广汽集团
GAC GROUP

GUANGZHOU AUTOMOBILE GROUP CO., LTD.
廣州汽車集團股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2238)

2018 ANNUAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018 together with the comparative figures of the corresponding period ended 31 December 2017. The result has been reviewed by the Audit Committee and the Board of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	4	**72,379,779**	71,574,939
Cost of sales		**(60,835,699)**	(58,716,478)
Gross profit		**11,544,080**	12,858,461
Selling and distribution costs		**(5,073,033)**	(5,250,070)
Administrative expenses		**(4,519,380)**	(4,021,804)
Net impairment losses on financial assets		**(7,257)**	–
Interest income		**453,389**	342,643
Other gains – net	5	**1,067,991**	562,459
Operating profit		**3,465,790**	4,491,689
Interest income		**103,021**	52,676
Finance costs	6	**(458,858)**	(646,477)
Share of profit of joint ventures and associates	7	**8,753,300**	8,296,387
Profit before income tax		**11,863,253**	12,194,275
Income tax expense	8	**(920,808)**	(1,154,259)
Profit for the year		**10,942,445**	11,040,016
Profit attributable to:			
Owners of the Company		**10,899,603**	11,004,671
Non-controlling interests		**42,842**	35,345
		10,942,445	11,040,016

	Note	Year ended 31 December **2018** **_RMB'000_**	2017 _RMB'000_
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
– changes in the fair value of available-for-sale financial assets		**–**	194,066
– exchange differences on translation of foreign operations		**722**	(1,186)
Items that will not be reclassified subsequently to profit or loss			
– changes in the fair value of financial assets at fair value through other comprehensive income		**(75,562)**	–
Other comprehensive (loss)/income for the year, net of tax		**(74,840)**	192,880
Total comprehensive income for the year		**10,867,605**	11,232,896
Total comprehensive income attributable to:			
Owners of the Company		**10,824,763**	11,192,067
Non-controlling interests		**42,842**	40,829
		10,867,605	11,232,896

	Note	Year ended 31 December **2018** **_RMB_**	2017 _RMB_ (Restated)
Earnings per share for profit attributable to ordinary equity holders of the Company (expressed in RMB per share)			
– basic	_9_	**1.07**	1.20
– diluted	_9_	**1.06**	1.18

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2018** *RMB'000*	2017 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**3,929,992**	3,716,582
Property, plant and equipment		**16,318,393**	13,405,384
Investment properties		**1,485,994**	1,339,996
Intangible assets		**8,539,985**	5,861,045
Investments in joint ventures and associates	*7*	**28,995,309**	25,743,137
Deferred income tax assets		**1,062,075**	1,123,418
Financial assets at fair value through other comprehensive income		**1,215,244**	–
Financial assets at fair value through profit or loss		**1,588,786**	–
Available-for-sale financial assets		–	2,205,196
Prepayments and other long-term receivables		**2,827,005**	1,776,264
		65,962,783	55,171,022
Current assets			
Inventories		**6,729,797**	3,346,598
Trade and other receivables	*11*	**16,605,239**	10,638,090
Available-for-sale financial assets		–	423,852
Financial assets at fair value through profit or loss		**967,734**	608,929
Time deposits		**10,336,681**	10,113,301
Restricted cash		**3,841,939**	2,155,899
Cash and cash equivalents		**27,729,586**	37,198,750
		66,210,976	64,485,419
Total assets		**132,173,759**	119,656,441
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,232,497**	7,293,423
Other reserves		**26,880,662**	28,329,822
Retained earnings		**39,490,695**	33,801,023
		76,603,854	69,424,268
Non-controlling interests		**1,370,853**	1,043,725
Total equity		**77,974,707**	70,467,993

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*12*	**198,485**	141,431
Borrowings		**9,611,461**	8,272,573
Deferred income tax liabilities		**160,977**	107,517
Provisions		**674,556**	915,212
Government grants		**3,262,220**	3,133,278
		13,907,699	12,570,011
Current liabilities			
Trade and other payables	*12*	**35,786,131**	33,070,690
Contract liabilities		**1,335,696**	–
Current income tax liabilities		**340,264**	907,470
Borrowings		**2,829,262**	2,640,277
		40,291,353	36,618,437
Total liabilities		**54,199,052**	49,188,448
Total equity and liabilities		**132,173,759**	119,656,441

1 GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sale of automobiles, engines and other automotive parts and rendering of financial services. The Company's holding company is Guangzhou Automobile Industry Group Co., Ltd. ("GAIG"), a state-owned enterprise incorporated in 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 company with limited liability under the Company Law of the PRC. The Company's shares have been listed on Hong Kong Stock Exchange ("HKSE") and Shanghai Stock Exchange ("SSE") since 30 August 2010 and 29 March 2012 respectively.

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

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured at fair value.

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

Standards/Amendments	**Subject of Standards/Amendment**
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 cycle
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 3.

Apart from aforementioned HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts and Customers", there are no other new standards or amendments to standards that are effective for the first time for this reporting period that could be expected to have a material impact on the Group.

(b) New standards, amendments to existing standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. Except for HKFRS 16 (Note (i)), there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards/Amendments	**Subject of Standards/amendment**	**Effective for accounting periods beginning on or after**
HKFRS 16 *(Note (i))*	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to HKFRSs 2015-2017 cycle	Improvements to HKFRSs	1 January 2019
Amendments to HKFRS 3	Definition of Business	1 January 2020
HKAS 1 and HKAS 8	Amendment definition of material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

(i) HKFRS 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 Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB 443,350,000.

Unlike the previous HKAS 17 standard, under which all operating lease expenses were reported in operating profit, the only items allocated to operating profit under HKFRS 16 are depreciation charges on right-of-use assets. Interest expense from adding interest on lease liabilities is reported in finance costs. Based on leases in place as of 1 January 2019, the Group expects that there is no significant impact on the Group's profit before income tax as a result of adopting the new standard.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

3 IMPACT OF ADOPTION OF HKFRS 9 AND HKFRS 15

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.

3.1 Impact on the financial statements

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.

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.

		Effect of adoption of		
Consolidated Balance Sheet (extract)	**31 December 2017 As originally presented**	**HKFRS 9**	**HKFRS 15**	**1 January 2018 Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Investments in joint ventures and associates	25,743,137	(62,191)	–	25,680,946
Financial assets at fair value through profit or loss (FVPL)	–	1,524,570	–	1,524,570
Financial assets at fair value through other comprehensive income (FVOCI)	–	1,220,622	–	1,220,622
Deferred income tax assets	1,123,418	1,001	–	1,124,419
Available-for-sale financial assets (AFS)	2,205,196	(2,205,196)	–	–
Prepayments and long-term receivables	1,776,264	(696)	–	1,775,568
Current assets				
Trade and other receivables	10,638,090	(21)	–	10,638,069
Available-for-sale financial assets	423,852	(423,852)	–	–
Financial assets at fair value through profit or loss	608,929	(116,144)	–	492,785
Total assets	119,656,441	(61,907)	–	119,594,534
Non-current liabilities				
Provisions	915,212	3,286	–	918,498
Current liabilities				
Trade and other payables	33,070,690	–	(1,109,783)	31,960,907
Contract liabilities	–	–	1,109,783	1,109,783
Total liabilities	49,188,448	3,286	–	49,191,734

Consolidated Balance Sheet (extract)	31 December 2017 As originally presented	Effect of adoption of HKFRS 9	Effect of adoption of HKFRS 15	1 January 2018 Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity				
Equity attributable to owners of the Company				
Other reserves	28,329,822	111,095	–	28,440,917
Retained earnings	33,801,023	(176,288)	–	33,624,735
Total equity	70,467,993	(65,193)	–	70,402,800

3.2 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. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

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
Reclassification:		
Reclassify AFS to FVPL	*(a)*	70,211
Reclassify investments from FVPL to FVOCI	*(a)*	(181,656)
Impact on implementation of HKFRS 9 in a joint venture	*(b)*	(62,191)
Adjustment on impairment of financial assets:		
Increase in loss allowance on other receivables	*(b)*	(717)
Increase in loss allowance on off-balance sheet related activities of a subsidiary providing financing services	*(b)*	(3,286)
Increase in deferred tax assets relating to impairment provision		1,001
Transfer from statutory surplus reserve fund		350
Adjustment to retained earnings upon adoption of HKFRS 9 on 1 January 2018		(176,288)
Opening retained earnings 1 January 2018 – HKFRS 9		33,624,735

(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*	**AFS** *RMB'000*	**FVOCI** *RMB'000*
Closing balance 31 December 2017 – HKAS 39		608,929	2,629,048	–
Reclassify investments from AFS to FVPL	*(i)*	1,948,422	(1,948,422)	–
Reclassify investments from FVPL to FVOCI	*(ii)*	(539,996)	–	539,996
Reclassify investments from AFS to FVOCI	*(iii)*	–	(680,626)	680,626
Opening balance 1 January 2018 – HKFRS 9		2,017,355	–	1,220,622

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

	Notes	**Effect on retained earnings*** *RMB'000*	**Effect on AFS reserves** *RMB'000*	**Effect on FVOCI reserves** *RMB'000*
Closing balance 31 December 2017 – HKAS 39		33,801,023	232,737	–
Reclassify AFS to FVPL	*(i)*	70,211	(70,211)	–
Reclassify investments from FVPL to FVOCI	*(ii)*	(181,656)	–	181,656
Reclassify AFS to FVOCI	*(iii)*	–	(162,526)	162,526
Opening balance 1 January 2018 – HKFRS 9		33,689,578	–	344,182

* Before adjustment for impairment. See Note(b) below.

(i) Reclassification from AFS to FVPL

Certain debt instruments were reclassified from AFS to FVPL (RMB 811,795,000 as at 1 January 2018). 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.

Certain equity instruments were reclassified from AFS to FVPL (RMB 1,136,627,000 as at 1 January 2018). These equity investments were held for trading or had not elected to recognise fair value gains and losses through other comprehensive income ("OCI").

Related accumulated fair value gains of RMB 70,211,000 were transferred from the AFS reserves to retained earnings on 1 January 2018.

(ii) Reclassification from FVPL to FVOCI

For the Group's certain equity investments of RMB 539,996,000 previously classified as FVPL, the Group elected to present changes in fair value in OCI rather than profit or loss as they are long-term and strategy investments.

Related accumulated fair value gains of RMB 181,656,000 were reclassified from retained earnings to FVOCI reserves on 1 January 2018.

(iii) Reclassification from AFS to FVOCI

The Group elected to present fair value change of certain equity investments in OCI which were previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB 680,626,000 were reclassified from AFS to FVOCI and accumulated fair value gains of RMB 162,526,000 were reclassified from the AFS reserves to the FVOCI reserves on 1 January 2018.

