广汽集团 GAC GROUP | 匠于心 品于行 CRAFTED BY THE DRIVEN

Guangzhou Automobile Group Company Limited
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

Annual Report 2018


匠于心　品于行
CRAFTED BY THE DRIVEN

Important Notice

1. **The Board, supervisory committee and the directors, supervisors and senior management of the Company warrant the authenticity, accuracy and completeness of the information contained in the annual report and there are no misrepresentations, misleading statements contained in or material omissions from the annual report for which they shall assume joint and several responsibilities.**

2. **All directors of the Company have attended meeting of the Board.**

3. **PricewaterhouseCoopers issued an unqualified auditors' report for the Company.**

4. **Zeng Qinghong, the person in charge of the Company, Feng Xingya, the general manager, Wang Dan, the person in charge of accounting function and Zheng Chao, the manager of the accounting department (Accounting Chief), represent that they warrant the truthfulness and completeness of the financial statements contained in this annual report.**

5. **The proposal for profit distribution or conversion of capital reserve into shares for the reporting period as considered by the Board**

   The Board proposed payment of final cash dividend of RMB2.8 per 10 shares (tax inclusive). Together with the cash dividend of RMB1.0 per 10 shares (including tax) paid during the interim period, the ratio of total cash dividend payment for the year to net profit attributable to the shareholders' equity of listed company for the year would be approximately 35.66%.

6. **Risks relating to forward-looking statements**

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

7. **No appropriation of funds of the Company by the controlling shareholder or its related parties for non-operational activities**

8. **There are no guarantees granted to external parties by the Company without complying with the prescribed decision-making procedures**

Contents

CHAPTER 1

Definitions

I DEFINITIONS

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

"Articles of Association"	the articles of association of the Company, as amended from time to time
"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)
"Company Law"	Company Law of the PRC
"CSRC"	China Securities Regulatory Commission
"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 Changfeng"	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co., Ltd. (湖南長豐汽車製造股份有限公司)), a company incorporated in November 1996 under PRC law, in which the Company currently holds 100% equity interest
"GAC Commercial"	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law
"GAC Component"	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 (HK)"	Guangzhou Auto Group (Hong Kong) Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of GAIG
"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 entity incorporated on 25 September 2012 under PRC law 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
"GAIG"	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), which was a state-owned enterprise incorporated on 18 October 2000, and is the controlling shareholder of the Company
"GAMC"	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
"GAMC Hangzhou"	Guangzhou Automobile Group Motor (Hangzhou) Co., Ltd (廣州汽車集團乘用車(杭州)有限公司) (formerly known as GAC Gonow Automobile Co., Ltd (廣汽吉奧汽車有限公司)), incorporated on 8 December 2010 under PRC law, which is 100% owned by GAMC, a wholly-owned subsidiary of the Company
"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 directly and indirectly holds a total of 75.1% equity interest
"Honda (China)"	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), 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 held 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 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
"SSE Listing Rules"	the Rules Governing the Listing of Shares on the SSE as amended from time to time
"Securities Law"	Securities Law of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUV"	sports utility vehicle
"SZSE"	the Shenzhen Stock Exchange
"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－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

CHAPTER 2

Chairman's Statement

Dear shareholders,

On behalf of the Board, I am pleased to present the 2018 annual report of the Company for your review.

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!

Zeng Qinghong
Chairman

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 SZSE 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!

CHAPTER 3

Corporate Information and Major Financial Indicators

I. CORPORATE INFORMATION

Chinese name of the Company	廣州汽車集團股份有限公司
Chinese abbreviation	廣汽集團
English name of the Company	GUANGZHOU AUTOMOBILE GROUP CO., LTD.
English abbreviation	GAC GROUP
Legal representative	Zeng Qinghong

II. CONTACT PERSON AND CONTACT METHOD

Secretary to the Board/Company Secretary

Name	Sui Li
Address	GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou
Telephone	020-83151008
Facsimile	020-83150319
E-mail	xul@gac.com.cn

III. BASIC INFORMATION

Registered office address of the Company	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Postal code of the Company's registered office address	510030
Office address of the Company	GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou
Postal code of the Company's office address	510623
Principal place of business in Hong Kong	Room 808, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Company's website	www.gac.com.cn
E-mail	ir@gac.com.cn
Investor hotline	020-83151139 Ext. 3

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing the annual report	www.sse.com.cn
Website designated by Stock Exchange for publishing the annual report	www.hkex.com.hk
Place of inspection of the annual report of the Company	22/F, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou

V. INFORMATION ON THE COMPANY'S SHARES

Information on the Company's Shares			
Class of shares	Stock Exchange of listing shares	Stock abbreviation	Stock code
A shares	SSE	GAC GROUP	601238
H shares	Stock Exchange	GAC GROUP	02238

VI. OTHER RELEVANT INFORMATION

Auditors (PRC standard)	Name:	BDO China Shu Lun Pan Certified Public Accountants LLP
	Business address:	4th Floor, 61 Nanjing East Road, Huangpu District, Shanghai
	Name of signatory Accountants:	Wang Yichu, Li Jiajun
Auditors (Hong Kong standard)	Name:	PricewaterhouseCoopers
	Business address:	22/F, Prince's Building, Central, Hong Kong
	Name of signatory Accountants:	Zee, Ho Sum
Sponsor performing continuous supervisory duty during the reporting period	Name:	China International Capital Corporation Limited
	Business address:	27th Floor & 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Signing representative of sponsor:	Zhou Jiaqi, Long Liang
	Period of continuous supervision:	17 November 2017 to 31 December 2018
H share registrar of the Company	Name:	Tricor Investor Services Limited
	Address of the registrar:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

VII. DIFFERENCE IN ACCOUNTING DATA UNDER DIFFERENT ACCOUNTING STANDARDS

The differences in net profits and net assets attributable to the shareholders of the Company in accordance with overseas financial reporting standards and PRC Accounting Standards are set out as follows:

Unit: 0'000 Currency: RMB

	Net profits attributable to the shareholders of the Company		Net assets attributable to the shareholders of the Company	
	Current period	Last period	End of period	Beginning of period
In accordance with PRC Accounting Standards	1,090,265	1,078,622	7,654,983	6,937,024
Adjusted items and amounts under overseas financial reporting standards:				
(1) Amortisation of equity investment difference	0	0	4,501	4,501
(2) Difference in accounting treatment of the reversal of impairment of non-current assets	0	0	901	901
(3) Staff and workers' bonus and welfare fund included in profit allocation as current cost and expenses items	-305	-425	0	0
(4) Difference in accounting treatment of the government reallocation compensation	0	22,270	0	0
In accordance with overseas financial reporting standards	1,089,960	1,100,467	7,660,385	6,942,426

Financial statements of the Group for the year 2018 prepared in accordance with the Hong Kong Financial Reporting Standards have been audited by PricewaterhouseCoopers.

CHAPTER 4
Summy of Business

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) Passenger vehicles are mainly manufactured 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), 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.

Automobile 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, cities, 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 company Tong Fang Logistics in the upstream and downstream of the automobile industrial chain, the Company carries 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 is 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 are whole vehicle accessories of the Group.

5. Financial segment

The Group provides financial investment, insurance, insurance broker, financial lease, automobile credit, and other related services mainly through its subsidiaries, namely China Lounge Investments, GAC Capital, Urtrust Insurance, GAC Finance, 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 was 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 was 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 MPVs 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 both achieved 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% which 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.

CHAPTER 5

Operation Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

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.

II. 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 and spare parts, the increase in receivables of insurance business, and the increase in input tax of value-added tax to be credited 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 a decrease from approximately 1.76 times as at 31 December 2017, and quick ratio was approximately 1.48 times, representing a decrease 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.

III. 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	550,500 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

Notes:

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 to 20,000 units/year;

4. GAC Mitsubishi with increased production capacity of 100,000/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)			Production volume (units)		
	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	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 type	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 type	Income	Subsidy for new energy vehicle	Ratio of subsidy (%)
Passenger vehicle	233,402	64,220	27.51

IV. MATERIAL INVESTMENT

During the reporting period, the Group did not hold any material investment.

V. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

During the reporting period, the Group did not have any material acquisitions and disposal of subsidiaries, associated companies or joint ventures.

VI. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

Nil

VII. 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.

VIII. STRUCTURED ENTITIES UNDER THE CONTROL OF THE COMPANY

Nil

IX. DISCUSSION AND ANALYSIS ON 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 various joint venture models, such as 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 etc.

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 labour, 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.

CHAPTER 6

Significant Events

I. PROPOSED PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR CONVERSION OF CAPITAL RESERVES

(I) Formulation, implementation and adjustments of cash dividend policy

During the reporting period, the Group has strictly complied with the requirements of the Articles of Association and the dividend distribution plan for shareholders (2018-2020) of Guangzhou Automobile Group Co., Ltd. During the reporting period, profit distribution for the year of 2017 and profit distribution plan for the interim period of 2018 were implemented, among which the criteria and proportion of cash dividend were clear, and the related decision-making procedures and mechanisms were complete and in compliance with the regulations. Independent directors performed their duties diligently and expressed their independent opinions.

(II) Schemes or plans for profit distribution for ordinary shares and conversion of capital reserve into shares in the last 3 years (including the reporting period)

Unit: Thousand Yuan Currency: RMB

Dividend Year	Number of bonus shares issued for every 10 shares (share)	Dividends paid for every 10 shares (yuan) (tax inclusive)	Number of shares transferred to share capital for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to the holders of the ordinary shares of the Company in the consolidated financial statements during the year	Percentage of the net profit attributable to the holders of the ordinary shares of the Company in the consolidated financial statements (%)
2018	0	3.8	0	3,886,913	10,899,603	35.66
2017	0	5.3	4	3,786,853	11,004,671	34.41
2016	0	3.0	0	1,946,024	6,287,542	30.95

Note: The Company proposes to distribute final dividend for 2018 of RMB0.28 (tax inclusive) in cash for every share to registered shareholders on the share record date. Due to the effect of the conversion of convertible bonds into shares and the exercise of share options, the total amount of dividend actually distributed shall be determined based on the total share capital on the share record date. The amount of dividend shown in the above table was temporarily calculated based on the total share capital of 10,233,724,617 shares of the Company on 28 February 2019 and the total amount of final dividend would be RMB2,865,442,892.76. As interim dividend of RMB1,021,469,986.6 were distributed in 2018, a total dividend of RMB3,886,912,879.36 would be distributed in 2018.

(III) Reserves available for distribution to shareholders

According to the Articles of Association, the distributable reserves of the Company are based on the profit after taxation determined pursuant to the Generally Accepted Accounting Principles of the PRC and Hong Kong Financial Reporting Standards (whichever is lower). As at 31 December 2018, the Company's reserves available for distribution to shareholders amounted to RMB15,654,324,000 (2017: RMB14,184,211,000).

II. PERFORMANCE OF UNDERTAKINGS

(I) The undertakings by the ultimate controllers, shareholders, related parties, purchasers of the Company, the Company and other relevant parties during the reporting period or subsisting during the reporting period

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
Undertaking in connection with refinancing	Shares with trading moratorium	GAIG	Within 6 months from the resolution announcement date of the 33rd meeting of the 4th session of the Board (being 1 November 2016) to the completion of the non-public issuance of the Company, GAIG and other companies under its control will not reduce their shareholdings in the Company by any way, nor are there any plans to reduce shareholdings in the Company.	1 November 2016 – 16 May 2018	Yes	Yes
	Shares with trading moratorium	Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. (廣州匯垠天粵股權投資基金管理有限公司), Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司), Guangzhou Finance Holdings Assets Management Co., Ltd. – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣州金控資產管理有限公司－廣金資產財富管理優選3號私募投資基金), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Suiyong Holdings Co., Ltd. (穗甬控股有限公司)	The A shares of the Company subscribed under the non-public issuance and the Company's shares held on the basis of this subscription for A shares as a result of the Company's distribution of stock dividends and capitalisation of shares after the completion of issuance shall not be directly or indirectly transferred within 36 months from the completion date of issuance.	17 November 2017 – 16 November 2020	Yes	Yes
Other commitments to the medium and small shareholders of the Company	Dividends	The Group	Provided that the profit and cash of the Company is sufficient for the continuous operation and long term development of the Company, the profit distributed in cash in each of the years between 2018 and 2020 shall be no less than 10% of the distributable profit realised in such year, whereas the cumulative profit distributed in cash for the three consecutive years shall be no less than 30% of the average distributable profits realised in these three years. Articles of Association: Profit distributed in cash shall be no less than 10% of the distributable profit realised in such year.	2018-2020	Yes	Yes

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
	Non-Competition	GAIG	(1) Directly or indirectly do or participate in (or assist in doing or participating in) any business or activities which compete or may compete with the principal business of the Company in any manner (including but not limited to investment, merger and acquisition, forming associates, joint venture, cooperation, partnership, trust, underwriting, operating lease, acquisition of equity or joint stock), whether solely or jointly with other parties, in the PRC or overseas; (2) support any person other than promoters of the Company or subsidiaries of the promoters to do or participate in any business which competes or may compete with the principal business of the Company in any manner in the PRC or overseas; (3) intervene in any business or activities which compete or may compete with the principal business of the Company by other means (whether directly or indirectly), provided that the above undertaking shall not be applicable where GAIG or its subsidiaries (other than the Company and its subsidiaries) acquire or hold for investment purpose not more than 5% interest in other company listed on an internationally recognised stock exchange whose principal business competes or may compete with the principal business of the Company; or where GAIG or its subsidiaries or investee company hold not more than 5% interest in a third party whose principal business competes or may compete with the principal business of the Company as a result of the debt restructuring of third parties; (4) if GAIG or its subsidiaries (other than the Company and its subsidiaries) come across any new business opportunity which competes or may compete with the principal business of the Company, it shall immediately inform the Company in writing, and shall use its best endeavours to procure such business opportunity be first offered to the Company or its subsidiaries on fair and reasonable terms and conditions. The Company shall, within 30 days from receiving the aforesaid notification, notify GAIG or its subsidiaries (other than the Company and its subsidiaries) in writing whether or not the Company or its subsidiaries intend to take up the aforesaid business opportunity. Upon receiving notification from the Company that it intends to take up such opportunity, GAIG or its subsidiaries shall refer such business opportunity to the Company or its subsidiaries; (5) if the Company or its subsidiaries decide not to take up such business opportunities for any reason, upon receiving notification from the Company of such intention or the Company fails to respond in writing to GAIG or its subsidiaries within the said 30-day period, GAIG or its subsidiaries (other than the Company and its subsidiaries) may operate such new business on its own; (6) in the future, when GAIG or its subsidiaries (other than the Company and its subsidiaries) operate such new business which competes or may compete with the principal business of the Company pursuant to paragraph (5) above, or due to adjustments in national policies or other force majeure or unexpected events, such that competition in the same business occurs or becomes inevitable, GAIG or its subsidiaries (other than the Company and its subsidiaries) shall offer an option to the Company or its subsidiaries, pursuant to which the Company or its subsidiaries shall have the right to acquire any equity, asset and other interest in the competing business from GAIG or its subsidiaries in accordance with statutory processes in one or multiple tranches, or the Company or its subsidiaries may elect to operate assets or businesses in the competing business by way of entrusted operation, operating lease or underwriting operation in accordance with statutory processes, provided that the relevant laws and regulations of the PRC and the listing rules of the relevant stock exchange then in force are complied with.	Long-term	Yes	Yes

(II) Explanation on whether the Company has achieved its profits forecast in relation to assets or projects, if there is any profits forecast in relation to the Company's assets or projects, and the reporting period is within the profits forecast period

Nil

III. APPROPRIATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

N/A

IV. APPOINTMENT OR DISMISSAL OF ACCOUNTANTS

	Currently appointed
Name of domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of domestic accounting firm	RMB930,000
Audit years of domestic accounting firm	10 years
Name of overseas accounting firm	PricewaterhouseCoopers
Remuneration of overseas accounting firm	RMB2,950,000
Audit years of overseas accounting firm	8 years

	Name	Remuneration
Internal control auditor	BDO China Shu Lun Pan Certified Public Accountants LLP	RMB370,000

Explanation on appointment and dismissal of accounting firms

As considered and approved at the 70th meeting of the 4th session of the Board and the 2017 annual general meeting of the Company, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP and PricewaterhouseCoopers as auditors of the Company for the year 2018 and re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP as the internal control auditor of the Company for the year 2018.

Change of accounting firm during the auditing period

Nil

V. DESCRIPTION OF RISKS OF SUSPENSION OF LISTING

Nil

VI. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

N/A

VII. MATERIAL LITIGATIONS AND ARBITRATIONS

Nil

VIII. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ULTIMATE CONTROLLERS AND PURCHASERS AND RELEVANT RECTIFICATIONS

N/A

IX. DESCRIPTION OF INTEGRITY OF THE COMPANY AND ITS SHAREHOLDERS AND ACTUAL CONTROLLERS DURING THE REPORTING PERIOD

Nil

X. SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER SHARE INCENTIVES OF THE COMPANY AND THEIR IMPACTS

A-share option

A-share option represents the right granted to a participant by the Company to acquire certain number of A shares of the Company at a pre-determined price and conditions within a particular period of time. The source of the underlying shares shall be the ordinary A shares to be issued by the Company to the participants.

2014 First A Share Option Incentive Scheme

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talented individuals, fully mobilise the enthusiasm of the directors, senior management and other core businesses, technical and management key personnel of the Company, and bond the interests of shareholders, the Company and individual operators together effectively, making all parties to attend to the long-term development of the Company, the A share option incentive scheme (the "**First Share Option Incentive Scheme**") was formulated and passed at the first extraordinary general meeting of 2014 of the Company held on 19 September 2014. The participants include the directors, senior management and other core businesses, technical and management key personnel during the Company's implementation of the First Share Option Incentive Scheme.

As at 19 September 2014, the exercise price of the A share options was RMB 7.6 per share. The closing price of the A shares of the Company immediately prior to the date of grant of the A share options was RMB8.37 per share.

On 19 September 2014, the Company granted A share options to all participants. On 19 September 2017, the second exercise period for the First Share Option Incentive Scheme commenced. As of 18 September 2018, options amounting to a total of 17,639,735 A shares have been exercised and the registration of shares transfer have been completed, accounting for 99.03% of the total exercisable A share options for the second exercise period. For details, please refer to the "Announcement on the Results on the Exercise Results of the Second Exercise Period of the Share Option Incentive Scheme and the Cancellation of some of the Option" disclosed on the websites of SSE and the Stock Exchange on 21 September 2018 (Announcement No.: Lin 2018-078). On 19 September 2018, the third exercise period for the First Share Option Incentive Scheme commenced. As of 31 December 2018, options amounting to a total of 17,797,606 A shares have been exercised and the registration of shares transfer have been completed, accounting for 77.36% of the total exercisable A share options for the third exercise period. For details, please refer to the "Announcement on the Results on the Conversion of Convertible Bonds into Shares and the Exercise Results of the Third Exercise Period of the Share Option Incentive Scheme and the Changes in Shares" disclosed on the websites of SSE and the Stock Exchange on 3 January 2019 (Announcement No.: Lin 2019-002).

The First Share Option Incentive Scheme shall be effective for 10 years, and in principle, certain number of A share options will be granted to participants every two years. The scheme shall be effective for 5 years from the date of grant of the A share options. Total number of securities issuable under the First Share Option Incentive Scheme (i.e. 56,024,200 shares) represented approximately 0.55% of the total issued shares of the Company as at 31 December 2018. The vesting period represents the period from the grant of the A share options to the exercise date of the A share options. The vesting period of the share options granted under the First Share Option Incentive Scheme is 24 months. If the conditions of exercise under the scheme are fulfilled on the exercise date, participants shall exercise their share options in different periods within 36 months after expiry of the 24-month period from the date of grant.

The exercise period and the exercise arrangements in each stage are as follows:

Exercise arrangements	Exercise period	Exercise proportion
First exercise	Commencing from the first trading day after expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant	1/3
Second exercise	Commencing from the first trading day after expiry of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant	1/3
Third exercise	Commencing from the first trading day after expiry of the 48-month period from the date of grant and ending on the last trading day of the 60-month period from the date of grant	1/3

The participants shall complete the exercise of share options during the validity period. If the conditions of exercise are not fulfilled, the share options for that period shall not be exercised. If the conditions of exercise are fulfilled but not all of the relevant share options for that period have been exercised, such portion of the share options shall be cancelled by the Company.

2017 Second A Share Option Incentive Scheme

In order to further refine the corporate governance structure of the Company, facilitate the establishment and improvement of incentive systems of the Company, fully mobilise the enthusiasm, sense of responsibility and sense of mission of the directors, senior management and other key personnel in core technology, business and management of the Company, and effectively bond the interests of shareholders, the Company and individual operators, making all parties to attend to and jointly strive for the long-term development of the Company, the second A share option incentive scheme (the "**Second Share Option Incentive Scheme**") was formulated and passed at the 2017 second extraordinary general meeting and the 2017 first class meetings for holders of A and H shares of the Company held on 18 December 2017. A total of 403,335,400 A share options were granted to 2,358 participants upon the Company's implementation of the initial grant under the Second Share Option Incentive Scheme on the same date and the registration of grant was completed on 9 February 2018. The participants under the initial grant pursuant to the Second Share Option Incentive Scheme include the directors (excluding independent directors), senior management and other management personnel and core technical (business) key personnel of the Company having direct impact on the operation results and development of the Company. Participants eligible for the grant of reserved options shall include core talents of the Company's new energy and intelligent network business or other management and technical personnel having significant impact on the Company's operation and development, who should be introduced or promoted. The aforesaid personnel shall be considered and approved by the Board and shall be confirmed within 12 months after consideration and approval of the Second Share Option Incentive Scheme at the shareholders' meetings and shall not duplicate any participant under the initial grant.

As at 18 December 2017, the exercise price of the A share options was RMB28.40 per share. The closing price of the A shares of the Company immediately prior to the date of grant of the Second Share Option Incentive Scheme was RMB24.06 per share.

On 17 December 2018, the Company granted an aggregate of 62,336,900 A share options, being the share options reserved for grant under the Second Share Option Incentive Scheme, to 457 eligible participants to subscribe for a total of 62,336,900 A shares. The exercise price was RMB10.61 per A share and would be adjusted in accordance with the relevant requirements under the Second Share Option Incentive Scheme in the event of conversion of capital reserve into shares, bonus issue, subdivision, right issue or consolidation of shares of the Company which had taken place prior to any exercise. The closing price of the A shares of the Company immediately prior to the date of grant of the Second Share Option Incentive Scheme was RMB10.49 per share.

The Second Share Option Incentive Scheme shall be effective for 10 years. Total number of securities issuable under the Second Share Option Incentive Scheme (i.e. 450,451,400 shares) represented approximately 4.40% of total issued shares of the Company as at 31 December 2018. The vesting period of the A share options granted under the Second Share Option Incentive Scheme is 24 months. If the conditions of exercise under the scheme are fulfilled on the exercise date, participants shall exercise their A share options in different periods within 36 months after expiry of the 24-month period from the date of grant.

The exercise arrangements in each stage of the A share options under initial grant are as follows:

Exercise arrangements	Exercise period	Exercise proportion
First exercise	Commencing on the first trading day after expiry of the 24-month period from the date of initial grant and ending on the last trading day of the 36-month period from the date of grant	1/3
Second exercise	Commencing on the first trading day after expiry of the 36-month period from the date of initial grant and ending on the last trading day of the 48-month period from the date of grant	1/3
Third exercise	Commencing on the first trading day after expiry of the 48-month period from the date of initial grant and ending on the last trading day of the 60-month period from the date of grant	1/3

The exercise arrangements in each stage of the reserved A share options to be granted are as follows:

Exercise arrangements	Exercise period	Exercise proportion
First exercise	Commencing on the first trading day after expiry of the 24-month period from the date of grant of reserved share options and ending on the last trading day of the 36-month period from the date of grant	1/3
Second exercise	Commencing on the first trading day after expiry of the 36-month period from the date of grant of reserved share options and ending on the last trading day of the 48-month period from the date of grant	1/3
Third exercise	Commencing on the first trading day after expiry of the 48-month period from the date of grant of reserved share options and ending on the last trading day of the 60-month period from the date of grant	1/3

The participants shall complete the exercise of share options within the validity period. If the conditions of exercise are not fulfilled, the A share options for that period shall not be exercised. If the conditions of exercise are fulfilled but not all of the relevant share options for that period have been exercised, such portion of the A share options shall lapse automatically and shall be cancelled by the Company.

Relevant information regarding the above mentioned share option incentive schemes is set out in note 23 to the consolidated financial statements. The calculation of the value of A share option is based on various assumptions of the parameters used in note 23 to the consolidated financial statements and there are limitations in the models adopted. Therefore, the calculated value of A share option may be subjective and subject to uncertainties.

For details of A-share options granted to directors and senior management, please refer to the paragraph titled "Share options granted to directors and senior management during the reporting period" under Chapter 10 – "Profiles of Directors, Supervisors, Senior Management and Employees" of this report. Details of A-share options granted to other participants are set out in the following table:

Currency: RMB

Name	Position	Number of A-share options held at the beginning of the reporting period	Number of new A-share options granted during the reporting period	A-share options exercisable during the reporting period	Shares issued upon exercise of A-share options during the reporting period	Exercise price of A-share options (RMB)	Number of A-share options held at the end of the reporting period
The First Share Option Incentive Scheme							
/	Middle level and other core businesses, technical and management key personnel (508 people in total)	20,731,064	0	20,731,064	15,521,197	4.48	5,209,867
The Second Share Option Incentive Scheme							
/	Middle level and other core businesses, technical and management key personnel (2,348 people in total)	395,975,400	0	0	0	19.88	554,365,560
The Second Share Option Incentive Scheme reserved for grant							
/	Middle level and other core businesses, technical and management key personnel (457 people in total)	0	62,336,900	0	0	10.61	62,336,900

Notes:

1. The actual gains of exercise under the First Share Option Incentive Scheme shall not exceed 40% of the total remuneration level (including gains of share option incentives) of participants in principle. All participants undertake that, if the price of shares is so high during the validity period that it causes the actual gains of share option incentives exceeding the aforesaid proportion, the excess portion shall belong to the Company.

2. The participants of the First Share Option Incentive Scheme do not take part in share option incentive schemes of two or more listed companies. Major shareholders or controllers who hold 5% or more of the shares or their spouse, immediate or close relatives do not take part in the scheme.

3. All participants must be employed by the Company pursuant to employment contracts during the appraisal period of the Second Share Option Incentive Scheme and no participants are retired staff re-employed by the Company. The above participants do not include substantial shareholders or controllers of the Company who individually or jointly hold 5% or more of the shares, or their spouse, parents or children.

4. The aggregate number of share options to be granted to any of the above participants under the First Share Option Incentive Scheme and the Second Share Option Incentive Scheme and held throughout the validity period does not exceed 1% of the total A share capital of the Company.

5. During the reporting period, due to the implementation of profit distribution, 4 shares were issued for every 10 shares to all shareholders by way of conversion of capital reserve. The number of options increased accordingly and the exercise price was adjusted accordingly as well.

XI. MATERIAL CONNECTED TRANSACTIONS

1. Certain categories of related party transactions as disclosed in note 40 to the consolidated financial statements, including (i) sales of goods (sales of automotive parts and steels, sales of passenger vehicles and sales of production facility), (ii) rendering of labour and insurance services, (iii) purchases of goods (purchases of automotive parts and materials and purchases of passenger vehicles), (iv) rental received from related parties and (v) rental paid to related parties, include transactions which also constituted connected transactions under the Listing Rules.

2. Transactions under the Listing Rules

(A) Transactions in relation to principal joint ventures

At the time of listing of the Company, the Stock Exchange granted a conditional waiver from strict compliance with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial joint ventures. The Company is required to review whether the immaterial joint ventures met the conditions in the waiver on a yearly basis. For the 2018 financial year, the principal joint ventures of the Company were GAC Toyota, GAC Honda, GAC-SOFINCO and GAC FCA.

(B) Continuing connected transactions

For the year ended 31 December 2018, GAC Group and its associates (as defined in the Listing Rules) had entered into the following continuing connected transactions:

1. Provision of transport and logistic services in respect of vehicle products and vehicle parts and components

(a) For the year ended 31 December 2018, the Company, its subsidiaries and the principal joint ventures (including GAC Toyota and GAC Honda) (collectively, the "Group") separately provided transport and logistic services (the "Logistic Services") in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal joint ventures (including Toyota and Honda) and their associates (collectively, the "JV Partner Group") according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

In determining the prices of the services, the payment received by the service provider from the service recipient for the Logistic Services was paid according to the prices stated in the contract determined with reference to the prevailing prices of the same type of services in the market.

For the year ended 31 December 2018, the total amount of the Logistic Services provided by the Group to the JV Partner Group was RMB327,009,268.

In relation to the transactions, the directors consider that the annual cap requirement under the Listing Rules shall not be imposed. The provisions of the Logistic Services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.

Any growth in demand for vehicle manufactured by the principal joint ventures or the joint venture partners will necessarily result in increased transaction volumes for the Logistic Services. Such growth is outside the control of the Company and difficult to predict. If the unpredictable growth exceeds the annual caps imposed, the transport and logistic services have to be stopped, which in turn will hold up the manufacturing activities and the delivery of vehicle products, until the requirements of announcement and/or shareholders' approval under Chapter 14A of the Listing Rules are complied with.

The directors consider that the imposition of annual caps on such transaction is not in the interest of the Group. Therefore, the Company has applied to the Stock Exchange for and was granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions. The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant joint ventures and would not be in the interest of the Company or the relevant joint ventures.

(b) For the year ended 31 December 2018, the JV Partner Group separately provided transport and logistic services (the "JV Partner Logistic Services") in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal joint ventures (including GAC Toyota and GAC Honda) and their associates according to the following pricing terms on a regular basis. The Company's principal joint ventures purchase raw materials, parts and components from the relevant joint venture partners and also sell some of the products to the relevant joint venture partners. The relevant joint venture partners would provide transport and logistic services to complete the processes. Such service will continue during the term of the joint ventures.

On 22 January 2016:

(i) GAC Toyota Logistics Co., Ltd. (廣汽豐田物流有限公司) ("GAC Toyota Logistics") (as the service provider) of the JV Partner Group entered into an agreement in writing (the "Framework Agreement of JV Partner") with GAC Business and Hunan GAC Shun Jie Logistics Co., Ltd. (湖南廣汽順捷物流有限公司) of the Group, so as to continue with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

(ii) GAC Toyota Logistics (as the service provider) of the JV Partner Group entered into an agreement in writing (the "New Agreement of JV Partner") with GZ Changxin Automobile Sales Co., Ltd.* (廣州長昕汽車銷售有限公司), so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

(iii) Tong Fang Logistics (as the service provider) of the JV Partner Group entered into the Framework Agreement of JV Partner with GAC Toyota and GAC Toyota Automobile Sales Co., Ltd. (廣汽豐田汽車銷售有限公司) of the Group, so as to continue with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

(iv) Guangqi Honda Logistics Co., Ltd. (廣汽本田物流有限公司) (as the service provider) of the JV Partner Group entered into the Framework Agreement of JV Partner with Guangzhou GAC Business Renewable Resources Co., Ltd. (廣州廣汽商貿再生資源有限公司) and GAC Honda of the Group, so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

Pursuant to the Framework Agreement of JV Partner and the New Agreement of JV Partner, all service providers and all service recipients have agreed that, they shall enter into individual agreement(s) in relation to the provision of the Logistic Services of JV Partner within the validity period of the Framework Agreement of JV Partner and the New Agreement of JV Partner based on the terms, conditions and principles of the Framework Agreement of JV Partner and the New Agreement of JV Partner.

The remunerations or service fees charged by all service providers to all service recipients for the Logistic Services are determined according to the prices in the contract determined with reference to (i) the prevailing prices of the same or same type of services in the market provided by independent third parties; and (ii) the volume of the Logistic Services provided to all service recipients. The parties shall compare the prices for the provision of the same or same type of services by independent third parties in respect of the Logistic Services from time to time to ensure that the payment received by all service providers for the Logistic Services shall be the prevailing market price for the Logistic Services. To ensure that products or services are obtained at the most favorable price, the Group will consider the market price for the equivalent services to ensure that the price will remain a reasonable and competitive one prior to selecting the service providers for the Logistic Services, and to ensure that the amount of payment by the Group to the JV Partner Group will not exceed the amount paid to independent third parties. In addition, the Group will determine the relevant price by taking into account the profit margin that can be achieved by the Group to ensure that the price will be set at a level that the Group will be able to generate a profit margin that is within the industry standard or even better.

In view of the above, the Framework Agreement of JV Partner and the New Agreement of JV Partner between the Group and JV Partners were entered into on normal commercial terms that are fair and reasonable and are no less favourable to the Group than those provided by independent third parties to the Group in respect of the Logistic Services.

For the year ended 31 December 2018, the total amount of the consideration paid by the Group for the JV Partner Logistic Services was RMB1,745,667,714.

In relation to the transactions, the directors consider that the annual cap requirement under the Listing Rules shall not be imposed. The provisions of the Transportation and Logistic Services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.

Any growth in demand for vehicle manufactured by the principal joint ventures or the joint venture partners will necessarily result in increased transaction volumes for the Logistic Services. Such growth is outside the control of the Company and difficult to predict. If the unpredictable growth exceeds the annual caps imposed, the transport and logistic services have to be stopped, which in turn will hold up the manufacturing activities and the delivery of vehicle products, until the requirements of announcement and/or shareholders' approval under Chapter 14A of the Listing Rules are complied with.

The directors consider that the imposition of annual caps on such transaction is not in the interest of the Group. Therefore, the Company has applied to the Stock Exchange for and was granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions. The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant joint ventures and would not be in the interest of the Company or the relevant joint ventures.

2. *Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sales services)*

(a) For the year ended 31 December 2018, members of the Group sold raw materials, parts and components and vehicles to the JV Partner Group according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

The Group will take into account market prices of the relevant products and services offered by independent third parties in determining the price of the services to make sure that the price offered to the JV Partner Group are fair and reasonable and on normal commercial terms.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempted from written agreement and annual cap requirements as set out in the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between the contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant joint ventures and would not be in the interest of the Company or the relevant joint ventures.

(b) For the year ended 31 December 2018, members of the JV Partner Group provided the sale of raw materials, parts and components and production equipment to the principal joint ventures according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

In relation to this type of transactions, where there are other local suppliers, members of the Group will obtain quotes for equivalent products or services that may be available from other local PRC suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, the Group would go through a tender process before selecting the supplier for such alternatives. In such a tender process, JV Partner Group is treated no differently from any other third party supplier. Consequently, the purchase of auto parts by Group from the JV Partner Group would not be made if the Group could obtain better terms from any other suppliers. Over time, fewer vehicle products, parts and components will be sourced from the JV Partner Group as cheaper viable alternatives are found in the PRC. Such process of "localisation" is widely regarded as key means of cost reduction in the PRC automotive industry and is also the priority of the principal joint ventures.

