. (廣州自縫資產管理有限公司) for a term of 3 years.

### 2. Guarantee

*Unit: Yuan Currency: RMB*

| | |
|---|---|
| **External Guarantee of the Company (excluding those provided to subsidiaries)** | |
| Total guarantee incurred during the reporting period (excluding those provided to subsidiaries) | 0 |
| Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries) | 0 |
| **Guarantee provided to subsidiaries by the Company and its subsidiaries** | |
| Total guarantee provided to subsidiaries of the Company during the reporting period | 100,000,000 |
| Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B) | 100,000,000 |
| **Total guarantee of the Company (including those provided to subsidiaries)** | |
| Total guarantee (A+B) | 100,000,000 |
| Proportion of total guarantee in the net assets of the Company (%) | 0.14 |
| In which: | |
| Amount of guarantees provided for shareholders, ultimate controllers and its connected parties (C) | 0 |
| Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D) | 0 |
| Total amount of guarantees in excess of 50% of net assets (E) | 0 |
| Sum of the above three guaranteed items (C+D+E) | 0 |
| Description on outstanding guarantees which may bear several and joint liability | |
| Description on guarantees | |

## A SHARE CONVERTIBLE BONDS OF THE COMPANY

### 1. Issuance of convertible bonds

On 22 January 2016, the Company completed the issue of A share convertible bonds amounting to RMB4,105.58 million. The conversion period started on 22 July 2016.

### 2. Holders and guarantors of convertible bonds during the reporting period

| | | |
|---|---|---|
| Number of convertible bonds holders at the end of the period | 1,348 | |
| Guarantors of convertible bonds of the Company | Nil | |
| Conditions of top ten convertible bonds holders are as follows: | | |
| Name of convertible bonds holders | Amount of bonds held at the end of the period (RMB) | Percentage of holding (%) |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China) | 591,397,000 | 23.17 |
| China Merchants Bank Co.,Ltd – Dongfanghong Selected Mixed Securities Investment Fund (東方紅配置精選混合型證券投資基金) | 102,551,000 | 4.02 |
| UBS AG | 99,888,000 | 3.91 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China) | 89,143,000 | 3.49 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of Communications) | 79,291,000 | 3.11 |
| Credit Industriel & Commercial | 69,509,000 | 2.72 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Capital Securities Brokerage Co., Ltd.) | 60,000,000 | 2.35 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Minsheng Bank Corp., Ltd.) | 54,465,000 | 2.13 |
| Chen Qunying | 49,900,000 | 1.96 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank) | 49,676,000 | 1.95 |

### 3. Changes in the convertible bonds during the reporting period

*Unit: Yuan Currency: RMB*

| Name of convertible bond | Prior to current change | Increase/decrease as a result of the current change | | | After current change |
|---|---|---|---|---|---|
| | | Converted | Redeemed | Resold | |
| GAC Convertible Bonds | 2,553,143,000 | 864,000 | | | 2,552,279,000 |

### 4. Aggregated conversion of convertible bonds during the reporting period

| | |
|---|---|
| Amount of shares converted during the reporting period (RMB) | 864,000 |
| Number of shares converted during the reporting period (A shares) | 40,672 |
| Aggregated number of shares converted (A shares) | 71,853,621 |
| Aggregated number of shares converted per the total number of issued shares of the Company before conversion (%) | 1.12 |
| Outstanding convertible bonds (RMB) | 2,552,279,000 |
| Outstanding convertible bonds per the total number of convertible bonds issued (%) | 62.17 |

## 5. Adjustments to the conversion prices

| Date of conversion price adjustment | Conversion price after adjustment | Date of disclosure | Media of disclosure | Description of the conversion price adjustment |
|---|---|---|---|---|
| 21 June 2016 | RMB21.87 | 13 June 2016 | Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily | Based on the profit distribution plan for 2015 of RMB1.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.99 per A share to RMB21.87 per A share accordingly. |
| 20 October 2016 | RMB21.79 | 12 October 2016 | Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily | Based on the profit distribution plan of RMB0.8 (tax inclusive) for every 10 shares for the interim period of 2016, the conversion price was adjusted from RMB21.87 per A share to RMB21.79 per A share accordingly. |
| 21 December 2016 | RMB21.75 | 19 December 2016 | Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily | As the first exercise period of the first A share option incentive scheme of the Company began, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options. |
| 13 June 2017 | RMB21.53 | 6 June 2017 | Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily | Based on the profit distribution plan for 2016 of RMB2.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.75 per A share to RMB21.53 per A share accordingly. |
| 14 September 2017 | RMB21.43 | 6 September 2017 | Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily | Based on the profit distribution plan of RMB1 (tax inclusive) for every 10 shares for the interim period of 2017, the conversion price was adjusted from RMB21.53 per A share to RMB21.43 per A share accordingly. |