(b) Impairment of financial assets

The Group has two main financial assets as at 1 January 2018 that are subject to HKFRS 9's new expected credit loss model:

- trade receivables; and
- other financial assets at amortised cost.

The Group, as well as its joint ventures and associates, was required to revise its 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 is as follows:

(i) Trade receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing. The Group has assessed the expected credit loss model applied to the trade receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect. The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39.

(ii) Other financial assets measured at amortised cost

Other financial assets at amortised cost mainly include notes receivable, interest receivable, entrusted loans to related parties, finance lease receivables, loans relating to financing services, dividend receivables and other receivables. The Group has applied the expected credit loss model to other financial assets measured at amortised cost as at 1 January 2018. This resulted in:

- an increase in the loss allowance on 1 January 2018 by RMB 717,000 for other receivables;

- an increase in provision on 1 January 2018 by RMB 3,286,000 due to an increase in loss allowance for off-balance sheet related activities of a subsidiary providing financing services; and

- an decrease in investments in a joint venture accounted for using equity method on 1 January 2018 by RMB 62,191,000 due to this joint venture revising its impairment methodology under HKFRS 9.

The opening loss allowance on other receivables, provisions, investment in joint ventures, deferred income tax assets, and retained earnings are restated in this respect. While cash and cash equivalents, time deposits and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3.3 HKFRS 15 Revenue from Contracts with Customers

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 adoption of HKFRS 15 did not result in any material transition effects on the Group's retained earnings as at 1 January 2018.

(i) Transportation costs

Certain transportation costs previously recognised in "selling and distribution costs" are presented in "cost of sales". Such transportation costs are services costs incurred for provision of goods delivery services to the Group's customers, which is identified as a separate performance obligation under HKFRS 15. The Group is considered as the principal for the transportation service.

(ii) Maintenance services

For certain after-sales maintenance services pre-sold to the customer at the same time as the vehicle, if the services are provided other than ensuring that the vehicles sold meet the established standards, such maintenance services are accounted for as a separate performance obligation under HKFRS 15. The revenue allocated to the separate service component is deferred and recognised when the services are rendered. Related costs to fulfill such performance obligations previously recognised in "selling and distribution costs" are presented in "cost of sales".

Since the various performance obligations in one contract usually complete in a short period of time, the new standard does not have a significant impact on the Group's financial statements.

(iii) Contract liabilities

Advance from customers related to sales of goods and services 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 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, other financing services, and investing business.

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

During the year ended 31 December 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 year ended 31 December 2018 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Total gross segment revenue	69,774,402	2,948,073	(342,696)	–	72,379,779
Inter-segment revenue	(124,592)	(218,104)	342,696	–	–
Revenue (from external customers) *(Note (i))*	69,649,810	2,729,969	–	–	72,379,779
Segment results	3,351,524	554,092	(396)	–	3,905,220
Unallocated income – Headquarters interest income				334,035	334,035
Unallocated costs – Headquarters expenditure				(773,465)	(773,465)
Operating profit					3,465,790
Finance costs	(129,021)	(18,187)	–	(311,650)	(458,858)
Interest income	19,983	5,086	–	77,952	103,021
Share of profit of joint ventures and associates	8,391,569	361,731	–	–	8,753,300
Profit before income tax					11,863,253
Income tax expense	(779,277)	(131,973)	–	(9,558)	(920,808)
Profit for the year					10,942,445
Other segment information					
Depreciation and amortisation	2,970,072	56,136	–	22,138	3,048,346
Net impairment losses on financial assets	7,230	27	–	–	7,257
Impairment charges of inventories	103,125	567	–	–	103,692
Impairment charges of property, plant and equipment	266	–	–	–	266
Impairment charges of intangible assets	102,107	–	–	–	102,107

The segment assets and liabilities as at 31 December 2018 and additions to non-current assets (other than deferred tax assets, FVPL and FVOCI) for the year then ended are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total assets	92,288,668	38,874,836	(31,468,420)	32,478,675	132,173,759
Total assets include:					
Investments in joint ventures and associates	24,814,538	4,180,771	–	–	28,995,309
Total liabilities	45,104,433	30,102,274	(31,517,142)	10,509,487	54,199,052
Additions to non-current assets (other than deferred tax assets, FVPL and FVOCI)	9,633,345	620,925	–	–	10,254,270

(i) Revenue derived from sales of vehicles and related products is primarily recognised at a point in time.

The segment results for the year ended 31 December 2017 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total gross segment revenue	69,640,789	2,190,182	(256,032)	–	71,574,939
Inter-segment revenue	(99,221)	(156,811)	256,032	–	–
Revenue (from external customers)	69,541,568	2,033,371	–	–	71,574,939
Segment results	4,411,132	215,339	168,934	–	4,795,405
Unallocated income – Headquarters interest income				129,343	129,343
Unallocated costs – Headquarters expenditure				(433,059)	(433,059)
Operating profit					4,491,689
Finance costs	(167,861)	(83,848)	–	(394,768)	(646,477)
Interest income	20,929	1,096	–	30,651	52,676
Share of profit of joint ventures and associates	7,824,844	471,543	–	–	8,296,387
Profit before income tax					12,194,275
Income tax expense	(1,065,781)	(86,458)	(6,839)	4,819	(1,154,259)
Profit for the year					11,040,016

Other segment information

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation and amortisation	2,272,733	19,949	–	43,740	2,336,422
Provision for impairment loss of trade and other receivables	61,945	62,626	(45,593)	–	78,978
Impairment charges of inventories	38,906	–	–	–	38,906
Impairment charges of available-for-sale financial assets	302	19,830	–	16,000	36,132
Impairment charges of property, plant and equipment	310,658	–	–	–	310,658
Impairment charges of intangible assets	1,112,151	–	–	–	1,112,151

The segment assets and liabilities as at 31 December 2017 and additions to non-current assets (other than deferred tax assets, AFS and held-to-maturity investments) for the year then ended are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets	80,115,134	38,733,760	(27,521,567)	28,329,114	119,656,441
Total assets include:					
Investments in joint ventures and associates	22,394,703	3,348,434	–	–	25,743,137
Total liabilities	32,898,935	32,707,001	(28,323,979)	11,906,491	49,188,448
Additions to non-current assets (other than deferred tax assets, AFS and held-to-maturity investments)	6,527,217	928,386	–	–	7,455,603

5 OTHER GAINS – NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net foreign exchange gains/(losses)	**65,203**	(64,357)
Losses on disposal of property, plant and equipment, land use right, intangible assets and investment properties	**(48,977)**	(52,107)
Donations	**(16,788)**	(26,687)
Gains on disposal of subsidiaries and an associate	**25,677**	93,729
Loss on write-off goodwill	**–**	(201,337)
Government grants	**790,314**	466,723
Net investment income related to investment in financial assets	**194,679**	194,103
Net fair value (losses)/gains on financial assets at fair value through profit or loss	**(23,857)**	89,387
Gains on remeasurement of the Group's previously held equity interest in an associate to fair value at the acquisition date	**17,622**	–
Others	**64,118**	63,005
	1,067,991	562,459

6 FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest expense	**510,301**	689,163
Interest capitalised in qualifying assets	**(51,443)**	(42,686)
	458,858	646,477

7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Investments in joint ventures	**22,113,574**	19,201,981
Investments in associates	**6,881,735**	6,541,156
	28,995,309	25,743,137

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Share of profit of joint ventures	**7,226,090**	6,738,406
Share of profit of associates	**1,527,210**	1,557,981
	8,753,300	8,296,387

Unrealised profits or losses resulting from upstream and downstream transactions are eliminated.

7.1 INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Investment in unlisted shares	**22,113,574**	19,201,981

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Beginning of the year	**19,201,981**	16,730,779
Changes in accounting policy *(Note 3.1)*	**(62,191)**	–
Beginning of the year (restated)	**19,139,790**	16,730,779
Additions *(Note (i))*	**1,593,281**	817,559
Disposals	**(62,396)**	–
Capital reduction	**(27,115)**	–
Share of profits	**7,240,817**	6,726,133
Share of addition in joint ventures' other reserves	**3,731**	–
Dividends declared	**(5,774,534)**	(5,072,490)
End of the year	**22,113,574**	19,201,981

(i) The addition in 2018 mainly represents the Company's additional capital contribution to its joint ventures.

(b) Set out below are the joint ventures of the Group as at 31 December 2018, which in the opinion of the directors, are material to the Group. The joint ventures as listed below are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of joint ventures	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
GAC Honda Automobile Co., Ltd. (“GAC Honda”) 廣汽本田汽車有限公司	Mainland China	50	Note 1	Equity
GAC Toyota Motor Co., Ltd. (“GAC Toyota”) 廣汽豐田汽車有限公司	Mainland China	50	Note 1	Equity
GAC Fiat Chrysler Automobiles Co., Ltd. (“GAC Fiat Chrysler”) 廣汽菲亞特克萊斯勒汽車有限公司	Mainland China	50	Note 1	Equity
GAC Mitsubishi Motors Co., Ltd. (“GAC Mitsubishi”) 廣汽三菱汽車有限公司	Mainland China	50	Note 1	Equity
GAC Hino Motors Co., Ltd. (“GAC Hino”) 廣汽日野汽車有限公司	Mainland China	50	Note 1	Equity
GAC-SOFINCO Automobile Finance Co., Ltd (“GAC Sofinco”) 廣汽匯理汽車金融有限公司	Mainland China	50	Note 1	Equity
Wuyang-Honda Motors (Guangzhou) Co., Ltd. (“Wuyang-Honda”) 五羊－本田摩托（廣州）有限公司	Mainland China	50	Note 1	Equity

Note 1: GAC Honda, GAC Toyota, GAC Fiat Chrysler, GAC Mitsubishi, GAC Hino are companies manufacturing and selling of automobiles and automotive parts, GAC Sofinco is a company providing automotive financing services, and Wuyang-Honda is a company manufacturing and selling of motorcycles and motorcycle parts. All of them are unlisted companies.