As a business reality, given the additional transportation and tax costs of purchasing vehicle products, parts and components and production equipment from a foreign supplier, it is neither in the Company's nor the joint venture partners' interest to purchase the vehicle products, parts and components and production equipment from the foreign joint venture partners if viable alternatives are available from local suppliers on more favourable terms.

In determining the price for the products and/or service, the Company will also consider the market price for equivalent products or services in order to make sure that the price will remain a reasonable and competitive one. However, unlike normal consumer products, some of the vehicle products, parts and components provided by the JV Partner Group are specific to the car models produced by the principal joint ventures and there is no alternative but to source the vehicle products, parts and components from the JV Partner Group for the duration of the relevant principal JV and market prices for these vehicle parts are not readily available. The Company's representatives will rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in determining the price. In order to ensure that the price is fair and reasonable, the Group will also obtain quotes for similar products or services, though not specific to the car models produced by the principal joint ventures, as reference.

The Group will also determine the price by taking into account the profit margin that could be achieved by the Group to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better taking into account the international and PRC benchmark raw materials costs.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements as set out in the Listing Rules, and is only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant joint ventures and would not be in the interest of the Company or the relevant joint ventures.

3. *Provision of technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software)*

For the year ended 31 December 2018, the JV Partner Group provided technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software) to the Group according to the following pricing terms on a regular basis. The Company's joint venture partners are the proprietors of the technology involved in the production of vehicle models manufactured by the principal joint ventures and they are primarily responsible for the research and development of all new models. The provision of technical support by the joint venture partners is to ensure that the latest technology is applied in the manufacturing process of the principal joint ventures and to ensure that the products remain competitive in the market. Such service will continue during the term of the joint ventures.

Generally, the pricing for technology licence and technical assistance between the principal joint ventures and the joint venture partners and their associates is that the party providing the technology should be fairly reimbursed for its research and development costs incurred in respect of a particular vehicle model and such research and development costs should be spread evenly over the entire operations of the party providing the technology and the PRC automotive joint venture should only bear its fair share of such costs.

In accordance with normal industry practice, the terms (including the price) of the technology licenses and transactions relating to technical support are fixed with reference to the expected life cycle of vehicle models, which are generally between 5 and 10 years, and also with reference to the industry benchmark for similar technological assistance. The Company's representatives will also rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in order to determine the price and to make sure that the price remains a reasonable and competitive one. Also the Group (including the principal joint ventures) will also determine the price by taking into account the profit margin that could be achieved by the Group and to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements as set out in the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transaction value between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant joint ventures and would not be in the interest of the Company or the relevant joint ventures.

4. *Provision of the right to use intellectual property (in relation to production and sales of vehicles)*

For the year ended 31 December 2018, the joint venture partners of the principal joint ventures provided the use of intellectual property rights (in relation to production and sales of vehicles) to the principal joint ventures according to the following pricing terms on a regular basis. The right to use intellectual property is key to the long term profitability and competitiveness of the principal joint ventures and their products. The Group entered into several technology licence agreements and trademark licence agreements with the Company's joint venture partners during the track record period in the past. Such agreements will continue during the term of the joint ventures.

The joint venture partners and its associates are primarily responsible for the research and development of the new vehicle models and it is therefore essential for the principal joint ventures to enter into technology licence with its joint venture partners. The relevant intellectual property rights that are specific to the car models produced by the relevant principal joint ventures and are thus fundamental to the production of the Group. Without them, the businesses of the principal joint ventures could not have been established and cannot operate. The Group therefore has no alternative but to source the intellectual property rights from the joint venture partners for the duration of the principal joint ventures. It is therefore standard practice in the PRC automotive industry for sino-foreign automotive manufacturing joint ventures to provide royalties to the proprietor of the relevant technology licence, technological know-how or intellectual property right, which is very often, the joint venture partners.

The purpose of sino-foreign automotive manufacturing joint ventures is that the PRC manufacturer will be able to benefit from the technological expertise and product portfolio of its foreign joint venture partner, whilst the foreign partner is able to participate in the domestic PRC market. The joint venture relationship is therefore founded on the foreign joint venture partner contributing its technological expertise to the joint ventures and the PRC partner contributing its manufacturing capabilities and facilities, labour and local market and regulatory knowledge.

A key reason for the PRC Government's encouragement of sino-foreign automotive manufacturing joint ventures is to rapidly enhance technological and product standards in the PRC automotive industry.

Generally, the pricing principle for technology licence and technical assistance between the principal joint ventures and the joint venture partners and their associates is that the party providing the technology should be fairly reimbursed for its research and development costs incurred in respect of a particular vehicle model and such research and development costs should be spread evenly over the entire operations of the party providing the technology and the PRC automotive joint venture should only bear its fair share of such costs.

In accordance with normal industry practice, the terms (including the price) of the technology licences and transactions relating to technical support are fixed with reference to the expected life cycle of vehicle models, which are generally between 5 and 10 years, and also with reference to the industry benchmark for similar technological assistance. The Company's representatives will also rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in order to determine the price and to make sure that the price remains a reasonable and competitive one. Also the Group (including the principal joint ventures) will also determine the price taking into account of the profit margin that could be achieved by the Group and to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better.

The Company also believes that the primary purpose of international automotive manufacturers in establishing joint ventures with the Company is the establishment of a strong presence in the PRC automotive industry, the gaining of market share for their brand of vehicles and long term investment returns from the principal joint ventures, rather than any short term gains from technology licences, intellectual property rights and technical support services carried out on terms which may be prejudicial to the principal joint ventures' long term profitability and competitiveness. Such short term gains would be eclipsed by the potential losses to the joint venture partners if the principal joint ventures were to prove unsuccessful.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements set out in the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant joint ventures and would not be in the interest of the Company or the relevant joint ventures.

(C) Control Mechanism

In relation to the connected transactions between the Company and its subsidiaries on one hand and the joint venture partners and their associates on the other hand as described above, negotiations will be conducted by the Company and/or the relevant subsidiary directly on an arm's length basis and the Company is able to control the negotiations between the subsidiaries and the joint venture partners and/or their associates. The joint venture partners and/or their associates will not be in a position to influence the Company and/or its subsidiaries to agree to terms which may not be in its and the Company's interest.

In relation to the connected transactions between the principal joint ventures on the one hand and the joint venture partners and their associates on the other hand as described in paragraphs 2 to 4 above, it is provided under the respective joint venture agreements, articles of association and memoranda of the principal joint ventures that negotiations between the principal joint ventures and the joint venture partner and its associates should always be conducted directly by the relevant principal joint ventures' senior management nominated by the Company on behalf of the Company or by representative of the Company as a joint venture partner and will thus be conducted on an arm's length basis. No joint venture partners or their associates is in a position to influence the principal joint ventures to agree to terms which may not be in the principal joint ventures' and therefore the Company's interest. The Company also confirms that negotiations of transactions between the principal joint ventures and the relevant joint venture partners were all conducted by the relevant principal joint ventures' senior management nominated by the Company.

Also, the principal joint ventures have implemented internal control and reporting mechanisms which enable business developments and transactions that may be subject to applicable continuing obligations under Chapter 14A of the Listing Rules to be reported to their respective boards and/or designated persons enabling both the Company and its relevant joint venture partners, through representatives on the board of the relevant principal joint ventures and/or designated persons to decide whether to consent to and approve the relevant transactions.

Further, there are also established procedures under the respective joint venture agreements, articles of association and memoranda of the principal joint ventures that the entering into of any contract of material importance/material transaction with a joint venture partner and its associates shall either be approved by a majority of the directors present at the board meeting or be mutually agreed/signed off by the general manager and the deputy general manager of the relevant principal joint ventures (as the case may be). It is provided under the respective joint venture agreements, articles of association and memoranda of the principal joint ventures that the Group and the joint venture partner will be entitled to nominate the general manager and deputy general manager respectively in turn and when the general manager is nominated by the Group, the deputy general manager will be nominated by the joint venture partner and vice versa.

(D) Confirmation by the Independent Non-executive Directors

The independent non-executive directors of the Company confirm that for the year ended 31 December 2018, the above continuing connected transactions entered into by the Company as one of the parties are:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

(E) Auditor's Letter

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. Auditor of the Company confirmed in such letter that for the year ended 31 December 2018, in respect of the above continuing connected transaction to which the Company is one of the parties:

(1) nothing has come to their attention that those transactions have not been approved by the Board;

(2) nothing has come to their attention that those transactions did not follow the pricing policy of the Company in all material respects if the transactions involved provision of goods or services by the Company; and

(3) nothing has come to their attention that those transactions were not carried out in accordance with the agreements of such transactions in all material aspects.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trusts, contracts and lease arrangements

1. Trusts

As considered and approved at the 59th meeting of the 4th session of the Board, the Company was entrusted by GAIG, the controlling shareholder, to manage the assets of its wholly-owned subsidiaries, Guangzhou Automobile Industry Group Co., Ltd. (廣州摩托集團有限公司) (which is now renamed as Guangzhou Zhicheng Industry Co., Ltd. (廣州智誠實業有限公司)), Guangzhou Guangyue Assets Administration Co., Ltd. (廣州廣悅資產管理有限公司), and Guangzhou Zifeng Asset Management Co., Ltd. (廣州自縫資產管理有限公司) with a term of 3 years.

2. Contracts and lease arrangements

N/A

(II) Guarantee

Unit: Yuan Currency: RMB

External Guarantee of the Company (excluding those provided to subsidiaries)	
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	0
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	0
Guarantee provided to subsidiaries by the Company and its subsidiaries	
Total guarantee provided to subsidiaries of the Company during the reporting period	218,000,000.00
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)	118,000,000.00
Total guarantee of the Company (including those provided to subsidiaries)	
Total guarantee (A+B)	118,000,000.00
Proportion of total guarantee in the net assets of the Company (%)	0.15

(III) Entrusted cash assets management

1. *Entrusted wealth management*

N/A

2. *Entrusted loans*

Unit: 0,000 Yuan Currency: RMB

Name of the borrower	Amount of Entrusted Loan	Commencement date of entrusted loans	Termination date of entrusted loans	Annualised rate of return	Actual recovery	The amount of provision for impairment (if any)
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	7,000	2016/6/15	2018/6/13	4.35%	Repaid	0
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	8,000	2016/11/22	2018/11/16	4.35%	Repaid	0
GAC Hino	10,000	2017/11/14	2019/11/13	4.35%	Not due yet	0
Angang Guangzhou Auto Steel Co., Ltd.	11,320	2017/12/21	2018/3/2	4.785%	Repaid	0
Huizhou Jinhui Automobile Wire Harness Co., Ltd. (惠州市津惠汽車綫束有限公司)	1,000	2017/6/21	2018/5/22	4.35%	Repaid	0
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	8,000	2018/11/16	2019/11/15	4.35%	Not due yet	0
Huizhou Jinhui Automobile Wire Harness Co., Ltd.	1,000	2018/5/22	2018/12/25	4.35%	Repaid	0
Huizhou Jinhui Automobile Wire Harness Co., Ltd.	60	2018/6/27	2018/12/25	4.35%	Repaid	0
Huizhou Jinhui Automobile Wire Harness Co., Ltd.	940	2018/6/27	2019/6/26	4.35%	Not due yet	0
Harbin Boshi Xinda Automobile Sales Service Co., Ltd. (哈爾濱博實信達汽車銷售服務有限公司)	2,636	2016/12/20	2021/12/20	6.175%	Not due yet	13.18

As at the end of the reporting period, the entrusted loans provided to the associates and joint ventures by the Company amounted to approximately RMB189 million, mainly for providing liquidity to the invested entities on the basis of shareholding percentage.

(IV) Other material contracts

N/A

XIII. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Poverty Alleviation of the Company

1. Planning on targeted poverty alleviation

According to the unified arrangement, during 2016 to 2018, the Group conducted targeted poverty alleviation in Lianyi Village, Baishi Village and Silian Village in Jiubei Town, Lianzhou City, Qingyuan. Adhered to the alleviation concept of "Genuine Poverty Alleviation, Alleviation of Genuine Poverty and Satisfying the Public" and strove to conduct targeted poverty alleviation and elimination with specific plans on households and responsible persons, increase the income of poverty-stricken people and changes to the adverse conditions of poverty-stricken areas were focused so as to ensure that the three said villages would achieve the target of "two no worries, three guarantees and one equivalent" by 2018, i.e. poverty-stricken people in the villages would have no worries about food and clothes with guarantees as to compulsory education, basic medical treatment and housing safety and the major indicators in basic public services would reach a level equivalent to the average level of the whole province.

Firstly, the CPC committee attaches great importance. It established leading group and working institute on three-year crucial work on targeted poverty alleviation during the new stage to strengthen organisation and leadership. Secondly, it guarantees the implementation of responsibilities. It will continue to implement the "1+1+1+2" model in poverty alleviation, namely to ensure one responsible leader for the village, one responsible department at the headquarters, one responsible enterprise and two supporting enterprises for each poverty-stricken villages to conduct targeted poverty alleviation. Thirdly, it increases the injection of funds for poverty alleviation. It guarantees that funds of no less than RMB3.5 million for each village will be injected every year and no less than RMB31.50 million for three years to consolidate the foundation for targeted poverty alleviation. Fourthly, it sets the joint approval model for the use of funds. The funds for poverty alleviation shall be jointly approved by the leaders at the village, the enterprise providing assistance and the Group to ensure the operation of funds for poverty alleviation is regulated and safe . Fifthly, it innovates the ways of activities participation. The poor villages would be the important bases of party members receiving the education of "Learn Two and Be One" and the employees practice the socialist core values. Party members will be teamed up with employees to participate in the assistance pairing activities to create a "great poverty alleviation" layout.

2. *Summary of targeted poverty alleviation during the year*

According to the spirit of the relevant provincial and municipal documents on the work on targeted poverty alleviation and elimination during the new stage, the Group conducted targeted poverty alleviation in three poverty-stricken villages, namely Lianyi Village, Baishi Village and Silian Village in Jiubei Town, Lianzhou City, Qingyuan, for 245 poverty-stricken households with a total of 615 poverty-stricken people. After three years of alleviation, the target of "two no worries, three guarantees and one equivalent" for three poverty-stricken villages was achieved with the organic combination of poverty alleviation and helping and consolidating wisdom. Efforts in stabilising poverty elimination achieved remarkable results. The development foundation of poverty-stricken villages was continuously consolidated, the income of poverty-stricken households increased steadily, and poverty-stricken villages and households benefited from targeted poverty alleviation with their sense of gains further enhanced. As of December 2018, the Group invested RMB42.336 million in total in those poverty-stricken villages and all 245 poverty-stricken households have overcome poverty with disposable income per capita of over RMB11,000, representing an increase of 170% as compared to that of before the alleviation. The village collective income reached approximately RMB300,000.

Four major results were achieved: Firstly, responsibilities were in place. The Group implemented the "1+1+1+2" model in poverty alleviation, namely to ensure one responsible leader for the village, one responsible department at the headquarters, one responsible enterprise and two supporting enterprises for each poverty-stricken villages to conduct targeted poverty alleviation, and to guarantee that funds of no less than RMB3.5 million for each village would be injected every year. Zeng Qinghong, secretary of the CPC Committee and chairman of the Group, Feng Xingya, deputy secretary of the CPC Committee and general manager, Yan Zhuangli, deputy secretary of the CPC Committee and other major leaders have successively led teams to conduct investigations and research in those poverty-stricken villages in Jiubei Town, Lianzhou City, Qingyuan, for 12 times, and convened 13 special meetings, of which 12 special meetings were convened on site to timely summarise, analyse, research and promote the poverty alleviation work of each stage. Secondly, targeted policies were in place. A thorough investigation and identification of genuine poverty, scientifically formulated assistance plans, vigorously implemented industrial projects, and systematically promoted people's livelihood projects. These identified the entry point, improved the accuracy and ensured the effectiveness, especially the processing project of dried bean-curd sticks constructed jointly by the three villages, which would play an import role in increasing the income of the collective poverty-stricken villages and poverty-stricken households. Currently, the project has recruited 45 local employees, 11 of whom were poverty-stricken people. In 2018, the sales income of the project amounted to RMB10.73 million with a proft of RMB1.65 million and profit attributable to every village amounted to RMB100,000. Thirdly, process management was in place. Advanced management model, management instrument and management beliefs of "Humanity, Credibility, Creativity" have been introduced, and project-based management, organised management and standardised management methods have been applied so as to ensure the steady progress of alleviation work. The working group of the Group has led teams to visit poverty-stricken households several times, and responsible enterprises set up specialised working group to investigate, establish archives and filings for each household to achieve targeted poverty alleviation. A total of 615 poverty-stricken people with archives established in Lianyi Village, Baishi Village and Silian Village in Jiubei Town, Lianzhou City, Qingyuan under the targeted assistance of the Group overcame poverty, accounting for 100% of the total poverty-stricken people with archives established. Fourthly, poverty alleviation was facilitated by Party construction. By strengthening the construction of grass-roots Party organisations in rural areas and organising the targeted assistance of enterprise Party organisations, construction the grass-roots Party organisations into an invincible fortress for winning the targeted poverty alleviation and elimination war was aimed. The grass-roots Party organisations of various investment enterprises organised 183 Party members to carry out targeted poverty alleviation and assistance work in Lianzhou during the new period. More than 2,800 Party members participated in the work. The majority of Party members and cadres actively donated money and materials, equivalent to nearly RMB963,500, which made an important contribution to the targeted poverty alleviation work of the Group.

3. *Results of targeted poverty alleviation*

Unit: 0'000 Yuan Currency: RMB

Indicator	Amount and implementation
I. General conditions	
Among which, 1. Funds	1,526.93
2. Amount of materials	38.53
3. Number of people under assistance with archives established who overcame poverty	615
II. Input breakdown	
1. Poverty alleviation through industrial development	
Among which, 1.1 Type of projects for poverty alleviation	Poverty alleviation through agriculture and forestry
	Poverty alleviation through e-commerce
	Poverty alleviation through assets income
1.2 Number of projects for poverty alleviation	7
1.3 Amount of input in projects for poverty alleviation	300.73
1.4 Number of people under assistance with archives established who overcame poverty	547
2. Poverty alleviation through transferring employment	
Among which, 2.1 Amount of input in tranings on vocational skills	1
2.2 Number of people who attended trainings on vocational skills (person/time)	211
2.3 Number of poverty-stricken people with archives established who achieved employment	119
3. Poverty alleviation through relocation	
Among which, 3.1 Number of people who achieved employment after relocation (person)	0
4. Poverty alleviation through education	
Among which, 4.1 Amount of input in subsidising poverty-stricken students	8.3
4.2 Number of poverty-stricken students subsidised (person)	46
4.3 Amount of input made in improving education resources in poverty-stricken regions	125.49
5. Poverty alleviation through better health	
Among which, 5.1 Amount of input made in medical and hygiene resources in poverty-stricken regions	8.8
6. Poverty alleviation through ecological protection	

Indicator	Amount and implementation
7. Guaranteed basic living standard for people unable to work	
Among which, 7.1 Input in assisting left-behind children, women and senior people	0
7.2 Number of left-behind children, women and senior people assisted (person)	0
7.3 Input in assisting poor people with physical disabilities	2.3
7.4 Number of poor people with disabilities assisted (person)	1
8. Social poverty alleviation	
Among which, 8.1 Input in poverty alleviation programs cooperation of the East and West	50
8.2 Input in targeted poverty alleviation programs	0
8.3 Charity funds for poverty alleviation	0
9. Other projects	
Among which, 9.1 Number of projects (projects)	13
9.2 Amount of input	655.27
9.3 Number of people under assistance with archives established who overcame poverty	615
9.4 Explanation for other projects	Assist in construction of street lighting in villages, culture room, beautiful village incentive subsidy, construction of service centre, etc.
III. Awards received (content and level)	Nil

4. *Subsequent targeted poverty alleviation plans*

1. Extend the strict governance of the Party to the grass-roots level in an all-round way. Strengthen the construction of "two teams" of Party members and Party organisation secretaries in rural areas, intensify the training of village Party branch secretaries, guide Party members and cadres in rural areas to build a solid belief foundation, supplement the calcium of spirit, steer the boat of belief, and be uncorrupted; hold the position of Party building in poverty-stricken villages, and strengthen the construction of grass-roots Party organisations in poverty-stricken villages.

2. Strive to build a long-term mechanism for targeted poverty alleviation. Pay more attention to cultivate and enhance the self-development ability of poverty-stricken villages, strengthen self "blood-making" ability, form an interactive model of external diversified assistance and internal self-poverty alleviation, and form a long-term mechanism for targeted poverty alleviation. At the same time, set up a positive incentive mechanism to encourage more people to get rid of poverty and enter to a well-off society through their own hands.

3. Promote an organic link between poverty alleviation and rural revitalisation strategy. The next two years will be a special period for the coexistence and convergence of targeted poverty alleviation and rural revitalisation strategy. Accelerate to improve the weak links in the infrastructure development, strive to promote the construction of road with hard ground, safe drinking water, service centers, kindergartens and other projects, pay attention to strengthening communication with relevant departments at higher levels and village committees, further improve the ecological environment governance and optimise the human living environment. Enhance the sense of acquisition of the villagers and form a benign interactive pattern of mutual support, coordination and organic cohesion between the targeted poverty alleviation and the strategy of rural revitalisation.

The Group will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the rural revitalisation strategy proposed at the Nineteenth National Congress of the Communist Party of the PRC, and resolutely win the fight against poverty, be problem-oriented and focus on the endogenous driving force in the region, pay attention to the combination of poverty alleviation and helping and consolidating wisdom, mobilise the enthusiasm of poverty-stricken households to proactively eliminate poverty, help the public establish confidence in overcoming poverty and building a harmonious and beautiful new village, steadily advance the work of alleviating poverty as well as establish assistance brands with GAC features in performing social responsibilities to demonstrate the good image of the Group and unswervingly win the battle in poverty alleviation.

(II) Fulfillment of Social Responsibility

For details about the fulfillment of social responsibilities by the Company, please refer to the full text of the "2018 Social Responsibilities Report" disclosed on the websites of the Stock Exchange (in form of overseas regulatory announcement) and SSE on 29 March 2019.

(III) Environmental information

Description of environmental protection regulations in relation to key companies and its subsidiaries of pollution emissions as required by the environmental protection department

With the goal of "developing into a public company trusted by the society", the Group always advocates green culture, builds a green supply chain, develops green offices, realises sustainable development and actively performs social responsibility. The Group has adhered to ideals of environmental protection and revolve arousal the goals of energy conservation, consumption reduction, pollution reduction and boosting efficiency. The Group has been dedicated to the development of the business of new energy and energy-efficient and environmentally-friendly vehicles to facilitate intelligent green travel and the green development of the automobile industry. The Group promoted the construction of intelligent, intensive and environmentally-friendly factories, participated in the formulation of industrial standards of energy conservation and emission reduction, improved environmental performance and established itself as an "environmentally-friendly" enterprise and a pioneer of environmental protection.

For details about the policies and measures on the environmental protection of the Group and investee companies, please refer to the full text of the "2018 Social Responsibilities Report" disclosed on the websites of the Stock Exchange (in form of overseas regulatory announcement) and SSE on 29 March 2019.

XIV. INFORMATION ON CONVERTIBLE CORPORATE BONDS

(I) Issuance of convertible bonds

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

(II) Holders and guarantors of convertible bonds during the reporting period

Number of convertible bonds holders at the end of the period	1,280
Guarantors of convertible bonds of the Company	Nil

Conditions of top ten convertible bonds holders are as follows:

Name of convertible bonds holders	Amount of bonds held at the end of the period (RMB)	Holding proportion (%)
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	612,671,000	24.00
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	172,545,000	6.76
China Merchants Bank Co., Ltd. – Dongfanghong Selected Mixed Securities Investment Fund (東方紅配置精選混合型證券投資基金)	140,191,000	5.49
China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu	89,037,000	3.49
Credit Industriel et Commercial	73,882,000	2.89
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of Communications)	72,869,000	2.86
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank)	68,246,000	2.67
UBS AG	64,141,000	2.51
Bank of China Limited-Dongfanghong Huiyang Bond Securities Investment Fund (東方紅匯陽債券型證券投資基金)	60,962,000	2.39
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.)	52,434,000	2.05

(III) Conversion of convertible bonds during the reporting period

Unit: Yuan Currency: RMB

Name of convertible corporate bonds	Before the change	Increase and decrease in the change			After the change
		Conversion	Redemption	Repurchase	
GAC Convertible Bonds	2,553,143,000	864,000	–	–	2,552,279,000

(IV) Accumulated number of shares converted from convertible bonds during the reporting period

Amount of conversion during the reporting period	RMB864,000
Number of converted shares during the reporting period	40,672 A shares
Accumulated number of converted shares	RMB71,853,621
Proportion of accumulated number of converted shares to total shares of the Company in issue before the conversion	1.12%
Amount of unconverted bonds	RMB2,552,279,000
Proportion of unconverted bonds to total convertible bonds in issue	62.17%

(V) Previous adjustments to conversion price

Unit: Yuan Currency: RMB

Date of adjustment of conversion price	Adjusted conversion price	Timing of disclosure	Disclosure media	Information about adjustment to conversion price
21 June 2016	21.87	13 June 2016	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan for 2015 of RMB1.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.99 per A share to RMB21.87 per A share accordingly.
20 October 2016	21.79	12 October 2016	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.8 (tax inclusive) for every 10 shares for the interim period of 2016, the conversion price was adjusted from RMB21.87 per A share to RMB21.79 per A share accordingly.

Date of adjustment of conversion price	Adjusted conversion price	Timing of disclosure	Disclosure media	Information about adjustment to conversion price
21 December 2016	21.75	19 December 2016	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	As the first exercise period of the first A share option incentive scheme of the Company began during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
13 June 2017	21.53	6 June 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan for 2016 of RMB2.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.75 per A share to RMB21.53 per A share accordingly.
14 September 2017	21.43	6 September 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB1 (tax inclusive) for every 10 shares for the interim period of 2017, the conversion price was adjusted from RMB21.53 per A share to RMB21.43 per A share accordingly.
21 November 2017	21.27	20 November 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the non-public issue of 753,390,254 A shares, the conversion price was adjusted from RMB21.43 per A share to RMB21.27 per A share accordingly.
21 December 2017	21.24	20 December 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	As the first exercise period of the first A share option incentive scheme of the Company began during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
12 June 2018	14.86	5 June 2018	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the profit distribution for the year of 2017, pursuant to which cash dividend of RMB4.3 per 10 shares (tax inclusive) was distributed and at the same time 4 shares were issued for every 10 shares to all shareholders by way of conversion of capital reserve, the conversion price was adjusted accordingly.

Date of adjustment of conversion price	Adjusted conversion price	Timing of disclosure	Disclosure media	Information about adjustment to conversion price
17 Septmeber 2018	14.76	6 Septmeber 2018	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB1 (tax inclusive) for every 10 shares for the interim period of 2018, the conversion price was adjusted from RMB14.86 per A share to RMB14.76 per A share accordingly.
7 November 2018	14.74	5 November 2018	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to exercise of share options under the A share option incentive scheme of the Company during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
Latest conversion price as at the end of the reporting period				14.74

(VI) Information on the Company's liability and credit changes as well as the cash arrangement for the future annual debt repayment

As at 31 December 2018, the total asset was RMB132,173,759,399 and the asset-liability ratio was 41.01%. During the reporting period, the credit rating of the Company was AAA without changes. The Company's main sources of cash for debt repayment in the future are operating cash flow and external investment income of the Company.

(VII) Other information of convertible bonds

Nil

XV. AWARDS

(I) Awards won by the Group and its major investees

Subject	Awards won by the Group and its major investees	Organiser/theme
The Company	The Best Listed Company for Golden Lion Award of H Share Listed Company in 2018	Sina Finance
	Automobile Enterprise of 2018	NanDu Media, Nanfang Metropolis Daily, The 17th Oscar Award Ceremony for Automobile
	Outstanding Enterprises of Chinese Brand	Baoao Forum for Chinese Entrepreneurs
	2018 Top 10 Most Popular Guangdong Brands	2018 Most Popular Brands of Guangdong Provinc by Expert Review Committee
	Top 100 Overall Performance Main List in the Top 100 Hong Kong Listed Companies Selection	The Second Hong Kong Listed Company Summit Forum
	2017 Top 100 Most Respected Listed Companies by Investors	China Association for Public Companies
	Best Board of Investor Relations Award for China's Main Board Listed Companies	Tianma Award--The Nineth Election of Chinese Listed Companies for Investor Relations
	2017 Top 10 China's Listed Companies with New Drivers	2017 Caixin Capital Market Achievement Awards
	Top 100 Listed Companies on Main Board and Top 10 Management Team on Main Board of the 12th China's Listed Company Value Forum	Securities Times
	2018 Golden Wing Award-Most Valuable Hong Kong Stock Connect Companies	Securities Times
GAEI	Guangdong Province May 1st labour Prize	Guangdong Provincial Federation of Trade Unions
	Guangzhou Model Family of Staff	Guangzhou Municipal Federation of Trade Unions
GAMC	2018 Guangdong Government Quality Award	Guangdong Provincial Government
	Best Quality of J.D.POWER New Vehicles among Chinese Brands for Six Consecutive Years	J.D.POWER
	China's Demonstration Enterprises of Products and Services Quality and Integrity	China Association for Quality Inspection
	Year of Enterprise of the 13th Southern Automobile Rating List-Golden Wheel Award	Nanfang Daily

Subject	Awards won by the Group and its major investees	Organiser/theme
	Guangzhou Charitable Unit	Guangzhou Charity Federation, Guangzhou Charity Association
	Social Responsibility Green Environmental Protection Award	Xinhuanet/China Social Responsibility Public Welfare Ceremony
	2018 Most Responsible Employer in the selection of China Best Employer	Zhaopin.com
	China Most Healthy Employer from 2018 to 2019	Mercer (China)
	Best Experience Award of Self-developed Brand	China Quality Inspection Magazine/China Mainstream Automobile Market Service Quality Evaluation Index
	Best Practice Award of Green Environmental Protection and Public Welfare	2018 Yixuan Award Ceremony cum the Sixth Session of China Automobile Enterprises Social Responsibility Forum
	China's Automobile Enterprise of 2018	BitAuto Automobile of 2019 Ceremony
GAC Honda	2018 Annual Meeting for China Corporate Social Responsibility-Responsibility Case Award for the Year	Southern Weekly
	Salute New Era • Respected Enterprises for 2017-2018	2018 Annual Meeting of Observers host by the Economic Observer
	2018 Outstanding Corporate Citizen selected by China Committee of Corporate Citizenship	SFCCN, 21st Century Economic Herald
	2018 Demonstration Enterprise for Practicing Consumer First	China Consumer Journal Press, www.ccn.com.cn
	China Automobile (Passenger Vehicles) Enterprise Innovation Top 20 in the Anting Index List	China Automobile Enterprise Innovation Conference
	Joint Venture of China Automobile (Passenger Vehicles) Enterprise Innovation Top 10 in the Anting Index List	China Automobile Enterprise Innovation Conference
GAC Toyota	Top 50 Brands of the Third Session of China Corporate Citizenship Responsibility	China Committee of Corporate Citizenship under China Social Work Federation, Organisation Committee of China Corporate Citizenship Responsibility Brand Summit
	Responsibility Case Award for the Year	The Tenth Session of China Corporate Social Responsibility Annual Meeting
	Responsibility Case Award for the Year	New Weekly

Subject	Awards won by the Group and its major investees	Organiser/theme
	Outstanding Enterprise Award for China Corporate Social Responsibility	2018 China Business News • China Corporate Social Responsibility
	Outstanding Social Responsibility Project of Chinese Enterprises in 2018	China Philanthropy Times
	2018 Outstanding Enterprise Award for Social Responsibility	Xinhuanet
GAC Mitsubishi	China Automobile Quality Award-Quality Responsibility Award for the year	China Automobile Overall Rating Awards
	China Automobile Quality Award-Quality After-sales Service Award	China Automobile Overall Rating Awards
	Best Brand Reputation Award for the Year	Yidianzixun
	Automobile Enterprise for the Year	Xiaoxiang Morning Post, Rednet.com, Tianwen Metro Media
GAC FCA	Class A Enterprise	China Quality Certification Center
	Demonstration Enterprise of Intelligent Manufacturing of Hunan Province	Industry and Information Technology Department of Hunan Province
GAC New Energy	2018 Most Potential New Energy Enterprise of Red Dot Automobile	Cheshi Hongdian
	Most Promising New Energy Enterprise	Red Dot New Energy

(II) Car Models and Other Awards

Car Model	Name of Award	Awarded by
Self-developed and Industrialised Class A SUV Model	First prize for the China Automotive Industry Science and Technology Award	Society of Automotive Engineers of China
Gasoline Engine Efficient Combustion Technology and Product Development	First prize for the Guangdong Province Science and Technology Award	Guangdong Provincial Government
Self-development and Application of Automotive Fastening System based on Forward Development Technology	Third prize for the China Machinery Industry Science and Technology Award	China Machinery Industry Federation/ Chinese Mechanical Engineering Society
Self-development and Application of Automotive Fastening System based on Forward Development Technology	Second Prize of Machinery Industry Science and Technology Award in Guangdong Province	Guangdong Mechanical Engineering Society/Guangdong Machinery Industry Association
GAC Trumpchi Sanjiangyuan Project	2017 Public Welfare Project Award-Sanjiangyuan Project	7th China Charity Festival
GAC Trumpchi GS8	Vehicle of the Year of the 13th session of Southern Automobile Rating List-Golden Wheel Award-Trumpchi GS8	Nanfang Daily
GAC Trumpchi GM8	MPV Award of the 13th session of Southern Automobile Rating List-Golden Wheel Award-Trumpchi GM8	Nanfang Daily
GAC Trumpchi GS7	Most Popular Mid-sized SUV	Auto QQ
GAC Trumpchi GS7	Best Breakthrough SUV	Sina Auto
GAC Trumpchi GS4	CCPC Single Gold Award of the Year (Fuel Efficiency)	China Automotive Technology & Research Center
GAC Trumpchi GM8	MPV of the Year	Sina
GAC Trumpchi Brand	TTA Fashion Brand Breakthrough of 2019	Tencent
GAC Trumpchi GM6	Charming MPV of 2018	QCTT
GAC Trumpchi GS5	Most Influential Self-developed SUV of 2018	Baidu
GAC Trumpchi GM6	Most Followed Self-developed MPV of 2018	Baidu
GAC Trumpchi GS3	Popular SUV of the Year	Auto Market Online
GAC Trumpchi GS5	GAC Trumpchi GS5-National Top 10 SUV of 2019	BitAuto
GAC Trumpchi GM8	MPV of 2019 Wisdom•New National Automobile Award-Trumpchi GM8	BitAuto-Autoreport.cn
GAC Trumpchi GS8	Vehicle of the Year of the 13th session of Southern Automobile Rating List-Golden Wheel Award	Nanfang Daily
GAC Trumpchi GM8	Most Anticipated MPV Award of the 13th session of Southern Automobile Rating List-Golden Wheel Award	Nanfang Daily
GAC New Energy AION S	Rookie Award of Customised Pure Electric Automobile with Ultra-long Life Battery	Hurun Report
GAC New Energy GE3	New Energy Prize of the Fifth Xuanyuan Award in 2018	Auto Business Review
GAC Honda Accord Sport Hybrid	New Energy Automobile Loved by Consumers in the China Automobile Consumption List	China Consumer Journal Press