| Date of conversion price adjustment | Conversion price after adjustment | Date of disclosure | Media of disclosure | Description of the conversion price adjustment |
|---|---|---|---|---|
| 21 November 2017 | RMB21.27 | 20 November 2017 | Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily | Due to the non-public issue of 753,390,254 A shares, the conversion price was adjusted from RMB21.43 per A share to RMB21.27 per A share accordingly. |
| 21 December 2017 | RMB21.24 | 19 December 2017 | Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily | Due to exercise of share options under the first A share option incentive scheme, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options. |
| 12 June 2018 | RMB14.86 | 5 June 2018 | Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily | Due to the profit distribution for the year of 2017, pursuant to which cash dividend of RMB4.3 per 10 shares (tax inclusive) was distributed and at the same time 4 shares were issued for every 10 shares to all shareholders by way of conversion of capital reserve, the conversion price was adjusted accordingly. |
| Latest conversion price as at the end of the reporting period | | | RMB14.86 | |

## CHANGES IN SHARE CAPITAL

On 12 June 2018, pursuant to the profit distribution plan for the year of 2017, 4 shares were issued for every 10 shares by way of conversion of capital reserve.

During the reporting period, as a result of exercise of share option incentive scheme and conversion of convertible bonds, an aggregate of 2,182,159 A shares were increased.

## CORPORATE GOVERNANCE

During the reporting period, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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

During the reporting period, the Company has not redeemed any of its listed securities. During the reporting period, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Unaudited Six months ended 30 June 2018 *RMB'000* | 2017 *RMB'000* |
|---|---|---|---|
| Revenue | *5* | **37,200,307** | 34,765,443 |
| Cost of sales | | **(29,908,639)** | (29,025,955) |
| **Gross profit** | | **7,291,668** | 5,739,488 |
| Selling and distribution costs | | **(2,903,519)** | (2,013,285) |
| Administrative expenses | | **(1,928,706)** | (1,445,781) |
| Interest income | | **221,123** | 234,591 |
| Other gains – net | | **202,112** | 217,244 |
| **Operating profit** | *6* | **2,882,678** | 2,732,257 |
| Interest income | | **27,990** | 38,790 |
| Finance costs | *7* | **(240,371)** | (408,239) |
| Share of profit of joint ventures and associates | *8* | **4,942,947** | 4,600,997 |
| **Profit before income tax** | | **7,613,244** | 6,963,805 |
| Income tax expense | *9* | **(668,606)** | (681,259) |
| **Profit for the period** | | **6,944,638** | 6,282,546 |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| – change in value of available-for-sale financial assets | | **–** | 3,740 |
| – exchange differences on translation of foreign operations | | **500** | – |
| **Other comprehensive income for the period, net of tax** | | **500** | 3,740 |
| **Total comprehensive income for the period** | | **6,945,138** | 6,286,286 |

| | Note | Unaudited<br>Six months ended 30 June<br>**2018**<br>***RMB'000*** | <br><br>2017<br>*RMB'000* |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Owners of the Company | | **6,912,986** | 6,267,194 |
| Non-controlling interests | | **31,652** | 15,352 |
| | | **6,944,638** | 6,282,546 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **6,913,486** | 6,267,017 |
| Non-controlling interests | | **31,652** | 19,269 |
| | | **6,945,138** | 6,286,286 |