(c) ***Summarised financial information for joint ventures***

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

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

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

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Assets		
Non-current assets	**61,074,993**	53,804,188
Current assets		
Cash and cash equivalents	**42,761,569**	40,772,493
Other current assets	**61,897,923**	42,387,164
	104,659,492	83,159,657
Total assets	**165,734,485**	136,963,845
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**13,291,657**	8,645,170
– Other non-current liabilities (including trade and other payables)	**4,999,229**	5,982,432
	18,290,886	14,627,602
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**21,893,491**	20,204,314
– Other current liabilities (including trade and other payables)	**86,630,312**	69,075,712
	108,523,803	89,280,026
Total liabilities	**126,814,689**	103,907,628
Net assets	**38,919,796**	33,056,217
Less: Non-controlling interests	**(17,073)**	(17,053)
	38,902,723	33,039,164

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**241,881,015**	220,225,207
Cost of sales	**(203,685,751)**	(183,140,820)
Other expenditures	**(23,661,386)**	(23,545,812)
Profit after tax	**14,533,878**	13,538,575
(Less)/add: (profit)/loss attributable to non-controlling interests	**(20)**	1,467
	14,533,858	13,540,042
Other comprehensive income	**–**	–
Total comprehensive income	**14,533,858**	13,540,042

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax	**805,172**	1,456,807
Deferred tax	**115,636**	(302,548)
	920,808	1,154,259

The tax rates applicable to the Company and its major subsidiaries for the year ended 31 December 2018 are 15% or 25% (2017: 15% or 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year ended 31 December 2018.

9 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to owners of the Company	**10,899,603**	11,004,671
Weighted average number of ordinary shares in issue (thousands)	**10,216,906**	9,171,504
Basic earnings per share (RMB per share)	**1.07**	1.20

(i) On 18 May 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 share premium by the Company. Accordingly, the basic and diluted earnings per share (Note b) for the year ended 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 the year ended 31 December 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.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to owners of the Company	**10,899,603**	11,004,671
Add: Interest expense on convertible bonds	**89,427**	89,595
Profit used to determine diluted earnings per share	**10,989,030**	11,094,266
Weighted average number of ordinary shares in issue (thousands)	**10,216,906**	9,171,504
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	**22,535**	38,403
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	**173,153**	222,923
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**10,412,594**	9,432,830
Diluted earnings per share (RMB per share)	**1.06**	1.18

10 DIVIDENDS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interim dividend paid of RMB 0.10 (2017: RMB 0.10) per ordinary share	**1,021,470**	650,072
Proposed final dividend of RMB 0.28 (2017: RMB 0.43) per ordinary share	**2,865,099**	3,136,981
	3,886,569	3,787,053

Dividends paid in 2018 and 2017 were RMB 4,158,451,000 and RMB 2,080,032,000 respectively. A final dividend in respect of the year ended 31 December 2018 of RMB 0.28 per ordinary share, amounting to a total dividend of approximately RMB 2,865,099,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

11 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*	**2,407,440**	1,633,554
Less: provision for impairment	**(248,905)**	(259,744)
Trade receivables – net	**2,158,535**	1,373,810
Notes receivable	**4,756,832**	2,469,744
Interest receivable	**261,675**	176,921
Loans relating to financing services	**603,412**	146,250
Entrusted loans to related parties	**189,400**	373,200
Value added tax recoverable	**1,751,306**	717,686
Prepayments	**1,425,552**	1,209,762
Dividends receivable	**3,202,844**	2,757,269
Finance lease receivables	**1,045,445**	699,812
Other receivables	**1,210,238**	713,636
	16,605,239	10,638,090

(a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 0 to 365 days. As at 31 December 2018 and 2017, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**2,153,009**	1,377,662
Between 1 and 2 years	**79,519**	77,284
Between 2 and 3 years	**7,619**	12,976
Between 3 and 4 years	**10,083**	9,172
Between 4 and 5 years	**6,439**	20,359
Over 5 years	**150,771**	136,101
	2,407,440	1,633,554

12 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**11,438,370**	11,517,046
Notes payable	**834,772**	440,802
Advances from customers	**–**	1,073,690
Employee benefits payable	**2,190,001**	1,897,093
Other taxes	**764,328**	779,559
Interest payable	**293,324**	276,634
Government grants	**116,662**	75,000
Construction cost payables	**741,226**	1,275,649
Sales rebate	**1,747,657**	2,016,291
Payable for mould expenses	**1,590,019**	1,304,841
Advertising expense payables	**874,055**	528,362
Development cost payables	**691,342**	420,385
Customer deposits	**9,746,028**	8,219,047
Unearned premium reserve	**625,596**	607,921
Assets sold under agreements to repurchase	**378,955**	54,960
Deposit payables	**169,054**	135,748
Finance lease payables	**119,964**	221
Other payables	**3,663,263**	2,588,872
	35,984,616	33,212,121
Less: non-current portion of trade and other payables	**(198,485)**	(141,431)
Current portion	**35,786,131**	33,070,690

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**11,256,179**	11,046,353
Between 1 and 2 years	**106,697**	425,117
Between 2 and 3 years	**50,365**	19,400
Over 3 years	**25,129**	26,176
	11,438,370	11,517,046

CHAIRMAN'S STATEMENT

Dear shareholders,

2018 is the year that the Group overcame difficulties in the face of challenges, forged ahead despite adversity, and maintained overall stable operations. In the face of the complex macro situation and severe market environment, we, with the trust and support of our shareholders, united as one, stood up to the challenges, strove to overcome the influence of various unstable factors, carried out full force production and operation despite adversity, and ensured the stable growth of production and operation. On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, partners and people from all walks of life!

During the year, we managed to make steady progress in the operation despite adversity. The domestic automobile industry recorded negative growth for the first time in 28 years. Against this background, the Group achieved growth despite adversity. The production and sales volume of automobile amounted to 2.194 million and 2.1479 million for the year, achieving a year-on-year growth of 8.77% and 7.34%. Sales growth was about 10 percentage points higher than that of the industry. Our market share increased to 7.65%. The sales volume of our self-developed brand exceeded 500,000 units for two consecutive years, achieving a year-on-year growth of 5.23%. The sales volume of GAC New Energy exceeded 20,000 units, ushered in the first year of acceleration. Japanese joint venture brands continued to maintain a good momentum. GAC Honda sales volume grew steadily. GAC Toyota and GAC Mitsubishi sales volume bucked the trend, respectively grew by 31.11% and 22.69%. The Group, together with the joint ventures and associated companies, achieved a sales revenue of about RMB363.685 billion, increased by approximately 7.04% as compared with the same period last year. Sales revenue of the Group was about RMB72.380 billion, increased by approximately 1.12% as compared with the same period last year. The net profit attributable to owners of the parent company was about RMB10.900 billion, decreased by approximately 0.95% as compared with the same period last year. The basic earnings per share were about RMB1.07, decreased by approximately 10.83% as compared with the same period last year. The Group was listed in Fortune Global 500 for the 6th consecutive year and ranked 202. The Group also entered the Fortune Future 50 list and ranked 23.

During the year, our shareholder returns made steady progress. We always adhere to the long-term sustainable and stable dividend policy and distribute dividends twice a year. Since listed, more than RMB14.8 billion of cash dividends have been paid to share the fruits of development with investors. Taking into account the Group's profitability and future development needs, the Board recommended a final dividend of RMB2.8 per 10 shares (including tax) to all shareholders. Together with the interim dividend of RMB1 (including tax) per 10 shares distributed, the total amount of dividends paid to all shareholders in the year was about RMB3.887 billion, increased by approximately 2.64% as compared with the previous year. The Group had also been recognised in the capital market, being included in the first "New Fortune Top 50 Best Public Companies" list, and the "Public Companies with Strong Returns (2015-2017)" list jointly released by China Association for Public Companies, SSE and Shenzhen Stock Exchange this year.

During the year, we made several strategic moves at one time. A number of projects of great strategic significance were put into operation or launched, providing sufficient momentum for the Group's long-term development. GAC Zhilian New Energy Automotive Industrial Park's construction hit a key milestone. Phase one of GAC New Energy Intelligent Ecological Vehicle Factory was completed as scheduled. GAC Times Power Battery System Project, GAC Aisin Gearbox Project and the Auto Town Project all started construction, which further strengthened the Group's core automobile industrial chain. GAC R&D Center Silicon Valley, GAC Advanced Design Center Los Angeles and GAC R&D Center Detroit were successively put into operation, forming a global R&D network consisting of the "GAC R&D Center Guangzhou + three R&D Centers in North America + GAC Advanced Design Shanghai". The development in high-end services was improved. The mobile mobility strategy project was officially launched, and it is planned to work with Tencent, Guangzhou Public Transport Group and other strategic partners to create GAC mobile mobility platform. GAC-SOFINCO, Urtrust Insurance, GAC Capital, GAC Finance and other finance segment enterprises continued to innovate and improve financial services, and vigorously supported the development of main automobile business.

During the year, we deepened reform and forged ahead in the torrent. The Group was included in the "Double Hundred Actions" enterprise list by SASAC under the State Council for the reform of state-owned enterprises. In accordance with the thinking of deepening the reform of state-owned enterprises, the reform of the state-owned enterprise system and mechanism was actively promoted, and the strategic path for reform and innovation under the new situation was carefully planned. The pilot reform program for professional managers was formally implemented. The market-oriented mechanism for selecting and employing people and the scientific and reasonable incentive and restraint mechanism were improved. The corporate governance structure was further optimised. The headquarters organisational structure reform was completed. Management efficiency and corporate vitality were enhanced. According to the functions, positioning and characteristics of investment enterprises, the mixed ownership reform was promoted layer by layer and specifically. The implementation of share option incentive plan continued, highlighting the long-term effectiveness and marketisation of incentives.

During the year, we innovated independently and advanced with times. With meeting customer needs as the starting point and creating star models as the goal, GAEI carried out 28 vehicle development projects in 2018 as planned, realised the mass production of 9 new models, including the new GS5 and GM6, and promoted 13 powertrain projects. The first GDI engine and first automatic transmission developed by GAC were successfully mounted on the new models of self-developed brands and came into the market. In terms of new energy, the development of the electromechanical coupling system, integrated electric drive IDU, power cell and other key new energy systems and components were promoted as planned. In terms of intelligent connected vehicles, progress was made in the key R&D of on-board Ethernet, connected ecological cloud platform and automatic driving. GAC Trumpchi re-modelled GS4, new GS5 and GA4 came into the market and enriched the product matrix of Trumpchi this year. GAC New Energy marketed GE3 530 and launched Aion S. The competitiveness of new energy products gradually improved. GAC Trumpchi was the No. 1 brand in J. D. Power's China IQS for 6 consecutive years, and the No. 1 self-developed brand for after-sales service satisfaction for 3 consecutive years. The GS4 project won the first prize in China Automotive Industry Awards for Science and Technology.