Car Model	Name of Award	Awarded by
GAC Honda Avancier	Medium-and-Large-sized SUV Loved by Consumers in the China Automobile Consumption List	China Consumer Journal Press
GAC Honda City	Ranking first in the medium-sized basic sedans of IQS	J.D.Power 2018 IQS Research
GAC Acura CDX SPORT HYBRID	Most Popular Hybrid Automobile Model of the Year	2018 Automobile Selection of New Generation Automobile Media Alliance
GAC Acura ALL NEW RDX	Luxury Car of the Year	China New Mainstream Media Automotive Alliance 2018 China Automobile Overall Rating Awards
GAC Honda Accord Sport Hybrid	Golden Engine Award Ceremony of 2018 China Automobile Finance Meeting	21st Century
GAC Honda Accord Sport Hybrid	Award Ceremony for China Popular Automobile Model of 2018	Information Times
GAC Honda Accord	2019 Netease New Automobile Overall Rating Awards	Netease
GAC Honda Accord	2018 Wise Choice Automobile Award	Auto 360 & XCAR
GAC Honda Accord	Middle-and High-end Vehicle of the Year-Accord	NEWS CHINA
GAC Honda Accord Sport Hybrid	Hybrid Automobile Model of the Year-the 10th Generation Accord Sport Hybrid	Sina Auto
GAC Honda Fit	Small-sized Automobile of the Year-GAC Honda Fit	Sohu Auto
Guangqi Honda Everus VE-1	Top 10 Chinese New Energy Automobile Model of 2018-Guangqi Honda Everus VE-1	Diandong bang
GAC Honda Accord Sport Hybrid	Automobile Model of Joint Venture Brand of the Year-the 10th Generation Accord Sport Hybrid	Auto QQ
GAC Honda Accord Sport Hybrid	Automobile of the Year-the 10th Generation Accord Sport Hybrid	XCAR
GAC Honda Accord Sport Hybrid	New Energy Automobile of the Year-Accord Sport Hybrid	QCTT
GAC Honda Crider	Selection of Automobile of 2018	Auto Focus
GAC Toyota Camry	Middle-and High-end Vehicle of the Year	China Mainstream Automobile TVs Alliance
GAC Toyota Camry	Most Followed Sedan of Joint Venture Brand of 2018	Baidu Car
GAC Toyota Camry	Sedan of Domestic (Joint Venture) Brand of the year, Vehicle of 2019	Sina
GAC Toyota Camry	Best-selling Middle-and High-end Sedan of the Year	Nanfang Metropolis Daily
GAC Toyota Camry	Best Middle-and High-end Vehicle of the Year	Guangzhou Daily & Dayoo
GAC Toyota Camry	New Vehicle of the Year	Economic Observer
GAC Toyota C-HR	City SUV of the Year	China Mainstream Automobile TVs Alliance
GAC Toyota C-HR	SUV of the Year with Fashionable Design	Sohu
GAC Toyota C-HR	Compact SUV of the Year	Netease
GAC Toyota C-HR	Most Followed SUV of the Year	Guangzhou Daily & Dayoo
GAC Toyota C-HR	Most Fashionable SUV of 2018	Global Automobile Media
GAC Toyota Levin	Most Followed Compact Sedan of Joint Venture Brand of 2018	Baidu Car
New Jeep Compass	Professional SUV of the Year	Nanfang Daily
New Jeep Compass	Most Followed SUV of Joint Venture Brand	Chinaautonews.com.cn

Car Model	Name of Award	Awarded by
New Jeep Compass	Outstanding Family SUV of the Year	Global Automobile Media
New Jeep Compass	Best Compact SUV	Sina-2018 Vehicle of Sina
GAC FCA JEEP Grand Commander	Medium-and-Large-sized SUV of the Year	China New Mainstream Media Automotive Alliance-Award Ceremony of 2018 China Automobile Overall Rating Awards
GAC FCA JEEP Grand Commander	Best Engine of the Year	xinchepin.com-Award Ceremony of 2018 Top 10 Automobile Models
GAC FCA JEEP Grand Commander	SUV of the Year	Guangzhou Daily-2018 China (Guangzhou) Automobile Overall Rating Awards
GAC FCA JEEP Grand Commander	Vehicle of the Year with Surging Power	Nanfang Metropolis Daily-2018 the 16th Session Oscar Award for Automobile
GAC FCA JEEP Grand Commander	Hunting Vehicles•Best Engine of 2018	National Business Daily-the 10th Session of China Hunting Vehicles List
GAC FCA JEEP Cherokee	New Vehicle of 2018 for Travelling	Economic Observer
GAC FCA JEEP Cherokee	SUV of 2018 with the Best Reputation	Dazhong Kanche
GAC FCA JEEP Cherokee	Valuable SUV of 2018	QCTT
GAC Mitsubishi Eclipse Cross	Most Popular New Vehicle of the Year	New Mainstream Media Automotive Alliance, New Generation Automobile Media Alliance
GAC Mitsubishi Eclipse Cross	Metropolis SUV of the Year	Netease
GAC Mitsubishi Eclipse Cross	Fashionable SUV of 2018	Global Automobile Media
GAC Mitsubishi Eclipse Cross	Hunting Vehicles•Most Fashionable SUV of 2018	National Business Daily
GAC Mitsubishi Eclipse Cross	SUV of Joint Venture Brand of the Year with the Best Reputation	Cover News, Western China City Daily, XCAR, CDMS
GAC Mitsubishi Eclipse Cross	Best SUV of Joint Venture Brand	Sina
GAC Mitsubishi Eclipse Cross	Most Popular New Vehicle of the Year	Shanghai Morning Post
GAC Mitsubishi Eclipse Cross	Popular SUV of the Year	Auto Market Online
GAC Mitsubishi Eclipse Cross	Automobile Model of 2018 with the Best Reputation	dazhongkanche.com
GAC Mitsubishi Outlander	China Automobile Quality Award for Compact SUV	China Automobile Overall Rating Awards
GAC Mitsubishi Outlander	High-value SUV of the Year	12gang.com
GAC Mitsubishi Outlander	Best City SUV of 2018	Information Times
GAC Mitsubishi Outlander	Metropolis SUV of 2018	Youth Daily
GAC Mitsubishi Qizhi EV	2019 China Top 10 New Energy Vehicle Award	Autoreport.cn

CHAPTER 7

Report of the Directors

The Board is pleased to submit the report of the directors together with the audited consolidated financial statements for the year ended 31 December 2018.

DIRECTORS AND SUPERVISORS

The details of the directors and supervisors of the Company for the year are set out in the paragraph titled "CHANGES IN SHAREHOLDING AND REMUNERATION" under Chapter 10 – "Profiles of Directors, Supervisors, Senior Management and Employees" of this report. Such section forms part of this report of the directors.

PRINCIPAL ACTIVITIES

Information of the principal activities of the Company for the year is set out in Chapter 4 – "Summary of Business" of this report. Such section forms part of this report of the directors.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged appropriate liability insurance cover for its directors and relevant management personnel during the reporting period.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into during the year.

BUSINESS REVIEW

1. Business performance, principal risks and uncertainties and future development

The discussion on the business performance, principal risks and uncertainties and future development of the Group, as well as the analysis of financial key performance indicators of the Group are set out in Chapter 5 – "Operation Discussion and Analysis" of this report. Such sections form part of this report of the directors.

2. Significant events subsequent to the reporting period

Significant events of the Group subsequent to the reporting period are set out in note 41 to the consolidated financial statements. Such section forms part of this report of the directors.

3. Environmental policies and performance

The Group always adheres to the development concept of green development, energy conservation and emission reduction and considers environmental protection as an important task for enterprises. The Group strictly complies with various environmental laws and regulations, adheres to the scientific development concept as guidance, strengthens the responsibility system for environmental protection targets, and increases efforts in energy conservation and emission reduction, actively promotes energy conservation and emission reduction from technical innovation, production organisation and daily management. The environmental protection facilities are in normal, stable and continuous operation with satisfactory treatment results. No major environmental pollution incidents occurred.

The Group strictly abides by various environmental protection laws and regulations stipulated by the Government and strictly controls all kinds of pollutants generated. The Group strictly implements the environmental impact assessment system and the "Three Simultaneous" system during the project construction (the environmental protection facilities must be designed, constructed and commenced operation with the construction project simultaneously).

In order to conscientiously implement the national environmental protection and safety laws and regulations, ensure timely control after unexpected environmental incidents, prevent the spread and pollution of major accidents, effectively organise post-incident relief and rescue, and protect the personal safety of employees and the safety of the Company's properties, pursuant to the relevant documents such as the National Environmental Emergency Plan, and the actual situation of the enterprise, in line with the principle of "focus on prevention, focus on self-help, unified command, division of labour", the Group has prepared corresponding emergency plans for unexpected environmental incidents, and notified the relevant environmental protection departments. The Group organises regular publicity and training within the enterprise and annual emergency drills and reviews which would improve the ability of enterprises to respond to unexpected environmental pollution accidents and prevent and control the occurrence of environmental pollution accidents effectively.

In order to consciously fulfill the obligations to environmental protection, the Group actively accepts social supervision, and develops self-monitoring programs in accordance with the requirements of national construction regulations and standards. All the monitoring results have met the standard.

4. Laws and regulations that have a significant impact on the Company

The Company strictly complies with domestic and overseas laws and regulations and industrial standards such as the Listing Rules, the SSE Listing Rules, the SFO, the Company Law, the Securities Law and the Regulations on the Supervision and Administration of Securities Companies.

5. Key relationships

Information regarding the Company's key relationships with its employees, customers and suppliers is set out in the paragraph titled "EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR SUBSIDIARIES" under Chapter 10 – "Profiles of Directors, Supervisors, Senior Management and Employees" and in the paragraphs titled "Sale to major customers" and "Major suppliers" under Chapter 5 – "Operation Discussion and Analysis" of this report.

INTERESTS OF DIRECTORS AND SUPERVISORS

During the period and at the end of the Company's financial year, there were no arrangements whose objects are, or one of whose objects is, to enable directors and supervisors of the Company to acquire benefits in shares or debentures of, the Company or any other body corporate.

DONATIONS

Details of charitable and other donations made by the Group during the year are set out in the paragraph titled "FULFILLMENT OF SOCIAL RESPONSIBILITY" under Chapter 5 – "Operation Discussion and Analysis" of this report.

ISSUE OF SHARES

During the reporting period, as a result of conversion of A share convertible bonds, exercise of share options granted under the share option incentive schemes and conversion of capital reserve into shares of profit distribution, an aggregate of 2,939,073,421 A shares were increased.

ISSUE OF DEBENTURES, BONDS AND OTHER DEBT SECURITIES

The Company did not issue any debentures, bonds or other debt securities during the year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year. For the information of the equity-linked agreements entered into by the Company in prior financial years, please refer to the paragraph titled "SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER STAFF INCENTIVES OF THE COMPANY AND THEIR IMPACTS" under Chapter 6 – "Significant Events" of this report.

DIVIDENDS

During the year, an interim dividend of RMB0.10 per share (2017: RMB0.10) (tax inclusive) was distributed, totalling approximately RMB1,021,469,986.6 (2017: approximately RMB650,072,000). The Board recommends to distribute a final dividend of RMB0.28 per share (2017: RMB0.43) (tax inclusive) for the year ended 31 December 2018, totalling approximately RMB2,865,442,892.76 (2017: approximately RMB3,136,172,000).

REASONS FOR RESIGNATION

The Board received the resignation letter from Mr. Liao Chongkang ("**Mr. Liao**") on 9 November 2018. Due to personal work changes, Mr. Liao has resigned as a supervisor of the supervisory committee, which was effective from 9 November 2018. According to the relevant requirements under the Company Law and the Articles of Association, the number of members of the supervisory committee will not fall below the minimum statutory requirement due to the resignation of Mr. Liao as supervisor, and the normal operation of the supervisory committee will not be affected. Mr. Liao has confirmed that he has no disagreement with the Board and/or the supervisory committee and there are no other matters relating to his resignation that need to be brought to the attention of the shareholders of the Company.

Save as disclosed above, during the year, no director or supervisor of the Company resigned or refused to stand for re-election in respect of which the Company had received a notice in writing from such director or supervisor specifying that the resignation or refusal is due to reasons relating to the affairs of the Company (whether or not other reasons are specified).

DIRECTORS' AND SUPERVISORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director or a supervisor and a connected entity of a director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Guangzhou, the PRC, 29 March 2019

CHAPTER 8

Report of the Supervisory Committee

During the reporting period, the supervisory committee conducted its work with the spirit of holding itself accountable to all shareholders and duly performed its various duties and obligations. All members of the supervisory committee participated in the discussion in respect of the major operation decisions of the Company, and supervised the financial conditions and lawful operation of the Company and performance of directors and senior management according to law, through attending supervisory meetings, general meetings and Board meetings etc., in accordance with the Company Law, the Securities Law, the Listing Rules and the SSE Listing Rules and other laws and regulations and the requirements of the Articles of Association, which enhanced the internal control and standardised operation of the Company.

Supervisory committee was of the view that during the reporting period, the standardised operation of the Company was strictly in compliance with relevant laws and regulations such as the Listing Rules and the SSE Listing Rules and internal control systems such as the Articles of Association, while the directors and senior management of the Company performed their duties diligently and in compliance with the PRC laws and regulations, the Articles of Association and the system, and effectively safeguarded the interests of the Company and its shareholders. The work of the supervisory committee during the year is reported as follows:

(I) THE COMPOSITION AND CHANGES OF THE SUPERVISORY COMMITTEE

Due to the expiry of term of office of the 4th session of the supervisory committee, the re-election of members of the 5th session of the supervisory committee was considered and approved at 28th meeting of the 4th session of the supervisory committee and 2018 first extraordinary general meeting. The 5th session of the supervisory committee will comprise seven supervisors, namely Ji Li, Chen Tian, Liao Chongkang, Wang Junyang, Jiang Xiuyun, He Jinpei and Wang Lu. Ji Li will be chairman of the supervisory committee, and Jiang Xiuyun, He Jinpei and Wang Lu will be staff representatives. The term of office of this session of the supervisory committee is from 23 August 2018 to 22 August 2021.

On 9 November 2018, due to personal work changes, Mr. Liao Chongkang had tendered the resignation as a supervisor of the 5th session of the supervisory committee of the Company,

(II) BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2018

Supervisory committee was of the view that the Board duly performed its operation in strict compliance with the requirements under the laws and regulations including the Company Law, the Articles of Association, the Listing Rules and the SSE Listing Rules etc. during the reporting period. By actively grasping the market opportunities, coping with transformation of the overall economic environment scientifically and overcoming the unfavorable situation that the production and sales volume of the industry experienced annual decrease for the first time in 28 years, with joint efforts of all staffs, the Group recorded excellent performance in its growth rate which was approximately 10% higher than the average growth rate of the industry, and the steady growth in overall operation business was realised with excellent achievement in each major financial indicator.

During the reporting period, the major business decision-making procedures of the Company were legitimate and effective. The directors and senior management of the Company duly performed their duties seriously, proactively and normatively conducted their work in accordance with the national laws, regulations, the Articles of Association and resolutions of the general meeting and of the Board. The supervisory committee had not found any acts of directors and senior management being in breach of laws and regulations and the Articles of Association or against the interests of the Company and the shareholders.

(III) MEETINGS OF SUPERVISORY COMMITTEE CONVENED

During the reporting period, the supervisory committee of the Company convened 10 supervisory meetings with the details as follows:

1. The 25th meeting of the 4th session of the supervisory committee was held on 29 March 2018, at which the following resolutions were considered and approved:

   (1) Resolution in respect of the annual report and its summary of 2017;

   (2) Resolution in respect of the supervisory committee report of 2017;

   (3) Resolution in respect of the financial report of 2017;

   (4) Resolution in respect of the profit distribution plan and conversion of capital reserve into shares of 2017;

   (5) Resolution in respect of the self-evaluation report on internal control of 2017;

   (6) Resolution in respect of internal control audit report of 2017;

   (7) Resolution in respect of the report of deposit and the actual usage of proceeds from fund-raising activities;

   (8) Resolution in respect of appointment of auditing institution for the year 2018;

   (9) Resolution in respect of appointment of internal control auditing institution for the year 2018.

2. The 26th meeting of the 4th session of the supervisory committee was held on 26 April 2018, at which the resolution in respect of the first quarterly report of 2018 was considered and approved.

3. The 27th meeting of the 4th session of the supervisory committee was held on 4 June 2018, at which the resolution in respect of adjustment to the exercise price and option number of the First Share Option Incentive Scheme and the Second Share Option Incentive Scheme was considered and approved.

4. The 28th meeting of the 4th session of the supervisory committee was held on 4 July 2018, at which the resolution in respect of re-election of members of the supervisory committee was considered and approved.

5. The 1st meeting of the 5th session of the supervisory committee was held on 23 August 2018, at which the resolution in respect of election of the chairman of the 5th session of the supervisory committee of Guangzhou Automobile Group Co., Ltd. was considered and approved.

6. The 2nd meeting of the 5th session of supervisory committee was held on 24 August 2018, at which the following resolutions were considered and approved:

   (1) Resolution in respect of the interim report of 2018;

   (2) Resolution in respect of the profit distribution plan for the interim period of 2018;

   (3) Resolution in respect of the report of deposit and usage of proceeds from fund-raising activities for the first half of 2018;

   (4) Resolution in respect of implementation of new Enterprise Accounting Standard.

7. The 3rd meeting of the 5th session of supervisory committee was held on 3 September 2018, at which the resolution in respect of the adjustment of exercise price of the first and second share option incentive schemes and the third exercise conditions of the First Share Option Incentive Scheme was considered and approved.

8. The 4th meeting of the 5th session of supervisory committee was held on 29 October 2018, at which the resolution in respect of the third quarterly report of 2018 was considered and approved.

9. The 5th meeting of the 5th session of supervisory committee was held on 11 December 2018, at which the resolution in respect of disclosure of list of participants for reserved share options and auditing opinions of the Second Share Option Incentive Scheme of GAC Group was considered and approved.

10. The 6th meeting of the 5th session of supervisory committee was held on 17 December 2018, at which the resolution in respect of grant of reserved share options of the Second Share Option Incentive Scheme of GAC was considered and approved.

Save for the meetings above, the supervisory committee also supervised the convening, holding, consideration, voting procedures and poll results etc. of general meetings and Board meetings through attending general meetings and being present in Board meetings. The supervisory committee has made recommendations and supervised the legitimacy and compliance with national laws, regulations, the Articles of Association and resolutions of the shareholders' meetings as well as interests of the shareholders in respect of the regular reports, profit distribution, related party transactions and internal control etc.

(IV) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY

1. Operation of the Company in accordance with law

During the reporting period, the various work of the Board and senior management of the Company were in compliance with the relevant requirements of the Company Law, the Securities Law, the Listing Rules, the SSE Listing Rules, the Articles of Association, the Rules of Procedures of the Three Committees and the relevant provisions of various internal control systems etc., and the decision-making procedures were legitimate and effective. Directors and senior management of the Company performed in a diligent and responsible manner and the resolutions of the general meetings and the Board meetings were implemented faithfully. No acts were found to be in breach of laws and regulations, the Articles of Association and against the interests of the Company. Meanwhile, the Company has timely performed its disclosure obligations in strict compliance with the requirements of the Listing Rules and the SSE Listing Rules.

2. Internal control and risk management

Pursuant to the requirements of the Basic Principles for Internal Control of Enterprise and supplemental guidelines, the Company consistently carried out its self-assessment on comprehensive risk management and internal control. During the reporting period, the Company continued to strengthen the implementation of internal control, enhance the supervision and inspection on internal control by the internal audit team, and make targeted internal control diagnosis and improvement in high-risk links and fields of business management. At the same time, the Company closely tracked risk hot spots by conducting risk interviews, risk research and industry benchmarking, so as to improve the accuracy of risk assessment and formulate targeted risk management measures to enhance the level of prevention and response to different types of risks and challenges, and ensure the realisation of corporate objectives.

The supervisory committee has reviewed the "Evaluation Report on Internal Control of the Company for 2018" and the establishment and implementation of internal control policies of the Company, and approved the "Evaluation Report on Internal Control for 2018" prepared by the Board.

3. Financial conditions of the Company

The supervisory committee examined the financial conditions of the Company seriously and carefully and reviewed the 2017 annual financial report and the first quarterly report, interim report and the third quarterly report of 2018 during the reporting period, and considered the profit distribution plan implemented by the Company during the reporting period.

The supervisory committee considered that the financial reports of the Company gave a full, true and objective view of the operation results and financial conditions of the Company, persons participating in the preparation and examination of the annual report were not found to have acted in breach of the rules of confidentiality; the financial report with unqualified opinions issued by the auditing firm was objective and fair.

4. Related-party transactions

The supervisory committee reviewed and audited the report of related-party transactions of the year. The supervisory committee considered that the Company had strictly abided by the relevant provisions of the A shares and H shares listing rules and the Articles of Association. The supervisory committee also considered that the procedures of the transactions were legal and price was fair and reasonable and was not aware of any circumstances which were prejudicial to the interests of the Company and the medium-sized and minority shareholders.

(V) WORKING PLAN

In 2019, by adhering to the general strategy of progress within stability, the supervisory committee will proactively perform its supervisory responsibilities under the laws and the Articles of Association. On the basis of corporate governance and focusing on financial supervision and risk prevention, the supervisory committee will continue to pay attention to and promote construction of the internal control and comprehensive risk system of the Company, strengthen the implementation of supervision functions of the supervisory committee, conduct normative evaluation events, strictly implement the Rules of Procedures of the Supervisory Committee, organise and convene work meetings of the supervisory committee on a regular basis, attend the general meetings of shareholders and meetings of the Board of the Company according to law and be timely informed of and supervise the legality of the major decisions and decision-making procedures of the Company in order to safeguard the legitimate interests of shareholders, staff members and the Company and contribute to the achievement of the operation objectives of the Company.

CHAPTER 9

Changes in Ordinary Shares and Information on Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Statement of changes in ordinary shares

1. Statement of changes in ordinary shares

Unit: share

	Before change		Increase/decrease in this change (+,-)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from contributed capital surplus	Others	Subtotal	Number	Percentage (%)
I. Restricted Shares	753,390,254	10.33			301,356,102		301,356,102	1,054,746,356	10.31
1. State-owned Shares									
2. Shares held by state-owned legal person									
3. Shares held by other domestic entities	753,390,254				301,356,102		301,356,102	1,054,746,356	10.31
Including: Shares held by domestic non-state-owned legal persons	753,390,254				301,356,102		301,356,102	1,054,746,356	10.31
Shares held by domestic natural persons									
4. Shares held by foreign entities									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
II. Non-restricted tradable shares	6,540,033,797	89.67			2,616,765,655	20,951,664	2,637,717,319	9,177,751,116	89.69
1. RMB-denominated ordinary shares	4,326,733,579	59.32			1,731,445,568	20,951,664	1,752,397,232	6,079,130,811	59.41
2. Domestically-listed foreign shares									
3. Overseas listed foreign shares	2,213,300,218	30.35			885,320,087		885,320,087	3,098,620,305	30.28
4. Others									
III. Total ordinary shares	7,293,424,051	100			2,918,121,757	20,951,664	2,939,073,421	10,232,497,472	100

2. ***Explanation on changes in ordinary shares***

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

During the reporting period, as a result of the exercise of share option incentive scheme and conversion of convertible bonds, an aggregate of 20,951,664 A shares were increased.

3. ***Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period (if any)***

The basic earnings per share and net assets per share for the year 2018 were RMB1.49 and RMB10.50 respectively disregarding the above changes in ordinary shares. The basic earnings per share and net assets per share for the year 2018 were RMB1.07 and RMB7.49 respectively taking into account the above changes in ordinary shares.

4. ***Other disclosure deemed necessary by the Company or required by securities regulatory authorities***

Nil

(II) Changes in shares subject to trading moratorium

Unit: share

Name of shareholder	Number of shares with trading moratorium at the beginning of the year (shares)	Number of shares released from trading moratorium for the year (shares)	Number of additional shares with trading moratorium for the year (shares)	Number of shares with trading moratorium at the end of the year (shares)	Reasons for trading moratorium	The date on which shares will be released from trading moratorium
Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. (廣州匯垠天粵股權投資基金管理有限公司)	301,356,102	0	120,542,441	421,898,543	Non-public Issuance	16 November 2020
Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司)	150,678,051	0	60,271,221	210,949,272	Non-public Issuance	16 November 2020
Guangzhou Finance Holdings Assets Management Co., Ltd – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣州金控資產管理有限公司－廣金資產財富管理優選3號私募投資基金)	150,678,051	0	60,271,220	210,949,271	Non-public Issuance	16 November 2020
Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司)	75,339,025	0	30,135,610	105,474,635	Non-public Issuance	16 November 2020
Suiyong Holdings Co., Ltd. (穗甬控股有限公司)	75,339,025	0	30,135,610	105,474,635	Non-public Issuance	16 November 2020
Total	753,390,254	0	301,356,102	1,054,746,356	/	/

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the reporting period

N/A

(II) Changes in total number of ordinary shares and shareholders structure of the Company and changes in assets and liabilities structure of the Company

During the reporting period, as a result of conversion of A share convertible bonds, exercise of options granted under the share option incentive schemes and conversion of capital reserve into shares of profit distribution, an aggregate of 2,939,073,421 A shares were increased.

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Total number of shareholders

Total number of shareholders as at the end of the reporting period	42,356
Total number of shareholders as at the end of the month prior to the disclosure of the annual report	39,215

Notes:

1. Total number of shareholders as at the end of the reporting period was 42,356, among which total number of A share shareholders was 42,102 and total number of H share shareholders was 254.

2. Total number of shareholders as at the end of the month prior to the disclosure of the annual report was 39,215, among which total number of A share shareholders was 38,958 and total number of H share shareholders was 257.

(II) Shareholding of top ten shareholders, top ten shareholders of circulating shares (or holders of shares not subject to trading moratorium) as at end of the reporting period

Unit: share

Shareholding of top ten shareholders							
					Pledged or frozen		
Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at end of the period	Percentage (%)	Number of shares held subject to trading moratorium	Status	Number	Nature of shareholder
Guangzhou Automobile Industry Group Co., Ltd. (Note 1)	1,586,468,685	5,499,140,069	53.74	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (Note 2)	884,178,706	3,095,132,922	30.25	0	Unknown	–	Foreign legal person
Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. (廣州匯垠天粵股權投資基金管理有限公司)	120,542,441	421,898,543	4.12	421,898,543	Pledged	210,949,271	State-owned legal person
Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司)	60,271,221	210,949,272	2.06	210,949,272	Nil	0	State-owned legal person

Unit: share

Shareholding of top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at end of the period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen		Nature of shareholder
					Status	Number	
Guangzhou Finance Holdings Assets Management Co., Ltd – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣州金控資產管理有限公司 –廣金資產財富管理優選3號私募投資基金)	60,271,220	210,949,271	2.06	210,949,271	Nil	0	Other
Huaxin Trust Co., Ltd. – Huaxin Trust • Yingtai No.31 Assembled Funds Trust Plan	55,977,275	110,723,000	1.08	0	Nil	0	Other
Guangzhou Light Industry & Trade Group Co., Ltd.(廣州輕工工貿集團有限公司)	30,135,610	105,474,635	1.03	105,474,635	Nil	0	State-owned legal person
Suiyong Holdings Co., Ltd. (穗甬控股有限公司)	30,135,610	105,474,635	1.03	105,474,635	Pledged	105,474,635	State-owned legal person
Shanghai Pu-Xing Energy Limited (普星聚能股份公司)	12,293,489	99,913,241	0.98	0	Nil	0	Domestic non-state-owned legal person
Huaxin Trust Co., Ltd. – Huaxin Trust • Yingtai No.66 Assembled Funds Trust Plan	87,518,662	96,784,877	0.95	0	Nil	0	Other

Unit: share

Particulars of shareholdings of the top ten holders of tradable shares not subject to trading moratorium

Name of shareholder (full name)	Number of tradable shares not subject to trading moratorium	Class and number of shares: Class	Number
Guangzhou Automobile Industry Group Co., Ltd. (Note 1)	5,499,140,069	A, H shares	5,499,140,069
HKSCC Nominees Limited (Note 2)	3,095,132,922	Overseas listed foreign shares	3,095,132,922
Huaxin Trust Co., Ltd. – Huaxin Trust • Yingtai No.31 Assembled Funds Trust Plan	110,723,000	RMB ordinary shares	110,723,000
Shanghai Pu-Xing Energy Limited (普星聚能股份公司)	99,913,241	RMB ordinary shares	99,913,241
Huaxin Trust Co., Ltd. – Huaxin Trust • Yingtai No.66 Assembled Funds Trust Plan	96,784,877	RMB ordinary shares	96,784,877
Ningbo Mei Shan Baoshuigang Area Jincheng Shazhou Equity Investment Co., Ltd.	41,852,306	RMB ordinary shares	41,852,306
Huaxin Trust Co., Ltd. – Huaxin Trust • Gongxin No.28 Assembled Funds Trust Plan	37,304,719	RMB ordinary shares	37,304,719
China National Machinery Industry Corporation Limited	35,230,166	RMB ordinary shares	35,230,166
Hong Kong Securities Clearing Company Limited	12,635,905	RMB ordinary shares	12,635,905
Guangzhou Iron & Steel Enterprises Group Co., Ltd.	11,017,321	RMB ordinary shares	11,017,321
Related relationship or concerted party relationship among the above shareholders	GAIG, the largest shareholder of the Company, is not related to any of the above shareholders, nor is it a party acting in concert with any of them, and it is not known to the Company whether other shareholders are related to each other or whether they are parties acting in concert.		

Note 1: GAIG held 5,206,932,069 A shares (including the increase of shareholding disclosed this year, 19,344,345 shares were additionally held as at the end of the reporting period) of the Company in total, representing approximately 72.99% of the A share capital of the Company. At the same time, GAIG and its wholly-owned subsidiary, GAC (HK) and "Southbound Transaction" held 292,208,000 H shares of the Company in total during the reporting period, representing approximately 9.43% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 5,499,140,069 shares, representing approximately 53.74% of the total share capital of the Company.

Note 2: H shares held by HKSCC Nominees Limited were held on behalf of a number of clients. H Shares of the Company held by GAC (HK) are also registered in trust with HKSCC Nominees Limited.

Note 3: Due to the implementation of the 2017 profit distribution, 4 shares were issued for every 10 shares to all shareholders by way of conversion of capital reserve. The number of shares held by each shareholders increased accordingly.

Unit: share

Number of shares subject to trading moratorium held by top 10 Shareholders and conditions of trading moratorium					
			Listing and trading of shares subject to trading moratorium		
No.	Name of shareholder subject to trading moratorium	The number of shares subject to trading moratorium held	Time for listing	Number of additional shares to be listed and traded	Conditions of trading moratorium
1	Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. (廣州匯垠天粵股權投資基金管理有限公司)	421,898,543	16 November 2020	421,898,543	Not transferrable within 36 months from the date of completion of the non-public issuance
2	Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司)	210,949,272	16 November 2020	210,949,272	Not transferrable within 36 months from the date of completion of the non-public issuance
3	Guangzhou Finance Holdings Assets Management Co., Ltd – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣州金控資產管理有限公司－廣金資產財富管理優選3號私募投資基金)	210,949,271	16 November 2020	210,949,271	Not transferrable within 36 months from the date of completion of the non-public issuance
4	Guangzhou Light Industry & Trade Group Co., Ltd.(廣州輕工工貿集團有限公司)	105,474,635	16 November 2020	105,474,635	Not transferrable within 36 months from the date of completion of the non-public issuance
5	Suiyong Holdings Co., Ltd. (穗甬控股有限公司)	105,474,635	16 November 2020	105,474,635	Not transferrable within 36 months from the date of completion of the non-public issuance
Related relationship or concerted party relationship among the above shareholders		It is not known to the Company whether the above shareholders are related to each other or whether they are parties acting in concert.			

(III) Strategic investor or ordinary legal person becoming top 10 shareholders after placing of new shares

Nil

IV. STATUS OF CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(I) Controlling Shareholder

1. *Legal person*

Name	Guangzhou Automobile Industry Group Co., Ltd.
Responsible person of the institution or legal representative	Zeng Qinghong
Date of establishment	18 October 2000
Principal business	Investment in the research and development, manufacturing and marketing of automobile, motorcycle and components, automobile service trade and other relevant industries; Investment in automobile finance and other financial sectors; Investment in self-owned land development projects and related real estate projects and property management.
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	Nil
Other matters	Nil

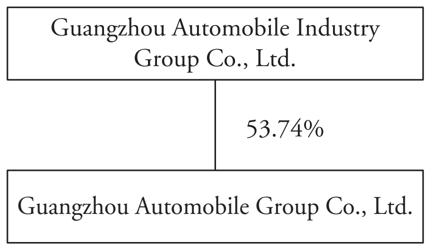
2. *Special explanation on absence of a controlling shareholder of the Company*

Nil

3. *Details of the index and the date of changes of the controlling shareholder during the reporting period*

Nil

4. *Chart showing the ownership and controlling relationship between the Company and the controlling shareholder*



(II) Ultimate Controller

1. *Legal person*

The ultimate controller of the Company is Guangzhou State-Owned Assets Administration Bureau, which is a department directly under the Guangzhou Municipal People's Government, and as authorised by the Guangzhou Municipal People's Government, it performs the obligation of the investor on behalf of the Guangzhou Municipal People's Government and is responsible for the supervision of municipal state-owned assets.

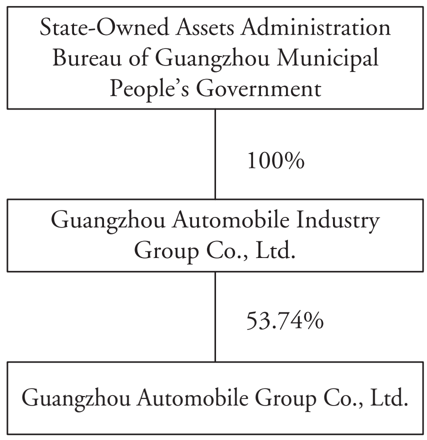
2. *Special explanation on absence of an ultimate controller of the Company*

Nil

3. *Details of the index and the date of changes of the ultimate controller during the reporting period*

Nil

4. *Chart showing the ownership and controlling relationship between the Company and the ultimate controller*



5. *The ultimate controller controlled the Company through a trust or other asset management company*

   Nil

(III) Other information of the controlling shareholder and the ultimate controller

Nil

V. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% SHARES OF THE COMPANY

As at the end of reporting period, there were no other corporate shareholders holding more than 10% shares of the Company.

VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

N/A

VII. INTERESTS REQUIRED TO BE DISCLOSED UNDER THE SECURITIES AND FUTURES ORDINANCE OF HONG KONG

As at 31 December 2018, the names of the persons (other than directors and supervisors) entitled to exercise 5% or more of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are set out below:

Name	Class of shares	Capacity	Number of shares (Note 1)	Percentage in the class of issued share capital (%)	Percentage of total share capital (%)
GAIG (Note 2)	A Shares	Beneficial owner	5,191,015,530 (L)	72.96	53.74
	H Shares	Interest of a controlled corporation	292,208,000 (L)	9.43	
JPMorgan Chase & Co.	H Shares	Investment manager	216,510,977 (L)	6.98	2.12
			7,601,199 (S)	0.24	
			104,374,894 (P)	3.36	
BlackRock, Inc.	H Shares	Interest of a controlled corporation	215,997,827 (L)	6.97	2.11
			2,149,200 (S)	0.07	
Citigroup Inc.	H Shares	Approved lending agent	186,491,938 (L)	6.01	1.82
			1,836,926 (S)	0.05	
			166,740,507 (P)	5.38	
Schroders Plc	H Shares	Investment manager	180,352,100 (L)	5.82	1.76

Notes:

1. (L) – Long Position, (S) – Short Position, (P) – Lending Pool

2. The total number of A shares of the Company held by GAIG as at 31 December 2018 as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO amounted to 5,191,015,530 shares, representing approximately 72.96% of the A share capital of the Company (however, pursuant to the plan of increasing shareholding this year, save as disclosed above, 15,916,539 shares were additionally held by GAIG). At the same time, GAIG and its Hong Kong wholly-owned subsidiary, GAC (HK) and "Southbound Transaction" held 292,208,000 H shares of the Company in total during the reporting period, representing approximately 9.43% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 5,499,140,069 shares, representing approximately 53.74% of the total share capital of the Company.

VIII. 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.

IX. PRE-EMPTIVE RIGHTS AND PUBLIC FLOAT

There is no provision for pre-emptive rights of the shareholders in the Articles of Association and the relevant laws, and they are not entitled to ask the Company to issue shares to them pre-emptively in proportion to their shareholding.

Based on the information publicly available and to the knowledge of the directors, as at the latest practicable date prior to the issue of this annual report, the Company has met the minimum requirement on public float under the Listing Rules.

CHAPTER 10

Profiles of Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(1) Particulars about changes in the shareholding and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period

Name	Position (Note)	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration obtained payable by the Company during the reporting period (RMB '0,000)	Remuneration from related parties of the Company
Zeng Qinghong	Chairman and Party Secretary	Male	57	23 August 2018	22 August 2021	225,000 (A shares)	1,155,000 (A shares)	930,000 (A shares)	Profit distribution and exercise of share option incentive	119.91	No
Feng Xingya	Director and General Manager	Male	50	23 August 2018	22 August 2021	443,333 (A shares)	975,333 (A shares)	532,000 (A shares)	Profit distribution and exercise of share option incentive	138.71	No
Fu Yuwu	Independent Director	Male	74	23 August 2018	22 August 2021	0	0	0	–	15	No
Lan Hailin	Independent Director	Male	59	23 August 2018	22 August 2021	0	0	0	–	15	No
Leung Lincheong	Independent Director	Male	65	23 August 2018	22 August 2021	0	0	0	–	15	No
Wang Susheng	Independent Director	Male	50	23 August 2018	22 August 2021	0	0	0	–	15	No
Yan Zhuangli	Director and Deputy Party Secretary	Male	50	23 August 2018	22 August 2021	0	0	0	–	106.53	No
Chen Maoshan	Director and chairman of the labour union	Male	54	23 August 2018	22 August 2021	431,666 (A shares) 79,481 (H shares)	949,668 (A shares) 111,274 (H shares)	518,002 (A shares) 31,793 (H shares)	Profit distribution and exercise of share option incentive	124.97	No
Li Pingyi	Director	Male	51	25 June 2015	23 August 2018	0	0	0	–	0	No
Chen Jun	Director	Male	43	23 August 2018	22 August 2021	0	0	0	–	0	No
Ding Hongxiang	Director	Male	53	23 August 2018	22 August 2021	0	0	0	–	0	No
Han Ying	Director	Male	40	23 August 2018	22 August 2021	0	0	0	–	0	No
Ji Li	Chairman of the supervisory committee	Male	53	23 August 2018	22 August 2021	0	0	0	–	0	No
Chan Jianxin	Supervisor	Male	46	23 August 2017	23 August 2018	0	0	0	–	0	No
Chen Tian	Supervisor	Female	41	23 August 2018	22 August 2021	0	0	0	–	0	No
Wu Chunlin	Supervisor	Male	45	25 June 2015	23 August 2018	0	0	0	–	0	No
Liao Chongkang	Supervisor	Male	43	23 August 2018	9 November 2018	0	0	0	–	0	No
Wang Junyang	Supervisor	Male	40	23 August 2018	22 August 2021	0	0	0	–	0	No
Jiang Xiuyun	Staff supervisor	Female	51	23 August 2018	22 August 2021	0	0	0	–	91.10	No
Wang Lu	Staff supervisor	Female	50	23 August 2018	22 August 2021	0	0	0	–	79.39	No
He Jinpei	Staff supervisor	Male	55	23 August 2018	22 August 2021	66,000 (H shares)	92,400 (H shares)	26,400 (H shares)	Profit distribution	101.17	No
Wu Song	Deputy General Manager	Male	55	23 August 2018	22 August 2021	431,666 (A shares)	949,668 (A shares)	518,002 (A shares)	Profit distribution and exercise of share option incentive	116.88	No

Name	Position (Note)	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration obtained payable by the Company during the reporting period (RMB '0,000)	Remuneration from related parties of the Company
Li Shao	Deputy General Manager	Male	56	23 August 2018	22 August 2021	185,000 (A shares)	949,667 (A shares)	764,667 (A shares)	Profit distribution and exercise of share option incentive	125.68	No
Wang Dan	Deputy General Manager and person in charge of accounting function	Female	48	23 August 2018	22 August 2021	185,000 (A shares)	949,668 (A shares)	764,668 (A shares)	Profit distribution and exercise of share option incentive	121.12	No
Chen Hanjun	Deputy General Manager	Male	56	23 August 2018	22 August 2021	84,534 (A shares)	185,220 (A shares)	100,686 (A shares)	Profit distribution and exercise of share option incentive	119.55	No
Zhang Qingsong	Deputy General Manager	Male	59	23 August 2018	17 December 2018	185,000 (A shares)	949,668 (A shares)	764,668 (A shares)	Profit distribution and exercise of share option incentive	120.93	No
Sui Li	Secretary of the Board	Female	50	23 August 2018	22 August 2021	38,233 (A shares)	107,053 (A shares)	68,820 (A shares)	Profit distribution and exercise of share option incentive	114.65	No
Total	/	/	/	/	/	2,354,913	7,374,619	5,019,706	/	1,540.59	/

Note: The interests or short positions are the interests or short positions of the directors, supervisors and senior management of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as at 31 December 2018, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Main work experiences
Zeng Qinghong	Chairman and party secretary of the Company. Currently, Mr. Zeng is also the chairman and party secretary of GAIG. He first joined the Company in 1997. He had served as the vice chairman of the Company from June 2005 to October 2016, general manager of the Company from June 2005 to November 2016, and supervisor of the Executive Committee of the Company from June 2013 to November 2016. Mr. Zeng was the vice chairman of GAIG from August 2008 to October 2016, general manager of GAIG from July 2013 to October 2016. He was the chairman of GAC Toyota, and vice chairman of GAC Toyota Engine from June 2013 to December 2016. He acted as a chairman of GAMC from August 2008 to June 2013, chairman of GAC Gonow from January 2011 to June 2013 and chairman of GAC FCA from January 2010 to June 2013. Prior to this, he held positions as chairman of GAC Business, GAC Component and GAC Hino, director and executive deputy general manager of GAC Honda and deputy general manager of GAIG. Mr. Zeng is a delegate of the 10th, 11th and 13th National People's Congress, a member of the 11th Guangdong Provincial Committee of Political Consultative Conference, a member of 11th Guangzhou Party Committee, the chairman of the 5th and 6th Automobile Industry Association of Guangdong Province (廣東省汽車工業協會) and vice chairman of Guangzhou Association for Science & Technology. Mr. Zeng graduated from South China University of Technology in 2009 and is a Ph.D. candidate in management science and engineering.
Feng Xingya	Director, general manager and director of the Executive Committee of the Company. He is also a director of GAIG, chairman of GAMC. Mr. Feng joined the Group in 2004, he has held positions as a deputy head of sales department, deputy general manager, executive deputy general manager and a director of GAC Toyota, a director of GAC Mitsubishi and vice chairman of Tong Fang Logistics. He has been the deputy general manager of the Company since 2008. Since 25 March 2015, he has been an executive director of the Company. He was the chairman of GAC New Energy, GAC FCA, GAC FCA Sales, Guang Ai, Urtrust Insurance and Da Sheng Technology. Mr. Feng served as a deputy general manager in Zhengzhou Nissan Automobile Company Limited from June 1998 to December 2004. Mr. Feng graduated from Xi'an Jiaotong University with a bachelor's degree in engineering in July 1988 and a master's degree in business administration in July 2001.
Fu Yuwu	Independent director of the Company, a member of the Strategy Committee of the Board, honourary president of Society of Automotive Engineers of China (中國汽車工程學會), the honourary president of China Automobile Talents Society (中國汽車人才研究會), president of Beijing China Automobile Culture Foundation (北京華汽汽車文化基金會). From 1970 to 1999, Mr. Fu served the Harbin Transmission Factory of FAW Group as an executive vice director and chief engineer, and the Harbin Automotive Industry Corporation as vice president and president. Since 1999, he has been working in the Society of Automotive Engineers of China. From March 2010 to March 2016, he acted as the vice chairman of China Association of Automobile Manufacturers. He is currently an independent director of Ningbo Shenglong Automotive Powertrain System Co., Ltd. (SSE stock code: 603178), Chongqing Sokon Industry Group Co., Ltd. (SSE stock code: 601127) and Hunan Corun New Energy Co., Ltd. (SSE stock code: 600478). He was an independent director of Beijing Automotive Group Co., Ltd. (stock code on the Stock Exchange: 01958). In 1969, he obtained a bachelor's degree from Beijing Institute of Machinery and became a senior engineer of professional level.

Name	Main work experiences
Lan Hailin	Independent director of the Company, a member of the Strategy Committee of the Board, a member of Audit Committee of the Board, professor and PhD supervisor of the School of Business Administration of South China University of Technology and the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology. From 1997 to 2007, he was the Associate Dean and Dean of the School of Business Administration of South China University of Technology. He currently serves as an independent director of Guangdong Sky Dragon Printing Ink Group Co., Ltd. (SZSE stock code: 300063), Guangdong Xinbao Electrical Appliances Holdings Co., Ltd. (SZSE stock code: 002705), Jiangsu Shuangxing Color Plastic New Materials Co., Ltd. (SZSE stock code: 002585) and Zhuhai Letong Chemical Co., Ltd. (SZSE stock code: 002319). Previously, he was an independent director of Guangdong Keda Industrial Co., Ltd. (SZSE stock code: 600499) and Zhongshan Vatti Gas Appliance Stock Co., Ltd. (SZSE stock code: 002035). He obtained a master's degree in business administration from the School of Business Administration of GANNON University in the United States and a doctoral degree in industrial economics from Jinan University in 1990 and 2004 respectively.
Leung Lincheong	Independent director of the Company, chairman of the Audit Committee of the Board, a member of the Remuneration and Assessment Committee of the Board, a member of the Nomination Committee of the Board and managing director of Union Registrars Limited and part-time tutor for a master's course of Hong Kong Open University. He is currently an independent non-executive director of Petro-King Oilfield Services Limited (stock code on the Stock Exchange: 02178). He was an independent director of Casablanca Group Limited (stock code on the Stock Exchange: 02223), the chief legal officer of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chief legal officer and company secretary of Shanghai Industrial Holdings Limited (stock code on the Stock Exchange: 0363). He obtained a master's degree in business administration from Brunel University and a master's degree in Laws from University of London in 1995 and 2006 respectively. He is a fellow member of Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and the Hong Kong Institute of Chartered Secretaries, and a founding member of Hong Kong Independent Non-Executive Director Association.
Wang Susheng	Independent director of the Company, chairman of the Nomination Committee of the Board, chairman of the Remuneration and Assessment Committee of the Board, a member of the Audit Committee of the Board and president of Shenzhen Public Administration Institute (深圳市公共管理學會). From 1993 to 2001, he served as a project manager in Junan Securities Co., Ltd., manager of special region securities department and general manager of Yingda Securitie (英大證券). From 2001 to 2002, he was the general manager of Zhongrui Fund Company (中瑞基金公司). From 2004 to 2016, he worked in the Harbin Institute of Technology Shenzhen Graduate School, and served as an independent director in Tianma Micro-electronics Co., Ltd. (SZSE stock code: 000050), Wedge Industrial Co., Ltd. (SZSE stock code: 000534) and Shahe Industrial Co., Ltd. (SZSE stock code: 000014). He was an independent director of Shenzhen Rapoo Technology Co., Ltd. (SZSE stock code: 002577), Shenzhen Terca Technology Co., Ltd. (SZSE stock code: 002213) and Shenzhen Kedali Industry Co., Ltd. (SZSE stock code: 002850). He obtained a master's degree in economics from Renmin University of China and a doctoral degree in law from Peking University in 1994 and 2000 respectively. He also obtained a master's degree in business administration from Chicago University in 2004. He is qualified as a solicitor, certified public accountant and chartered financial analyst.

Name	Main work experiences
Yan Zhuangli	Director and deputy party secretary of the Company. Mr. Yan is also a director and deputy party secretary of GAIG, the chairman of GAC FCA and Zhicheng Industry. He previously served as the deputy general manager of the Company, the party secretary, secretary to the disciplinary committee and chairman of labour union of GAC Toyota, a director of GAC Honda, the chairman of GAC Component, a director of GAC Hino (Shenyang) Motors Co., Ltd. and GAC Hino, the chairman of Guang Ai and GAC Commercial.
Chen Maoshan	Director (staff representative) and chairman of the labour union of the Company. Mr. Chen is also a director (staff representative) and chairman of the labour union of GAIG, chairman of GAC Mitsubishi, chairman of GAC Mitsubishi Sales and chairman of Wuyang-Honda. He acted as deputy general manager of the Company from March 2011 to June 2013, and deputy director of the Executive Committee of the Company from June 2013 to December 2014. Prior to this, Mr. Chen acted as the head of general affair department of GAC Honda, deputy general manager of Honda (China), deputy general manager of Guangzhou Motorcycle Group Co., Ltd., managing director and standing deputy general manager of Wuyang-Honda and the chairman of GAC Component.
Chen Jun	Director and a member of the Strategy Committee of the Board of the Company, the vice president of Wanxiang Group Corporation Ltd. (萬向集團公司), chief dean of the Research Institute of Wanxiang Group Corporation Ltd., general manager of Wanxiang Electric Vehicle Co., Ltd. (萬向電動汽車有限公司) and general manager of Shangwan New Energy Bus Co., Ltd. (上萬新能源客車有限公司). He served as assistant to general manager of Wanxiang Electric Vehicle Development Centre (萬向電動汽車開發中心) from September 2004 to June 2005. Mr. Chen graduated from Xi'an Jiaotong University (西安交通大學) in engineering mechanics in 1997 and from Wuhan Automotive Industry University (武漢汽車工業大學) in engineering and automobile (master's degree) in 2000, and obtained a doctoral degree in automotive engineering from Wuhan University of Technology (武漢理工大學) in 2003.
Ding Hongxiang	Director, a member of the Remuneration and Assessment Committee, a member of the Strategy Committee, and a member of the Nomination Committee of the Board of the Company, and deputy general manager of China National Machinery Industry Corporation Limited (中國機械工業集團有限公司). Mr. Ding is vice president of China Association of Automobile Manufacturers, vice president of Society of Automotive Engineers of China. Mr. Ding graduated from Huazhong University of Science and Technology in 1986, and obtained master degree and doctoral degree and doctoral degree in western economics respectively from Huazhong Institute of Technology in 1989 and Huazhong University of Science and Technology in 2011 respectively.

Name	Main work experiences
Han Ying	Director of the Company, the chairman and party secretary of Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司). He served in Guangdong Yuegang Water Supply Co., Ltd. from August 2006 to July 2007, and was previously the vice director of listing office, vice president, and vice president of Beijing branch of Jinzhou Bank Co., Ltd. from August 2007 to July 2011, vice chairman of Shenzhen Tatfook Peitian Investment Co., Ltd. (深圳大富配天投資有限公司) from August 2011 to March 2013. He has successively served as the general manager, chairman and party secretary of Guangzhou Industrial Investment Fund Management Co., Ltd. since March 2013. Mr. Han graduated from Guanghua School of Management of Peking University in July 2006 with a master's degree in business administration.
Ji Li	Chairman of the supervisory committee of the Company and is also the chairman of the supervisory committees of GAIG, Guangzhou Communications Investment Group Co., Ltd.（廣州交通投資集團有限公司）and Guangzhou Vanlead Group Co., Ltd.（廣州萬力集團有限公司）. He was the officer of the financial settlement centre of the Guangzhou Municipal People's Government and the deputy director of the financial division of the Communications Commission of Guangzhou（廣州市交通委員會）. He graduated from Xian Highway Institute（西安公路學院）in July 1989 and obtained a bachelor's degree in engineering. He graduated with specialisation in project management (master's degree of engineering) from Guangdong University of Technology（廣東工業大學）in December 2007.
Chen Tian	Supervisor of the Company. She was a designated supervisor of Guangzhou Communication Investment Group Co., Ltd., a senior staff of the supervision office, office and legal department of the Guangzhou Municipal Commission of Commerce (Guangzhou Foreign Trade and Economic Cooperation Bureau). She graduated from Sun Yat-sen University with a law degree (undergraduate) in 2002 and a master's degree in economic law from Sun Yat-sen University in 2008.
Wang Junyang	Supervisor of the Company. He is also the deputy chief financial officer of Guangzhou Chime-Long Group Co., Ltd. Since March 2011, he worked in Guangzhou Chime-Long Group Co., Ltd., and served as deputy financial manager, management accounting manager and deputy group chief financial officer. Mr. Wang was a senior audit manager and a signatory accountant for listed companies of BDO China Li Xin Da Hua CPA Co., Ltd. He graduated from Zhongnan University of Economics and Law and obtained a bachelor's degree in business administration in January 2006.
Jiang Xiuyun	Staff representative supervisor and head of the audit department of the Company. She is also a supervisor of GAC NIO New Energy Automobile Technology Co., Ltd. (廣汽蔚來新能源汽車科技有限公司). She was the chairman of the supervisory committees of Guangzhou Zhicheng Industry Co., Ltd. and Guangzhou Guangyue Assets Administration Co., Ltd. (廣州廣悅資產管理有限公司), director of the financial tax audit office of the Audit Bureau of Guangzhou Municipality (廣州市審計局財政稅務審計處). In 1988, she graduated with specialisation in auditing from the school of accounting of Guangdong University of Business Studies (廣東商學院) and obtained a diploma. In 2002, she graduated with specialisation in economics from Xiamen University and obtained a bachelor's degree.

Name	Main work experiences
He Jinpei	Staff representative supervisor and head of the department of discipline inspection and supervision of the Company. He is also the chairman of the supervisory committee of GAC Business, supervisor of GAC Mitsubishi and GAC Changfeng. He joined the Group in 2007, and had been the party secretary and secretary of the disciplinary committee, chairman of the labour union of GAC FCA and the supervisor, deputy chairman of the labour union and the officer of the labour union office of the Company. Mr. He graduated from Guangzhou Workers Vocational College（廣州市職工業餘大學）with a college diploma in manufacturing of machinery in July 1990, and College of Administration and Management of Correspondence Institute of the Party School of C.C. of C.P.C. in December 2001, with qualification of senior administration engineer.
Wang Lu	Staff representative supervisor, deputy chairwoman of the labour union, head of the female workers committee, auditing officer and chairwoman of the headquarters of the labour union of the Company. With a bachelor's degree, she joined the Group in 1992 and had been a member of the public relations division of the general manager's office of Guangzhou Peugot Automobile Company (廣州標緻汽車有限公司) and Guangzhou Sedan Co., Ltd. (廣州轎車有限公司) and an officer of the labour union, a member and the chairwoman of the branch of the labour union, a party branch member and secretary and the head of the female workers union of GAC Honda, the deputy head of the office of the labour union of the Company and chairwoman of the labour union of the headquarter.
Wu Song	Standing deputy general manager and a member of the Executive Committee of the Company. Mr. Wu acted as deputy general manager of the Company from 2007 to June 2013. He has been a director of the Company since February 2015. He is also currently the chairman of GAC Toyota, GAC Toyota Sales, vice chairman of GAC Toyota Engine. Mr. Wu joined the Company in August 2002 and has held positions as a director and deputy general manager of Wuyang-Honda, a director of GAC Toyota and director and deputy general manager of GAC Toyota Engine, chairman and general manager of GAMC, a director of GAC FCA, chairman of GAMC Hangzhou and vice chairman of Tong Fang Logistics. Mr. Wu previously acted as director and general manager of Yegang Group Co., Ltd. Mr. Wu obtained a bachelor's degree in engineering of Mechanical No. 1 Department from Engineering Institute of Central China (later renamed as Huazhong University of Science and Technology) in July 1984. He graduated from Xi'an Jiaotong University in industrial engineering in 1989. He is a senior economist.

Name	Main work experiences
Li Shao	Deputy general manager and a member of Executive Committee of the Company. He is also chairman of GAC Honda and GAC Honda Sales. He joined GAC Group in June 1997 and has been the deputy general manager of the Company since 2007. Prior to this, Mr. Li had served as director of automobile planning department of Guangzhou municipal government, head of investment department and foreign economics, office director, assistant of general manager and deputy general manager of Guangzhou Automobile Group (廣州汽車集團), deputy party secretary of Guangzhou Junwei Bus (廣州駿威客車), assistant to general manager and deputy general manager of GAIG, director of GAC Toyota, a director and an executive deputy general manager of GAC Hino, chairman of GAC Component and Wuyang-Honda etc. Mr. Li graduated from South China University of Technology and obtained a bachelor's degree in engineering in metal material and heat treatment in July 1985 and he also obtained a master's degree in business administration from the Open University of Hong Kong in December 2002.
Wang Dan	Deputy general manager, chief financial officer, and a member of the Executive Committee of the Company. She is also chairwoman of GAC-SOFINCO and GAC Finance. Ms. Wang joined GAC Group in March 1999, and has been the Company's chief financial officer and financial controller since 2005. Prior to this, Ms. Wang served in the financial audit department of Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) and was the deputy head of the financial audit division of the Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司), and the chairwoman of the supervisory committees of GAMC, GAC Changfeng and GAC New Energy. Ms. Wang graduated from the Sun Yat-Sen University with a bachelor's degree in July 1992 and the School of Management of Zhongshan University with a senior executive master's degree in business administration in December 2005. She is a senior accountant and non-practicing registered accountant.
Chen Hanjun	Deputy general manager and a member of the Executive Committee of the Company. He is also the chairman of GAC Hino and a director of GAC Toyota. Prior to this, Mr. Chen served as the chairman of Guangzhou Huade Automobile Spring Co., Ltd., the department head of investment management department and assistant of general manager of Guangzhou Junda Automobile Group, the general manager of Guangzhou Automobile Technology Centre, the party secretary, a director and executive deputy general manager of GAC Hino and chairman of GAC Hino (Shenyang) Motors Co., Ltd., Shanghai Hino and GAC BYD. He graduated from School of Business Administration of South China University of Technology in 1989, majoring in industrial management, with a graduate diploma and a master's degree in business administration.

Name	Main work experiences
Sui Li	Secretary and the head of the office of the Board of the Company, as well as chairwoman of GAC Capital, a subsidiary of the Company. Prior to this, she had served as the deputy head of the securities department, head of the investment department and head (senior assistant level) of the office of the Board of the Company and a director of GAC Changfeng. She had served as regional general manager of Guangzhou district in the investment banking department of GF Securities Co., Ltd. (廣發證券股份有限公司) and the Office Secretariat of Guangzhou City People's Government (廣州市人民政府辦公廳秘書處). She graduated from the Macau University of Science and Technology in June 2011 as a postgraduate with a doctorate degree in business administration, and graduated from Jinan University in March 2001 with a master's degree in business administration. She also has the title of an economist.

(2) Share options granted to directors and senior management during the reporting period

Unit: share

Name	Position	Number of A-share options held at the beginning of the reporting period	Number of new A-share options granted during the reporting period	A-share options exercisable during the reporting period	A shares issued upon exercise of share options	Exercise price of A-share options (RMB)	Number of A-share options held at the end of the reporting period (see notes)
Zeng Qinghong	Chairman, Party Secretary	1,400,000	0	420,000	420,000	See notes	1,120,000
Feng Xingya	Vice Chairman, General Manager	1,013,334	0	354,667	354,667	See notes	1,064,000
Fu Yuwu	Independent Director	–	–	–	–	–	–
Lan Hailin	Independent Director	–	–	–	–	–	–
Leung Lincheong	Independent Director	–	–	–	–	–	–
Wang Susheng	Independent Director	–	–	–	–	–	–
Yan Zhuangli	Director, Deputy Party Secretary	760,000	0	0	0	See notes	1,064,000
Chen Maoshan	Director, Chairman of Labour Union	966,668	0	345,335	345,335	See notes	1,008,000
Li Pingyi	Director	–	–	–	–	–	–
Ding Hongxiang	Director	–	–	–	–	–	–
Wu Song	Standing Deputy General Manager	966,668	0	345,335	345,335	See notes	1,008,000
Li Shao	Deputy General Manager	1,213,334	0	345,335	345,335	See notes	1,008,000
Wang Dan	Deputy General Manager, person in charge of accounting function	1,213,334	0	345,335	345,335	See notes	1,008,000
Chen Hanjun	Deputy General Manager	767,768	0	66,875	66,875	See notes	1,008,000
Zhang Qingsong	Deputy General Manager	1,213,334	0	345,335	345,335	See notes	1,008,000
Sui Li	Secretary of the Board	758,234	0	53,527	53,527	See notes	1,008,000
Total	/	8,553,300	0	2,621,744	2,621,744	/	10,724,000

Notes:

(1) Due to the implementation of the 2017 profit distribution during the reporting period, 4 shares were issued for every 10 shares to all shareholders by way of conversion of capital reserve. The number of options held by the above individuals increased accordingly;

(2) Adjustments were made to the exercise price as the Company has implemented the 2017 annual profit distribution and 2018 interim profit distribution, particulars are as follows: the exercise price from 1 January 2018 to 11 June 2018 was RMB6.84 per share; that from 12 June 2018 to 16 September 2018 was RMB4.58 per share; that from 17 September 2018 to 31 December 2018 was RMB4.48 per share.

II. TERMS OF OFFICE OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Term of office in shareholders' units

Name of staff	Name of shareholders' unit	Position held in shareholders' unit	Commencement date of term	Expiry date of term
Zeng Qinghong	GAIG	Chairman	October 2016	
Feng Xinya	GAIG	Director	August 2017	
Yan Zhuangli	GAIG	Director	August 2017	
Yan Zhuangli	GAIG	Deputy Party Secretary	October 2017	
Chen Maoshan	GAIG	Director, Chairman of Labour Union	March 2015	
Ding Hongxiang	China Industry National Corporation Machinery Limited	Deputy General Manager	August 2011	
Han Ying	Guangzhou Industrial Investment Fund Management Co., Ltd.	Chairman, Party Secretary	January 2016	
Ji Li	GAIG	Chairman of the Supervisory Committee	June 2017	
Wang Junyang	Guangzhou Chime-Long Group Co., Ltd.	Deputy Chief Financial Officer	September 2014	
Term of office in shareholders' units	If expiry date of term is not stated, the appointment of the staff will continue and there is no fixed expiry date of term.			

(II) Term of office in other units

Name of staff	Name of other unit	Position held in other unit	Commencement date of term	Expiry date of term
Zeng Qinghong	Guangdong Automobile Industry Association	President	March 2009	
Zeng Qinghong	Energy-saving and New energy Automotive Technology Roadmap Steering Committee	Member	November 2016	
Zeng Qinghong	Guangzhou Headquarters Economy Association	President	November 2016	
Zeng Qinghong	Guangzhou Association For Science & Technology	Vice Chairman	May 2016	
Zeng Qinghong	China Association of Automobile Manufacturers	Vice President	March 2015	
Zeng Qinghong	Society of Automotive Engineers of Guangdong Province	Honorary President	February 2015	
Zeng Qinghong	China Tendering and Bidding Association	Standing Director	February 2015	
Fu Yuwu	Ningbo Shenglong Automotive Powertrain System Co., Ltd.	Independent Director	December 2015	
Fu Yuwu	Chongqing Sokon Industry Group Co., Ltd.	Independent Director	September 2016	
Fu Yuwu	Hunan Corun New Energy Co., Ltd.	Independent Director	August 2017	
Lan Hailin	Guangdong Sky Dragon Printing Ink Group Co., Ltd.	Independent Director	July 2013	
Lan Hailin	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	Independent Director	January 2015	
Lan Hailin	Letong Chemical Co., Ltd.	Independent Director	August 2016	
Lan Hailin	Jiangsu Shuangxing Color Plastic New Materials Co., Ltd.	Independent Director	May 2016	
Leung Lincheong	Petro-King Oilfield Services Limited	Independent Non-Executive Director and chairman of the Audit Committee	June 2017	
Leung Lincheong	Hong Kong Open University	Part-time Tutor for a master's course	September 2016	

Name of staff	Name of other unit	Position held in other unit	Commencement date of term	Expiry date of term
Leung Lincheong	Union Registrars Limited	Managing Director	May 2014	
Wang Susheng	Shenzhen Public Administration Institute (深圳市公共管理學會)	President	January 2007	
Wang Susheng	Tianma Microelectronics Co., Ltd.	Independent Director	December 2016	
Wang Susheng	Wedge Industrial Co., Ltd.	Independent Director	January 2016	
Wang Susheng	Shahe Industrial Co., Ltd.	Independent Director	April 2017	
Chen Jun	Wanxiang Group Co., Ltd.	Vice President	November 2017	
Chen Jun	Wanxiang Group Co., Ltd. Research Institution	President	March 2017	
Chen Jun	Shangwan New Energy Bus Co., Ltd.	General Manager	June 2015	
Ji Li	Guangzhou Communication Investment Group Co., Ltd.	Chairman of the Supervisory Committee	July 2015	
Ji Li	Guangzhou Vanlead Group Co., Ltd.	Chairman of the Supervisory Committee	December 2014	
Term of office in other units	If expiry date of term is not stated, the appointment of the staff will continue and there is no fixed expiry date of term.			

III. REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of the directors, supervisors and senior management	The Remuneration and Assessment Committee of the Board conducted appraisal of the remuneration of the senior management of the Company and formulated the incentive program, which shall be implemented after the approval of the Board. The allowance for independent directors is implemented after the approval of the Board and the general meeting. The remuneration of other directors and supervisors is determined in accordance with the related remuneration policy of the Company.
Basis for determination of the remuneration of the directors, supervisors and senior management	The remuneration of independent directors is implemented in accordance with the plan approved at the general meeting; the remuneration of other directors and supervisors are determined by both the formulated remuneration policy of the Company and the yearly assessment results. The remuneration of senior management is determined in accordance with the relevant assessment program combined with the annual results of the Company and their individual performance.
Actual payment of the remuneration of the directors, supervisors and senior management	The remuneration of independent directors is implemented in accordance with the plan approved at the general meeting; no other directors or supervisors have received remuneration from the Company merely in their capacity as directors or supervisors; the remuneration of senior management is implemented upon review and consideration by the Board and in accordance with relevant regulatory policies.
Total remuneration paid to all directors, supervisors and senior management as at the end of the reporting period	RMB15,405,900

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Way of Change	Reason for change
Li Pingyi	Director	Resigned	Re-election
Chen Jun	Director	Election	Re-election
Han Ying	Director	Election	Re-election
Chen Jianxin	Supervisor	Resigned	Re-election
Chen Tian	Supervisor	Election	Re-election
Liao Chongkang	Supervisor	Resigned	Resigned
Zhang Qingsong	Deputy General Manager	Resigned	Resigned

V. INTERESTS OF DIRECTORS OR SUPERVISORS IN CONTRACTS

None of the directors or supervisors has entered into any service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director or a supervisor and a connected entity of a director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

VI. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

N/A

VII. EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR SUBSIDIARIES

(1) Employees

Number of existing employees of the Company	256
Number of existing employees of major subsidiaries	94,600
Total number of existing employees	94,856
Number of employees resigned or retired the pension of which the Company and major subsidiaries had to be responsible for	1,277
Total	94,856

Note: The number of existing employees of major subsidiaries includes the employees of major joint ventures and associated companies.

(2) Remuneration Policy

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

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

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

The Group will further improve the Company's remuneration system in terms of incentive and retaining talents. Timely and full contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes will be made. Investee enterprises under the Group are encouraged to further enhance the flexibility and protection of staff benefit system.

(3) Training Program

During the reporting period, training work was conducted in an orderly manner under the policy of "reinforcing foundation internally, building image externally; connecting internal strategies and external demands", with the goal to explore through the concept of consciousness, achieve breakthrough in major work, further strengthen the cohesion within the system, and further enhance the image and recognition of departments and by focusing on constructing and perfecting the training system, establishing and promoting work related norms, conducting different levels and kinds of training activities in depth, continuously improving the professional competence of internal trainers and integrating the flexible utilisation of systematic training resources as the main focus of work.

During the reporting period, the Group had completed training for 1,063,000 staff, representing a year-on-year increase of 54%. Total training expenses amounted to RMB98.58 million, representing a year-on-year increase of 28.5%. During the year, the Group organised 51 internal trainings with 3,288 attendees. The attendance of the internal training scheme was 93.8%. Total training expenses amounted to RMB6.9315 million.

In 2019, the Company will continue to follow its business plan policy, aiming at building first-class enterprise universities and party schools in China, and taking leadership development as an important breakthrough, striving to become business partners of all business departments and investment enterprises under the headquarters of the Group and promote the implementation of the Group's strategy.