| | Note | Unaudited<br>Six months ended 30 June<br>**2018**<br>***RMB'000*** | <br><br>2017<br>*RMB'000*<br>(Restated) |
|---|---|---|---|
| Earnings per share attributable to the ordinary equity holders of the Company (expressed in RMB per share) | | | |
| – basic | *10* | **0.68** | 0.69 |
| – diluted | *10* | **0.67** | 0.68 |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **3,823,858** | 3,716,582 |
| Property, plant and equipment | | **14,452,461** | 13,405,384 |
| Investment properties | | **1,509,332** | 1,339,996 |
| Intangible assets | | **6,583,891** | 5,861,045 |
| Investments in joint ventures and associates | *8* | **27,291,670** | 25,743,137 |
| Financial assets at fair value through profit or loss | | **2,277,011** | – |
| Financial assets at amortised cost | | **1,054,454** | – |
| Deferred income tax assets | | **1,274,025** | 1,123,418 |
| Available-for-sale financial assets | | **–** | 2,205,196 |
| Prepayments and long-term receivables | | **697,941** | 1,776,264 |
| | | **58,964,643** | 55,171,022 |
| **Current assets** | | | |
| Inventories | | **6,130,933** | 3,346,598 |
| Trade and other receivables | *12* | **13,194,830** | 10,638,090 |
| Available-for-sale financial assets | | **–** | 423,852 |
| Financial assets at fair value through profit or loss | | **1,224,125** | 608,929 |
| Time deposits | | **11,725,437** | 10,113,301 |
| Restricted cash | | **2,083,832** | 2,155,899 |
| Cash and cash equivalents | | **26,923,110** | 37,198,750 |
| | | **61,282,267** | 64,485,419 |
| **Total assets** | | **120,246,910** | 119,656,441 |

| | Note | Unaudited 30 June 2018 RMB'000 | Audited 31 December 2017 RMB'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **10,213,727** | 7,293,423 |
| Other reserves | | **25,481,580** | 28,329,822 |
| Retained earnings | | **37,750,897** | 33,801,023 |
| | | **73,446,204** | 69,424,268 |
| **Non-controlling interests** | | **1,383,417** | 1,043,725 |
| **Total equity** | | **74,829,621** | 70,467,993 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | 13 | **262,850** | 141,431 |
| Borrowings | | **8,382,697** | 8,272,573 |
| Deferred income tax liabilities | | **145,618** | 107,517 |
| Provisions | | **821,187** | 915,212 |
| Government grants | | **3,024,031** | 3,133,278 |
| | | **12,636,383** | 12,570,011 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **29,021,209** | 33,070,690 |
| Contract liabilities | | **1,142,224** | – |
| Current income tax liabilities | | **641,917** | 907,470 |
| Borrowings | | **1,975,556** | 2,640,277 |
| | | **32,780,906** | 36,618,437 |
| **Total liabilities** | | **45,417,289** | 49,188,448 |
| **Total equity and liabilities** | | **120,246,910** | 119,656,441 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 Company's holding company is Guangzhou Automobile Industry Group Co., Ltd. ("GAIG"), which is incorporated in Guangzhou, Guangdong, the People's Republic of China (the "PRC").

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

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

The Company privatised Denway Motors Limited ("Denway"), 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")). In 2012, 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 16 November 2017, the Company completed the non-public issuance of A shares (the "Non-public Issuance"), as approved by the Company's shareholders and CSRC. The Company issued 753,390,254 ordinary shares denominated in RMB ("A shares") at RMB 15 billion in 2017.

On 12 June 2018, pursuant to a resolution of the Company's general meeting of shareholders, the Company's capital reserves were converted into share capital of the Company. Upon completion of the conversion, the Company's share capital increased by RMB 2,918,121,757.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB") Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2018.

This condensed consolidated interim financial information has not been audited.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 Accounting policies

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those described in the annual financial statements for the year ended 31 December 2017.

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

### (a) New and amended standards adopted by the Group

The following new standards, amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 January 2018 for the Group:

| **Standards** | **Subject of amendment** |
|---|---|
| HKAS 28 (Amendment) | Investments in Associates and Joint Ventures |
| HKAS 40 (Amendment) | Transfers of Investment Property |
| HKFRS 1 (Amendment) | First Time Adoption of HKFRS |
| HKFRS 2 (Amendment) | Classification and Measurement of Share-based Payment Transactions |
| HKFRS 4 (Amendment) | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| HK (IFRIC) 22 | Foreign Currency Transactions and Advance Consideration |

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this interim. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and

- HKFRS 15 Revenue from Contracts with Customers

Then impact of the adoption of these standards and the new accounting policies are disclosed in Note 4. The other standards, amendments and interpretation did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

**(b) New and amended standards not yet adopted by the Group**

The following new standards and amendments, revisions and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note (i) below.

| Standards/Interpretation | Subject of amendment | Effective for accounting periods beginning on or after |
|---|---|---|
| HKFRS 16 (Note (i)) | Leases | 1 January 2019 |
| HK(IFRIC) 23 | Uncertainty over Income Tax Treatment | 1 January 2019 |
| HKAS 28 (Amendment) | Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| HKFRS 9 (Amendment) | Repayment Features with Negative Compensation | 1 January 2019 |
| HKAS 19 (Amendment) | Employee Benefits | 1 January 2019 |
| Annual Improvements to HKFRSs 2015-2017 cycle | Improvements to HKFRSs | 1 January 2019 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