During the year, our brand culture was promoted gradually. Culture is the soul of an enterprise. A one-year business depends on opportunities; a ten-year business depends on management; a 100-year business depends on culture. In this year, we launched the "Year of Culture Construction". At the Beijing Automobile Show, a new strategic concept of corporate culture – GAC Philosophy and the enterprise culture slogan "Creativity Defines Our Future" were released. For the first time, cultural construction was raised to the height of strategic development to show a new GAC, new performance and new image. Our self-developed brand GAC Trumpchi made its first appearance at the Paris Motor Show, became the only Chinese brand at the show, and presented the innovative charm of Chinese brands on the international stage.

In 2019, factors such as the liberalisation of foreign share proportion in automobile joint ventures, the reduction of tariffs on imported cars, the implementation of China VI Emission Standard and dual-point policy will force automobile enterprises to innovate and seek changes. Under the new circumstances and challenges, we will forge ahead be it favorable trend or adverse trend. We will seek opportunities in challenges, find space in difficulties and enhance synergy in passivity. We will focus on the Group's development vision and mission of the new stage, and promote enterprise high-quality development in a down-to-earth way. In the new year, we will strive to achieve the goals set down for the annual operational plan, actively promote the "Double Hundred Actions" reform, and strengthen enterprise basic capabilities, accelerate the promotion of electrification, intellectualisation, internationalisation, sharing and digitalisation, aiming to realise an 8% year-on-year growth in sales volume.

In the new year, we will base our actions on value. Only by continuously creating value for our shareholders, customers and partners can enterprises achieve sustainable development. For GAC, creating value is to focus on quality and efficiency and achieve high-quality development. In 2019, we will adhere to the general tone of seeking improvement in stability, focus on improving our product strength, marketing power, brand power and execution power. We will promote the product line reform, carry out product planning and development centering on the improvement of product competitiveness and model efficiency, closely focus on the development of star models, adjust the product structure, and transform from "more products" to "fine products". We will strengthen product cost control, promote platforming, modularisation and generalisation, and increase the proportion of platform sharing. We will consider our dealers as a common business entity with us, giving them strong support in business policy, market expansion, financial support, brand promotion and other aspects, so as to achieve a balance of interests and win-win situation between manufacturers and dealers. We will promote marketing digitalisation, promote the deep integration of marketing and the Internet, and establish a digital marketing system centering on special customer service experience.

In the new year, we will pursue reform for the sake of development. First, we will accelerate the management reform by optimising the process and improving efficiency, further streamline the organisational structure, decentralise and delegate power to lower levels, effectively promote flat matrix management, lay down professional management systems in accordance with the practice of GAC and the market situation, give management full autonomy, inspire and protect entrepreneurship. Second, we will accelerate the mechanism reform represented by the labour, personnel and distribution systems, establish a market-oriented remuneration and incentive system and employment mechanism, form the orientation of "capable people get promoted, mediocre people give way and incompetent people get demoted", actively explore and implement a multi-layered and diversified long-term incentive and restraint mechanism, arouse all kinds of talented people's enthusiasm, initiative and creativity to the greatest extent. Third, we will accelerate institutional reform represented by the mixed ownership reform and property right structure optimisation, encourage qualified investment enterprises to take the lead and attempt first, and further enhance our core competitiveness.

In the new year, we will expand the source of power through innovation. Centering on the promotion of electrification, intellectualisation, internationalisation, sharing and digitalisation, we will give full play to the motivational and demonstration role of GAC Intelligent Connected New Energy Vehicle Park, accelerate the phase one of the Second Engine Factory Project, GAC Times Power Battery System Project, GAC Aisin Gearbox Project and the Auto Town Project, to promote work in all areas by drawing upon the experience gained on key points, and seek new growth points in new energy, intelligent connected vehicles, automatic driving, shared mobility, big data, cloud computing and other areas. We will seize the opportunity during the window period for the rapid development of new energy vehicles, concentrate resources to create competitive new energy products, promote the launch of new models such as Aion S and pure electric b-class SUV, strive to overtake at the corner and catch up from behind in the new energy vehicle field. We will actively foster core technologies for new energy vehicles, and promote R&D projects such as G-MC 2.0 electromechanical coupling system, power cell, and integrated electric drive IDU. We will accelerate the development and application of technologies and products concerning intelligent connected vehicles and automatic driving, complete the development of G3.0 connected terminal products, intelligent connected vehicle cloud platform and vehicle-mounted Ethernet, and promote key projects such as the G-OS system and automatic driving system platform. We will accelerate the implementation of mobile mobility projects, establish a new energy ride-hailing platform, and help transform the group from a traditional automobile manufacturer to a mobile mobility service provider.

In the new year, we will consolidate our foothold with risks control. We will improve the whole chain of legal risks management mechanism before, during and after the event, strengthen risks prevention and improve internal control management. Combining with the international situation, we will seize the opportunity of "One Belt One Road" and the advantages of the "Guangdong-Hong Kong-Macao Greater Bay Area", expand the scope of our overseas business, especially in the markets along "One Belt One Road", improve the overseas legal risks prevention mechanism, and establish an organised, flexible and efficient overseas business operation mechanism.

A thing is not done until it is done. Though we have traveled far, there's still a long arduous journey ahead. Even in the face of rough seas, we must ride the waves forward. On the road towards becoming a world-class enterprise, we are all running hard and we are all dream chasers. We will focus on quality and efficiency, adhere to cooperation with joint ventures and independent innovation, transform from manufacturing to creation, speed to quality, product to brand, with rock-firm confidence, momentum of racing against time and indomitable perseverance, and make great efforts to promote the three major reforms of quality, efficiency and power, striving for the realisation of GAC's dream of "two decades"!

Last but not least, we thank all investors, customers, business partners and the public for their attention to and support of the GAC Group!

I. SUMMARY OF BUSINESS

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

1. R&D segment

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

2. Manufacture segment

(1) Automobile manufacture is mainly conducted through subsidiaries, including GAMC and joint ventures, including GAC Honda, GAC Toyota, GAC FCA and GAC Mitsubishi

Products: The Group's passenger vehicles include 16 series of sedans, 19 series of SUV and 2 series of MPV, details of which are set forth below:

- GAC Trumpchi (GA3, GA4, GA5, GA6, GA8, GS3, GS4, GS5, GS7, GS8, GM8);
- GAC Honda Accord, Crider, Vezel, Odyssey, City, Fit, Avancier, Acura CDX, Acura TLX-L, Acura RDX, etc.;
- GAC Toyota Camry, Highlander, Yaris L, Levin, Yaris L, C-HR, etc.;
- GAC FCA Viaggio, Ottimo, JEEP Cherokee, JEEP Renegade, JEEP Compass, Jeep (Grand) Commander, etc.;
- GAC Mitsubishi ASX, Pajero, Outlander, Eclipse Cross, etc.;

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

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

Energy conservation and new energy products of the Group include: GAC Trumpchi GA3 S•PHEV, GS4 • PHEV and GE3, GAC Honda Accord Sport Hybird, Shirui, GAC Toyota Camry HEV and Levin HEV, ix4, GAC Mitsubishi Qizhi•PHEV, Qizhi•EV, and GAC BYD purely electrically powered passenger vehicles.

Production capacity: During the reporting period, GAC Toyota increased production capacity of 100,000 units/year which commenced operation in January 2018; GAC Mitsubishi increased production capacity of 100,000 units/year which commenced operation in November 2018; GAMC Xinjiang's factory increased 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 2,203,000 units/year.

Sales channel: The Group conducts automobile sales through sales outlets and online channels. As at the end of the reporting period, the Group, together with its joint ventures and associated companies, had 2,731 automobile sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC. 171,556 units of vehicles were sold through online channels during the reporting period, representing 7.99% of the total sales volume 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 its subsidiary, GAC Commercial, and its controlling and investee companies, Da Sheng Technology and associated companies and Tong Fang Logistics 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.

4. Parts and components segment

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

5. Financial segment

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

II. INDUSTRY ENVIRONMENT

In 2018, being affected by the policies and macro-economy, the automobile industry was facing tough challenges. The overall industry environment was as follows:

1. The growth rate of the production and sales volume of automobiles is lower than expected

Given factors such as the complete withdrawal of the preferential tax policy for purchase tax, the accelerating decline in macroeconomic growth, the Sino-US trade war, and the decline in consumer confidence, the growth rate of automobile production and sales in 2018 is lower than expected at the beginning of the year. The growth rate of major economic efficiency indicators of the industry slowed down and the growth rate declined.

In 2018, the sales volume of automobiles amounted to 28.0806 million units. Except for February, the sales volume for other months during the first half of the year was higher than that of the same period last year. For the second half of the year, the automobile market experienced continuous negative growth, and the annual sales volume dropped by 2.76% year-on-year.

2. ***The growth rate of production and sales of passenger vehicles was lower than that of the overall industry***

In 2018, the production and sales volume of passenger vehicles amounted to 23.5294 million units and 23.7098 million units respectively, representing a year-on-year decrease of 5.15% and 4.08% respectively, and accounted for 84.60% and 84.40% respectively of the sales and production volume, which were 0.9% and 1.2% lower than last year respectively.

For the four types of passenger vehicles, the production and sales volume of sedans recorded a year-on-year decrease of 3.95% and 2.70% respectively; the production and sales volume of SUVs recorded a year-on-year decrease of 3.19% and 2.52% respectively; the production and sales volume of MVPs recorded a year-on-year decrease of 17.87% and 16.22% respectively; the production and sales volume of cross-over utility vehicles recorded a year-on-year decrease of 20.75% and 17.26% respectively.

3. ***The high growth rate of new energy vehicles was maintained***

In 2018, the new energy vehicles remained rapid growing with production and sales volume amounted to 1.2705 million units and 1.2562 million units respectively, representing a year-on-year increase of 59.92% and 61.74% respectively. Among them, the production and sales volume of purely electrically power passenger vehicles amounted to 985,600 units and 983,700 units, representing a year-on-year growth of production and sales volume by 47.85% and 50.83% respectively; the production and sales volume of plug-in hybrid passenger vehicles amounted to 283,300 units and 270,900 units respectively, representing a year-on-year increase of 121.97% and 117.98% respectively; the production and sales volume of fuel-battery vehicles achieved both 1,527 units.

4. ***Sales volume of major automobile groups recorded a year-on-year decrease***

In 2018, the top 10 enterprise groups in terms of automobile sales volume achieved an aggregate sales volume of 25.0363 million units, representing a year-on-year decrease of 2.10% while such drop was lower than that of the overall industry. The percentage of the total sales volume amounted to 89.16%, representing a year-on-year increase of 0.6 percentage point.