(4) Labour Outsourcing

Total working hours of labour outsourcing	21,810,000
Total remuneration paid for labour outsourcing	RMB953,581,678

Note: including joint ventures and associated enterprises

VIII. OTHERS

Production Safety

The Group adhered to the guidelines of "safety first with focus on prevention and comprehensive control" and seriously implemented accountability system for production safety, and performed its duties of supervising and monitoring the safety management of each investing enterprises.

During the reporting period, the Group and investing enterprises had experienced no serious injury or the above safety production accidents, and its safety production condition remained stable in general.

CHAPTER 11

Corporate Governance

I. CORPORATE GOVERNANCE

The Group was in strict compliance with relevant corporate governance requirements under the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the SSE Listing Rules, the Listing Rules and the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix 14 to the Listing Rules. The Group has formulated a series of internal control management policies such as Inside Information Management System and has relatively comprehensive governance structure.

During the reporting period, in order to cope with the sustainable development needs of the Company, 10 systems including the Corporate Culture Management System, Network Security Management System, Implementation of Supporting Reform and Innovation and Error Tolerance were formulated and at the same time, 23 systems including the Working Rules of General Manager, Departmental Responsibilities Rules, Employee Performance Appraisal Measures, Employee Renumeration and Benefits Management System were amended in accordance with the regulatory requirements, which further enhanced the governance structure. During the reporting period, there was no deviation between the Company's corporate governance and the relevant requirements as specified in the Company Law, the regulations of the CSRC and the Listing Rules of the SSE and the Stock Exchange.

The Company's structure of corporate governance comprises the general meeting, the Board and its special committees, the supervisory committee, the management and the employees, each of which plays an important role in the corporate governance of the Company. The specific information is described below:

(1) General Meeting

The general meeting is the authoritative body of the Company and has legal power to decide on significant matters of the Company. The Company carries out policies of open and honest communication and fair disclosures. The Company has ability to ensure all shareholders, especially minority shareholders enjoy equal status and rights. Pursuant to Article 68 of the Articles of Association, if shareholders individually and jointly holding not less than 10% of the Company's issued shares with voting rights request in writing to hold an extraordinary general meeting, an extraordinary general meeting shall be held within two months after receipt of such written request.

Pursuant to Article 70 of the Articles of Association, shareholders individually and jointly holding over 3% of the shares of the Company are entitled to propose extraordinary motions to the Company and submit them in writing to the convener ten days before the general meeting. The convener of the general meeting shall issue supplementary notice of the general meeting to announce the content of the extraordinary motions within two days after receiving the proposed motions. The Company formulates efficient channels of communication with shareholders. All shareholders have the right to be informed and to participate in significant events of the Company; shareholders may raise enquiries and express their view to the Board in writing at any time (Contact address: The office of the Board of GAC Group at Room 2202, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou (Postal code: 510623), Telephone: 020-83151139, Fax: 020-83150319, ir@gac.com.cn).

The Company has formulated the Rules of Procedures of the General Meeting, convened and held general meetings in strict compliance with regulatory requirements of listed companies so as to ensure that shareholders are able to fully exercise their rights; notice of the general meetings are despatched 45 days prior to the date of general meeting. The notice of general meeting containing an agenda, resolutions proposed and a voting form are announced in a timely manner and/or sent to all H shareholders whose shares are registered in the register of members by post in accordance with the requirements. All shareholders are encouraged to attend the general meetings. All registered shareholders on the record date are entitled to attend the general meeting. H shareholders who are unable to attend the general meeting can appoint their proxies or the chairman of the general meeting as their proxies to attend the general meeting on their behalves (the proxy form shall be completed and returned to the Company or the Company's H share share registrar). All directors, supervisors and members of management of the Company are also requested to try their best to attend the general meetings; results of resolutions or poll results of the general meeting shall be timely announced in such manner as required by the Listing Rules and the SSE Listing Rules. Lawyer attended each general meeting and issued legal opinion.

The controlling shareholders and ultimate controller of the Company conscientiously fulfilled their obligations in good faith. There was no act that interfered with the decisions and operations of the Company directly or indirectly, bypassing the general meeting, nor was there any damage to the interest of the Company and other shareholders. The related-party transactions of the Company were fair and reasonable, the pricing of which has been adequately disclosed and no conduct damaging interests of the Company was found.

During the reporting period, the Company convened 1 annual general meeting and 1 extraordinary general meeting, the procedures of both meetings were in compliance with the requirements of the Company Law and its Articles of Association.

(2) Directors and the Board

1. Directors and Composition of the Board

Directors are elected or rotated at the general meeting. Currently, the Board consists of 11 directors, which include 2 executive directors, namely Zeng Qinghong (Chairman) and Feng Xingya; 5 non-executive directors, namely Yan Zhuangli, Chen Maoshan, Chen Jun, Ding Hongxiang and Han Ying; and 4 independent non-executive directors, namely Fu Yuwu, Lan Hailan, Leung Lincheng and Wang Susheng. The members of the Board have different professional background and have extensive expertise and experience in different aspects. The composition of the Board is in compliance with the relevant laws and regulations and the requirements of the Articles of Association and the diversity requirements of Board members. The term of office of the directors (including non-executive directors) of the Company is three years from 23 August 2018 to 22 August 2021.

All directors have attended the meetings with an earnest and responsible attitude. They are familiar with the relevant laws and regulations and understand their rights, responsibilities and obligations as a director. The directors believed that, the Company has sufficient resources to continue its business in the foreseeable future and there are no material uncertainties which may adversely affect the Company's ability to operate as a going concern.

During the reporting period, the Company convened 25 Board meetings and successfully completed the election of the 5th session of the Board. The convening, holding and resolution procedures of the Board meetings have complied with the Company Law, the Articles of Association and the Rules of Procedures of the Board.

2. *Powers of the Board*

The Board is accountable to the general meeting and exercises the following powers:

(1) To convene general meetings and report its work at the general meetings;

(2) To implement the resolutions of the general meetings;

(3) To decide on the business plans and investment plans of the Company;

(4) To formulate the mid-term and long-term development plans of the Company;

(5) To formulate annual financial budgets and financial accounts of the Company;

(6) To formulate the profit distribution plans and plans on making up losses of the Company;

(7) To formulate proposals for increase or reduction of the registered capital of the Company and issue and listing of bonds or other securities of the Company;

(8) To formulate plans for major acquisitions, purchase of shares of the Company or plans for merger, division, dissolution or alteration of corporate form of the Company;

(9) To determine external investments, purchases and sales of assets, pledge of assets, external guarantees, loans, entrusted asset management, disposal of assets and connected transactions of the Company, save for the matters that are required to be resolved at the general meeting pursuant to the law, regulations, the Articles of Association and other regulatory documents;

(10) To determine the establishment of the Company's internal management structure and manpower deployment;

(11) To appoint or remove the general manager and the secretary to the Board based on the nomination by the chairman of the Board; to appoint or remove the deputy general manager, chief financial officer and other senior management of the Company based on the nomination by the general manager and to determine their remunerations and rewards and penalties;

(12) To formulate the basic management system of the Company;

(13) To formulate proposals for amendment to the Articles of Association;

(14) To formulate the information disclosure system of the Company and to manage information disclosure of the Company;

(15) To propose the appointment or removal of the Company's auditors at the general meeting;

(16) To receive the work report and inspect the work of the general manager of the Company;

(17) To formulate share incentive schemes;

(18) To review and resolve other matters required to be decided by the Board pursuant to the laws, administrative regulations, departmental rules, the requirements of the place where the Company's shares are listed and the Articles of Association.

The exercise of power by the Board on the aforesaid matters or any transactions or arrangements of the Company shall be proposed for consideration and approval at the general meeting should the listing rules of the place where the shares of the Company are listed so require.

3. Responsibilities of directors

The directors acknowledge their responsibility for the preparation of annual financial statements and true and fair presentation of the Company's business results and financial conditions. The Board, which is responsible for overseeing the preparation of annual financial statements, receives the Company's monthly management accounts in respect of operation and updates on the Group's performance, financial position and prospects. In preparing the financial statements for the year ended 31 December 2018, the Board adopted appropriate accounting policies consistently, made prudent and reasonable judgements and estimates, and ensured that the financial statements were prepared on a going concern basis and show a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and of the financial performance and cash flows for the year.

4. Corporate Governance Functions

The Board of the Company has adopted the terms of reference for directors to perform its corporate governance functions, which include the formulation and review of the Company's corporate governance policy and practices and submission of proposals to the Board; review and overseeing the training and continuous professional development of the directors and senior management; review and overseeing the Company's policy and practices on compliance with law and regulations; formulate, review and overseeing the Code of Conduct and Compliance Manual for employees and directors, and review the Company's observance of the Corporate Governance Code and disclosures made in Chapter 11 – "Corporate Governance" of this report.

For the year 2018, the Board has performed the above corporate governance functions.

5. *Professional Training*

During the reporting period, the directors of the Company actively participated in the relevant trainings of corporate governance, directors' duties and operation management. All directors have also provided their relevant training records during the reporting period. Details regarding the training of directors during the reporting period are as follows:

Directors	Zeng Qinghong	Feng Xingya	Fu Yuwu	Lan Hailin	Leung Lincheong	Wang Susheng	Yan Zhuangli	Chen Maoshan	Chen Jun	Ding Hongxiang	Han Ying
Training participated	ABC	BC	BC	BC	BC	BC	BC	BC	BC	BC	BC

Notes:

A: Trainings on corporate governance of listed companies, directors' duties and the relevant trainings organised by stock exchange or securities regulatory authorities;

B: Special training, seminars and conferences on aspects of economics, finance and corporate management;

C: Reading materials related to corporate governance, directors' duties and regulations of internal risk management; and attending seminars, forums and conferences, etc.

All directors of the Company may timely access the relevant laws, regulations and other information relating to their continuing obligations through the secretary to the Board, the company secretary and the office of the Board. The Company ensures that all directors keep abreast of business development of the Company, the competitive and regulatory environment, as well as the development of the industry environment through provision of materials, conferences and seminars, which help directors understand their responsibilities and make right decisions and conduct effective supervision. The Company has adopted the Model Code as the code of conduct for securities transactions by directors. There is no financial, business, family or other material or related relationship existing among the directors.

After making specific enquiries with all directors, all directors have confirmed that they have fully complied with the rules as required by the Model Code throughout the year of 2018.

6. *Independence of Directors*

The number of independent non-executive directors represents one-third of the total number of members of the Board. The Company's independent non-executive directors have knowledge of the rights and obligations of the directors and independent directors of listed companies.

In accordance with Rule 3.13 of the Listing Rules, the Company has received the annual confirmation of independence from each of the independent non-executive directors. The Company considers that they are independent.

During the reporting period, the independent non-executive directors have discharged their duties with good faith, integrity and diligence according to the requirements of relevant laws and regulations. The independent non-executive directors participated in the discussion and decision-making of material issues of the Board and the special committees of the Board and gave their views on the compliance and operation of the Company based on their industry expertise and experience. They have duly reviewed and expressed their independent views on the equality and fairness of related party transactions. They have performed their duties independently and are independent from the controlling shareholders or other units and individuals who have interests in the Company.

The Company has reported to the independent non-executive directors the production and operation situation of the Company and the progress of significant events, submitted the annual reports and audit work schedule in compliance with the relevant requirements of the CSRC and the SSE concerning annual reports. Independent non-executive directors have communicated with the Company's auditors in respect of the related issues of the audit process.

During the reporting period, the independent non-executive directors did not hold dissenting views regarding resolutions of the Board and other resolutions not considered by the Board.

7. *Special Committees of the Board*

The Board has set up Strategy Committee, Audit Committee, Remuneration and Assessment Committee and Nomination Committee. Compositions of each of the committees of the Board are as follows:

(1) Strategy Committee comprises 6 directors, namely Zeng Qinghong, Feng Xingya, Fu Yuwu, Lan Hailin, Chen Jun and Ding Hongxiang, among whom, Fu Yuwu and Lan Hailin are independent directors and Zeng Qinghong is the chairman of the committee. The committee is mainly responsible for conducting research and making recommendations on the long-term development strategy and major investment decision of the Company. 1 meeting of the Strategy Committee was held during the year and all members attended the meeting, at which each committee member gave their opinions in respect of the matters considered.

(2) Audit Committee comprises 3 independent directors, namely Leung Lincheong, Lan Hailin and Wang Susheng, among whom Leung Lincheong is the chairman of the committee. Their primary duties are to supervise and review the annual audit work and internal audit system of the Company, the financial information and disclosure of the Company. During the year, 4 meetings of the Audit Committee were held and all members attended the meetings. The Audit Committee mainly reviewed the regular report and results, profit distribution and appointment of auditing institution and also timely reviewed the internal control system at the meetings.

(3) Remuneration and Assessment Committee comprises 3 directors, namely Wang Susheng, Leung Lincheong and Ding Hongxiang, among whom, Wang Susheng and Leung Lincheong are independent directors and Wang Susheng is the chairman of the committee. Their primary duties are to formulate the assessment criteria and appraise the directors and senior management of the Company, formulate and review the remuneration policies and proposals of directors and senior management of the Company. During the year, 4 meetings of the Remuneration and Assessment Committee were held in total and all members attended the meetings. The Remuneration and Assessment Committee reviewed the remuneration and appraisal proposal of senior management for the year 2017 and the appraisal plan relating to the third exercise period of the share option incentive schemes of the Company, and recommendations were provided to the Board.

(4) Nomination Committee comprises 3 directors, namely Wang Susheng, Leung Lincheong and Ding Hongxiang, among whom, Wang Susheng and Leung Lincheong are independent directors and Wang Susheng is the chairman of the committee. Their duties are to make recommendations regarding the candidates of senior management, the selection standards and procedures as well as being responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge. During the year, 1 meeting of the Nomination Committee was held in total and all members attended the meeting, at which the matters with respect to the appointment and dismissal of senior management were considered and reviewed and recommendations were provided.

8. Board Diversity Policy

According to the Board diversity policy of the Company (the "**Diversity Policy**"), when determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, gender, educational background, ethnicity, professional experience, skills, knowledge and term of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee of the Company will disclose the composition of the Board annually in the annual report and monitor the implementation of the Diversity Policy. The Nomination Committee will review the Diversity Policy, when appropriate, to ensure the effectiveness of the Diversity Policy, and will recommend any such revisions to the Board for consideration and approval.

9. Nomination policy

According to the nomination policy (the "**Nomination Policy**") of the Company, in evaluating and selecting candidates for directorship, the Nomination Committee shall:

(1) review the structure and composition (including the skills, knowledge and experience) of the Board, with reference to the operations, assets scale and shareholding structure of the Company, annually and make recommendations to the Board on any proposed changes concerning the directors in line with the implementation of the Company's strategy;

(2) study the selection criteria and procedures of the directors and senior management and to make recommendations to the Board;

(3) search extensively for the qualified candidates of the directors and senior management;

(4) review and make recommendations to the Board on the candidates of the directors and senior management;

(5) review and make recommendations on the other senior management who would be submitted to the Board for appointment;

(6) assess the independence of independent directors;

(7) give due regard to the benefits of diversity on the Board against objective criteria with reference to the Diversity Policy when performing the duties set out above;

(8) review the Diversity Policy where appropriate, review the measurable objectives and the progress of attainment under the Diversity Policy, and to disclose its review in the annual report each year to ensure effective implementation;

(9) recommend to the Board on the appointment or re-appointment of directors and the succession plan for directors, in particular the chairman and the general manager; and

(10) other matters conferred by the Board.

The selection procedures of the directors and senior management are as follows:

(1) the Nomination Committee shall actively communicate with the relevant departments of the Company to study the demand of the Company for new directors and senior management and to produce the result in writing;

(2) the Nomination Committee may extensively look for candidates of the directors and senior management within the Company and its controlling (investee) enterprises as well as in the labour market;

(3) to obtain information about the occupation, education background, job title, detailed information in relation to the work experience and all the part-time positions of the preliminary proposed candidates and to produce the result in writing;

(4) to seek the nominees' approval on the nomination, otherwise he/she shall not be nominated as the candidates of the directors and senior management;

(5) to convene meetings of the Nomination Committee and to review the qualification of the preliminary proposed candidates according to the job criteria of the directors and senior management;

(6) to recommend and to provide materials about the candidates of the directors and senior management to the Board one to two months prior to the election of new directors and the appointment of new senior management; and

(7) to conduct other follow-up work according to the decisions and feedbacks of the Board.

(3) Supervisors and supervisory committee

The supervisory committee strictly performed its supervisory function in accordance with the requirements of relevant laws and regulations and the Articles of Association.

At present, the supervisory committee comprises 6 supervisors, namely Ji Li, Chen Tian, Wang Junyang, Jiang Xiuyun, He Jinpei and Wang Lu, among whom Ji Li is chairman of the supervisory committee, Jiang Xiuyun, He Jinpei and Wang Lu are supervisors representing staff and workers.

Constitution of such committee was in compliance with requirements of laws and regulations and the Articles of Association.

During the reporting period, the supervisory committee convened 10 meetings and successfully completed the election of the 5th session of the supervisory committee, the convening, holding and procedures of which are in compliance with relevant requirements under the Articles of Association and the Rules of Procedures of the Supervisory Committee. All supervisors attended the meetings of the supervisory committee held this year and performed their duties conscientiously.

(4) The Management

The appointment, dismissal of and rewards and punishment for the senior management of the Company were in strict compliance with the provisions of relevant laws, regulations and Articles of Association. The Company has clearly defined the roles and division of work between the Board and the management as well as the respective responsibilities of the chairman of the Board and the general manager in its Articles of Association, ensuring the independence of the Board in decision-making and the independence of the management in managing the daily operations. The management of the Company mainly exercise the following daily operation rights under the authorisation of the Board:

(1) to be responsible for the Company's production, operation and management, to organise resources to carry out the Board's resolutions, and to report to the Board;

(2) to organise the implementation of the Company's annual business plan and investment plan;

(3) to draft plans for the establishment of the Company's internal management structure;

(4) to formulate the Company's basic management system;

(5) to formulate the specific rules and regulations of the Company;

(6) to propose the appointment or dismissal of the Company's deputy general manager(s) and chief financial officer;

(7) to decide on the appointment or dismissal of management personnel and staff other than those required to be appointed or dismissed by the Board;

(8) to propose the convening of extraordinary board meeting; and

(9) to exercise other powers conferred by the Articles of Association or the Board.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management by band for the year 2018 is set out below:

Remuneration bands (RMB)	Number of persons
1 to 1,000,000	0
1,000,001 to 2,000,000	7
Total	7

(5) Company Secretary

During the reporting period, the company secretaries of the Company are Ms. Sui Li, senior management of the Company, and Mr. Leung Chong Shun, a practicing solicitor in Hong Kong and external service provider. The primary contact person of the Company is Ms. Sui Li of the office of secretary to the Board. The company secretaries have received relevant professional training which fulfilled the requirements of Rule 3.29 of the Listing Rules.

(6) Appointment and Remuneration of External Auditor

The external auditor appointed by the Company is PricewaterhouseCoopers. The auditor's remuneration is disclosed in the paragraph titled "APPOINTMENT OR DISMISSAL OF ACCOUNTANTS" under Chapter 6 – "Significant Events" of this report.

(7) Investor Relations

The Company attaches importance to the effective communication with shareholders and investors. It actively promoted investor relations and communication through conferences, press conferences, briefings and inspection of the Company.

(8) Amendments to the Articles of Association

Nil

II. GENERAL MEETINGS

Session of the meeting	Date	Enquiry index of the designated website for the publication of the resolutions	Date of disclosure of the publication of the resolutions
2017 annual general meeting	18 May 2018	Websites of SSE and Stock Exchange	18 May 2018
2018 first extraordinary general meeting	23 August 2018	Websites of SSE and Stock Exchange	23 August 2018

Convening of the general meetings of the Company were in strict compliance with the requirements of the Articles of Association and the Rules of Procedures of the General Meeting. The proposal and voting procedures were in compliance with the relevant requirements of laws and regulations. General meetings held during this reporting period were all witnessed by lawyers who issued legal opinions. The Company disclosed the general meeting's resolutions in a timely, complete and accurate manner after the general meeting.

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(1) Directors' Attendance in Board Meetings and General Meetings

		Board meeting(s)						General meeting(s)
Name of directors	Independent director or not	Mandatory attendance in Board meetings during the year	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absent in person for two consecutive times or not	Attendance in general meetings
Zeng Qinghong	No	25	25	21	0	0	No	2
Feng Xingya	No	25	25	21	0	0	No	2
Fu Yuwu	Yes	25	25	24	0	0	No	0
Lan Hailin	Yes	25	25	24	0	0	No	0
Leung Lincheong	Yes	25	25	21	0	0	No	2
Wang Susheng	Yes	25	25	23	0	0	No	1
Yan Zhuangli	No	25	25	21	0	0	No	2
Chen Maoshan	No	25	25	21	0	0	No	2
Li Pingyi (resigned on 23 August 2018)	No	14	14	14	0	0	No	1
Chen Jun	No	11	11	9	0	0	No	0
Ding Hongxiang	No	25	25	23	0	0	No	1
Han Ying	No	11	11	8	0	0	No	0

Explanation on absence in person in Board meetings for two consecutive times

Nil

Number of Board meetings held during the year	25
Of which: Number of physical meetings	4
Number of meetings held via communication	21
Number of meetings held by way of combination of both	4

(2) Independent Directors' Objections to Relevant Matters of the Company

Nil

IV. MAJOR COMMENTS AND SUGGESTIONS PROPOSED BY SPECIAL COMMITTEES OF THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD AND DETAILS OF ANY DISAGREEMENTS

Nil

V. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE SUPERVISORY COMMITTEE

Nil

VI. STATEMENTS OF THE COMPANY ON INABILITY TO MAINTAIN THE INDEPENDENCE OR THE ABILITY OF INDEPENDENT OPERATIONS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDERS WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANISATION AND FINANCE

Nil

VII. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

According to the Remuneration and Performance Management Scheme for Senior Management, the Company set up appraisal mechanism and medium and long-term incentive mechanism. During the reporting period, according to the progress of implementation of annual performance contract signed with senior management, the Remuneration and Assessment Committee of the Board performed annual remuneration appraisal for the senior management, and the resolution in respect of the appraisal results was considered and approved by the Board.

VIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries during the reporting period. The said review covers all material aspects of control, including financial, operational and compliance controls. No material defects and important defects in internal control have been identified in 2018. The Board considers such systems effective and sufficient.

For full text of the self-evaluation report on internal control, please refer to the relevant announcement disclosed on the website of SSE (www.sse.com.cn) on 29 March 2019.

IX. INTERNAL CONTROL AND AUDIT REPORT

The Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP for independent audit of effectiveness of its internal control in 2018, which issued an opinion that "the internal control over financial report of the Company was in compliance with the Basic Principles for Internal Control of Enterprises and relevant requirements and was effective in all significant aspects as at 31 December 2018" (for full text of the audit report, please refer to the announcement disclosed on the website of the SSE (www.sse.com.cn) on 29 March 2019).

X. DIVIDEND POLICY

Since 2012, the Company has started to formulate dividend distribution plans for shareholders, which have been strictly implemented until now. To further improve the scientific, continuous and stable dividend distribution decisions and supervisory mechanism of the Company for higher transparency and practicability of profit distribution decisions, and to give guidance to investors to establish a concept of long-term and rational investment, pursuant to the "Regulatory Guidelines for Listed Companies No. 3 – Cash Dividends Distribution of Listed Companies" issued by the CSRC ([2013] No.43)（中國證監會公告（[2013]43號）《上市公司監管指引第3號－上市公司現金分紅》）, the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" issued by the CSRC (Zheng Jian Fa [2012] No.37)（中國證監會《關於進一步落實上市公司現金分紅有關事項的通知》（證監發[2012]37號））and the requirements of the Company's dividend distribution policy set out in the Articles of Association, the Board has formulated the "Dividend Distribution Plan for Shareholders of Guangzhou Automobile Group Co., Ltd. (2018-2020)" (the "**Distribution Plan**"), specific details of which are as follows:

1. Factors considered by the Company in formulating the Distribution Plan

The Company focuses on long term and sustainable development. After considering factors such as the profitability, operation planning, returns for shareholders, capital requirement for investment in future projects, social capital costs and financing environment, a continuous, stable and scientific distribution plan and mechanism for the investors are to be established, so that a systematic arrangement can be made for profit distribution in order to ensure continuity and stability of the profit distribution policy.

2. The principle of the Distribution Plan formulation

The formulation of the Distribution Plan shall conform with the relevant national laws and regulations and the relevant provisions relating to profit distribution in the Articles of Association. The Company shall focus on stable and reasonable returns to the investors while at the same time fully consider the actual operation and sustainable development of the Company. On the basis of giving full consideration to the interests of shareholders and managing the relationship between short-term interests and long-term development of the Company, the Company shall determine a reasonable profit distribution proposal, and pursuant to which, formulate a plan to implement the profit distribution policy in a certain period to ensure continuity and stability of the profit distribution policy.

3. The frequency of the Distribution Plan formulation and relevant decision making mechanism

The Board shall formulate the Distribution Plan in accordance with the profit distribution policy stipulated in the Articles of Association. In the event that the Company needs to adjust the profit distribution policy due to the significant changes in the external operating environment and its internal operating conditions, the protection of the interest of shareholders (especially the public shareholders) shall be of the first priority and detailed argumentation and reasons shall be given. Further, detailed explanation regarding the adjustments of the dividend distribution policy shall be given in the regular report of the Company with stringent implementation of the decision making procedures. The Board shall ensure that the Distribution Plan will be reviewed every three years in order to ensure the content of the Distribution Plan conforms with the profit distribution policy as stipulated in the Articles of Association.

4. ***The Distribution Plan to shareholders of the Company from 2018 to 2020***

(a) The Company may distribute profits by cash, shares, and combination of cash and shares.

(b) The Company shall give priority to profit distribution by way of cash, i.e. profit distribution shall be made in the form of cash dividends if the cash dividend conditions subsist.

(c) According to the laws and regulations in the Company Law and the provisions in the Articles of Association, provided that the profit and cash of the Company are able to fulfill the needs for continuous operation and long term development of the Company, the profit distributed in cash in each of the years between 2018 to 2020 shall be no less than 10% of the distributable profit realised in such year, whereas the cumulative profit distributed in cash for the three consecutive years shall be no less than 30% of the average distributable profits realised in such three years.

(d) In principle, cash dividend shall be distributed by the Company annually from 2018 to 2020. The Board may propose to distribute interim cash dividend based on the profitability and the capital requirements of the Company.

(e) From 2018 to 2020, depending on the cumulative distributable profits, reserves and the condition of cash flow, the Company may distribute profits by way of shares to match share capital expansion with business growth provided that the minimum cash dividend payout ratio and a reasonable scale of share capital of the Company are maintained.

CHAPTER 12
Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of Bond	Abbreviation	Code	Date of Issue	Due Date	Balances	Interest Rate (%)	Repayment of Principal and Interest	Trading Place
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (5 years)	12GAC01	122242	2013-03-20	2018-03-20	1,000,000,000	4.89	Simple interest per annum	SSE
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (10 years)	12GAC02	122243	2013-03-20	2023-03-20	3,000,000,000	5.09	Simple interest per annum	SSE
Corporate Bonds (Phase two) of Guangzhou Automobile Group Co., Ltd. in 2012	12GAC03	122352	2015-01-19	2020-01-19	2,000,000,000	4.7	Simple interest per annum	SSE

Interest Payment of Corporate Bonds

During the reporting period, the interest in respect of "12GAC01", "12GAC02" and "12GAC03" was timely paid in accordance with the terms set out in the prospectus. The coupon rate of "12GAC01" is 4.89%; one board lot of "12GAC01" with par value of RMB1,000 was entitled to interest of RMB48.90 (tax inclusive). The coupon rate of "12GAC02" is 5.09%; one board lot of "12GAC02" with par value of RMB1,000 was entitled to interest of RMB50.90 (tax inclusive). The coupon rate of "12GAC03" is 4.7%; one board lot of "12GAC03" with par value of RMB1,000 was entitled to interest of RMB47 (tax inclusive).

On 20 March 2018, the principal and interest of Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (5 years) were fully settled and delisted.

Other information of Corporate Bonds

N/A

II. CONTACT PERSON OF CUSTODIAN OF THE CORPORATE BONDS AND ITS CONTACT METHODS AND THE CONTACT METHODS OF THE CREDIT RATING AGENCY

Bond Custodian	Name	China International Capital Corporation Limited
	Office Address	27th Floor and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Contact Person	Chang Daming, Wang Chao
	Contact Number	010-65051166
Credit Rating Agency	Name	United Credit Ratings Co., Ltd.
	Office Address	12th Floor, PICC Office Tower, 2 Jianguomenwai Avenue, Beijing

III. USE OF FUNDS RAISED FROM THE CORPORATE BONDS

The proceeds were fully utilised as supplementary liquidity of the Company in accordance with the use of proceeds as set out in the prospectus.

IV. INFORMATION OF THE CREDIT RATING OF THE CORPORATE BONDS

On 29 May 2018, United Credit Ratings Co., Ltd. provided continuous credit rating for the 2012 corporate bonds issued by the Company in 2013 and 2015, which maintained the AAA long-term credit rating of the Company (as issuer) with stable outlook rating, and maintained the AAA credit rating of "12GAC02" and "12GAC03".

V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHERS DURING THE REPORTING PERIOD

1. Credit Enhancement Mechanism

During the reporting period, there was no change in the credit enhancement mechanism of corporate bonds. GAIG provided guarantee for the 2012 corporate bonds issued by the Company in 2013 and 2015 respectively. Status of the guarantor as at the end of the reporting period was as follows:

Unit: Yuan Currency: RMB

Key indicators	At the end of the reporting period (Unaudited)	Year-on-year increase or decrease (%)
Net assets	42,623,199,082	11.59
Gearing ratio	41.74%	-0.66
Return on net assets	13.74%	-3.98
Current ratio	1.60	-5.88
Quick ratio	1.44	-10.56
Cumulative balance of external guarantees	5,639,626,000	-18.61
Proportion of cumulative balance of external guarantees to net assets	13.23%	-4.91

2. Debt Repayment Plans and Debt Repayment Protective Measures

During the reporting period, there had been no change in the debt repayment plans and debt repayment protective measures. The Company has paid interest and repaid principal to bondholders in strict compliance with principal and interest repayment arrangements prescribed in the prospectus.

VI. MEETINGS OF HOLDERS OF CORPORATE BONDS

Nil

VII. PERFORMANCE OF DUTIES OF THE CUSTODIAN OF THE CORPORATE BONDS

During the term of the corporate bonds, the bonds trustee manager conscientiously complied with the agreement in the Bonds Trustee Management Agreement (《債券受託管理協議》) and conducted a continuous follow-up on the Company's rating, management and use of proceeds raised from the bonds, and condition of capital repayment with interest of the Company. The bonds trustee manager also supervised the performance of the obligations set out in the prospectus by the Company and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders.

Report of Trustee Management Affairs (《受託管理事務報告》) during the reporting period was disclosed by the trustee manager on 30 June 2018. For details, please see the website of SSE (http://www.sse.com.cn).

VIII. COMPANY'S ASSETS AS AT END OF REPORTING PERIOD

For details, please refer to Chapter 13 – "Financial Statements" of this report.

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

N/A

X. BANK CREDIT WITHIN THE REPORTING PERIOD

During the reporting period, the total amount of bank credit obtained by the Company was RMB36.8 billion.

XI. FULFILLMENT OF COMMITMENT IN THE COMPANY'S PROSPECTUS IN RESPECT OF THE BONDS DURING THE REPORTING PERIOD

During the reporting period, the Company strictly complied with and fulfilled the relevant commitments and undertakings in the prospectus and there was no adverse effect on the bondholders.

XII. IMPACT OF MAJOR EVENTS TO OPERATING STATUS AND SOLVENCY OF THE COMPANY

During the reporting period, there was no major event which may affect the solvency or bond price of the Company.