*(i) HKFRS 16, 'Leases'*

HKFRS 16 was issued in January 2016. It 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 234,805,000. 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 standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 4 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments arising from the new impairment and revenue recognition rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

### 4.1 Impact on the financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

| Consolidated Balance Sheet (extract) | 31 December 2017 As originally presented | Effect of adoption of HKFRS 9 | Effect of adoption of HKFRS15 | 1 January 2018 Restated |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | |
| Investments in joint ventures and associates | 25,743,137 | (58,868) | – | 25,684,269 |
| Financial assets at fair value through profit or loss (FVPL) | – | 2,205,196 | – | 2,205,196 |
| Financial assets at amortised cost | – | 1,382,457 | – | 1,382,457 |
| Available-for-sale financial assets (AFS) | 2,205,196 | (2,205,196) | – | – |
| Prepayments and long-term receivables | 1,776,264 | (1,382,457) | – | 393,807 |
| **Current assets** | | | | |
| Available-for-sale financial assets | 423,852 | (423,852) | – | – |
| Financial assets at fair value through profit or loss | 608,929 | 423,852 | – | 1,032,781 |
| **Total assets** | 119,656,441 | (58,868) | – | 119,597,573 |
| **Non-current liabilities** | 12,570,011 | – | – | 12,570,011 |
| **Current liabilities** | | | | |
| Trade and other payables | 33,070,690 | – | (1,073,690) | 31,997,000 |
| Contract liabilities | – | – | 1,073,690 | 1,073,690 |
| **Total liabilities** | 49,188,448 | – | – | 49,188,448 |
| **Net assets** | 70,467,993 | (58,868) | – | 70,409,125 |
| Other reserves | 28,329,822 | (232,737) | – | 28,097,085 |
| Retained earnings | 33,801,023 | 173,869 | – | 33,974,892 |
| **Total equity** | 70,467,993 | (58,868) | – | 70,409,125 |

### 4.2 HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 4.3 below.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

| | *Notes* | *RMB'000* |
|---|---|---|
| **Closing retained earnings 31 December 2017-HKAS 39** | | 33,801,023 |
| Reclassify available-for-sale financial assets to FVPL | *(a)* | 232,737 |
| Impact on investments in joint ventures due to increase in provision | *(b)* | (58,868) |
| Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018 | | 173,869 |
| **Opening retained earnings 1 January 2018-HKFRS 9** | | 33,974,892 |

*(a) Classification and measurement*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

| **Financial assets – 1 January 2018** | *Notes* | **FVPL** *RMB'000* | **Available-for-sale financial assets** *RMB'000* |
|---|---|---|---|
| **Closing balance 31 December 2017-HKAS 39** | | 608,929 | 2,629,048 |
| Reclassify investments from available-for-sale to FVPL | *(i)* | 2,629,048 | (2,629,048) |
| **Opening balance 1 January 2018-HKFRS 9** | | 3,237,977 | – |

The impact of these changes on the Group's equity is as follows:

| | *Notes* | **Effect on AFS reserves** *RMB'000* | **Effect on retained earnings** *RMB'000* |
|---|---|---|---|
| **Opening balance – HKAS 39** | | 232,737 | – |
| Reclassify available-for-sale financial assets to FVPL | *(i)* | (232,737) | 232,737 |
| **Opening balance-HKFRS 9** | | – | 232,737 |

(i) Reclassification from available-for-sale to FVPL

Certain investments were reclassified from available-for-sale to financial assets at FVPL. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

The following table presents the Group's financial assets that were reclassified from available-for-sale to financial assets at FVPL.

| **Financial assets – 1 January 2018** | **Bond investment** | **Fund investment** | **Financial products** | **Trust products** | **Stocks** | **Total** |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Closing balance 31 December 2017 – HKAS 39** | 68,932 | – | – | – | 539,997 | 608,929 |
| Reclassify available-for-sale financial assets to FVPL | 219,139 | 321,599 | 417,657 | 175,000 | 1,495,653 | 2,629,048 |
| **Opening balance 1 January 2018-HKFRS 9** | 288,071 | 321,599 | 417,657 | 175,000 | 2,035,650 | 3,237,977 |

Related accumulated fair value gains of RMB232,737,000 were transferred from the available-for-sale financial assets reserves to retained earnings on 1 January 2018.