III. ANALYSIS ON CORE COMPETITIVENESS

During the reporting period, the core competitiveness of the Group remained unchanged, and was 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 service and financial service in the downstream, which is 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 were emerging and the comprehensive competitiveness of the Group has been constantly enhanced. During the reporting period, the GAC Zhilian New Energy Automotive Industrial Park Project proceeded as planned. The construction of GAC New Energy Intelligent Ecology Factory was completed. GAC Times Power Battery System Project, GAC Aisin Gearbox Project, and Auto Town Project simultaneously unveiled and commenced construction. The 4th phase of the Engine Capacity Expansion Project for GAC passenger vehicles factory was put into operation successfully; GAEI Hualong Base Construction Project was proceeding actively; Yichang factory of GAMC commenced re-construction in January; the major part of the 1st phase of the Xinjiang Factory Project of GAMC completed construction in March; the 1st phase of the third production line of GAC Toyota was duly put into operation during mid-January, while the preparation for the 2nd phase capacity expansion for the third production line has been commenced. As such, the production capacity layout has been continuously optimised.

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 perfection.

3. *Continuously enriched product line and optimised product structure*

The Group has a full range of products including sedans, SUV, MPV, etc., and through the continuous introduction of new models and products update, it maintained its market competitiveness in its products in meeting, the changing demand of consumers. It has always maintained customer loyalty and a widely recognised brand reputation. During the reporting period, the Group continuously facilitated the development and introduction of new products, 15 items of new vehicles and re-designed models were launched by various vehicle factories, which has enriched the product variety.

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

Through introduction, understanding, incorporation and re-innovation for years, capital, technologies, talents and experiences have been accumulated, and a world-class production system has been formed. In terms of R&D, globally advantageous resources have been integrated to form a positive development system with cross-platform and modular structure as well as edges on innovation. During the reporting period, product development capacity has been continuously consolidated. GAEI proactively procured 28 whole-vehicles projects. Meanwhile, during the reporting period, 1,212 new patent applications (33% of which were invention patents) were made, and a total of 4,624 patents were granted accumulatively. The scale of intellectual property continued to expand.

5. Connection to capital operation platforms worldwide

The Group successfully built capital operation platforms in both A share and H share markets, which were 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 the reform of governance structure and continued to improve the mid and long-term incentive mechanism. The Company has continuously expanded its investment and financing sector, optimised financing structure, and the role of finance in supporting the main business has been significantly enhanced. During the reporting period, the registration of grant of phase 2 A share option incentive scheme was completed, and 403,335,400 registered options were granted to 2,358 incentive recipients.

IV. DISCUSSION AND ANALYSIS ON OPERATION

In 2018, under the complex and ever-changing macroeconomic situation and the increasingly challenging industry environment, the Group actively took measures to mitigate the impact of various uncertainties and ensure the steady growth of production and operation. Major works performed were as follows:

1. *Focusing on quality and effectiveness, achieving growth in production and operation despite adversity*

The Group adhered to focusing on quality and effectiveness. The overall operation continued to grow steadily, with synergetic development of various segments. Vehicle manufacturing enterprises made more efforts in sales and achieved growth of the production and sales of vehicles despite adversity. Sales volume of GAMC achieved a year-on-year growth of 5.23%, of which sales volume of GAC Toyota increased by more than 30% and that of GAC Mitsubishi increased by more than 25%. The leading role of star models such as Accord, Camry, Crider, Levin, Highlander, Avancier, GS4, Vezel and Outlander was further enhanced. During the reporting period, re-modelled Trumpchi GS4, GA4, new GS5, GE3 530, CH-R, Eclipse Cross and JEEP Grand Commander were launched successively. The development of the 700 Zhenzhi Series of GAC Hino was completed and achieved a significant increase of 65.44% in sales. GAC Commercial opened 12 new sales outlets, with the distribution network gradually expanding nationwide. With the greater support of the financial segment to the main vehicle business, the retail sales loan penetration rate of GAC-SOFINCO exceeded 20%, strategic investors were successfully introduced to Urtrust Insurance, GAC Capital vigorously secured star projects with leading position, advanced technology and rapid growth in the industry, and GAC Finance commenced customs guarantee and electronic commercial bills businesses to reduce finance costs for members of the Group.

2. ***Continuing to improve corporate governance, further promoting the reform of systems and mechanisms***

   The reform of "Double Hundred Actions" had been actively studied, and a comprehensive reform plan and a task book had been formulated. The reform of systems and mechanisms were promoted, the reform of organisation structure under the headquarters was carried out, a large-scale system was implemented and the role of the headquarters was highlighted to enhance the centralised management of various functional departments. It promoted and formally implemented the pilot reform of professional managers. It implemented talent planning strategy and action plan of talent management and promotion to further enhance the forward-looking, systematic and effective human resources management. The revision of the compensation system for group headquarters, managers and stationed personnel of investment enterprises was completed, and the emphasis on performance appraisal and the differentiated compensation system linked to performance was enhanced. With the continuous improvement of corporate governance structure, members of the Board, and the supervisory committee were re-elected during the reporting period. The second and third exercise periods of the first A share option incentive scheme were advanced and the registration procedures for the grant and the grant of reserved options under the second A share option incentive scheme were completed.

3. ***Earnestly implementing the project construction, giving full play to the leading role of key projects***

   Preliminary results were achieved for the implementation of GAC Zhilian New Energy Automotive Industrial Park. The construction of the GAC New Energy automobile manufacturing factory was completed, and the construction of GAC Time Power Battery System Project, GAC Aisin Automatic Transmission Factory Project and the Car Town were completed on the same date. The GAMC Yichang Factory Alteration Project officially commenced and the main construction of phase one of GAMC Xinjiang factory was completed. Phase four of the GAMC's Engine Capacity Expansion Project was successfully put into operation, with newly increased annual production capacity of 200,000 engines. The Construction Project of GAEI Hualong research and development base, GAC Honda's Engine Construction Project with an annual capacity of 240,000 engines, the Capacity Expansion Construction Project of GAC Honda's Zengcheng factory, the Engine Construction Project of GAC Toyota Engine's new product model (M20C), Project of Expansion of phase 2 of the GAC Ogihara and GAC Commercial Nansha International Automotive Industrial Park Project were advancing as scheduled.

4. *Innovation driving development, accelerating the development of intelligent network and new energy industry*

Based on the G-CPMA2.0 platform structure, GAEI promoted the establishment and development of the new-generation A/A0 platform and B/C platform, developed a new energy platform and formed a platform-first development mode of "platform structure + vehicle group" through the consolidation of new models to improve the efficiency of research and development. GAC's first self-developed 1.5TGDI cylinder direct injection engine was successfully installed and launched in the new GS5, the first self-developed automatic transmission 7WDCT would be installed in GS8, GM6 and other vehicle models as a strategic model. Intelligent network terminal products, car network, networking eco-cloud platform, automatic driving and projects alike were advanced as scheduled. The networking terminal product G2.1 version jointly developed with Tencent was installed in the re-modelled GS4, new GS5 and GE3 530, and G2.2 version will be installed and launched in GM6. The development of new energy vehicles had been accelerated. Sales volume of GE3 and GS4 PHEV continued to increase. GAC Mitsubishi Qizhi PHEV, EV and GAC Toyota ix4, the self-developed new energy models of joint ventures, were launched successively. GAC Honda released Shirui PHEV, with product portfolios continuously diversified.

5. *Effectively protecting the interests of investors, establishing a positive image in the capital market*

In accordance with the supervision requirements of "law abiding, comprehensive and strict compliance", the Group continued to conduct information disclosure on the principle of "being true, accurate, complete, timely, fair and effective". The Group insisted on making consistent and simultaneous information disclosure on both the A and H shares markets. In 2018, the information regarding different types of corporate documents was disclosed "without error, delay, amendment and supplement", with 177 and 142 corporate documents disclosed on the SSE and Stock Exchange respectively. Besides, various modes of investor relationship activities such as overseas roadshows, vehicle exhibition communication activities and investor summits were held. The Company had 55 visits for investors' investigation and research in total, hosted 30 phone conferences, attended 8 investor summits, held 1 annual results press conference, organised 3 investors open days and held 6 domestic and overseas roadshows, entertaining more than 1,000 investors and analysts, through which our operation concept and investment value were delivered. During the reporting period, the Company was granted various capital market awards such as the "Best Listed Company of New Fortune" and "Pegasus Award – China's Main Board Listed Companies Investor Relations The Best Board of Directors".

6. ***Actively fulfilling social responsibilities, enhancing corporate soft power***

The Group released its new strategic concept of corporate culture, the GAC philosophy, and corporate culture slogan, and came up with a cohesive and encouraging new strategic concept of corporate culture. It successfully held 2018 China Skills Competition and was awarded the first prize. The Group endeavoured to participate in charity work. During the reporting period, the GAC Group and investee enterprises had cumulatively invested more than RMB70.342 million in social charity work such as poverty alleviation, urban-rural pairing and the Warm Sunshine in Winter Love Train, actively promoted the project of Meizhou GAC Parts and Components Industrial Park and the industrial cooperation projects in Qiannan City and Bijie City of Guizhou Province and Weinan City of Shaanxi Province with a strong sense of political mission and social responsibility, to effectively fulfill its corporate responsibilities.

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

During the reporting period, sales revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB363.685 billion, representing an increase of approximately RMB23.912 billion or approximately 7.04% as compared with the corresponding period last year.

During the reporting period, sales revenue of the Group amounted to approximately RMB72.380 billion, representing a growth of approximately 1.12% as compared with the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB10.900 billion, representing a decrease of approximately 0.95% as compared with the corresponding period last year. Basic earnings per share amounted to approximately RMB1.07, representing a decrease of approximately RMB0.13 as compared with the corresponding period last year.

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

1. In 2018, in light of the changes in the macroeconomic condition and the increasingly downward pressure on the economy, the domestic automobile industry experienced a negative growth in terms of production and sales for the first time in years. Under the complex and volatile macro situation and the increasingly severe industry environment, the Group's self-developed brand maintained a relatively stable growth. The production and sales volume increased by 7.45% and 5.23% respectively as compared with the corresponding period last year. Due to improved research and development capability, fast introduction of new products and enhanced quality of products, MPV GM8, sedan GA4, star model GS4 re-modelled model and GS5 brand new generation were launched in 2018, which further enriched the star products mix of the self-developed brand. The sales of self-developed new energy vehicles experienced growth against the negative circumstances with an annual sales volume exceeded 20,000 units.

2. Japanese series joint ventures launched new products and technologies which further enhanced 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 the 10th generation Accord, Levin 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. The synergistic effects among business segments gradually emerged which facilitated the development of principal businesses. GAC Finance has further facilitated the provision of effective financial support for the Group's business development.