羅兵咸永道

To the shareholders of Guangzhou Automobile Group Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 158 to 307, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Warranty provisions
- Impairment of capitalised development costs
- Impairment assessment on the goodwill included in investment in a joint venture

Key Audit Matter	How our audit addressed the Key Audit Matter
Warranty provisions	
Refer to Note 4 (Critical accounting estimates and judgements) and Note 27 (Provisions) to the consolidated financial statements. As at 31 December 2018, the warranty provisions of the Group amounted to approximately RMB666,287,000 (Note 27). The Group mainly produced and sold passenger vehicles through its joint ventures GAC Honda Automobile Co., Ltd. ("GAC Honda"), GAC Toyota Motor Co., Ltd. ("GAC Toyota") and GAC Fiat Chrysler Automobiles Co., Ltd. ("GAC Fiat Chrysler") (collectively "Three Significant Joint Ventures") and its subsidiary, Guangzhou Automobile Group Motor Co., Ltd. ("GAC Motor"). The Group's joint ventures were accounted for using equity method. The warranty provisions relating to the Three Significant Joint Ventures were considered significant to the Company's consolidated financial statements. Provisions for warranties granted by the Group's Three Significant Joint Ventures and GAC Motor for the passenger vehicles sold are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.	We have met management of the Company, the Three Significant Joint Ventures and GAC Motor and have discussed with them and evaluated the impact on the Group's financial statements of warranty provision relating to Three Significant Joint Ventures and GAC Motor. (a) Procedures performed on warranty provisions of GAC Honda, GAC Toyota and GAC Motor, included: • We tested management's controls over recording provisions for product warranties. • We evaluated management's warranty provision model and tested the calculations therein. This included evaluating the key assumptions through reviewing the legal and contractual terms, comparing the assumptions to the historical data, analysing the expected unit cost of repair and returns of each vehicle type at each year of the warranty period, testing sales volume of each vehicle type to the supporting documents and recalculating the warranty provisions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Warranty provisions (continued)	
We focused on this area because the estimation of costs in respect of future warranty claims required significant management judgement.	• In respect of the provisions for warranties previously recorded and subsequently settled during the year, we compared the provision amount with the settlement amount and investigated, if significant variance existed, the reasonableness of the reassessment of the adequacy of the provisions for warranties previously made by the management. We also discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to the year-end that would significantly affect the estimates of the year end warranty provisions. (b) GAC Fiat Chrysler is a significant joint venture of the Group and is audited by a non-PricewaterhouseCoopers auditor ("Component Auditor"). Procedures performed on warranty provisions of GAC Fiat Chrysler included: • We have discussed with Component Auditor about their audit approach and work result for warranty provisions. • We have obtained and reviewed Component Auditor's reporting to us in accordance with our instructions. We found that management judgement and estimates associated with GAC Motor's warranty provisions were supported by available evidence. We found that, in the context of our audit of consolidated financial statements of the Company, Three Significant Joint Ventures' management judgement and estimates associated with their respective warranty provisions in respect of the Group's share of the profit and net assets of Three Significant Joint Ventures were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of capitalised development costs	
Refer to Note 4 (Critical accounting estimates and judgements) and Note 10 (Intangible assets) to the consolidated financial statements. As at 31 December 2018, the carrying amount of the Group's capitalised development costs, after considering the impairment provision, which arose from development expenditure on the Group's various types of self-developed passenger vehicle projects and were classified as intangible assets on the consolidated balance sheet, amounted to approximately RMB7,669,396,000. An impairment charge of approximately RMB102,107,000 has been recognised for capitalised development costs of certain types of passenger vehicles in the consolidated statement of comprehensive income for the year ended 31 December 2018. Capitalised development costs not yet in use are tested for impairment annually. Capitalised development costs in use are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management has assessed the recoverable amount of capitalised development costs for each type of passenger vehicles to be their value in use in order to determine the impairment charge, if any. We focused on this area because management's assessment of impairment involved complex and subjective judgements and assumptions, such as future cash flow projections using revenue, gross margin, long-term growth rate of revenue and discount rate.	We understood and evaluated management's process to identify the impairment indicators for capitalised development costs in use. The recoverable amount of the capitalised development costs subject to impairment testing was determined based on value in use, which was the present value of the future cash flows expected to be derived, and we performed following procedures: We obtained and understood management's calculations of value in use and assessed the methodology applied. We tested the consistency and assessed the reasonableness of the data used and management's key assumptions adopted in the future cash flow projections, mainly in relation to: • the budgeted sales and gross margin, by comparing them with actual performance and historical financial data, if any. For the budgeted sales, we also compared to the Group's strategic plan, future market growth as forecasted and sourced from independent parties; • the long-term growth rate of revenue, by comparing it with the relevant economic and industry forecasts, including certain forecasts sourced from independent parties; and • discount rate, by comparing it with the cost of capital of comparable companies. We also performed sensitivity analysis on the key assumptions of the cash flow forecasts by considering the likelihood of such a movement in those key assumptions arising. We found key assumptions made by the management in relation to the value in use calculations to be reasonable based on the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on the goodwill included in investment in a joint venture	
Refer to Note 4 (Critical accounting estimates and judgements) and Note 11 (Investments in joint ventures and associates) to the consolidated financial statements. As at 31 December 2018, the Group has goodwill of approximately RMB2,895,293,000 in relation to its investment in a joint venture – GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") in 2012. Management has concluded that there was no impairment in respect of the goodwill included in the investment in GAC Mitsubishi. This conclusion was based on fair value less cost of disposal model, applying discounted cash flow method, which involved significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth.	We obtained and understood management's impairment assessment to assess whether or not the recoverable amount of the investment in GAC Mitsubishi was below its carrying value. We assessed the methodology applied and the appropriateness of the key assumptions used in the management's cash flow forecast, including comparing the revenue growth rates with historical results and published industrial forecasts issued by recognised third party industry analysts. We also assessed the discount rate by evaluating the cost of capital for the investment in GAC Mitsubishi and selected comparable companies with the involvement of our internal valuation specialists. We also performed sensitivity analysis on the key assumptions of the cash flow forecasts by considering the likelihood of such a movement in those key assumptions arising. We found the key assumptions made by the management in relation to the fair value less cost of disposal calculations to be reasonable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Zee, Ho Sum.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

Consolidated Balance Sheet

	Note	As at 31 December 2018 RMB'000	 2017 RMB'000
ASSETS			
Non-current assets			
Land use rights	*7*	**3,929,992**	3,716,582
Property, plant and equipment	*8*	**16,318,393**	13,405,384
Investment properties	*9*	**1,485,994**	1,339,996
Intangible assets	*10*	**8,539,985**	5,861,045
Investments in joint ventures and associates	*11*	**28,995,309**	25,743,137
Deferred income tax assets	*13*	**1,062,075**	1,123,418
Financial assets at fair value through other comprehensive income	*14*	**1,215,244**	–
Financial assets at fair value through profit or loss	*15*	**1,588,786**	–
Available-for-sale financial assets	*14*	**–**	2,205,196
Prepayments and other long-term receivables	*16*	**2,827,005**	1,776,264
		65,962,783	55,171,022
Current assets			
Inventories	*17*	**6,729,797**	3,346,598
Trade and other receivables	*18*	**16,605,239**	10,638,090
Available-for-sale financial assets	*14*	**–**	423,852
Financial assets at fair value through profit or loss	*15*	**967,734**	608,929
Time deposits	*19*	**10,336,681**	10,113,301
Restricted cash	*20*	**3,841,939**	2,155,899
Cash and cash equivalents	*21*	**27,729,586**	37,198,750
		66,210,976	64,485,419
Total assets		**132,173,759**	119,656,441
LIABILITIES			
Non-current liabilities			
Trade and other payables	*25*	**198,485**	141,431
Borrowings	*26*	**9,611,461**	8,272,573
Deferred income tax liabilities	*13*	**160,977**	107,517
Provisions	*27*	**674,556**	915,212
Government grants	*28*	**3,262,220**	3,133,278
		13,907,699	12,570,011

	Note	2018 RMB'000	2017 RMB'000
		As at 31 December	
Current liabilities			
Trade and other payables	*25*	**35,786,131**	33,070,690
Contract liabilities	*6(a)*	**1,335,696**	–
Current income tax liabilities		**340,264**	907,470
Borrowings	*26*	**2,829,262**	2,640,277
		40,291,353	36,618,437
Total liabilities		**54,199,052**	49,188,448
Net assets		**77,974,707**	70,467,993
EQUITY			
Share capital	*22*	**10,232,497**	7,293,423
Other reserves	*24*	**26,880,662**	28,329,822
Retained earnings	*24*	**39,490,695**	33,801,023
Capital and reserves attributable to owners of the Company		**76,603,854**	69,424,268
Non-controlling interests		**1,370,853**	1,043,725
Total equity		**77,974,707**	**70,467,993**

The notes on pages 166 to 307 are an integral part of these financial statements.

The financial statements on pages 158 to 307 were approved by the Board of Directors on 29 March 2019 and were signed on its behalf:

Zeng Qinghong
Director

Feng Xingya
Director

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	6	72,379,779	71,574,939
Cost of sales	29	(60,835,699)	(58,716,478)
Gross profit		11,544,080	12,858,461
Selling and distribution costs	29	(5,073,033)	(5,250,070)
Administrative expenses	29	(4,519,380)	(4,021,804)
Net impairment losses on financial assets	3.1.2	(7,257)	–
Interest income	32	453,389	342,643
Other gains – net	31	1,067,991	562,459
Operating profit		3,465,790	4,491,689
Interest income	32	103,021	52,676
Finance costs	33	(458,858)	(646,477)
Share of profit of joint ventures and associates	11	8,753,300	8,296,387
Profit before income tax		11,863,253	12,194,275
Income tax expense	34	(920,808)	(1,154,259)
Profit for the year		10,942,445	11,040,016
Profit is 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	*35*	–	194,066
– exchange differences on translation of foreign operations	*35*	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	*35*	(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	*36*	**1.07**	1.20
– diluted	*36*	**1.06**	1.18

The notes on pages 166 to 307 are an integral part of these financial statements.

	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2017	6,453,360	11,848,133	25,554,660	43,856,153	1,037,308	44,893,461
Comprehensive income						
Profit for the year	–	–	11,004,671	11,004,671	35,345	11,040,016
Other comprehensive income, net of tax	–	187,396	–	187,396	5,484	192,880
Total comprehensive income	–	187,396	11,004,671	11,192,067	40,829	11,232,896
Transactions with owners in their capacity as owners						
Appropriation to statutory surplus reserve fund	–	586,092	(586,092)	–	–	–
Appropriation to general reserve fund	–	92,184	(92,184)	–	–	–
Dividend declared by the Company and subsidiaries	–	–	(2,080,032)	(2,080,032)	(44,584)	(2,124,616)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	19,700	19,700
Non-public issuance of A share	753,390	14,158,385	–	14,911,775	–	14,911,775
Changs in ownership interests in subsidiaries without change of control	–	(18,995)	–	(18,995)	(10,120)	(29,115)
Employee share option scheme						
– Value of employee services	–	31,538	–	31,538	–	31,538
– Proceeds from shares issued	16,476	96,655	–	113,131	–	113,131
Convertible bonds						
– Conversion of convertible bonds	70,197	1,333,686	–	1,403,883	–	1,403,883
Others	–	14,748	–	14,748	592	15,340
Total transactions with owners in their capacity as owners	840,063	16,294,293	(2,758,308)	14,376,048	(34,412)	14,341,636
Balance as at 31 December 2017	7,293,423	28,329,822	33,801,023	69,424,268	1,043,725	70,467,993

	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 31 December 2017 as originally presented	7,293,423	28,329,822	33,801,023	69,424,268	1,043,725	70,467,993
Change in accounting policy *(Note 2.2)*	–	111,095	(176,288)	(65,193)	–	(65,193)
Balance as at 1 January 2018 (restated)	7,293,423	28,440,917	33,624,735	69,359,075	1,043,725	70,402,800
Comprehensive income						
Profit for the year	–	–	10,899,603	10,899,603	42,842	10,942,445
Other comprehensive loss, net of tax	–	(74,840)	–	(74,840)	–	(74,840)
Total comprehensive income	–	(74,840)	10,899,603	10,824,763	42,842	10,867,605
Transactions with owners in their capacity as owners						
Transfer from other reserve to share capital	2,918,122	(2,918,122)	–	–	–	–
Appropriation to statutory surplus reserve fund	–	625,745	(625,745)	–	–	–
Appropriation to general reserve fund	–	249,447	(249,447)	–	–	–
Dividend declared by the Company and subsidiaries	–	–	(4,158,451)	(4,158,451)	(57,914)	(4,216,365)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	261,524	261,524
Non-controlling interest arising on business combination	–	–	–	–	80,018	80,018
Employee share option scheme *(Note 23)*						
– Value of employee services	–	566,062	–	566,062	–	566,062
– Proceeds from shares issued	20,911	77,240	–	98,151	–	98,151
Convertible bonds *(Note 26(g))*						
– Conversion of convertible bonds	41	759	–	800	–	800
Others	–	(86,546)	–	(86,546)	658	(85,888)
Total transactions with owners in their capacity as owners	2,939,074	(1,485,415)	(5,033,643)	(3,579,984)	284,286	(3,295,698)
Balance as at 31 December 2018	10,232,497	26,880,662	39,490,695	76,603,854	1,370,853	77,974,707

The notes on pages 166 to 307 are an integral part of these financial statements.

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*38(a)*	(971,395)	16,106,000
Interest received		468,333	293,644
Interest paid		(462,268)	(523,139)
Income tax paid		(1,372,378)	(1,216,752)
Net cash (used in)/generated from operating activities		(2,337,708)	14,659,753
Cash flows from investing activities			
Purchases of property, plant and equipment, land use rights, and intangible assets		(9,852,008)	(6,209,260)
Proceeds from sales of property, plant and equipment, land use rights and investment properties		43,489	138,305
Acquisition of a subsidiary, net of cash acquired	*38(d)*	151,337	–
Consideration paid for acquisition		–	(25,609)
Additional capital injection in joint ventures		(1,499,281)	(558,556)
Additional capital injection in associates		(124,842)	(99,109)
Acquisition and set-up of joint ventures		(94,000)	(254,597)
Acquisition and set-up of associates		(152,338)	(29,551)
Disposal of subsidiaries, net of cash disposed		–	7,536
Consideration received from disposal of associates and joint ventures		291,774	198,104
Acquisition of investment on financial assets at fair value through profit or loss, OCI and amortised cost (2017: available-for-sale financial assets, held-to-maturity investments and loans and receivables)		(2,439,191)	(11,477,931)
Disposal of investment on financial assets at fair value through profit or loss, OCI and amortised cost (2017: available-for-sale financial assets, held-to-maturity investments and loans and receivables)		1,806,737	13,133,006
Proceeds from investment income from financial instruments		224,718	190,134
Granting of entrusted loans		(100,000)	(399,128)
Proceeds from repayment of entrusted loans		287,123	900,735
Receipt of government grants related to assets		508,302	1,114,852
Dividends received		6,610,598	5,212,314
Increase in time deposits		(173,874)	(2,906,915)
(Increase)/decrease in restricted cash related to investment		(636,300)	1,000,000
Net cash used in from investing activities		(5,147,756)	(65,670)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Proceeds from the non-public issuance of A shares, net of transaction costs already paid		–	14,917,493
Proceeds from issuance of ordinary shares under employee share option scheme		**98,151**	113,131
Contribution from non-controlling shareholders of subsidiaries		**261,524**	19,700
Other payments of financing expenses		**(21,592)**	(4,871)
Dividend paid to shareholders of the Company		**(4,158,451)**	(2,080,032)
Dividend paid to non-controlling interests in subsidiaries		**(57,914)**	(44,584)
Proceeds from borrowings	*38(c)*	**4,650,232**	2,179,348
Proceeds from finance leases	*38(c)*	**119,743**	–
Repayments of borrowings	*38(c)*	**(3,227,830)**	(5,008,926)
Payments to bond holders upon conversion of convertible bonds		–	(37)
Proceed from repurchasing financial assets	*38(c)*	**323,995**	–
Net cash (used in)/generated from financing activities		**(2,012,142)**	10,091,222
Net (decrease)/increase in cash and cash equivalents		**(9,497,606)**	24,685,305
Cash and cash equivalents at beginning of the year		**37,198,750**	12,579,571
Exchange gains/(losses) on cash and cash equivalents		**28,442**	(66,126)
Cash and cash equivalents at end of the year		**27,729,586**	37,198,750

The notes on pages 166 to 307 are an integral part of these financial statements

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 (the "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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Accounting policy and disclosures

(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 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" are disclosed in Note 2.2.

Apart from aforementioned HKFRS 9 and HKFRS 15, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Accounting policy and disclosures (continued)

(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 periods 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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Accounting policy and disclosures (continued)

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

(i) HKFRS 16 Leasess (continued)

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, see Note 39.

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.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements.

2.2.1 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.1 Impact on the financial statements (continued)

Consolidated Balance Sheet (extract)	31 December 2017 As originally presented RMB'000	Effect of adoption of HKFRS 9 RMB'000	Effect of adoption of HKFRS 15 RMB'000	1 January 2018 Restated 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 other 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
Net assets	70,467,993	(65,193)	–	70,402,800
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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.2 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 new accounting policies are set out in Note 2.15 below.

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

	Notes	RMB'000
Closing retained earnings 31 December 2017 – HKAS 39		33,801,023
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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 Financial Instruments – Impact of adoption (continued)

(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**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 Financial Instruments – Impact of adoption (continued)

(a) Classification and measurement (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 Financial Instruments – Impact of adoption (continued)

(a) Classification and measurement (continued)

(i) Reclassification from AFS to FVPL

Certain debt instruments were reclassified from AFS to FVPL (RMB811,795,000 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 (RMB1,136,627,000 as at 1 January 2018). These equity investments were held for trading or had not elected to recognise fair value gains and losses through comprehensive income ("OCI").

Related accumulated fair value gains of RMB70,211,000 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 RMB539,996,000 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 RMB181,656,000 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 RMB680,626,000 were reclassified from AFS to FVOCI and accumulated fair value gains of RMB162,526,000 were reclassified from the AFS reserves to the FVOCI reserves on 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 Financial Instruments – Impact of adoption (continued)

(a) Classification and measurement (continued)

(iv) Reclassifications of financial instruments on adoption of HKFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original RMB'000	New RMB'000	Difference* RMB'000
Non-current financial assets					
Debt instrument					
– Bond	Available for sale	FVPL	120,487	120,487	–
– Financial products	Available for sale	FVPL	267,456	267,456	–
– Long-term receivables	Amortised cost	Amortised cost	1,176,640	1,175,944	(696)
			1,564,583	1,563,887	(696)
Equity Investment					
– Fund	Available for sale	FVPL	321,599	321,599	–
– Other equity investment	Available for sale	FVPL	256,332	256,332	–
– Preference shares	Available for sale	FVPL	558,696	558,696	–
– Preference shares	Available for sale	FVOCI	680,626	680,626	–
			1,817,253	1,817,253	–
Current financial assets					
Debt instrument					
– Bond	Available for sale	FVPL	98,651	98,651	–
– Financial products	Available for sale	FVPL	150,201	150,201	–
– Trust products	Available for sale	FVPL	175,000	175,000	–
– Trade and other receivables	Amortised cost	Amortised cost	16,605,239	16,605,218	(21)
			17,029,091	17,029,070	(21)
Equity Investment					
– Other equity investment	FVPL	FVOCI	539,996	539,996	–
			20,950,923	20,950,206	(717)

* The differences noted in this column are the result of applying the new expected credit loss model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 Financial Instruments – Impact of adoption (continued)

(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 RMB717,000 for other receivables;
- an increase in provision on 1 January 2018 by RMB3,286,000 due to an increase in loss allowance for off-balance sheet related activities of a subsidiary providing financing services; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 Financial Instruments – Impact of adoption (continued)

(b) Impairment of financial assets (continued)

(ii) Other financial assets measured at amortised cost (continued)

- an decrease in investments in a joint venture accounted for using equity method on 1 January 2018 by RMB62,191,000 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.

2.2.3 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.3 HKFRS 15 Revenue from Contracts with Customers (continued)

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.

Contract liabilities

Advance from customers relating to sale 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.

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.3 HKFRS 15 Revenue from Contracts with Customers (continued)

Contract liabilities (continued)

	Amounts reported in accordance with HKFRS 15 (A)	Hypothetical amounts under HKASs 18 and 11 (B)	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B)
Line items in the consolidated statement of comprehensive income for the year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Revenue	72,379,779	72,439,429	(59,650)
Cost of sales	(60,835,699)	(59,740,125)	(1,095,574)
Gross profit	11,544,080	12,699,304	(1,155,224)
Selling and distribution costs	(5,073,033)	(6,228,257)	1,155,224
Line items in the consolidated balance sheet as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Trade and other payables (current)	35,786,131	37,121,827	(1,335,696)
Contract liabilities	1,335,696	–	1,335,696
Line items in the reconciliation of profit for the year to cash generated from operations for year ended 31 December 2018 *(Note 38(a))* impacted by the adoption of HKFRS 15:			
Increase in trade and other payables	2,165,621	3,501,317	(1,335,696)
Increase in contract liabilities	1,335,696	–	1,335,696

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.4).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.3.4), after initially being recognised at cost.

2.3.3 Joint ventures

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method (Note 2.3.4), after initially being recognised at cost in the consolidated balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.13.

2.3.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that make strategic decisions.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains – net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(d) Disposal of foreign operation and partial disposal (continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.8 Land use rights

Land use rights represent upfront payments made for the use of land and are amortised over the unexpired terms of the lease on a straight-line basis.

2.9 Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of leasehold improvements is calculated using the straight-line method to allocate their costs to their residual value over the shorter of their estimated useful lives and the remaining lease term. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Useful lives	Residual rate
– Buildings	20-50 years	0%-10%
– Machinery	5-15 years	0%-10%
– Vehicles	4-12 years	0%-10%
– Moulds	3-5 years	0%-10%
– Office and other equipment	3-20 years	0%-12%
– Leasehold improvements	2-20 years	0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated statement of comprehensive income.

2.10 Construction in progress

Construction in progress represents property, plant and equipment and investment properties under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and investment properties and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.11 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies of the Group, are classified as investment properties. The Group applies cost model for recognition of investment properties.

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 20 to 50 years with residual value of 0% to 10%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Patent, proprietary technology and franchise right

Purchased patents, proprietary technology and franchise right are initially recorded at actual cost and are amortised on a straight-line basis over their useful lives of 5 to 10 years.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of 2 to 10 years.

(d) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on the Group's proprietary brands project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project ranging from 5 to 10 years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during a financial period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less cost of disposal. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprises the post-tax profit or loss and other comprehensive income of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less cost of disposal, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.15 Investments and other financial assets

2.15.1 Classification

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investments and other financial assets (continued)

2.15.1 Classification (continued)

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

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

2.15.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.15.3 Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investments and other financial assets (continued)

2.15.3 Measurement (continued)

Debt instruments (continued)

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

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

Equity instruments

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

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

2.15.4 Impairment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investments and other financial assets (continued)

2.15.5 Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to maturity investments, and
- available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period. See Note 12 for details about each type of financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investments and other financial assets (continued)

2.15.5 Accounting policies applied until 31 December 2017 (continued)

(i) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

When the fair value of unlisted equity investments recognised as available-for-sale financial assets cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of items classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income within 'other gains – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of interest income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of 'other gains – net' when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investments and other financial assets (continued)

2.15.5 Accounting policies applied until 31 December 2017 (continued)

(ii) Impairment

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investments and other financial assets (continued)

2.15.5 Accounting policies applied until 31 December 2017 (continued)

(ii) Impairment (continued)

Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through profit or loss.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.17 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.15.4 for a description of the Group's impairment policies.

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Trade and other payables

These amounts represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Defined contribution employee retirement schemes

The Group participates in the defined contribution employee retirement schemes regarding pension benefits required under existing PRC legislation. The defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.27 Share-based payments

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.28 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provision for product warranties granted by the Group for certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

Provision for off-balance sheet related activities of a subsidiary providing financing services are recognised based on expected credit loss assessed based on a forward looking basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Revenue recognition

The Group manufactures and sells a range of passenger vehicles, commercial vehicles, engines and automotive parts to its customers. Sales revenue are recognised when control of the goods has transferred to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Sales revenue are recorded based on the price stated in the sales contracts, net of the sales rebates and discounts.

Revenue from provision of services, primarily comprising transportation services, repair and maintenance services and optional warranty, etc, is recognised in the accounting period in which the services are rendered as the customers simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

In multiple element arrangements, the transaction price is allocated to the different performance obligations of the contract on the basis of relative standalone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.30 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income (2017 – from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other gains in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Insurance service

(a) Insurance contracts

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is mainly dependent on the magnitude of its potential effect.

(b) Significant insurance risk testing

For the insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(c) Revenue from gross premium

Premium income and reinsurance premium income is recognised when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

(d) Revenue from reinsurance

The Group undertakes inward and outward reinsurance in the normal course of operations. Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Insurance service (continued)

(d) Revenue from reinsurance (continued)

(i) Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing premium income from insurance contracts, the Group calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognise them through profit or loss according to reinsurance contracts. When calculating unearned premium reserves and claim reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognises reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, the Group calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognises the amount through profit or loss. When there is an early termination of an insurance contract, the Group calculates to determine the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognises the amount through profit or loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

(ii) Inward reinsurance business

During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognises the expenses through profit or loss.

Upon receipt of the statement of the reinsurance business, the Group adjusts the reinsurance premium income and reinsurance expenses, and then recognises the adjusted amounts through profit or loss according to the ceding company statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Lease

A lease in which a significant portion of the risks and rewards of ownership are transferred to the lessee is classified as finance lease. All other leases except finance lease are classified as operating lease.

(a) Finance lease

(i) The Group as a lessor under finance lease

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as finance lease receivables, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income. The net amount of finance lease receivables less unearned finance income is divided into long-term receivable and the portion of long-term receivable due within one year for presentation.

Lease income from finance lease is recognised using the effective interest method.

(b) Operating lease

(i) The Group as a leasee under operating lease

Payments made under operating lease (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) The Group as a lessor under operating lease

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.33 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.34 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment and intangible assets are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants are deducted in reporting the related expenses, when appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's finance department ("Group Finance") under policies approved by the senior management. Group Finance identifies and evaluates financial risks in close co-operation with the Group's operating units.

3.1.1 Market risk

(a) Foreign exchange risk

The Group's business mainly operates in the PRC with most of the transactions denominated and settled in RMB, except that certain receivables and payables, cash and cash equivalents, restricted cash and time deposits are mainly denominated in US dollar ("USD") and HK dollar ("HKD") which are exposed to foreign currency translation risk. The Group had not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2018 and 2017, the Group is not exposed to significant foreign exchange risk.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(b) Cash flow and fair value interest rate risk (continued)

The Group has no significant interest-bearing assets other than entrusted loans (included in other receivables), time deposits, restricted cash, and cash and cash equivalents. The maturity terms of these assets, together with the Group's current borrowings, are within 12 months so that there would not be significant interest rate risk for these financial assets and liabilities.

The Group's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2018, the Group's borrowings at variable rates were denominated in RMB. If interest rates on bank borrowings had been 100 basis point higher/lower respectively with all other variables held constant, post-tax profit would have been RMB15,032,000 (2017: RMB 12,422,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2018, approximately RMB10,436,475,000 (2017: RMB9,251,463,000) of the Group's borrowings bore interests at fixed rates. The fair value of the Group's borrowings are disclosed in Note 26.

The Group had not used any financial instrument to hedge its exposure to interest rate risk.

3.1.2 Credit risk

Credit risk arises from deposit with banks, contractual cash flows of debt instruments carried at amortised cost, at fair value through comprehensive income and at fair value through profit or loss, and trade and other receivables (excluding prepayment and value-added tax recoverable).

The Group has two types of financial assets that are subject to the expected credit loss model:

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

While deposit with banks, including time deposits, restricted cash, cash and cash equivalents, are also subject to the impairment requirements of HKFRS 9, identified impairment loss was immaterial.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

As at 31 December 2018, the Group has assessed that the expected loss rate for trade receivables due from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for trade receivables from related parties was recognised in 2018.

For the trade receivables from governments in relation to the subsidy of new energy vehicles sold to end users, the Group assessed that the credit standing of the governments is very strong, therefore, the Group estimated the expected loss rate of trade receivables from governments is minimal. Thus no loss allowance provision for trade receivables from government was recognised in 2018.

As at 1 January 2018 and 31 December 2018, the expected loss rate for certain third-party customers had dispute with the Group or in financial difficulties are assessed specifically by the directors as follows:

	As at 31 December 2018	As at 1 January 2018
Expected loss rate	98.74%	98.16%
Gross carrying amount (RMB'000)	90,806	108,594
Loss allowance provision (RMB'000)	89,659	106,600

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Trade receivables (continued)

As at 1 January 2018 and 31 December 2018, the loss allowance provision for the trade receivables due from third parties was determined as follows. The expected credit losses below also incorporated forward looking information.

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Trade receivables (excluding trade receivables due from related parties, trade receivables due from government and trade receivables subject to specific expected loss rate)							
At 31 December 2018							
Gross carrying amount (RMB'000)	567,321	71,760	7,619	10,083	5,245	138,750	800,778
Expected loss rate	0.32%	10.00%	30.00%	50.00%	80.00%	100.00%	
Loss allowance provision (RMB'000)	1,796	7,176	2,286	5,042	4,196	138,750	159,246

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Trade receivables (excluding trade receivables due from related parties, trade receivables due from government and trade receivables subject to specific expected loss rate)							
At 1 January 2018							
Gross carrying amount (RMB'000)	568,694	72,374	9,167	6,287	4,511	136,020	797,053
Expected loss rate	0.07%	10.00%	30.00%	50.00%	80.00%	100.00%	
Loss allowance provision (RMB'000)	385	7,237	2,750	3,144	3,609	136,020	153,145

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Debt investments at amortised cost and FVPL

All of the Group's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure as at 31 December 2018 is the carrying amount of these investments, amounting to RMB1,383,582,000 (31 December 2017: RMB 68,933,000).

The Group expects that there is no significant credit risk associated with debt investments at amortised cost and FVPL since the Group furnishes investment mandates to commercial banks, trust companies and asset management companies. These mandates require them to invest in financial products with high market credit rating, liquidity and stable return. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(c) Other financial assets at amortised cost

Since 1 January 2018, the Group applies the general approach to provide for expected credit loss of other financial assets measured at amortised cost including notes receivable, interest receivable, entrusted loans to related parties, finance lease receivables, loans relating to financing services, dividend receivables and other receivables under IFRS 9.

Except for certain long aging receivables for which the debtors failed to make demanded repayment and the Group has made specific provision on a case-by-case basis, the expected credit loss provision for the financial assets included in the above balances is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. As at 31 December 2018 and 2017, except for certain default receivables, management considers that the expected credit loss is immaterial.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(c) Other financial assets at amortised cost (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(c) Other financial assets at amortised cost (continued)

(i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 180 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are over 365 days past due and there is no reasonable expectation of recovery.	Asset is written off

As at 31 December 2018, the Group has assessed that the expected loss rate for other receivables from related parties (excluding loans relating to financing services and finance lease receivables) was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognised in 2018.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(d) As at 31 December 2017 and 2018, the loss allowance provision for trade receivables, current and long-term other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables (current) RMB'000	Other long-term receivables RMB'000	Total
31 December 2017 – calculated under HKAS 39	259,744	367,101	20,064	646,909
Amounts restated through opening retained earnings	–	21	696	717
At 1 January 2018 – calculated under HKFRS 9	259,744	367,122	20,760	647,626
(Reversal)/provision for loss allowance recognised in profit or loss	(10,839)	21,924	(3,828)	7,257
Receivables written off during the year	–	(42,000)	–	(42,000)
At 31 December 2018	**248,905**	**347,046**	**16,932**	**612,883**

(e) Previous accounting policy for impairment of trade and other receivables

Please refer to Note 2.15.5 (iii).

3.1.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group's finance team maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the Group's time deposits (Note 19) and cash and cash equivalents (Note 21) on the basis of expected cash flow.

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

	Less than 1 year RMB'000	Between1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2018				
Borrowings	3,310,865	3,570,021	7,249,783	–
Trade and other payables (excluding employee benefits payable, other taxes and government grants)	32,561,875	168,471	37,815	–

	Less than 1 year RMB'000	Between1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2017				
Borrowings	3,038,449	563,737	5,979,665	3,155,976
Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants)	29,245,348	141,431	–	–

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management (continued)

The gearing ratios as at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Total borrowings *(Note 26)*	**12,440,723**	10,912,850
Less: cash and cash equivalents *(Note 21)*	**(27,729,586)**	(37,198,750)
Net credit	**(15,288,863)**	(26,285,900)
Total equity	**77,974,707**	70,467,993
Total capital	**62,685,844**	44,182,093
Gearing ratio	**N/A**	N/A

As at 31 December 2018 and 2017, the Group's total borrowings are less than cash and cash equivalents and therefore the Group is subject to a net credit position, instead of net debt position.

3.3 Fair value estimation

The Group's financial instruments recognised in the balance sheet are mainly loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss and financial liabilities carried at amortised cost. The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date, such as estimated discounted cash flows.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2018.

	Level 1 RMB'000 *Note (a)*	Level 2 RMB'000 *Note (b)*	Level 3 RMB'000 *Note (c)*	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Bond investments	705,150	–	–	705,150
– Fund investments	67,429	303,732	–	371,161
– Financial products	–	–	582,275	582,275
– Trust products	–	–	96,157	96,157
– Stocks	17,452	–	–	17,452
– Other Equity Investment	–	–	214,981	214,981
– Preference shares	–	569,344	–	569,344
	790,031	873,076	893,413	2,556,520
Financial assets at fair value through other comprehensive income				
– Stocks	500,348	–	–	500,348
– Preference shares	–	–	714,896	714,896
	500,348	–	714,896	1,215,244
Total assets	1,290,379	873,076	1,608,309	3,771,764

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2017.

	Level 1 RMB'000 *Note (a)*	Level 2 RMB'000 *Note (b)*	Level 3 RMB'000 *Note (c)*	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Bond investments	68,933	–	–	68,933
– Stocks	539,996	–	–	539,996
	608,929	–	–	608,929
Available-for-sale financial assets				
– Bond investments	219,138	–	–	219,138
– Fund investments	21,128	300,471	–	321,599
– Financial products	–	–	417,657	417,657
– Trust products	–	–	175,000	175,000
– Stocks	108,270	–	–	108,270
– Preference shares	–	558,696	680,626	1,239,322
	348,536	859,167	1,273,283	2,480,986
Total assets	957,465	859,167	1,273,283	3,089,915

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets included in level 1 held by the Group is the current bid price.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instrument in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2018.

	Other equity investment RMB'000	Financial products RMB'000	Preference shares RMB'000	Trust products RMB'000	Total RMB'000
Opening balance as originally presented as at 31 December 2017	–	417,657	680,626	175,000	1,273,283
Change in accounting policy *(Note 2.2)*	148,062	–	–	–	148,062
Restated opening balance as at 1 January 2018	148,062	417,657	680,626	175,000	1,421,345
Purchase	87,436	1,413,066	–	321,000	1,821,502
Gains for the period recognised in profit or loss	55,103	14,291	–	15,240	84,634
Gains for the period recognised in other comprehensive income	–	–	34,270	–	34,270
Disposal	(75,620)	(1,262,739)	–	(415,083)	(1,753,442)
Closing balance	214,981	582,275	714,896	96,157	1,608,309
Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	(4,062)	(23,166)	–	3,157	(24,071)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instrument in level 3 (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

	Fair value at 31 December 2018 RMB'000	**Valuation technique(s)**	**Unobservable input**	**Range (weighted average)**
– Financial products	**582,275**	Discounted cash flow	Expected interest rate per annum	4%-5.6%
– Preference shares *(Note (i))*	**714,896**	Comparable transaction approach	Recent market transaction	USD139-153 per Share
– Other equity investment *(Note (ii))*	**214,981**	Discounted cash flow	Discount rate	1%-3%
– Trust products	**96,157**	Discounted cash flow	Expected interest rate per annum	5.36%-6.35%

(i) The stocks in Level 3 represent the Group's investment in preference shares.

(ii) Other equity investments in Level 3 represent the Group's investment in interest of non-listed company.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instrument in level 3 (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2017.

	Preference shares RMB'000	Financial products RMB'000	Trust products RMB'000	Total RMB'000
Opening balance	518,100	1,796,380	190,000	2,504,480
Purchase	–	10,094,003	175,000	10,269,003
Gains for the period recognised in other comprehensive income	162,526	66,863	6,065	235,454
Disposal	–	(11,539,589)	(196,065)	(11,735,654)
Closing balance	680,626	417,657	175,000	1,273,283
Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	–	66,863	6,065	72,928

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

	Fair value at 31 December 2017 RMB'000	Valuation technique(s)	Unobservable input	Range (weighted average)
Available-for-sale financial assets				
– Financial products	417,657	Discounted cash flow	Expected interest rate per annum	2.70%-5.36%
– Trust products	175,000	Discounted cash flow	Expected interest rate per annum	6.00%-6.35%
– Preference shares *(Note (i))*	680,626	Comparable transaction approach	Recent market trasaction	USD110-120 per share

(i) The stocks in Level 3 represent the Group's investment in preference shares.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current and deferred income taxes

The Group is subject to income taxes and land appreciation taxes ("LAT") over land disposal transactions in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. In addition, interpretation of taxation rules and requirements for whether group entities are able to enjoy an LAT exemption under the restructuring arrangement also give rise to uncertain tax positions. These estimates also include significant management judgments about the eventual outcome of the tax review based on the latest information available about the positions expected to be taken by tax authority. Accordingly, significant judgement is required in determining the amounts of current income tax, deferred income taxes and LAT. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(b) Impairment of property, plant and equipment, intangible assets and land use rights

Property, plant and equipment, intangible assets and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Construction in progress and intangible assets not ready to use-not subject to amortisation, are tested annually for impairment. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Impairment of property, plant and equipment, intangible assets and land use rights (continued)

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, which is in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of CGUs have been determined based on fair value less cost of disposal estimated using the discounted cash flow method. These calculations require the use of estimates.