(ii) Long-term receivables previously classified as "prepayments and long-term receivables" were presented as "financial assets at amortised cost" on 1 January 2018 when adopting HKFRS 9.

***(b) Impairment of financial assets***

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade and other receivables (excluding prepayments), and
- long-term receivables

The Group, as well as its joint ventures and associates, were required to revise their impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity, which was attributable to one of the Group's joint ventures, is disclosed in the table above.

### 4.3 HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

#### *(a) Investments and other financial assets*

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses)", together with foreign exchange gains and losses. Impairment losses are presented in the statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains/(losses)". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented in the statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 4.4 HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

The Group establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The Group recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services based on transfer of control. The Group recognises revenue when a performance obligation is satisfied.

The directors of the Company consider the adoption of HKFRS 15 did not have a material impact on the Group's retained earnings as of 1 January 2018.

"Advance from customers" previously classified as "trade and other payables" was presented as "contract liabilities" as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.

**4.5 HKFRS 15 Revenue from Contracts with Customers – Accounting policies**

***(a) Sales of products***

The Group manufactures and sells a range of passenger vehicles, commercial vehicles, engines and automotive parts to its dealers and end customers. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The passenger vehicles are often sold with sales rebates. Sales are recorded based on the price specified in the sales contracts, net of the sales rebates which are calculated periodically.

***(b) Rendering of service***

Management fee and labour service income are recognised on accrual basis when service is rendered.

**5 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 interim consolidated statement of comprehensive income.

During the six months ended 30 June 2018, 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 six months ended 30 June 2018 and 30 June 2017 and other segment items included in the interim 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* |
|---|---|---|---|---|---|
| **Six months ended 30 June 2018** | | | | | |
| Total gross segment revenue | **35,891,026** | **1,467,162** | **(157,881)** | | **37,200,307** |
| Internal revenue | **(60,849)** | **(97,032)** | **157,881** | | **–** |
| **Revenue (from external customers)** | **35,830,177** | **1,370,130** | **–** | | **37,200,307** |
| **Timing of revenue recognition** | | | | | |
| At a point in time | **35,830,177** | **1,370,130** | **–** | | **37,200,307** |
| Segment results | **2,888,189** | **194,887** | **(28,773)** | **–** | **3,054,304** |
| Unallocated income-Headquarter interest income | | | | **172,790** | **172,790** |
| Unallocated costs-Headquarter expenditure | | | | **(344,415)** | **(344,415)** |
| **Operating profits** | | | | | **2,882,678** |
| Interest income | **23,727** | **800** | **(18,409)** | **21,872** | **27,990** |
| Finance costs | **(106,456)** | **(4,461)** | **47,181** | **(176,635)** | **(240,371)** |
| Share of profit of joint ventures and associates | **4,783,324** | **159,623** | **–** | **–** | **4,942,947** |
| **Profit before income tax** | | | | | **7,613,244** |
| Income tax expense | **(594,104)** | **(74,260)** | **–** | **(242)** | **(668,606)** |
| **Profit for the period** | | | | | **6,944,638** |

| | Vehicles and related operations *RMB' 000* | Others *RMB'000* | Eliminations *RMB' 000* | Unallocated *RMB' 000* | Consolidated *RMB' 000* |
|---|---|---|---|---|---|
| **Six months ended 30 June 2017** | | | | | |
| Total gross segment revenue | 33,995,861 | 859,308 | (89,726) | | 34,765,443 |
| Internal revenue | (51,900) | (37,826) | 89,726 | | – |
| **Revenue (from external customers)** | 33,943,961 | 821,482 | – | | 34,765,443 |
| Segment results | 2,620,132 | 162,048 | 19,086 | – | 2,801,266 |
| Unallocated income – Headquarter interest income | | | | 41,351 | 41,351 |
| Unallocated costs – Headquarter expenditure | | | | (110,360) | (110,360) |
| **Operating profits** | | | | | 2,732,257 |
| Interest income | 20,467 | 4,850 | – | 13,473 | 38,790 |
| Finance costs | (126,213) | (67,639) | – | (214,387) | (408,239) |
| Share of profit of joint ventures and associates | 4,381,766 | 219,231 | – | – | 4,600,997 |
| **Profit before income tax** | | | | | 6,963,805 |
| Income tax expense | (662,815) | (22,544) | – | 4,100 | (681,259) |
| **Profit for the period** | | | | | 6,282,546 |