As at 31 December 2018, calculated based on the proportion of shareholdings of the Group in the joint ventures, the total liabilities and total revenues of jointly controlled entities amounted to RMB63,212,380,416 and RMB120,798,056,816 respectively, which will be used in the calculation of waivers granted by the Stock Exchange to the Company in respect of asset and revenue ratios.

(I) ANALYSIS OF PRINCIPAL BUSINESS

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

Unit: 100 million   Currency: RMB

Item	Current period	Corresponding period last year	Change (%)
Revenue	723.80	715.75	1.12
Costs of sales	608.36	587.16	3.61
Selling and distribution costs	50.73	52.50	-3.37
Administrative expenses	45.19	40.22	12.36
Finance costs	4.59	6.46	-28.95
Interest income	5.56	3.95	40.76
Share of profit of joint ventures and associated companies	87.53	82.96	5.51
Net cash flow generated from operating activities	-23.38	146.60	-115.95
Net cash flow generated from investing activities	-51.48	-0.66	7,700.00
Net cash flow generated from financing activities	-20.12	100.91	-119.94

1. Analysis on revenue and cost

During the reporting period, revenue of the Group amounted to approximately RMB72.380 billion, representing an increase of approximately 1.12% as compared with the corresponding period last year. This was mainly due to the Group's self-developed brand maintained a relatively stable growth in which the sales volume of self-developed new energy vehicles exceeded 20,000 units despite the changes in the macroeconomic condition and the negative growth experienced at the sales of domestic automobile industry.

During the reporting period, the Group recorded total cost of sales of approximately RMB60.836 billion, representing an increase of approximately 3.61% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB11.544 billion, representing a decrease of approximately RMB1.315 billion or 10.23% as compared with the corresponding period last year. The gross profit margin decreased by 2.02 percentage points as compared with the corresponding period last year, mainly due to the combined effect of the increased promotional efforts and the reclassification of selling expenses and costs of sales under the new revenue standards.

Principal business by industry

Unit: 100 million Currency: RMB

By industry	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Automobile manufacturing industry	503.94	423.35	15.99	0.36	4.74	-18.00
Auto-parts manufacturing industry	28.82	25.06	13.05	-1.27	1.75	-16.45
Commercial services	163.74	152.23	7.03	-0.22	1.87	-21.28
Financial services and others	27.30	7.72	71.72	34.28	-13.16	27.46
Total	723.80	608.36	15.95	1.12	3.61	-11.24

Principal business by product

Unit: 100 million Currency: RMB

By product	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Passenger vehicles	503.76	423.30	15.97	0.35	4.73	-18.06
Vehicles related trades	192.56	177.29	7.93	-0.38	1.85	-20.22
Financial services and others	27.48	7.77	71.72	34.38	-12.89	27.21
Total	723.80	608.36	15.95	1.12	3.61	-11.24

Principal business by region

Unit: 100 million Currency: RMB

By region	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Mainland China	723.60	608.29	15.94	1.10	3.60	-11.25
Hong Kong	0.20	0.07	65.00	566.67	–	–
Total	723.80	608.36	15.95	1.12	3.61	-11.24

Analysis of sales and production

Unit: Vehicle

Major products	Production volume	Sales volume	Inventory	Increase/ decrease in production volume over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory over last year (%)
Sedans	59,884	55,904	6,373	42.11	37.80	116.55
SUV	453,076	446,519	18,340	-3.52	-4.48	56.10
MPV	37,514	32,745	4,777	6,575.09	5,810.65	39,708.33

Illustration on sales and production: mainly from the sales and production data of the GAMC consolidated report.

Sales to major customers

Unit: 100 million Currency: RMB

Customers	Revenue	Ratio to revenue (%)
Total sales to top 5 clients	56.97	7.97

Major Suppliers

Unit: 100 million Currency: RMB

Suppliers	Amount of procurement	Ratio to total procurement (%)
Total procurement from the top 5 suppliers	122.39	21.01

Amount of procurement fees paid to the largest supplier of the Group accounted for 6.32% of the total amount of procurement fees of the Group for the year.

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

2. Expenditures

The decrease of approximately RMB177 million in selling and distribution cost as compared with the corresponding period last year was mainly due to the combined effect of the decrease of logistics and warehousing expenses and after-sales services expenses as compared with the corresponding period last year.

The increase of approximately RMB497 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the increase in A share option incentive.

The decrease of approximately RMB187 million in finance costs as compared with the corresponding period last year was mainly attributable to the combined effect of the decrease in average borrowing interest rate, hence the decrease in expenses for interests during the reporting period.

The increase of approximately RMB161 million in interest income as compared with the corresponding period last year was mainly attributable to the combined effect of the increase in interest income from the increase of non-public issuance of A shares during the reporting period.

3. Research and development expenditures

(1) Table of research and development expenditures

Unit: 100 million Currency: RMB

Expensed research and development expenses for the period	8.27
Capitalised research and development expenses for the period	40.62
Total research and development expenditures	48.89
Percentage of total research and development expenditures over total revenue (%)	6.75
Number of research and development staff	5,867
Number of research and development staff over total number of staff (%)	17.01
Percentage of capitalised research and development expenditures (%)	83.08

(2) During the reporting period, expenditures in research and development amounted to approximately RMB4.889 billion, representing an increase of RMB1.904 billion as compared with the corresponding period last year, mainly attributable to the Group's continuous effort to enhance self-developed research and development and innovation capacity along with the advancement of the development projects of traditional energy vehicle model and new energy vehicle model as well as research and development of core parts and components.

4. Share of profit of joint ventures and associated companies

During the reporting period, the Group's share of profit of joint ventures and associated companies was approximately RMB8.753 billion, representing an increase of approximately RMB457 million as compared with the corresponding period last year, mainly as a result of the combined effect of the following factors: (1) the significant growth in sales volume of the brand new 8th generation Camry and the stable growth in sales volume of the 10th generation Accord, Levin and Outlander which drove the steady increase of economical benefit of joint ventures; (2) the synergies of industries continued to strengthen, the service businesses of auto-financing, auto-parts and auto-logistics in the upstream and downstream of the industry chain developed steadily.

5. Cash flows

During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB2.338 billion, representing an increased outflow of approximately RMB16.998 billion, as compared with net cash inflow of approximately RMB14.660 billion in the corresponding period last year, mainly due to the combined effect of the increase in the payment to suppliers for payables and the decrease in net increase amount of deposit at GAC Finance for non-consolidated enterprises, etc. during the reporting period;

During the reporting period, net cash outflow generated from investment activities amounted to approximately RMB5.148 billion, representing an increased outflow of approximately RMB5.082 billion, as compared with net cash outflow of approximately RMB66 million in the corresponding period last year, mainly due to the combined effect of the increase in fixed asset and intangible assets investment, increase in financial products as well as increase in investment in joint ventures;

During the reporting period, net cash outflow generated from financing activities amounted to approximately RMB2.012 billion, representing an increased outflow by approximately RMB12.103 billion, as compared with net cash inflow of approximately RMB10.091 billion of the corresponding period last year, mainly due to the combined effect of the non-public issuance of A shares of approximately RMB15 billion to specific investors, and repayment of short-term financing bonds of RMB2.3 billion during the corresponding period of last year, and repayment of corporate bond of RMB1 billion and increase in dividend distribution in the reporting period;

As at 31 December 2018, cash and cash equivalent of the Group amounted to approximately RMB27.730 billion, representing a decrease of approximately RMB9.469 billion as compared with approximately RMB37.199 billion as at 31 December 2017.

6. Others

Income tax amounted to approximately RMB0.921 billion, representing a decrease of approximately RMB233 million as compared with the corresponding period last year, mainly due to the change in profit of certain enterprises during the reporting period.

To sum up, the Group's net profit attributable to owners of the parent company for the reporting period was approximately RMB10.900 billion, representing a decrease of approximately 0.95% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB1.07, representing a decrease of approximately RMB0.13 as compared with the corresponding period last year.

(II) ANALYSIS OF ASSETS AND LIABILITIES

1. Analysis table of assets and liabilities

Unit: 100 million   Currency: RMB

Item	Balance at the end of current period	Balance at the end of current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change (%)
Trade and other receivables	166.05	12.56	106.38	8.89	56.09
Prepayments and other long-term receivables	28.27	2.14	17.76	1.48	59.18
Inventories	67.30	5.09	33.47	2.80	101.08
Property, factory and equipment	163.18	12.35	134.05	11.20	21.73
Trade and other payables	359.85	27.23	332.12	27.76	8.35
Share capital	102.32	7.74	72.93	6.09	40.30

2. Analysis on change

Trade and other receivables: mainly due to the combined effects of the increase in bill receivables, spare parts and the increase in receivables of insurance business along with the increase in sales volume during the reporting period;

Prepayments and other long-term receivables: mainly due to the corresponding increase in prepayments of spare parts along with the increase in production and sales volume during the reporting period;

Inventories: mainly due to the increase in raw materials and finished products along with the increase in production and sales volume during the reporting period;

Property, factory and equipment: mainly due to the increase in construction in progress along with the construction of capacity expansion of GAMC and construction of factories for new energy vehicles during the reporting period;

Trade and other payables: mainly due to the combined effect of the increase in payables for the purchase of raw materials and payables to the distributing outlets along with the increase in production and sales volume during the reporting period;

Share capital: mainly due to the combined effect of the conversion of convertible bonds and exercise of share options, as well as the distribution of dividend of shares during the reporting period.

(III) ANALYSIS OF FINANCIAL POSITION

1. Financial indicators

As at 31 December 2018, the Group's current ratio was approximately 1.64 times, representing an increase from approximately 1.76 times as at 31 December 2017, and quick ratio was approximately 1.48 times, representing an increase from approximately 1.67 times as at 31 December 2017. Current ratio and quick ratio remained normal.

2. Financial resources and capital structure

As at 31 December 2018, the Group's current assets amounted to approximately RMB66.211 billion, current liabilities amounted to approximately RMB40.291 billion and current ratio was approximately 1.64 times.

As at 31 December 2018, the Group's total borrowings amounted to approximately RMB12.441 billion, mainly consisting of corporate bonds issued by the Group with nominal value of RMB3 billion and RMB2 billion respectively, two tranches of medium-term notes both with nominal value of RMB0.3 billion, convertible bonds with closing balance of RMB2.496 billion and loans from bank and financial institutions with closing balance amounting to approximately RMB4.366 billion. The above loans and bonds are payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital.

As at 31 December 2018, the Group's gearing ratio was approximately 13.76%. (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 procurement of the Group in the PRC were denominated in RMB, changes in foreign exchange did not have any material effect on the Group's operating results and cash flow during the reporting period.