(d) Impairment of investments in joint ventures and associates

The Group determines at each reporting date whether there is any objective evidence that the investments in the joint ventures and associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and associates and their carrying value.

If the investments in joint ventures and associates include goodwill, the Group should test the amount of impairment at least once a year. No impairment charge arose in one joint venture (Note 11.1(c)) with significant goodwill arising from an acquisition during the year 2012 after assessment. The recoverable amounts of the investments have been determined based on fair value less cost of disposal estimated using the discounted cash flow method. In arriving at fair value less cost of disposal, post-tax discount rates of 13% have been applied to the post-tax cash flows expressed in real terms. Fair value less cost of disposal was determined by estimating cash flows for a period of five years. The cash flow projections are based on financial budgets approved by management covering a five-year periods. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the fifth year, incorporating an annual real-term growth rate of 3%. These calculations require the use of estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment of investments in joint ventures and associates (continued)

If the budgeted revenue used in the fair value less cost of disposal calculation for this joint venture had been 13.49% lower than management's estimates at 31 December 2018, the Group would not recognise any impairment of investment. If the estimated post-tax discount rate for the joint venture had been 3.41% higher than management's estimates, the Group would not recognise an impairment against investment. If the estimated gross profit margins for the joint venture had been 1.68% lower than management's estimates, the Group would not recognise an impairment against investment.

(e) Warranty provisions

Provision for product warranties granted by the Group in respect of certain products are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.

(f) Impairment of trade and other receivables

The Group makes allowances on trade and other receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 2.15 above.

(g) Impairment of inventory

The management of the Group assesses on the net realisable value of inventory at each reporting date based on the accounting policies stated in Note 2.18. The net realisable value is the estimated selling price in the current course of business, less applicable costs, variable selling expenses and tax charges. Even though the management of the Group has made the best estimate about the inventory impairment loss predicted to occur and provided allowance for impairment, the impairment assessment may still be significantly changed due to the change of market situations.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Estimation of the fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.4.

(i) Classification of financial assets

The judgments in determining the classification of financial assets include the analysis of business models and the characteristics of contractual cash flows. An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows are arising from collecting contractual cash flows, selling financial assets or both.

The business model of managing financial assets is not determined by a single factor or activity. Instead, the entity should consider all relevant evidence available when making the assessment. Relevant evidence mainly includes, but not limited to, how the cash flow of the group of assets is collected, how the performance of the Group of assets is reported to key management personnel, and how the risk of Group of assets is being assessed and managed. The contractual cash flows characteristics of financial assets refer to the cash flow attributes of the financial assets reflecting the economic characteristics of the relevant financial assets (i.e. whether the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest). The principal amount refers to the fair value of the financial asset at initial recognition. The principal amount may change throughout the lifetime of the financial assets due to prepayment or other reasons. The interest includes the time value of money, the credit risk associatedwith the outstanding principal amount for a specific period, other basic lending credit risks, and the consideration of costs and profits.

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2018 particulars of principal subsidiaries, joint ventures and associates are as follows:

Name	Place of incorporation and operations	Legal status	Principal activities	Particulars of registered capital/ issued share capital	Interest held Direct	Interest held Indirect
Subsidiaries						
Guangzhou Automobile Group Motor Co., Ltd. ("GAC Motor") 廣州汽車集團乘用車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobiles	RMB12,718,499,394	100%	–
Guangzhou Automobile Group Component Co., Ltd. ("GAC Component") 廣州汽車集團零部件有限公司	Mainland China	Limited liability company	Manufacture and sale of automotive parts	RMB1,072,110,000	51%	49%
Guangzhou Automobile Group Business Co., Ltd. ("GAC Business") 廣州汽車集團商貿有限公司	Mainland China	Limited liability company	Trading of automobiles, automotive parts and steel	RMB3,241,512,000	100%	–
GAC Motor Hangzhou Co., Ltd. ("GAC Motor Hangzhou") 廣州汽車集團乘用車(杭州)有限公司	Mainland China	Limited liability company	Manufacture and sale of automobile	RMB4,231,280,000	–	100%
Urtrust Insurance Co., Ltd. 眾誠汽車保險有限公司	Mainland China	Joint stock company with limited liabilities	Provision of automobile insurance services	RMB1,500,000,000	20%	40%
GAC Capital Co., Ltd. ("GAC Capital") 廣汽資本有限公司	Mainland China	Limited liability company	Investment and investment management	RMB1,500,000,000	100%	–
GAC Finance Co., Ltd ("GAC Finance") 廣州汽車集團財務有限公司	Mainland China	Limited liability company	Financial services	RMB1,000,000,000	90%	10%

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

Name	Place of incorporation and operations	Principal activities	Particulars of registered capital/ issued share capital	Interest held Direct	Interest held Indirect
Joint ventures					
GAC Honda Automobile Co., Ltd. ("GAC Honda") 廣汽本田汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US$541,000,000	50%	–
GAC Toyota Motor Co., Ltd. ("GAC Toyota") 廣汽豐田汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US$842,236,100	50%	–
GAC Hino Motors Co., Ltd. ("GAC Hino") 廣汽日野汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB2,220,000,000	50%	–
GAC-SOFINCO Automobile Finance Co., Ltd ("GAC Sofinco") 廣汽匯理汽車金融有限公司	Mainland China	Provision of automotive financing services	RMB3,000,000,000	50%	–
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	Manufacture and sale of automobile and automotive parts	RMB6,000,000,000	50%	–
Wuyang-Honda Motors (Guangzhou) Co., Ltd. ("Wuyang-Honda") 五羊－本田摩托(廣州)有限公司	Mainland China	Manufacture and sale of motorcycle and motorcycle parts	US$49,000,000	50%	–
GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") 廣汽三菱汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB1,947,000,000	50%	–

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

Name	Place of incorporation and operations	Principal activities	Particulars of registered capital/ issued share capital	Interest held Direct	Interest held Indirect
Associates					
GAC Toyota Engine Co., Ltd. 廣汽豐田發動機有限公司	Mainland China	Manufacture and sale of automotive parts	US$407,420,000	30%	–
Shanghai Hino Engine Co., Ltd. 上海日野發動機有限公司	Mainland China	Manufacture and sale of automotive parts	US$29,980,000	30%	–
Guangzhou TS Automotive Interior Systems Co., Ltd. 廣州提愛思汽車內飾系统有限公司	Mainland China	Manufacture and sale of automotive parts	US$3,860,000	–	48%
Guangzhou Intex Automotive Interior Parts Co., Ltd. 廣州櫻泰汽車飾件有限公司	Mainland China	Manufacture and sale of automotive parts	US$22,500,000	–	25%
Guangzhou Stanley Electric Company Limited 廣州斯坦雷電氣有限公司	Mainland China	Manufacture and sale of automotive parts	US$44,700,000	–	30%
Guangzhou Denso Co., Ltd. 廣州電裝有限公司	Mainland China	Manufacture and sale of automotive parts	US$23,022,409	–	40%

6. 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.

6. SEGMENT INFORMATION (continued)

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)	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

6. SEGMENT INFORMATION (continued)

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

6. SEGMENT INFORMATION (continued)

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					
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

6. SEGMENT INFORMATION (continued)

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

Revenue from external customers by geographical location is as follows:

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Mainland China	72,359,820	71,572,413
Hong Kong	19,959	2,526
	72,379,779	71,574,939

Non-current assets (other than deferred tax assets, FVPL and FVOCI) located by geographical location are as follows:

	As at 31 December 2018 RMB'000	2017 RMB'000
Mainland China	62,011,514	51,754,442
Hong Kong	85,164	87,966
	62,096,678	51,842,408

6. SEGMENT INFORMATION (continued)

Analysis of revenue by category:

	Year ended 31 December 2018 RMB'000
Recognised at a point in time	
Sales of vehicles and related products	**66,197,235**
Recognised over time	
Maintenance, transportation and other services	**3,038,081**
Revenue under HKFRS 15	**69,235,316**
Revenue from other sources (Note (i))	**3,144,463**
	72,379,779

(i) Revenue from other sources includes insurance service, financing services and lease income.

	Year ended 31 December 2017 RMB'000
Sales of vehicles and related products	67,434,867
Rendering of services and others	4,140,072
	71,574,939

6. SEGMENT INFORMATION (continued)

(a) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December 2018 RMB'000	As at 1 January 2018 RMB'000
Contract liabilities		
– Related parties	**82,253**	20,326
– Third parties	**1,253,443**	1,089,457
	1,335,696	1,109,783

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The increase in contract liabilities was mainly due to increasing in advance payments from customers.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December 2018 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	
– Related parties	**20,326**
– Third parties	**1,089,457**
	1,109,783

(iii) Unsatisfied performance obligations

For the services the Group Rendered, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

7. LAND USE RIGHTS

Land use rights represent the Group's interests in land which are held on leases between 15 to 50 years. Movements of the land use rights for the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year		
Cost	**4,002,705**	2,540,759
Accumulated amortisation and impairment	**(286,123)**	(231,800)
Net book amount	**3,716,582**	2,308,959
For the year ended		
Opening net book amount	**3,716,582**	2,308,959
Additions	**390,956**	1,470,563
Acquisition of a subsidiary	**41,181**	–
Transferred to investment properties *(Note 9)*	**(126,779)**	–
Disposal of subsidiaries	**–**	(1,984)
Amortisation charge	**(91,948)**	(60,956)
Closing net book amount	**3,929,992**	3,716,582
End of the year		
Cost	**4,302,065**	4,002,705
Accumulated amortisation and impairment	**(372,073)**	(286,123)
Net book amount	**3,929,992**	3,716,582

(a) The amount of amortisation of the Group was primarily charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.

(b) As at 31 December 2018, certain bank borrowings (Note 26(a)) were secured by the Group's land use rights with the carrying value of approximately RMB51,449,000 (2017: RMB28,604,000).

(c) As at 31 December 2018, the Group is in the process of applying for the title certificates of certain of its land use rights with an aggregate carrying value of approximately RMB432,255,000 (2017: RMB622,906,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those land use rights.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Moulds RMB'000	Office and Other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2017								
Opening net book amount	5,896,089	4,023,844	246,611	725,209	128,663	235,024	600,573	11,856,013
Additions	12,839	380,858	236,822	128,919	72,138	71,265	2,472,949	3,375,790
Disposals	(46,274)	(55,682)	(49,243)	(1,373)	(4,839)	–	–	(157,411)
Disposal of subsidiaries	(7,629)	(150)	(28)	–	(29)	–	–	(7,836)
Transfer to investment properties *(Note 9)*	(83,785)	–	–	–	–	–	(10,377)	(94,162)
Transfers	556,426	1,067,948	11,219	354,199	21,666	–	(2,011,458)	–
Depreciation charge *(Note 29)*	(251,466)	(566,854)	(91,467)	(206,672)	(33,409)	(106,484)	–	(1,256,352)
Impairment charge	–	(81,441)	–	(229,217)	–	–	–	(310,658)
Closing net book amount	6,076,200	4,768,523	353,914	771,065	184,190	199,805	1,051,687	13,405,384
As at 31 December 2017								
Cost	7,280,358	6,788,445	671,002	1,882,428	404,607	598,804	1,052,710	18,678,354
Accumulated depreciation and impairment	(1,204,158)	(2,019,922)	(317,088)	(1,111,363)	(220,417)	(398,999)	(1,023)	(5,272,970)
Net book amount	6,076,200	4,768,523	353,914	771,065	184,190	199,805	1,051,687	13,405,384
Year ended 31 December 2018								
Opening net book amount	6,076,200	4,768,523	353,914	771,065	184,190	199,805	1,051,687	13,405,384
Additions	125,294	208,320	660,655	89,185	149,112	52,268	3,234,485	4,519,319
Acquisition of subsidiaries	37,991	34,370	213	–	–	–	–	72,574
Disposals	(3,364)	(88,074)	(80,230)	(80)	(16,867)	–	–	(188,615)
Transfer to investment properties (Note 9)	(14,612)	–	–	–	–	–	–	(14,612)
Transfers	896,219	1,002,587	7,542	125,679	31,284	–	(2,063,311)	–
Depreciation charge (Note 29)	(310,802)	(707,273)	(129,684)	(202,560)	(78,735)	(46,337)	–	(1,475,391)
Impairment charge	–	(97)	–	–	(169)	–	–	(266)
Closing net book amount	6,806,926	5,218,356	812,410	783,289	268,815	205,736	2,222,861	16,318,393
As at 31 December 2018								
Cost	8,262,410	7,894,353	1,198,503	2,095,690	557,592	651,072	2,223,885	22,883,505
Accumulated depreciation and impairment	(1,455,484)	(2,675,997)	(386,093)	(1,312,401)	(288,777)	(445,336)	(1,024)	(6,565,112)
Net book amount	6,806,926	5,218,356	812,410	783,289	268,815	205,736	2,222,861	16,318,393

8. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**1,198,405**	994,148
Selling and distribution costs	**27,833**	20,959
Administrative expenses	**249,153**	241,245
	1,475,391	1,256,352

(b) As at 31 December 2018, certain bank borrowings (Note 26(a)) were secured by the Group's property, plant and equipment with the carrying value of approximately RMB59,000,000 (2017: RMB 127,117,000).

(c) As at 31 December 2018, the Group is in the process of applying for the title certificates of certain of its property with an aggregate carrying value of approximately RMB2,262,481,000 (2017: RMB1,190,565,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

(d) During the year, the Group capitalised borrowing costs amounting to RMB4,356,000 (2017: RMB446,000) on qualifying assets (construction in progress). Borrowing costs were capitalised at rate of its general borrowings of 2.25%-5.41% (2017: 3.06%-5.12%).

9. INVESTMENT PROPERTIES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year		
Cost	**1,510,362**	1,412,150
Accumulated depreciation	**(170,366)**	(100,717)
Net book amount	**1,339,996**	1,311,433
For the year ended		
Opening net book amount	**1,339,996**	1,311,433
Transfer from land use rights *(Note 7)*	**126,779**	–
Transfer from property, plant and equipment *(Note 8)*	**14,612**	94,162
Acquisition of subsidiaries	**69,176**	–
Disposal	**(1,283)**	(3,277)
Depreciation charge *(Note 29)*	**(63,286)**	(62,322)
Closing net book amount	**1,485,994**	1,339,996
End of the year		
Cost	**1,727,811**	1,510,362
Accumulated depreciation	**(241,817)**	(170,366)
Net book amount	**1,485,994**	1,339,996

9. INVESTMENT PROPERTIES (continued)

(a) The Group's investment properties at their net book values are analysed as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Mainland China	**1,471,994**	1,324,679
Hong Kong	**14,000**	15,317
	1,485,994	1,339,996

(b) As at 31 December 2018, the Group is in the process of applying for the title certificates of certain of its investment properties with an aggregate carrying value of approximately RMB37,000,000 (2017: RMB128,139,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

(c) As at 31 December 2018, certain bank borrowings (Note 26(a)) were secured by the Group's investment properties with the carrying value of approximately RMB110,171,000 (2017: Nil).

10. INTANGIBLE ASSETS

	Patent, proprietary technology and franchise right RMB'000	Computer software RMB'000	Goodwill RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2017					
Opening net book amount	473,321	155,306	328,436	4,362,159	5,319,222
Additions	215,290	107,172	–	2,489,749	2,812,211
Amortisation charge *(Note 29)*	(54,229)	(43,143)	–	(859,420)	(956,792)
Impairment charge and write-off	(28,280)	–	(201,337)	(1,083,871)	(1,313,488)
Disposal	–	(108)	–	–	(108)
Closing net book amount	606,102	219,227	127,099	4,908,617	5,861,045
As at 31 December 2017					
Cost	1,290,076	383,873	127,099	9,862,349	11,663,397
Accumulated amortisation and impairment	(683,974)	(164,646)	–	(4,953,732)	(5,802,352)
Net book amount	606,102	219,227	127,099	4,908,617	5,861,045
Year ended 31 December 2018					
Opening net book amount	606,102	219,227	127,099	4,908,617	5,861,045
Additions	10,772	135,475	–	4,051,689	4,197,936
Acquisition of subsidiaries	–	833	–	–	833
Amortisation charge *(Note 29)*	(172,150)	(56,769)	–	(1,188,803)	(1,417,722)
Impairment charge *(Note 29)*	–	–	–	(102,107)	(102,107)
Closing net book amount	444,724	298,766	127,099	7,669,396	8,539,985
As at 31 December 2018					
Cost	1,300,848	520,181	127,099	13,914,038	15,862,166
Accumulated amortisation and impairment	(856,124)	(221,415)	–	(6,244,642)	(7,322,181)
Net book amount	444,724	298,766	127,099	7,669,396	8,539,985

(a) Amortisation of the Group's intangible assets mainly charged to cost of sales and administrative expenses.

10. INTANGIBLE ASSETS (continued)

(b) Goodwill arose from acquisition of businesses:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Denway	**90,299**	90,299
Others	**36,800**	36,800
	127,099	127,099

(i) Goodwill is allocated to the passenger vehicles and related operations and automotive parts segment, which is operated in Mainland China. Impairment testing is performed at each year end, and there was no material impairment for goodwill as at year end.

(c) During the year 2018, the Group capitalised borrowing costs amounting to RMB47,087,000 (2017: RMB 42,240,000) on qualifying assets (development costs). Borrowing costs were capitalised at rate of its general borrowings of 5.09%-5.19% (2017: 5.09%-5.19%).

11. 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

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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 *(Note (i))*	**7,226,090**	6,738,406
Share of profit of associates *(Note (i))*	**1,527,210**	1,557,981
	8,753,300	8,296,387

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

11.1 INVESTMENTS IN JOINT VENTURES

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

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 INVESTMENTS IN JOINT VENTURES (continued)

(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 2.2)*	**(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.

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 INVESTMENTS IN JOINT VENTURES (continued)

(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	Mainland China	50	Note 1	Equity
GAC Toyota	Mainland China	50	Note 1	Equity
GAC Fiat Chrysler	Mainland China	50	Note 1	Equity
GAC Mitsubishi	Mainland China	50	Note 1	Equity
GAC Hino	Mainland China	50	Note 1	Equity
GAC Sofinco	Mainland China	50	Note 1	Equity
Wuyang-Honda	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.

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 INVESTMENTS IN JOINT VENTURES (continued)

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

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

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 INVESTMENTS IN JOINT VENTURES (continued)

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

Summarised statement of comprehensive income

	Year ended 31 December 2018 RMB'000	2017 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 attribute 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

Set out below are the assets, liabilities, revenue and dividends of the material joint ventures of the Group:

Name of joint ventures	Assets As at 31 December 2018 RMB'000	Assets As at 31 December 2017 RMB'000	Liabilities As at 31 December 2018 RMB'000	Liabilities As at 31 December 2017 RMB'000	Revenue Year ended 31 December 2018 RMB'000	Revenue Year ended 31 December 2017 RMB'000	Dividends received Year ended 31 December 2018 RMB'000	Dividends received Year ended 31 December 2017 RMB'000
GAC Honda	**40,167,959**	36,930,220	**31,372,152**	28,710,625	**97,853,420**	92,011,310	**2,704,000**	1,755,000
GAC Toyota	**39,049,082**	26,257,366	**26,570,474**	16,412,427	**83,724,509**	60,400,154	**2,442,200**	2,205,946
GAC Fiat Chrysler	**13,402,145**	16,289,098	**9,929,940**	11,867,168	**19,705,257**	31,500,599	**–**	–
GAC Mitsubishi	**10,971,003**	10,706,876	**7,693,027**	8,540,519	**19,513,979**	17,095,402	**–**	–
GAC Hino	**1,973,534**	1,651,464	**1,461,068**	1,644,110	**1,474,323**	949,317	**–**	–
GAC Sofinco	**42,222,387**	31,287,798	**36,902,796**	27,852,789	**3,296,414**	2,583,891	**–**	–
Wuyang-Honda	**2,555,300**	3,064,262	**1,362,463**	1,740,335	**4,580,909**	5,395,010	**85,179**	101,332
Total	**150,341,410**	126,187,084	**115,291,920**	96,767,973	**230,148,811**	209,935,683	**5,231,379**	4,062,278

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 INVESTMENTS IN JOINT VENTURES (continued)

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

Reconciliation of share of the net assets to the carrying amount of the Group's interests in the material joint ventures:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Assets	**150,341,410**	126,187,084
Less: Liabilities	**(115,291,920)**	(96,767,973)
Non-controlling interests	**(17,073)**	(17,053)
Net assets excluding non-controlling interests	**35,032,417**	29,402,058
Percentage of ownership interest	**50%**	50%
Interests in material joint ventures	**17,516,209**	14,701,029
Goodwill	**2,916,552**	2,916,552
– GAC Mitsubishi	**2,895,293**	2,895,293
– Wuyang-Honda	**21,259**	21,259
Carrying amount of investments in material joint ventures	**20,432,761**	**17,617,581**

11.2 INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Unlisted companies	**6,881,735**	6,541,156

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.2 INVESTMENTS IN ASSOCIATES (continued)

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**6,541,156**	5,927,340
Additions	**277,180**	131,518
Disposals	**(165,617)**	–
Capital reduction	**(33,065)**	–
Share of profits	**1,540,426**	1,559,197
Share of addition in other reserves	**3,294**	–
Dividends declared	**(1,281,639)**	(1,076,899)
End of the year	**6,881,735**	6,541,156

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Associates		
Profit	**1,527,210**	1,557,981
Other comprehensive income	**–**	–
Total comprehensive income	**1,527,210**	1,557,981

(c) Particulars of the Group's principal associates are set out in Note 5.

12. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December 2018 RMB'000
Financial asstes at amortised cost	
– Prepayments and long-term receivables (excluding prepayments) *(Note (a)) (Note 16)*	**1,413,930**
– Trade and other receivables (excluding prepayments and VAT recoverable) *(Note 18)*	**13,428,381**
– Time deposits *(Note 19)*	**10,336,681**
– Restricted cash *(Note 20)*	**3,841,939**
– Cash and cash equivalents *(Note 21)*	**27,729,586**
Financial assets at fair value through profit or loss *(Note 15)*	**2,556,520**
Financial assets at fair value through other comprehensive income *(Note 14)*	**1,215,244**
	60,522,281

	As at 31 December 2017 RMB'000
Loans and receivables	
– Prepayments and long-term receivables (excluding prepayments) *(Note (a)) (Note 16)*	1,176,640
– Trade and other receivables (excluding prepayments and VAT recoverable) *(Note (a)) (Note 18)*	8,710,642
– Time deposits *(Note 19)*	10,113,301
– Restricted cash *(Note 20)*	2,155,899
– Cash and cash equivalents *(Note 21)*	37,198,750
Financial assets at fair value through profit or loss *(Note 15)*	608,929
Available-for-sale financial assets *(Note 14)*	2,629,048
	62,593,209

12. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

(a) As at 31 December 2018, certain bank borrowings (Note 26(a)) were secured by the Group's long-term receivables with the carrying value of approximately RMB1,051,233,000 (2017: RMB492,489,000).

	As at 31 December 2018 RMB'000
Financial liabilities at amortised cost	
– Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants) *(Note 25)*	**32,913,625**
– Borrowings *(Note 26)*	**12,440,723**
Total	**45,354,348**

	As at 31 December 2017 RMB'000
Financial liabilities at amortised cost	
– Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants) *(Note 25)*	29,386,779
– Borrowings *(Note 26)*	10,912,850
Total	40,299,629

13. DEFERRED INCOME TAX

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**92,529**	163,173
– to be recovered within 12 months	**969,546**	960,245
	1,062,075	1,123,418
Deferred tax liabilities:		
– to be settled after more than 12 months	**(160,971)**	(105,665)
– to be settled within 12 months	**(6)**	(1,852)
	(160,977)	(107,517)
Deferred tax assets – net	**901,098**	1,015,901

(b) The net movements on the deferred income tax account are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
As at 31 December 2017 as originally presented	**1,015,901**	717,923
Change in accounting policy *(Note 2.2)*	**1,001**	–
As at 1 January 2018 (restated)	**1,016,902**	717,923
Acquisition of a subsidiary	**(168)**	–
Tax recognised in profit or loss *(Note 34)*	**(115,636)**	302,548
Tax charge relating to components of other comprehensive income	**–**	(4,570)
End of the year	**901,098**	1,015,901

13. DEFERRED INCOME TAX (continued)

(c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Impairment provision RMB'000	Amortisation of pre-operating expenses RMB'000	Accrued expenses and provisions RMB'000	Tax losses RMB'000	Total RMB'000
Year ended 31 December 2017					
Opening book amount	66,903	1,390	647,128	74,454	789,875
Recognised in profit or loss	58,105	259	293,914	(18,735)	333,543
Closing book amount	125,008	1,649	941,042	55,719	1,123,418
Year ended 31 December 2018					
Opening book amount as originally presented	125,008	1,649	941,042	55,719	1,123,418
Change in accounting policy *(Note 2.2)*	1,001	–	–	–	1,001
Opening book amount (restated)	126,009	1,649	941,042	55,719	1,124,419
Acquisition of a subsidiary	1,055	–	11,015	–	12,070
Recognised in profit or loss	2,403	699	(43,433)	(34,083)	(74,414)
Closing book amount	129,467	2,348	908,624	21,636	1,062,075

13. DEFERRED INCOME TAX (continued)

(c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows: (continued)

Deferred tax liabilities	Accrued bank interest income RMB'000	Accelerated taxation depreciation RMB'000	Revaluation of financial assets RMB'000	Fair value gains arisen from business combination RMB'000	Share of profit of an associate RMB'000	Total RMB'000
Year ended 31 December 2017						
Opening book amount	(195)	(18,382)	(787)	(15,972)	(36,616)	(71,952)
Recognised in profit or loss	(1,657)	(27,722)	(4)	755	(2,367)	(30,995)
Tax charge relating to components of other comprehensive income	–	–	(4,570)	–	–	(4,570)
Closing book amount	(1,852)	(46,104)	(5,361)	(15,217)	(38,983)	(107,517)
Year ended 31 December 2018						
Opening book amount	(1,852)	(46,104)	(5,361)	(15,217)	(38,983)	(107,517)
Acquisition of a subsidiary	–	–	–	(12,238)	–	(12,238)
Recognised in profit or loss	1,846	(50,714)	2,585	3,367	1,694	(41,222)
Closing book amount	(6)	(96,818)	(2,776)	(24,088)	(37,289)	(160,977)

13. DEFERRED INCOME TAX (continued)

(d) In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2018, the Group did not recognise deferred tax assets in respect of losses amounting to RMB9,990,366,000 (2017: RMB9,481,704,000), as it is uncertain that future taxable profit of group companies will be available against which the tax losses can be utilised. These tax losses will expire between 2019 and 2023.

Expire year	**Unused tax losses for which no deferred tax asset was recognised** RMB'000
2019	1,723,073
2020	1,621,841
2021	1,890,764
2022	2,652,725
2023	2,101,963
	9,990,366

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
Listed stock	**500,348**	–
Unlisted preference share	**714,896**	–
	1,215,244	–

(i) FVOCI of the Group comprise equity instruments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) No equity investments at FVOCI were disposed in 2018.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

(iii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Losses)/gains recognised in other comprehensive income (2017 relating to available-for-sale financial assets)	**(75,562)**	198,636
Dividends from equity investments held at FVOCI recognised in profit or loss in other gains		
– Related to investments held at the end of the reporting period	**22,097**	–

(iv) Financial assets previously classified as available-for-sale financial assets (2017)

	As at 31 December 2017 RMB'000
Unlisted equity investment at cost, net of impairment	148,062
Other investment at fair value	
– Listed	922,300
– Unlisted	1,558,686
	2,629,048
Less: non-current portion	(2,205,196)
Current portion	423,852

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets		
Debt instrument		
Listed bond investments	501,707	–
Unlisted financial products	125,352	–
	627,059	–
Equity instrument		
Listed stocks	17,452	–
Listed fund investments	29,079	–
Listed preference shares	569,344	–
Unlisted fund investments	130,871	
Unlisted other equity investment	214,981	–
	961,727	–
Current assets		
Debt instrument		
Listed bond investments	203,443	68,933
Unlisted financial products	456,923	–
Unlisted trust products	96,157	–
	756,523	68,933
Equity instrument		
Listed stocks	–	539,996
Unlisted Fund investments	211,211	–
	211,211	539,996
	2,556,520	608,929

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(i) The Group classifies the following FVPL

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

(ii) Amounts recognised in profit or loss

During the year, the following (gains)/losses were recognised in profit or loss:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Fair value losses/(gains) on equity investments at FVPL recognised in other gains-net	**8,546**	(90,607)
Fair value losses on debt instruments at FVPL recognised in other gains-net	**15,311**	1,220
	23,857	(89,387)

16. PREPAYMENTS AND OTHER LONG-TERM RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Prepayments	**1,413,075**	599,624
Finance lease receivables	**876,611**	438,521
Other loans and receivables	**554,251**	258,183
Loans relating to financing services *(Note 18(c))*	**–**	500,000
	1,430,862	1,196,704
Less: provision for other long-term receivables	**(16,932)**	(20,064)
	2,827,005	1,776,264

17. INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Raw materials and consumables	**2,077,457**	1,058,428
Work-in-progress	**113,222**	87,201
Finished goods and merchandise	**4,782,717**	2,415,775
	6,973,396	3,561,404
Less: provision for impairment	**(243,599)**	(214,806)
	6,729,797	3,346,598

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB48,475,684,000 (2017: RMB48,432,610,000).

As at 31 December 2018, certain bank borrowings (Note 26(a)) and notes payable were secured by the Group's inventories with the carrying value of approximately RMB453,556,000 (2017: RMB313,075,000) and RMB794,782,000 (2017: RMB338,201,000) respectively.

18. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables *(Note (a) and (b))*	**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 *(Note (c) and 40(b))*	**603,412**	146,250
Entrusted loans to related parties *(Note (d) and 40(b))*	**189,400**	373,200
Value added tax recoverable	**1,751,306**	717,686
Prepayments	**1,425,552**	1,209,762
Dividends receivable *(Note 40(b))*	**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

18. TRADE AND OTHER RECEIVABLES (continued)

(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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB248,905,000 was made against the gross amounts of trade receivables (2017: RMB259,744,000).

(b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

18. TRADE AND OTHER RECEIVABLES (continued)

(c) The balance represents loans to related parties in relation to provision of financing services by a subsidiary of the Group. The effective interest rate as at 31 December 2018 is 3.92%-4.35%.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Gross loan balance	**625,247**	650,000
Less: provision for impairment	**(21,835)**	(16,250)
	603,412	633,750
Less: current portion	**(603,412)**	(146,250)
Non-current portion *(Note 16)*	**–**	487,500

Movements of impairment allowances are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At 1 January	**16,250**	–
Provision for impairment loss	**5,585**	16,250
At 31 December	**21,835**	16,250

(d) The entrusted loans are mainly lent to related parties through financial institutions, which will be due in 2018. The effective interest rate as at 31 December 2018 is 4.35% (2017: 4.48%).

18. TRADE AND OTHER RECEIVABLES (continued)

(e) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**16,535,560**	10,630,490
USD	**68,655**	5,868
HKD	**1,024**	1,732
	16,605,239	10,638,090

19. TIME DEPOSITS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in:		
– RMB	**10,292,070**	10,080,630
– USD	**44,611**	32,671
	10,336,681	10,113,301

The initial term of time deposits was over three months.

20. RESTRICTED CASH

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Deposits for letters of credit and bank notes	**653,740**	482,884
Security and other deposits	**149,084**	12,517
Guarantee capital deposits	**–**	300,000
Capital injection received by a subsidiary for capital verification	**1,552,875**	–
Mandatory reserve deposits with the People's Bank of China ("PBOC") *(Note (a))*	**1,486,240**	1,360,498
	3,841,939	2,155,899

(a) A subsidiary of the Group is required to place mandatory reserve deposits with the PBOC for its provision of financing service. Those deposits with the PBOC are not available for use in the Group's daily operations.

The carrying amount of the Group's restricted cash are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**3,838,760**	2,154,160
HKD	**3,179**	1,739
	3,841,939	2,155,899

21. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in:		
– RMB	**26,309,282**	36,012,767
– HKD	**25,797**	16,466
– USD	**1,385,678**	1,162,175
– JPY	**7,853**	6,366
– EUR	**709**	707
– Others	**267**	269
	27,729,586	37,198,750

As at 31 December 2018 and 2017, the Group's cash and cash equivalents includes cash in hand, deposits held at call with banks and bank deposits with original maturities of three months or less.

(a) As at 31 December 2018 and 2017, the Group's cash and cash equivalents, restricted cash (Note 20) and time deposits (Note 19) were deposited in financial institutions without significant credit risk. Detail ratings of these financial institutions, as published by Shanghai Purang Financial service Co., Ltd, are set out as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
AAA	**41,754,404**	49,440,221
AA+	**3,086**	11,234
Others and cash on hand	**150,716**	16,495
	41,908,206	49,467,950
Representing		
– 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
	41,908,206	49,467,950

22. SHARE CAPITAL

	RMB ordinary shares of RMB 1 each		Foreign ordinary shares listed outside mainland China of RMB 1 each		Total	
	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000
As at 31 December 2017	5,080,123	5,080,123	2,213,300	2,213,300	7,293,423	7,293,423
Employee share option scheme – Proceeds from share issued *(Note 23)*	20,911	20,911	–	–	20,911	20,911
Conversion of convertible bonds *(Note 26(g))*	41	41	–	–	41	41
Transfer from share premium *(Note 23(a)(i))*	2,032,802	2,032,802	885,320	885,320	2,918,122	2,918,122
As at 31 December 2018	7,133,877	7,133,877	3,098,620	3,098,620	10,232,497	10,232,497

23. SHARE-BASED PAYMENTS

(a) Equity-settled share-based payment – the First A Share Options Scheme

According to the resolution of the extraordinary shareholders' meeting held on 19 September 2014, total 64,348,600 A Share Options ("SO-I") were granted to 620 individuals, including directors, senior management and selected key employees (the "SO-I Recipients"). Each share option represents the right granted to the SO-I Recipients to acquire one share of the Company at pre-determined exercise price and conditions in the validity period as set out in the First A Share Options Scheme. The grant date is 19 September 2014 (the "Grant Date I").

Each one third of the SO-I granted to the SO-I Recipients will become exercisable once per year in three years starting two years from the Grant Date I, subject to achieving the performance conditions as set out in the First A Share Options Scheme. The options have a contractual option term of five years starting from the Grant Date I. The Company has no legal or constructive obligation to purchase or settle the granted share options in cash.