The segment assets and liabilities as at 30 June 2018 and 31 December 2017 are as follows:

| | **Vehicles and related operations** *RMB' 000* | **Others** *RMB' 000* | **Eliminations** *RMB' 000* | **Unallocated** *RMB' 000* | **Consolidated** *RMB' 000* |
|---|---|---|---|---|---|
| **Total assets** | | | | | |
| **At 30 June 2018** | **84,222,414** | **28,913,882** | **(26,619,410)** | **33,730,024** | **120,246,910** |
| At 31 December 2017 | 80,115,134 | 38,733,760 | (27,521,567) | 28,329,114 | 119,656,441 |
| **Total liabilities** | | | | | |
| **At 30 June 2018** | **39,397,550** | **22,242,959** | **(26,619,410)** | **10,396,190** | **45,417,289** |
| At 31 December 2017 | 32,898,935 | 32,707,001 | (28,323,979) | 11,906,491 | 49,188,448 |

## 6 Operating profit

The following items have been charged to the operating profit during the period:

| | Unaudited Six months ended 30 June 2018 RMB'000 | Unaudited Six months ended 30 June 2017 RMB'000 |
|---|---|---|
| Depreciation and amortisation | **1,312,268** | 1,070,583 |
| Impairment charges of intangible assets | **66,612** | 726,136 |
| Impairment charges of property, plant and equipment | **–** | 216,326 |
| Impairment charge/(reversal) of inventories | **1,839** | (5,694) |
| Provision for impairment loss of trade and other receivables | **2,187** | 2,300 |
| Staff costs | **3,649,431** | 2,599,052 |
| Loss on disposal of property, plant and equipment, land use rights and intangible assets | **2,280** | 52,393 |
| Government grants | **(235,504)** | (189,699) |
| Gains on disposal of an associate | **(76,757)** | – |
| Gains on debt restructuring | **(41,113)** | (1,442) |
| Donation | **11,900** | 7,501 |

## 7 Finance costs

| | Unaudited Six months ended 30 June 2018 RMB'000 | Unaudited Six months ended 30 June 2017 RMB'000 |
|---|---|---|
| Interest expense | **218,816** | 395,247 |
| Others | **21,555** | 12,992 |
| | **240,371** | 408,239 |

## 8 Investments in joint ventures and associates

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

| | Unaudited 30 June 2018 RMB'000 | Audited 31 December 2017 RMB'000 |
|---|---|---|
| Investments in joint ventures | **21,243,362** | 19,201,981 |
| Investments in associates | **6,048,308** | 6,541,156 |
| | **27,291,670** | 25,743,137 |

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

| | Unaudited | |
|---|---|---|
| | Six months ended 30 June | |
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Share of profit of joint ventures (Note (i)) | **4,165,166** | 3,829,582 |
| Share of profit of associates (Note (i)) | **777,781** | 771,415 |
| | **4,942,947** | 4,600,997 |

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

### 8.1 Investments in joint ventures

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

| | Unaudited | |
|---|---|---|
| | Six months ended 30 June | |
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Beginning of the period as originally presented | **19,201,981** | 16,730,779 |
| Changes in accounting policy (Note 4.2) | **(58,868)** | – |
| Beginning of the period (restated) | **19,143,113** | 16,730,779 |
| Additions (Note (i)) | **530,320** | 630,687 |
| Disposals | **(62,391)** | – |
| Share of profit | **4,217,495** | 3,848,506 |
| Dividends declared | **(2,585,175)** | (2,355,278) |
| End of the period | **21,243,362** | 18,854,694 |

(i) In 2018, the Company contributed additional capital of RMB 508,457,000 to GAC Toyota Motor Co., Ltd. in proportion to its interest held.