4. Contingent liabilities

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

VI. ANALYSIS OF AUTOMOBILE MANUFACTURING INDUSTRY OPERATION

1. Production capacity

Existing production capacity

Names of major factories	Designed production capacity	Production capacity during the reporting period	Production capacity utilisation rate (%)
GAC Honda	600,000 units	750,700 units	125.12
GAC Toyota	480,000 units	599,400 units	124.88
GAMC	520,000 units	550,050 units	105.87
GAC Mitsubishi	200,000 units	147,000 units	73.50
GAC FCA	328,000 units	124,800 units	38.05
Honda (China)	60,000 units	12,600 units	21.00
GAC Hino	10,000 units	4,100 units	41.00
GAC BYD	5,000 units	5,000 units	100.00

Note:

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

2. The third production line of GAC Toyota with new production capacity of 100,000 units/year was completed and put into production in January 2018;

3. The production volume of GAMC, including the Hangzhou factory, amounted to 150,000 units/year while the capacity in the Xinjiang factory amounted 20,000 units/year;

4. GAC Mitsubishi with increased production capacity of 10,000/year was put into production in November 2018.

Production capacity in construction

Unit: '0,000   Currency: RMB

Names of the factories in construction	Planned investment amount	Investment amount during the reporting period	Total investment amount	Expected commencement date of production	Expected production capacity
GAMC Yichang factory	369,526	166,474	230,053	June 2019	200,000 units
Production capacity expansion project for the addition of 200,000 units/year (new energy vehicles) for GAC self-developed brand (廣汽自主品牌新增20萬輛/年(新能源汽車)產能擴建項目)	469,400	171,691	281,373	Phase One with 100,000 production capacity commenced production in May 2019	200,000 units
GAC Toyota production capacity expansion project	558,443	97,916	421,101	Phase One with 100,000 production capacity commenced production in January 2018; Phase Two (100,000-220,000 units) will commence production in December 2019	220,000 units
Production capacity expansion project of Zengcheng factory of GAC Honda (addition of 240,000 unit/year) (廣汽本田增城工廠產能擴大(新增24萬輛/年)建設項目)	310,221	56,700	267,956	Phase One (120,000 units) commenced production in October 2015; Phase Two (120,000-240,000 units) will commence production in May 2019	240,000 units

Production capacity calculation standards

Calculated based on standard production capacity and two production shifts.

2. Sales volume of whole vehicles

By vehicle models

Vehicle types	Sales volume (units) Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)	Production volume (units) Total number for the year	Total number for last year	Changes in production volume compared with the corresponding period last year (%)
Passenger vehicle	2,138,543	1,996,868	7.09	2,184,910	2,013,006	8.54
Sedans	986,524	824,225	19.69	1,011,920	824,504	22.73
MPV	78,243	37,614	108.02	82,602	37,905	117.92
SUV	1,073,776	1,135,029	–5.40	1,090,388	1,150,597	–5.25
Commercial vehicle	9,349	4,168	124.30	9,100	4,089	122.55
Passenger vehicle	5,046	1,567	222.02	5,046	1,553	224.92
Truck	4,303	2,601	65.44	4,054	2,536	59.86
Total vehicles	2,147,892	2,001,036	7.34	2,194,010	2,017,095	8.77

By regions

Vehicle types	Domestic sales (units) Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)	Overseas sales (units) Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)
Passenger vehicle	2,120,739	1,975,480	7.35	17,804	21,388	–16.76
Sedans	972,337	804,920	20.80	14,187	19,305	–26.51
MPV	78,168	37,614	107.82	75	0	–
SUV	1,070,234	1,132,946	–5.54	3,542	2,083	70.04
Commercial vehicle	9,349	4,156	124.95	0	12	–
Passenger vehicle	5,046	1,555	224.50	0	12	–
Truck	4,303	2,601	65.44	0	0	–
Total vehicles	2,130,088	1,979,636	7.60	17,804	21,400	–16.80

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

3. **New energy vehicle business**

Production capacity of new energy vehicles

During the reporting period, new energy vehicles and GAMC shared the same production line.

Sales of new energy vehicles

	Sales volume (units)			Production volume (units)		
Vehicle types	**Total number for the year**	**Total number for last year**	**Changes in sales volume compared with the corresponding period last year (%)**	**Total number for the year**	**Total number for last year**	**Changes in production volume compared with the corresponding period last year (%)**
Passenger vehicle	20,006	5,246	381.36	19,956	5,756	346.70

Income and subsidies for new energy vehicles

Unit: '0,000 Currency: RMB

Vehicle types	**Income**	**Subsidy for new energy vehicle**	**Ratio of subsidy (%)**
Passenger vehicle	233,402	64,220	27.51

VII. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

Nil.

VIII. ANALYSIS OF MAJOR SUBSIDIARIES AND ASSOCIATES

GAC Honda, GAC Toyota and GAMC are the key joint ventures and subsidiaries of the Group. During the reporting period, the three companies integrated their respective positions in their operations with the trend of development of the industry, speeded up the release of products, optimised product structures, and actively adopted a series of effective measures, so as to achieve a significant increase in the sales of vehicles and effectively drive the growth of operation results of the Group. Among that:

The production and sales of GAC Honda were 750,706 units and 741,377 units, representing increases of 5.66% and 5.16% as compared with the corresponding period of last year; operating income was RMB97.85342 billion, representing an increase of 6.35% as compared with the corresponding period of last year;

The production and sales of GAC Toyota were 599,352 units and 580,008 units, representing increases of 36.47% and 31.11% as compared with the corresponding period of last year; operating income was RMB83.72451 billion, representing an increase of 38.62% as compared with the corresponding period of last year;

The production and sales of GAMC were 550,474 units and 535,168 units, representing increases of 7.45% and 5.23% as compared with the corresponding period of last year; operating income was RMB55.69916 billion, representing an increase of 2.06% as compared with the corresponding period of last year.

IX. STRUCTURED ENTITIES UNDER THE CONTROL OF THE COMPANY

Nil.

X. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(1) Industry layout and trend

Under the interaction between multiple factors such as industry development, industry policy and economic situation, industry competition is becoming increasingly fierce; the automobile industry is accelerating its transformation and upgrade; the industry layout is to be adjusted, and the growth of demand is slowing down. In 2019, the industry is forecasted to have a high probability of zero or even negative growth. The automobile industry's development layout and trend will present the following characteristics:

1. The impacts brought about by the implementation of China VI Emission Standard

Beijing, Tianjin, Guangzhou, Shenzhen, Hangzhou, Shandong and other regions have announced the early implementation of China VI Emission Standard. Although a buffer period has been provided in some regions to give enterprises time for adjustment to absorb the inventory of vehicles satisfying China V Emission Standard and switch to new vehicles satisfying China VI Emission Standard, it still will bring tremendous management pressure to enterprises.

2. Acceleration of industrial transformation and upgrade

The level of product intellectualisation will improve rapidly. Intelligent vehicle has become a highland for industry development. In 2030, the penetration rate of L3 and above automatic driving may reach 27% and the penetration rate of connected vehicles will reach nearly 100% in China. Layout of shared mobility will speed up. Geely and SAIC have taken down the time-share rental car and online car hailing markets. Intelligent mobility will become a new lifestyle in the future. Policies such as the liberalisation of foreign share proportion and the reduction of tariffs will force Chinese automobile enterprises to speed up internationalisation. Chinese automobile enterprises will accelerate their exploration and development of the global market.

3. The development of new energy vehicles will become the biggest highlight

The new energy vehicle market will continue to be popular. The dual-point, exemption from car license and plate number restriction, vehicle purchase tax exemption, vehicle and ship tax reduction or exemption and other policies will maintain rapid growth in the market.

(2) Corporate development strategy

During the period of the "13th Five-year Plan", the Group will adhere to the development principle of "internal collaborative innovation and external open cooperation", complete one goal, consolidate five major segments, highlight one key point and achieve three breakthroughs. The one goal is to achieve automobile production capacity of 3 million vehicles, capacity utilisation rate of 80% and become an advanced automobile group by the end of the "13th Five-year Plan" period. Strength in five segments, R&D, whole vehicle, auto parts, commercial service and financial service, will be consolidated. The one key point is to develop self-developed brand with all strength and make strides in self-developed brand development. We will strive to make major breakthroughs in electrification, internationalisation and connected vehicles.

For the future, the Group has put forward its vision and mission for development in the new stage: "In 2027, which marks the 30th anniversary of the establishment of the Company, the Group will strive to become one of the world's top 100 enterprises. In 2037, which marks the 40th anniversary of the establishment of the Company, the Group will strive to become a world-class enteprise with global competitiveness".

(3) Operational plan

In 2019, the Group's work policy is: continue to follow the guidance of Xi Jinping's thought on socialism with Chinese characteristics for a new era, thoroughly implement the spirit of the 19th CPC National Congress and the important speeches delivered by President Xi Jinping, particularly his speeches during his inspection of Guangdong. In the face of the severe and complex situation, we must be responsible, adhere to the general tone of seeking improvement in stability, continue to strengthen independent R&D capabilities, and comprehensively improve the quality of development. We will actively carry out the "Double Hundred Actions" reform and increase the vitality of development. We will consolidate the enterprise's basic capabilities, continue to improve our product power, marketing power, execution power. We will accelerate the development of electrification, intellectualisation, internationalisation, sharing and digitalisation, and promote industrial transformation and upgrade. We would strengthen our confidence, overcome difficulties, increase revenue, reduce expenditure, reduce costs and increase efficiency, spare total effort to complete the annual mission and target, strive to create a new situation for the stable and healthy development of GAC Group.

In 2019, the Group, together with its joint ventures and associated companies, will strive to realise an 8% year-on-year growth in sales volume and launch 14 new and re-modelled models, further improve the product structure and comprehensive competitiveness, including 6 self-developed brand models: GAC Trumpchi's GM6 and upgraded GA6, re-modelled GS8, upgraded GS4, GAC New Energy's Aion S and pure electric exclusive class-B SUV, as well as 7 joint venture models: GAC Honda's modified Vezel, Hybrid Odyssey. GAC Toyota's upgraded Levin (including HEV), Levin PHEV, new EV; GAC FAC Jeep Commander PHEV, and re-modelled Renegade.

The main operational measures are as follows:

1. Seek improvement in stability, and ensure high quality development. Perfect the evaluation method of the operational plan, vigorously increase income and reduce expenditure, lower cost and improve efficiency.

2. Focus on resources, comprehensively improve product power. Promote the reform of product line, perfect the full lifecycle planning and management system of three types, including the brand-new, mid change and model year, strengthen the autonomous R&D of key core auto part technology, comprehensively strengthen quality control, and try to create more star products.