(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**

| | **Unaudited** | Audited |
|---|---|---|
| | **30 June 2018** | 31 December 2017 |
| | ***RMB'000*** | *RMB'000* |
| **Assets** | | |
| Non-current assets | **56,303,538** | 53,804,188 |
| Current assets | | |
| – Cash and cash equivalents | **41,632,944** | 40,772,493 |
| – Other current assets | **49,734,496** | 42,387,164 |
| | **91,367,440** | 83,159,657 |
| Total assets | **147,670,978** | 136,963,845 |
| **Liabilities** | | |
| Non-current liabilities | | |
| – Financial liabilities (excluding trade and other payables) | **11,019,206** | 8,645,170 |
| – Other non-current liabilities (including trade and other payables) | **7,766,663** | 5,982,432 |
| | **18,785,869** | 14,627,602 |
| Current liabilities | | |
| – Financial liabilities (excluding trade and other payables) | **22,459,757** | 20,204,314 |
| – Other current liabilities (including trade and other payables) | **69,253,313** | 69,075,712 |
| | **91,713,070** | 89,280,026 |
| Total liabilities | **110,498,939** | 103,907,628 |
| **Net assets** | **37,172,039** | 33,056,217 |
| Less: Non-controlling interests | **(17,088)** | (17,053) |
| | **37,154,951** | 33,039,164 |

**Summarised statement of comprehensive income**

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Revenue | **110,892,346** | 105,949,030 |
| Cost of sales | **(88,649,662)** | (87,366,382) |
| Other expenditures | **(13,833,158)** | (10,922,336) |
| Profit after tax | **8,409,526** | 7,660,312 |
| Less: profit attributable to non-controlling interests | **(35)** | (204) |
| | **8,409,491** | 7,660,108 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **8,409,491** | 7,660,108 |

## 9 Income tax expense

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

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

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **781,112** | 753,498 |
| Deferred income tax | **(112,506)** | (72,239) |
| | **668,606** | 681,259 |

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

The tax rates applicable to the Company and its major subsidiaries for the six months ended 30 June 2018 are 15% or 25% (2017: 15% or 25%).

## 10 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 period.

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Profit attributable to owners of the Company | **6,912,986** | 6,267,194 |
| Weighted average number of ordinary shares in issue (thousands) | **10,212,551** | 9,054,795 |
| Basic earnings per share (RMB per share) | **0.68** | 0.69 |

(i) On 12 June 2018, pursuant to a resolution of the Company's general meeting of shareholders, 4 shares were issued for every 10 shares by way of conversion of capital reserves by the Company. Accordingly, the basic and diluted earnings per share (Note 10(b)) for the six months ended 30 June 2017 were restated.

### (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 six months ended 30 June 2018) 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.

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Profit attributable to owners of the Company | **6,912,986** | 6,267,194 |
| Add: Interest expense on convertible bonds | **57,350** | 59,334 |
| Profit used to determine diluted earnings per share | **6,970,336** | 6,326,528 |
| Weighted average number of ordinary shares in issue (thousands) | **10,212,551** | 9,054,795 |
| Add: weighted average number of ordinary shares assuming conversion of all share options (thousands) | **19,896** | 19,636 |
| Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands) | **171,762** | 234,387 |
| Weighted average number of ordinary shares in issue for diluted earnings per share (thousands) | **10,404,209** | 9,308,818 |
| Diluted earnings per share (RMB per share) | **0.67** | 0.68 |

## 11 Dividend

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Interim dividend declared: RMB0.10 (2017: RMB0.10) | **1,021,373** | 650,046 |

Dividend paid in six months ended 30 June 2018 was approximately RMB3,136,981,000 (2017: RMB1,429,960,000).

In addition, an interim dividend of RMB0.10 per share (2017: RMB0.10) was declared by the board of directors on 24 August 2018. This interim dividend, amounting to approximately RMB1,021,373,000 (2017: RMB650,046,000), has not been recognised as a liability in this interim financial information.

## 12 Trade and other receivables

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 30 June 2018 and 31 December 2017, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

| | **Unaudited 30 June 2018** ***RMB'000*** | Audited 31 December 2017 *RMB'000* |
|---|---|---|
| **Trade receivables** | | |
| Within 3 months | **1,928,247** | 1,257,455 |
| Between 3 months and 1 year | **104,670** | 120,207 |
| Between 1 and 2 years | **88,272** | 77,284 |
| Between 2 and 3 years | **10,905** | 12,976 |
| Over 3 years | **170,108** | 165,632 |
| | **2,302,202** | 1,633,554 |
| Less: Provision for impairment | **(257,352)** | (259,744) |
| Trade receivables – net | **2,044,850** | 1,373,810 |

## 13 Trade and other payables

As at 30 June 2018 and 31 December 2017, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

| | **Unaudited 30 June 2018** ***RMB'000*** | Audited 31 December 2017 *RMB'000* |
|---|---|---|
| **Trade payables** | | |
| Within 1 year | **11,614,364** | 11,046,353 |
| Between 1 and 2 years | **327,532** | 425,117 |
| Between 2 and 3 years | **83,860** | 19,400 |
| Over 3 years | **18,972** | 26,176 |
| | **12,044,728** | 11,517,046 |