3. Work hard to expand the market despite adversity. Establish the customer-focused marketing system, perfect the marketing system and system reform, and speed up the construction of the special service system and marketing digital transformation.

4. Focus on reform and promote it vertically and deeply. Deeply promote the reform proposal of "Double-Hundred Actions", keep promoting the reform of corporate professional manager, expand the reform of mixed ownership and employee shareholding, vigorously promote the reform of three systems, including labor, personnel and distribution, and establish the scientific examination and evaluation mechanism.

5. Make efforts precisely, and enhance the acceleration of five variations. Concentrate on resources to create the new energy competitive products, and enhance the technical advantage of new energy products. Fully promote the construction of GAC Zhilian New Energy Automotive Industrial Park, boost the R&D of key technology and system of intelligent connection, and speed up promoting the implementation of mobile mobility project. Make use of the policy of Guangdong-Hong Kong-Macao Greater Bay Area and "One Belt One Road", and steadily promote internationalisation.

6. Innovation-driven, and develop the new situation of self development. Strengthen the construction of R&D ability by focusing on the core competitiveness, establish the synergistic mechanism of research-production-marketing, and ensure the healthy development of self-developed brand.

7. Expand openness, and promote the cooperation improvement. Promote the joint ventures to implement the mid-term and long-term development, speed up promoting the joint ventures to bring in the new energy models of self-developed brand. Carry out cross-field cooperation, and actively promote openness and cooperation in the industry chain.

8. Continue to ensure the work of uncorrupted employment, safety, comprehensive administration and family planning.

(4) Possible risks

1. Risks of the industry

(1) Risks of fluctuation of macro environment

The automobile industry is mostly influenced by the domestic overall economic development level. The speed of economic growth will stimulate or inhibit automobile consumption; In addition, out of the economic globalisation, the automobile industry is also influenced by the international macro environment and the international situation. In particular, the uncertainty of Sino-US trade friction in recent years further aggravates the impact on the automobile industry, and the above combined effect in various aspects had led to decline in the production and sales of automobile industry in China in 2018 for the first time in 28 years. In the future, the automobile consumption demand will continue to be influenced by factors such as the domestic macroeconomic policy, adjustment of industry structure and international political and economic environment.

(2) The competition in the industry is increasingly fierce

Although the production and sales volume this year declined for the first time in 28 years, yet since 2009 when our country became the top automobile sales country in the world with the sales volume of 13.64 million new vehicles, the sales volume of our country has recorded over 28 million units and has been the top one in the world for ten consecutive years. In face of the abundant market opportunities, multiple vehicle enterprises focus on the domestic market, implement or formulate the capacity expansion plan. There is fierce competition between the joint ventures and local enterprises, foreign brands and self-developed brands, vehicles with similar emission and new and old vehicle models.

(3) Risks of industrial reform

Under the backdrop of the energy shortage and enhanced environmental protection awareness, technical R&D of new energy vehicles is becoming the focus of the automobile enterprises and the orientation of automobile technical reform. Intelligent network-connection and automatic driving technology help expand people's understanding of vehicle beyond the traditional mobile tools and utility pattern; Internet car manufacturing is also challenging the previous commercial mode of the industry.

Influenced by the national policy, the sales volume of new energy vehicles may be lower than expected. Under the trend of the gradually downgrading subsidy policy, if the cost of core parts such as "three-electrics" cannot match with the subsidy downgrade amplitude, it would necessarily lead to an increase in the cost for automobile enterprises and a drop in product competitiveness.

2. *Operational risks*

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

The Group established close relationship of cooperation with international partners such as Honda, Toyota, FCA, Mitsubishi and Hino. Joint venture enterprises established with such partners had a significant influence on the operational results of the Company. The Company continued to nurture self-developed capabilities and accumulate core technologies. In September 2010, the Company succeeded in developing the first self-developed brand of passenger vehicle, Trumpchi. After years of development, the Company gradually came up with many different models such as sedans, SUV and MPV, as well as succeeded in releasing "star" models such as GS4, GS8, GS7 and GM8, obtaining recognition from vast consumer base and self-developed brand series thus rose to form a triangular landscape with Japanese series, European and American series. Judging from the current situation, the Group's operating results tend to be more susceptible to the influence of the joint ventures such as GAC Honda, GAC Toyota, GAC FCA and GAC Mitsubishi. If there are fluctuations in the financial positions and the operational results of the joint ventures, the financial position and the operational results of the Group may be subject to adverse effects.

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

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

(3) Risks of ability to continuously launch popular products

The ability to continue to release products that will be popular in the market directly affects the sales of products and the operational results of the Group. The Group needs to continuously and timely improve the existing products and develop and introduce new products in response to the market demand, so as to consolidate its position in the market and increase share in the targeted segment markets. In the recent two years, the Group and the joint venture enterprises released a number of competitive new models in the market, such as Trumpchi GS4, GS8, GAC Honda Avancier, GAC Honda Vezel, GAC Toyota

Highlander, GAC FCA JEEP Cherokee, JEEP Compass and GAC Mitsubishi Outlander, which motivated the steady growth of the overall sales. If we fail to continuously develop and produce competitive products in the future and fail to achieve certain level of market share within a reasonable time to form the economies of scale, then we may not be able to achieve the planned operational goals, and cause adverse effects to the business, financial positions and the operational results of the Group.

3. *Risks of policies*

(1) Risks of product recall

In recent years, China has been stricter with the automobile industry in product quality and quantity regulations and technical standards. The Ordinance for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理條例》) came into effect on 1 January 2013, which amended and supplemented the Regulations for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理規定》) pursuant to which automobile manufacturers are required to provide repair services and recall. The Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理、更換、退貨責任規定》) came into effect on 1 October 2013, which specifies the liability of repair, exchange and return of household automotive products. According to the statistics released by the National Quality Supervisory and Inspection Bureau (國家質量監督檢驗檢疫總局), in recent years, the number of recalled vehicles significantly increased. In 2018, there were 195 recalls of defective automobiles. The recalled defective automobiles totaled 12,432,000 units. If the products of the Group are recalled, the sales and results of the Company may be adversely affected.

(2) Risks of adjustments to vehicle consumption policies

The long length of the industry chain of the automobile industry exerts an apparent impact on boosting the economy. It is a pillar industry in the national economy, and is also an industry operating with a higher degree of market mechanism with intense competition. Especially with the adjustment to vehicle consumption policies, such as the implementation of the Measures for the Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) which requires the automobile enterprises to make adjustments and a reasonable layout to product structure to fulfill the requirements of Double Points Measure, which as a result, will surely increase the risk of operation of enterprises.

Moreover, with increasing pressure on urban transportation, more cities also promulgated policies to control the total number of vehicles and such policies may have certain negative impact on the local automobile consumption. In the future, the government may also carry out further adjustment to the automobile consumption policy, which may have a relatively large impact on the production and consumption of the automobile market.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The audit committee of the Company comprised three independent non-executive directors, namely Mr. Leung Lincheong (Chairman), Mr. Lan Hailin and Mr. Wang Susheng. Their main responsibilities include supervising annual audit and internal audit system, financial information and disclosure thereof of the Company. The audit committee has mainly reviewed the quarterly, interim and final results and evaluated on internal control system. The audit committee has also reviewed the results and financial statements of the Group for the year ended 31 December 2018.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Nil.

DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2018 of RMB0.28 per share (Total dividend for 2018: RMB0.38 per share) (Total dividend for 2017: RMB0.53 per share). The proposed final dividend for the year is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. Details of the annual general meeting, the arrangement for closure of register of members and dividend payment date will be announced later.

DEFINITIONS

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

"associated companies" or "associated enterprises"	all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
"Board"	the board of directors of the Company
"China Lounge Investments"	China Lounge Investments Limited, a wholly-owned subsidiary incorporated in Hong Kong
"Company" or "GAC"	Guangzhou Automobile Group Co., Ltd.（廣州汽車集團股份有限公司）
"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 BYD"	Guangzhou GAC BYD New Energy Passenger Vehicle Co., Ltd.（廣州廣汽比亞迪新能源客車有限公司）, an associated company incorporated on 4 August 2014 under PRC law by the Group and BYD Company Limited, and the Group holds 49% of its equity interest
"GAC Capital"	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary incorporated in April 2013 under PRC Law
"GAC Commercial"	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law
"GAC Component"	GAC Component Co., Ltd. (廣汽零部件有限公司) (formerly known as Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司)), a wholly-owned subsidiary incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries

"GAC 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 jointly controlled entity 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 Commercial as to 90%, 5% and 5% respectively
"GAC Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a jointly controlled entity incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd.
"GAC 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 jointly controlled entity incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd.
"GAC Mitsubishi"	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a jointly controlled incorporated on 25 September 2012 under PRC law held by the Company and Mitsubishi Motors Corporation
"GAC New Energy"	Guangzhou Automobile New Energy Automobile 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 Times"	GAC Times Energy Battery System Co., Ltd(廣汽時代動力電池系統有限公司), which was incorporated in December 2018 and funded by the Company, GAC New Energy and Ningde Times and jointly owned by the Company and GAC New Energy as to 51%
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
"GAC Toyota"	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a jointly controlled entity incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company

"GAC Toyota Engine"	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004 under PRC law by the Group and Toyota Motor Company, and the Company holds 30% of its equity interest
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which the Company has proprietary rights
"GAMC"	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
"Group" 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) (formerly known as Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司)), a subsidiary incorporated on 7 June 2006 under PRC law, in which the Company accumulatively (directly and indirectly) holds 75.1% equity interest
"Honda (China)"	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), was formerly an associated company incorporated by the Company, Honda Motor Co. Ltd. and Dongfeng Motor Company on 8 September 2003 under PRC law, and the Company holds 25% of its equity interest; GAC Honda acquired 100% of its equity interest in October 2018 and it became a wholly-owned subsidiary of GAC Honda
"joint venture, joint enterprise, jointly controlled entity"	joint venture companies under direct or indirect joint control, and the direct or indirect joint control causes no participating party to have any unilateral control power over the economic activities of that jointly controlled entity
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 the Company, China First Automobile Works Group and Toyota Motor Company in July 2007, and the Company holds 25% of its equity interest
"Urtrust Insurance"	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a subsidiary incorporated on 8 June 2011 under PRC law, and in which the Group directly and indirectly holds a total of 60% equity interest
"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊一本田摩托(廣州)有限公司), a jointly controlled entity jointly established in 1992 by the Company, Honda Motor Co. Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which each company holds 50% equity interest

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

Guangzhou, the PRC, 29 March 2019

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.