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms used shall have the following meanings set out below:

| | |
|---|---|
| "associated companies, associated enterprises" | all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities |
| "Board" | the board of directors of the Company |
| "China Lounge Investments" | China Lounge Investments Limited (中隆投資有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong |
| "Company" | Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) |
| "Da Sheng Technology" | Da Sheng Technology Co., Ltd. (大聖科技股份有限公司), which was incorporated on 8 June 2016 and in which the Company and Urtrust Insurance hold 60% equity interest in total |
| "GAC Business" | 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 BYD" | Guangzhou GAC BYD New Energy Autobus Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), a joint venture incorporated on 4 August 2014 under PRC law by the Group and BYD Company Limited, and the Company holds 49% of its equity interest |
| "GAC Capital" | GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary of the Company incorporated in April 2013 under PRC Law |
| "GAC Component" | GAC Component Co., Ltd. (廣汽零部件有限公司), a wholly-owned subsidiary of the Group incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries |
| "GAC FCA" | GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司) (formerly known as GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司)), a joint venture incorporated on 9 March 2010 under PRC law by the Company and Fiat Group Automobiles S.P.A. |
| "GAC Finance" | Guangzhou Automobile Group Finance Co., Ltd. (廣州汽車集團財務有限公司), which was incorporated in January 2017 and owned by the Company, GAMC and GAC Business as to 90%, 5% and 5% equity interest respectively |

| | |
|---|---|
| "GAC Hino" | GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a joint venture incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd. |
| "GAC Honda" | GAC 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 joint venture incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd. |
| "GAC Leasing" | Guangzhou Automobile Leasing Co., Ltd. (廣州廣汽租賃有限公司), a subsidiary of GAC Business 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 joint venture incorporated on 25 September 2012 under PRC law by the Company and Mitsubishi Motors Corporation |
| "GAC New Energy" | Guangzhou Automobile New Energy Automobiles Co., Ltd. (廣汽新能源汽車有限公司), a wholly-owned subsidiary of the Company incorporated in July 2017 under PRC law |
| "GAC-SOFINCO" | GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a joint venture incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO) |
| "GAC Toyota" | GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a joint venture incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company |
| "GAC Toyota Engine" | GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004 under PRC law by the Group and Toyota Motor Company, and the Company holds 30% of its equity interest |
| "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" | Guangzhou Automobile Group Motor (Hangzhou) Co., Ltd (廣州汽車集團乘用車(杭州)有限公司) (formerly known as GAC Gonow Automobile Co., Ltd (廣汽吉奧汽車有限公司)), incorporated on 8 December 2010 under PRC law, which is 100% owned by GAMC, a wholly-owned subsidiary of the Company |

| | |
|---|---|
| "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), a state-owned enterprise incorporated on 18 October 2000 under PRC law and the controlling shareholder of the Company |
| "Group" or "GAC Group" | the Company and its subsidiaries |
| "Guang Ai" | Guang Ai Insurance Brokers Limited (廣愛保險經紀有限公司), a subsidiary incorporated on 7 June 2006 under PRC law, in which the Company (directly and indirectly) holds a total of 75.1% equity interest |
| "Honda (China)" | Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), an associated company incorporated by the Company, Honda Motor Co. Ltd. and Dongfeng Motor Company on 8 September 2003 under PRC law |
| "joint venture(s)" | joint venture companies under direct or indirect joint control, and no participating party has unilateral control power over the economic activities of such joint venture as a result of such direct or indirect joint control |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 |
| "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 |
| "SSE" | the Shanghai Stock Exchange |
| "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 by the Company, and in which the Group directly and indirectly holds a total of 60% equity interest |
| "Wuyang-Honda" | Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊－本田摩托(廣州)有限公司), a joint venture established in 1992 by the Company, Honda Motor Co. Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which each holds 50% equity interest |

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

Guangzhou, the PRC, 24 August 2018

*As at the date of this announcement, the executive directors of the Company are ZENG Qinghong and FENG Xingya, the non-executive directors of the Company are YAN Zhuangli, CHEN Maoshan, CHEN Jun, DING Hongxiang and HAN Ying and the independent non-executive directors of the Company are FU Yuwu, LAN Hailin, LEUNG Lincheong and WANG Susheng.*