The weighted average fair value of SO-I, as estimated at the Grant Date I, was RMB1.836 per share option. This was calculated using the Black-Scholes share option pricing model.

23. SHARE-BASED PAYMENTS (continued)

(a) Equity-settled share-based payment – the First A Share Options Scheme (continued)

The first (the "Batch I SO-I") and second (the "Batch II SO-I") one third of the SO-I became exerciable on 19 September 2016 and 19 September 2017 respectively. Up to 31 December 2018, an accumulative total of approximately 36,314,000 units of the Batch I and Batch II SO-I were exercised by the SO-I Recipients. As at 31 December 2018, there is no outstanding Batch I and Batch II SO-I.

On 19 September 2018, the last one third of SO-I ("Batch III SO-I") became exercisable. Up to 31 December 2018, an accumulative total of approximately 17,798,000 units of Batch III SO-I were exercised by the SO-I Recipients. The Company issued approximately 17,798,000 ordinary shares accordingly in 2018. As at 31 December 2018, there are 5,210,000 outstanding options in Batch III SO-I.

The Company received capital contribution of approximate RMB98,151,000 in cash from the SO-I Recipients for exercise of Batch II of SO-I and Batch III of SO-I in 2018 and increased share capital and share premium with the amount of RMB20,911,000 and RMB112,622,000, respectively. At the same time, the Company recognised the accumulative employee share option scheme reserve relating to exercised share options of RMB35,382,000 and transferred this amount to share premium.

Movements in the number of SO-I outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price in RMB per share option	**Number of share options (thousands)**	Average exercise price in RMB per share option	Number of share options (thousands)
At 1 January	**6.84**	**20,290**	7.16	38,531
Exercised – Batch I of SO-I	**–**	**–**	7.06	(1,950)
Exercised – Batch II of SO-I	**5.92**	**(3,113)**	6.84	(14,526)
Effect of transfer from share premium to share capital *(Note (i))*	**5.20**	**6,966**	–	–
Exercised – Batch III of SO-I	**4.48**	**(17,798)**	–	–
Forfeited	**5.20**	**(1,135)**	7.00	(1,765)
At 31 December	**4.48**	**5,210**	6.84	20,290

(i) On 18 May 2018, pursuant to a resolution of the Company's general meeting of shareholders, 4 shares were issued fvor every 10 shares by way of conversion of share premium by the Company. Upon completion of the conversion, the Company's share capital increased by RMB2,918,122,000. Accordingly, the outstanding share options were increased by 6,966,000 units.

23. SHARE-BASED PAYMENTS (continued)

(b) Equity-settled share-based payment – the Second A Share Options Scheme

On 18 December 2017, according to the resolution of the extraordinary shareholders' meeting, total 403,335,400 A Share Options ("SO-II Phase I") were granted to 2,358 individuals, including directors, senior management and selected key employees (the "SO-II Phase I Recipients"). Each share option represents the right granted to the recipients to acquire one share of the Company at pre-determined exercise price and conditions in the validity period as set out in the Second A Share Options Scheme. The grant date is 18 December 2017 (the "Grant Date II"). The weighted average fair value SO-II Phase I, as estimated on the Grant Date II, was RMB3.85 per share option. This was calculated using the Black-Scholes share option pricing model.

On 17 December 2018, according to the resolution of the extraordinary shareholders' meeting, an addition of total 62,336,900 A Share Options ("SO-II Phase II") were granted to 457 employees (the "SO-II Phase II Recipients") under the Second A Share Options Scheme. Each share option represents the right granted to the SO-II Phase II Recipients to acquire one share of the Company at pre-determined exercise price and conditions in the validity period as set out in the Second A Share Options Scheme. The grant date is 17 December 2018 (the "Grant Date III"). The weighted average fair value SO-II, as estimated on the Grant Date III, was RMB2.11 per share option. This was calculated using the Black-Scholes share option pricing model. The significant inputs into the model are listed as follow:

Exercise price determined at the Grant Date III	RMB10.61
Expected option life (years)	6 years
Share price at Grant Date III	RMB10.49
Estimated volatility of the share price	25.01%
Estimated dividend yields	1.64%
Annual risk-free interest rate during the option life	3.00%

The exercise price of SO-II Phase I & II will be adjusted when there is transfer from capital surplus to paid-in capital, distribution of dividends, share split, allotment of shares and share consolidation etc.

Each one third of the options granted to the SO-II Phase I Recipients and SO-II Phase II Recipients will become exercisable once per year in three years starting two years from 18 December 2017 and 17 December 2018 respectively, subject to achieving the performance conditions as set out in the Second A Share Options Scheme. The options have a contractual option term of six years starting from the respective grant date. The Company has no legal or constructive obligation to purchase or settle the granted share options in cash.

No SO-II Phase I and Phase II was forfeited or exercised in 2018 (2017: Nil).

(c) Total expenses recognised in profit or loss for SO-I and SO-II Phase I and II in 2018 are RMB566,062,000 (2017: RMB31,538,000).

24. RESERVES

	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	General reserve RMB'000	FVOCI reserve RMB'000	Available-for-sale investments RMB'000	Foreign currency transalation RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Statutory surplus reserve fund RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2017	17,671,997	(8,919,117)	10,804	–	–	44,155	–	50,241	384,242	2,605,811	11,848,133	25,554,660	37,402,793
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	11,004,671	11,004,671
Appropriation to statutory surplus reserve fund	–	–	–	–	–	–	–	–	–	586,092	586,092	(586,092)	–
Appropriation to general reserve fund	–	–	–	92,184	–	–	–	–	–	–	92,184	(92,184)	–
Dividend declared by the Company	–	–	–	–	–	–	–	–	–	–	–	(2,080,032)	(2,080,032)
Revaluation – gross	–	–	–	–	–	270,597	–	–	–	–	270,597	–	270,597
Reclassification to profit or loss	–	–	–	–	–	(79,273)	–	–	–	–	(79,273)	–	(79,273)
Deferred tax	–	–	–	–	–	(2,742)	–	–	–	–	(2,742)	–	(2,742)
Other currency translation differences	–	–	–	–	–	–	(1,186)	–	–	–	(1,186)	–	(1,186)
Non-public issuance of A Shares	14,158,385	–	–	–	–	–	–	–	–	–	14,158,385	–	14,158,385
Employee share option scheme													
– Value of employee services	–	–	–	–	–	–	–	31,538	–	–	31,538	–	31,538
- Proceeds from shares issued	126,908	–	–	–	–	–	–	(30,253)	–	–	96,655	–	96,655
Changes in ownership interests in subsidiaries without change of control	–	(18,995)	–	–	–	–	–	–	–	–	(18,995)	–	(18,995)
Convertible bonds													
- Conversion of convertible bonds	1,476,904	–	–	–	–	–	–	–	(143,218)	–	1,333,686	–	1,333,686
Others	–	7,266	7,482	–	–	–	–	–	–	–	14,748	–	14,748
As at 31 December 2017	33,434,194	(8,930,846)	18,286	92,184	–	232,737	(1,186)	51,526	241,024	3,191,903	28,329,822	33,801,023	62,130,845

24. RESERVES (continued)

	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	General reserve RMB'000	FVOCI reserve RMB'000	Available-for-sale investments RMB'000	Foreign currency transalation RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Statutory surplus reserve fund RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 31 December 2017 as originally presented	33,434,194	(8,930,846)	18,286	92,184	–	232,737	(1,186)	51,526	241,024	3,191,903	28,329,822	33,801,023	62,130,845
Change in accounting policy *(Note 2.2)*	–	–	–	–	344,182	(232,737)	–	–	–	(350)	111,095	(176,288)	(65,193)
As at 1 January 2018 (restated)	33,434,194	(8,930,846)	18,286	92,184	344,182	–	(1,186)	51,526	241,024	3,191,553	28,440,917	33,624,735	62,065,652
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	10,899,603	10,899,603
Appropriation to statutory surplus reserve fund *(Note (i))*	–	–	–	–	–	–	–	–	–	625,745	625,745	(625,745)	–
Appropriation to general reserve fund *(Note (ii))*	–	–	–	249,447	–	–	–	–	–	–	249,447	(249,447)	–
Dividend declared by the Company	–	–	–	–	–	–	–	–	–	–	–	(4,158,451)	(4,158,451)
Revaluation	–	–	–	–	(75,562)	–	–	–	–	–	(75,562)	–	(75,562)
Other currency translation differences	–	–	–	–	–	–	722	–	–	–	722	–	722
Transfer to share capital	(2,918,122)	–	–	–	–	–	–	–	–	–	(2,918,122)	–	(2,918,122)
Employee share option scheme *(Note 23)*													
- Value of employee services	–	–	–	–	–	–	–	566,062	–	–	566,062	–	566,062
- Proceeds from shares issued	112,622	–	–	–	–	–	–	(35,382)	–	–	77,240	–	77,240
Convertible bonds *(Note 26(g))*													
- Conversion of convertible bonds	841	–	–	–	–	–	–	–	(82)	–	759	–	759
Others	–	(90,974)	4,428	–	–	–	–	–	–	–	(86,546)	–	(86,546)
As at 31 December 2018	30,629,535	(9,021,820)	22,714	341,631	268,620	–	(464)	582,206	240,942	3,817,298	26,880,662	39,490,695	66,371,357

(i) In accordance with the relevant rules and regulations in the PRC, except for Sino-foreign equity joint ventures, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory surplus reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory surplus reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

24. RESERVES (continued)

(ii) Pursuant to Caijin [2012] No. 20 Measures on General Provision for Financial Institutions, a subsidiary of the Group that is a financial institution sets up the general reserve fund to cover the potential loss related to risk assets.

25. 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 *(Note (b))*	**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 *(Note (c))*	**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

25. TRADE AND OTHER PAYABLES (continued)

(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

(b) Balances of other taxes include value-added tax payables, consumption tax payables and other taxes payable.

(c) The balance represents deposits mainly placed by customers to a subsidiary of the Group in relation to its provision of financing service. The interest rate as at 31 December 2018 is adjusted to the prevailing savings interest rate published by the PBOC.

(d) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**35,970,326**	33,156,909
HKD	**12,276**	47,878
USD	**2,000**	47
JPY	**–**	7,256
Others	**14**	31
	35,984,616	33,212,121

26. BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current		
Borrowings from banks and other financial institutions		
– secured *(Note (a))*	**791,642**	72,534
– unsecured	**744,823**	496,283
	1,536,465	568,817
Convertible bonds *(Note (g))*	**2,496,398**	2,432,556
Corporate bonds-guaranteed *(Notes (h) and (i))*	**4,979,349**	4,971,634
Debentures-unsecured *(Note (j) and (k))*	**599,249**	299,566
Total non-current borrowings	**9,611,461**	8,272,573
Current		
Borrowings from banks and other financial institutions		
– secured *(Note (a))*	**481,896**	344,850
– unsecured	**2,247,366**	1,195,939
	2,729,262	1,540,789
Corporate bonds-guaranteed *(Notes (h))*	**–**	999,488
Entrusted loans from related parties-unsecured	**100,000**	100,000
Total current borrowings	**2,829,262**	2,640,277
Total borrowings	**12,440,723**	10,912,850

26. BORROWINGS (continued)

(a) As at 31 December 2018, the Group's borrowings were secured by the Group's certain restricted cash, inventories, property, plant and equipment, land use rights, investment properties and long-term receivables.

(b) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**4,365,727**	2,832,468
Between 1 and 5 years	**8,074,996**	5,099,410
Over 5 years	**–**	2,980,972
	12,440,723	10,912,850

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December 2018		As at 31 December 2017	
	Bank borrowings RMB'000	**Other loans RMB'000**	Bank borrowings RMB'000	Other loans RMB'000
Within 1 year	**2,829,262**	**–**	1,640,789	999,488
Between 1 and 2 years	**848,331**	**–**	249,250	–
Between 2 and 5 years	**688,134**	**8,074,996**	319,567	4,722,784
Over 5 years	**–**	**–**	–	2,980,972
	4,365,727	**8,074,996**	2,209,606	8,703,244

26. BORROWINGS (continued)

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**12,440,723**	10,912,850

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Borrowings from banks and other financial institutions	**5.88%**	4.91%
Corporate bonds	**5.12%**	5.12%
Debentures	**4.84%**	5.11%
Convertible bonds	**3.03%**	3.06%
Entrusted loans	**2.25%**	2.25%

(f) As at 31 December 2018, the fair value of the non-current borrowings is RMB9,830,193,000 (2017: RMB8,416,309,000). The fair values of the Group's current borrowings approximate to their carrying amounts.

26. BORROWINGS (continued)

(g) Convertible bonds

On 22 January 2016, the Group issued 41,055,800 units of convertible bonds at a total par value of RMB4,105,580,000, with an interest rate of 0.20% in the first year, 0.50% in the second year, 1.00% in the third year, 1.50% in the fourth year, 1.50% in the fifth year and 1.60% in the sixth year. The bonds mature six years from the issue date at their par value of RMB4,105,580,000 or can be converted into shares at the holder's option. At the time of issuance, after netting of transaction cost of RMB44,546,000 (transaction cost was allocated proportionally to liability component and equity component of convertible bonds), the Company determined the value of the liability component (RMB3,672,418,000) and the equity component (RMB387,578,000). The fair value of the liability component of convertible bonds included in non-current borrowings was calculated using a market interest rate for equivalent non-convertible bonds. The liability component is subsequently stated at amortised cost until the bonds are converted to shares or the maturity of the bonds. The residual amount, representing the value of the equity component, is included in other reserves of shareholders' equity.

The conversion price of convertible bonds will be adjusted upon occurrence of issuance of bonus shares, transfer of reserve to share capital, issuance of new shares (excluding issue of new shares upon conversion of convertible bonds), share allotment and distribution of cash dividends. As at 31 December 2018, the conversion price has been adjusted to RMB14.74 per share (2017: RMB21.24 per share).

The convertible bonds recognised in the consolidated balance sheet is calculated as follows:

	RMB'000
Liability component as at 1 January 2017	3,759,379
Conversion of convertible bonds	(1,403,920)
Interest expense	89,595
Interest included in trade and other payables	(12,498)
Liability component at 31 December 2017	2,432,556
Liability component at 1 January 2018	2,432,556
Conversion of convertible bonds	(800)
Interest expense	89,427
Interest included in trade and other payables	(24,785)
Liability component at 31 December 2018	2,496,398

26. BORROWINGS (continued)

(g) Convertible bonds (continued)

In 2018, certain convertible bond holders partially converted the convertible bonds in the principal amount of RMB864,000 into shares of the Company. The Company allotted and issued a total of 40,672 shares to such convertible bond holders at conversion prices of RMB21.24 per share. Upon the conversion, the Company derecognised the liability component of RMB800,000 and transferred this amount with equity component (convertible bonds reserve) of RMB82,000 into share capital and share premium with the amount of approximately RMB41,000 and RMB841,000, respectively.

(h) In March 2013, the Company issued five-year period corporate bonds with par value of RMB1,000,000,000 ("Five-year Bonds") and ten-year period corporate bonds with par value of RMB3,000,000,000 ("Ten-year Bonds") at the weighted average effective interest rate of 5.14% and 5.23% per annum respectively. The related interest is payable on an annual basis. The Five-year Bonds have been fully redeemed at par in March 2018. The Ten-year Bonds will be fully redeemed at par in March 2023, and are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG.

(i) In January 2015, the Company issued five-year period corporate bonds with par value of RMB2,000,000,000 at the weighted average effective interest rate of 4.95% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in January 2020, and are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG.

(j) In August 2017, the Company issued debentures with principals of RMB300,000,000 at the weighted average effective interest rate of 5.11%. The related interest is payable on an annual basis. These debentures will be fully redeemed at par in 18 August 2020. The net proceeds of these debentures, after deducting the transaction costs, amounted to RMB299,508,000.

(k) In November 2018, the Company issued debentures with principals of RMB300,000,000 at the weighted average effective interest rate of 4.56%. The related interest is payable on an annual basis. These debentures will be fully redeemed at par in 23 November 2021. The net proceeds of these debentures, after deducting the transaction costs, amounted to RMB299,508,000.

27. PROVISIONS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Warranty provisions *(Note (i))*	**666,287**	915,212
Other provisions	**8,269**	–
	674,556	915,212

(i) Provision for product warranties granted by the Group for certain products is recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

28. GOVERNMENT GRANTS

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**3,133,278**	2,158,642
Increase in grant	**508,302**	1,114,852
Amount recognised in profit or loss	**(379,360)**	(140,216)
End of the year	**3,262,220**	3,133,278

29. EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Auditors' remuneration		
– Audit service	**9,943**	8,546
– Non-audit service	**7,502**	3,989
Depreciation and amortisation *(Notes 7, 8, 9 and 10)*	**3,048,347**	2,336,422
Impairment charges of property, plant and equipment *(Note 8)*	**266**	310,658
Impairment charges of intangible assets *(Note 10)*	**102,107**	1,112,151
Impairment charges of inventories	**103,692**	38,906
Impairment charges of available-for-sale financial assets *(Note (i))*	**–**	36,132
Loss allowances on trade and other receivables and long-term receivables *(Note (i))*	**7,257**	78,978
Employee benefit expenses *(Note 30)*	**8,642,951**	6,415,439
Changes in inventories of finished goods, merchandise and work-in-progress	**(2,415,422)**	(788,456)
Raw materials, goods and consumables used	**50,891,106**	49,221,066
Consumption tax,sales tax and other taxes	**2,310,886**	2,547,748
Transportation and traveling expenses	**2,784,832**	2,304,521
Advertising and promotion	**3,336,527**	2,202,266
Warranty expenses	**425,177**	1,007,837
Research cost	**826,674**	495,586
Amortisation of government grants	**(379,360)**	(140,216)
Operating lease expenses	**263,162**	249,623
Other expenses	**469,722**	547,156
Total cost of sales, selling and distribution costs, administrative expenses and net impairment losses on financial assets	**70,435,369**	67,988,352

(i) For the year ended 31 December 2018, loss allowances of RMB7,257,000 provided for trade and other receivables and long-term receivables, which is recognised in accordance with HKFRS 9, are presented as a single amount in "Net impairment losses on financial assets" in the consolidated statement of comprehensive income. The Group did not reclassify the comparative impairment loss of RMB115,110,000 for the year ended 31 December 2017 related to trade and other receivables and available-for-sale financial assets.

30. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages and salaries	**6,276,267**	4,995,563
Pension scheme and other social security costs *(Note (a))*	**819,375**	536,397
Employee share option scheme *(Notes 23)*	**566,062**	31,538
Housing benefits *(Note (b))*	**385,120**	342,704
Welfare, medical and other expenses	**596,127**	509,237
	8,642,951	6,415,439

(a) The Group's employees in the PRC are covered by certain defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC, pursuant to which the municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and retired employees. The contributions to the scheme are expensed as incurred.

(b) The Group's contributions to the defined contribution housing fund scheme administered by a government agency are determined at a certain percentage of the salaries of the employees. The contributions to the scheme are expensed as incurred.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 include 5 directors and supervisors (2017: 5 directors) whose emoluments are reflected in the analysis presented in Note 43.

31. 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

32. INTEREST INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest income from time deposits	**446,189**	342,643
Interest income from restricted cash and cash and cash equivalents	**98,288**	52,676
Interest income from entrusted loans	**11,933**	–
	556,410	395,319

33. 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

34. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax	**805,172**	1,456,807
Deferred tax *(Note 13)*	**115,636**	(302,548)
	920,808	1,154,259

34. INCOME TAX EXPENSE (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**11,863,253**	12,194,275
Notional tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned *(Note (i))*	**2,645,646**	2,428,605
Share of profit of joint ventures and associates	**(2,179,465)**	(2,057,176)
Fair value gains on financial assets at fair value through profit or loss	**3,385**	(22,351)
Expenses not deductible for corporate income tax	**43,314**	63,970
Utilisation of previously unrecognised tax losses	**(86,843)**	(1,223)
Unused tax losses and deductible temporary differences for which no deferred tax asset was recognised	**524,142**	748,852
Super deduction of research and development expenses	**(29,371)**	(8,332)
The impact of change in tax rate applicable to a major subsidiary	**–**	1,914
Income tax expense	**920,808**	1,154,259

(i) 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.

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

35. OTHER COMPREHENSIVE INCOME, NET OF TAX

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Change in fair value of FVOCI (2017 relating to available-for-sale financial Assets)	**(75,562)**	198,636
Tax charge relating to components of other comprehensive income	**–**	(4,570)
Exchange difference on translation of foreign operations	**722**	(1,186)
Other comprehensive income, net of tax	**(74,840)**	192,880

36. 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 36(b)) for the year ended 2017 were restated.

36. EARNINGS PER SHARE (continued)

(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

37. 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 RMB4,158,451,000 and RMB2,080,032,000 respectively. A final dividend in respect of the year ended 31 December 2018 of RMB0.28 per ordinary share, amounting to a total dividend of approximately RMB2,865,099,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

38. CASH FLOWS INFORMATION

(a) Cash generated from operations

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Profit for the year	**10,942,445**	11,040,016
Adjustments for:		
– Income tax expense *(Note 34)*	**920,808**	1,154,259
– Depreciation *(Notes 8 and 9)*	**1,538,677**	1,318,674
– Amortisation *(Notes 7 and 10)*	**1,509,670**	1,017,748
– Amortisation of government grants related to assets	**(379,360)**	(140,216)
– Impairment provision	**213,322**	1,576,825
– Losses on disposal of property, plant and equipment, land use right, intangible assets and investment properties *(Note 31)*	**48,977**	52,107
– Loss on write-off of goodwill *(Note 31)*	**–**	201,337
– Interest income *(Note 32)*	**(556,410)**	(395,319)
– Finance costs *(Note 33)*	**458,858**	646,477
– Gains on disposal of subsidiaries, joint ventures and associates *(Note 31)*	**(25,677)**	(93,729)
– Gains on remeasurement of the Group's previously held equity interest in an associate to fair value at the acquisition date *(Note 31)*	**(17,622)**	–
– Gains on bargain purchase	**(1,758)**	–
– Foreign exchange (gains)/losses on cash and cash equivalents	**(28,442)**	66,126
– Share of profit of joint ventures and associates *(Note 11)*	**(8,753,300)**	(8,296,387)
– Net investment income relating to financial assets *(Note 31)*	**(194,679)**	(194,103)
– Fair value losses/(gains) on financial assets at fair value through profit or loss *(Note 31)*	**23,857**	(89,387)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**(3,503,434)**	(880,883)
– Trade and other receivables	**(5,603,902)**	3,007,524
– Restricted cash	**(1,049,740)**	(1,608,371)
– Trade and other payables	**2,490,297**	7,184,109
– Contract liabilities	**1,335,696**	–
– Provisions	**(240,656)**	543,571
– Financial assets at fair value through profit or loss	**(99,022)**	(4,378)
Cash (used in)/generated from operations	**(971,395)**	16,106,000

38. CASH FLOWS INFORMATION (continued)

(b) Non-cash transaction

During the year ended 31 December 2018, the principal non-cash transactions was the conversion of the convertible bonds. Upon the conversion, liability component of convertible bonds, amounting to RMB800,000 (2017: RMB1,403,920,000) was transferred from borrowings to share capital and share premium, and equity component of convertible bonds, amounting to RMB82,000 (2017: RMB143,218,000), was transferred from convertible bonds reserve to share premium (Note 26(g)).

(c) Reconciliation of liabilities

The reconciliation of liabilities arising from financing activities is as follows:

	Liabilities from financing activities				
	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Trade and other payables-assets sold under agreements to repurchase RMB'000	Trade and other payables-finance lease payables RMB'000	Total RMB'000
Net debt as at 1 January 2018	(2,640,277)	(8,272,573)	(54,960)	(221)	(10,968,031)
Financing cash flows	730,338	(2,152,740)	(323,995)	(119,743)	(1,866,140)
Others	(33,197)	–	–	–	(33,197)
Reclassification	(885,614)	885,614	–	–	–
Non-cash changes:					
– Interest charge	(512)	(72,562)	–	–	(73,074)
– Conversion of convertible bonds	–	800	–	–	800
Net debt as at 31 December 2018	(2,829,262)	(9,611,461)	(378,955)	(119,964)	(12,939,642)

38. CASH FLOWS INFORMATION (continued)

(c) Reconciliation of liabilities (continued)

	Liabilities from financing activities		
	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2017	(4,477,753)	(10,346,462)	(14,824,215)
Financing cash flows	3,387,146	(557,531)	2,829,615
Others	(234,185)	–	(234,185)
Reclassification	(1,314,399)	1,314,399	–
Non-cash changes:			
– Interest charge	(1,086)	(86,899)	(87,985)
– Conversion of convertible bonds	–	1,403,920	1,403,920
Net debt as at 31 December 2017	(2,640,277)	(8,272,573)	(10,912,850)

(d) Net cash inflow arising on acquisition of a subsidiary:

	Year ended 31 December 2018 RMB'000
Cash consideration paid	**(4,910)**
Cash and cash equivalents acquired at the acquisition date	**156,247**
Net cash inflow on acquisitions	**151,337**

39. COMMITMENTS

(a) Capital commitments

The capital commitments as at each of the balance sheet dates during the year are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	**2,278,070**	1,242,749
– Authorised but not contracted for	**2,464,588**	173,391
	4,742,658	1,416,140
Intangible assets		
– Contracted but not provided for	**104,331**	190
– Authorised but not contracted for	**3,587,703**	2,785,118
	3,692,034	2,785,308
Investments		
– Contracted but not provided for *(Note (i), (ii), (iii))*	**923,125**	1,419,945
	9,357,817	5,621,393

(i) In 2018, the Board of Dirctors of the Company approved an additional capital contribution of RMB 360,000,000 to GAC Fiat Chrysler, a joint venture of the Company, according to the proportion of shares. Up to 31 December 2018, none of the amount has been paid.

(ii) In 2018, the Board of Directors of the Company approved an additional capital contribution to GAC Toyota, a joint venture of the Company, with an amount of USD35,225,000 (equivelant to RMB 217,050,000) according to the proportion of shares. Up to 31 December 2018, none of the amount has been paid.

(iii) In 2018, the Board of Directors of the Company approved an additional capital contribution to GAC Mitsubishi, a joint venture of the Company, with an amount of RMB266,605,000 and RMB79,470,000 respectively, according to the proportion of shares. Up to 31 December 2018, none of the amount has been paid.

39. COMMITMENTS (continued)

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**116,630**	71,230
Between 1 and 5 years	**241,034**	211,150
Over 5 years	**85,686**	134,403
	443,350	416,783

40. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("state-owned enterprises") are regarded as related parties of the Group.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, during the year.

These transactions were conducted in the ordinary and usual course of business in accordance with terms agreed between the Group and its related parties.

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Sales of goods		
Sales of automotive parts and steels		
– Joint ventures	2,320,022	1,524,963
– Associates	84,917	270,385
	2,404,939	1,795,348
Sales of passenger vehicles		
– Joint ventures	181,649	162,308
– Associates	1,143	735
– GAIG	215	–
– Subsidiaries of GAIG	341	–
	183,348	163,043
Sales of production facility		
– Joint ventures	16,992	8,966
	2,605,279	1,967,357
Interest on loan received from related parties *(Note 18(d))*		
– Joint ventures	26,788	12,705
– Associates	1,978	259
	28,766	12,964
Rendering of labour and insurance services		
– Joint ventures	1,221,699	1,187,399
– Associates	448,489	393,433
– GAIG	121	267
– Subsidiaries of GAIG	255	1,287
	1,670,564	1,582,386
Income of trustee management of equity assets		
– GAIG *(Note (i))*	16,425	2,128

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Purchases of goods		
Purchases of automotive parts and materials		
– Joint ventures	1,658,218	1,912,983
– Associates	1,114,428	1,027,143
	2,772,646	2,940,126
Purchases of passenger vehicles		
– Joint ventures	8,043,687	6,723,094
– Associates	164	–
	8,043,851	6,723,094
	10,816,497	9,663,220
Interest on customer deposits		
– Joint ventures	109,331	12,533
– Associates	5,850	689
	115,181	13,222
Purchases of labour services and settlement of insurance claims		
– Joint ventures	77,677	47,442
– Associates	47,233	118,196
– GAIG	1	–
– Subsidiaries of GAIG	43,325	27,398
	168,236	193,036

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Rental received from related parties		
– Joint ventures	251,893	238,565
– Associates	871	970
– GAIG	–	967
– Subsidiaries of GAIG	13,875	11,738
	266,639	252,240
Rental paid to related parties		
– Joint ventures	4,359	2,343
– Associates	15	13
– GAIG	8,692	8,731
– Subsidiaries of GAIG	4,219	3,206
	17,285	14,293
Provision of entrusted loans to related parties		
– Joint ventures	80,000	384,568
– Associates	20,000	10,000
	100,000	394,568
Repayment of entrusted loans from related parties		
– Joint ventures	263,200	810,168
– Associates	20,600	70,760
	283,800	880,928

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest on entrusted loans received from related parties		
– Joint ventures	10,087	23,953
– Associates	621	2,192
	10,708	26,145
Entrusted loans from a related party		
– An associate	100,000	50,000
Repayment of entrusted loans to related parties		
– An associate	100,000	50,000
Interest on entrusted loans paid to related parties		
– Associates	2,031	2,184
Borrowings from a related party		
– A joint venture	3,844,141	3,705,303
Repayment of borrowings to a related party		
– A joint venture	3,822,113	3,538,683
Interest on borrowings paid to a related party		
– A joint venture	25,645	45,959
Loan and receivables from related parties		
– Joint ventures	570,250	600,000
– Associates	55,247	50,000
	625,497	650,000

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Repayment of loan and receivables		
– Joint ventures	**600,250**	–
– Associates	**50,000**	–
	650,250	–
Guarantee fees paid to a related party		
– GAIG	**5,000**	6,000
Purchase of intangible assets and property, plant and equipment		
– A joint venture	**–**	49,200
Sales of intangible assets and property, plant and equipment		
– Joint ventures	**1,156**	–
Waiver of debt		
– A joint venture	**–**	31,449

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables		
– Joint ventures	715,172	639,264
– Associates	51,615	88,618
– GAIG	9	20
– Subsidiaries of GAIG	3	4
	766,799	727,906
Interest receivable		
– Joint ventures	1,245	9,326
– Associates	62	76
	1,307	9,402
Other receivables and prepayments		
– Joint ventures	402,345	323,155
– Associates	10,060	25,082
– GAIG	17,517	2,461
– Subsidiaries of GAIG	1,532	2,414
	431,454	353,112
Dividend receivable		
– Joint ventures	3,189,382	2,722,930
– Associates	13,462	34,339
	3,202,844	2,757,269

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Entrusted loans due from		
– Joint ventures	**180,000**	363,200
– Associates	**9,400**	10,000
	189,400	373,200
Loan and receivables to related parties-current *(Note (ii))*		
– Joint ventures	**550,388**	97,500
– Associates	**53,024**	48,750
	603,412	146,250
Loan and receivables to related parties-non current		
– Joint ventures	**–**	487,500
Long-term receivables		
– Joint ventures	**4,181**	31,346
– Associates	**533**	15,176
	4,714	46,522
Trade payables		
– Joint ventures	**256,193**	450,258
– Associates	**311,757**	466,427
	567,950	916,685

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Advances from customers and other payables		
– Joint ventures	48,926	64,799
– Associates	3,268	20,907
– GAIG	504,731	506,356
– Subsidiaries of GAIG	4,372	7,369
	561,297	599,431
Contract liabilities		
– Joint ventures	78,282	–
– Associates	3,971	–
	82,253	–
Notes payable		
– Joint ventures	651,709	222,884
Customer deposits *(Note 25(c))*		
– Joint ventures	8,809,928	7,866,853
– Associates	888,586	329,936
	9,698,514	8,196,789
Short-term borrowings		
– A joint venture *(Note (iii))*	336,272	314,245
Entrusted loans due to		
– Associates	100,000	100,000
Interest payable		
– Joint ventures	34,391	3,343
– Associates	2,825	450
	37,216	3,793

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

(i) On 11 Novermber 2017, the Board of Directors of the Company passed a resolution in relation to the Company being entrusted by its controlling shareholder GAIG to manage certain equity investments held by GAIG. The period of the entrusted management is three years. The annual management fee is made up of basic and floating portions, with an annual limit of RMB49,000,000.

(ii) As at 31 December 2018, the Group recorded provision of RMB19,612,300 for joint ventures and RMB2,222,900 for associates for impairment of loans relating to financing services to related parties (2017: RMB15,000,000 and 1,250,000).

(iii) Borrowings from a joint venture, which is a financial institution, are interest bearing. As at 31 December 2018, borrowings from a joint venture were secured by the Group's inventories with carrying value of approximately RMB304,606,000 (2017: RMB246,972,000).

(c) Key management compensation

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**15,406**	14,971

In addition, expense recognised in the consolidated statement of comprehensive income for share options granted to the key management for the year ended 31 December 2018 is RMB7,229,000 (2017: RMB2,012,000).

40. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions and balances with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by state-owned enterprises. During the year, the Group had transactions with state-owned enterprises including, but not limited to, sales of automobiles and other automotive parts and purchases of raw materials and automotive parts.

For the purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs.

Nevertheless, the Directors consider that transactions with other state-owned enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with state-owned financial institutions as disclosed below.

(i) Balances with state-owned financial institutions

As at 31 December 2018 and 2017, majority part of the Group's bank balances and borrowings were deposited in or financed from various state-owned financial institutions. The Directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

(ii) Guarantees given by state-owned enterprises and GAIG

As at 31 December 2018 and 2017, information of borrowings secured by guarantees given by a state-owned financial institution and GAIG is presented in Note 26(h) and 26(i).

41. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 28 January 2019, a subsidiary of the Company, GAC Motor, purchased two industrial lands of 839,617 square meters and the total consideration is RMB1.297 billion.

On 31 January 2019, the Board of Directors approved the Group and Shaoguan Jincai Investment Group Co., Ltd. (「韶關市金財投資集團有限公司」) to establish a testing center for new energy vehicles equipped with intelligent network, at a total investment of about RMB 2.15 billion.

On 31 January 2019, the Board of Directors approved the Group to establish a joint venture with Tencent, Guangzhou Public Transportation Group (「廣州市公共交通集團有限公司」) and other strategic investors. The joint venture will be engaged in providing mobility and ridesharing services. Total investment of the joint venture is about RMB 1 billion.

On 29 March 2019, the Company held the fifteenth meeting of fifth session of the Board, at which the proposal for profit distribution for 2018 was considered and passed. The Company proposed to pay the 2018 final dividends of RMB 0.28 per share (tax inclusive) in cash to the shareholders whose names are on the register of shareholders on the record date. Being affected by the conversion and exercise of the Company's convertible bonds and share options with respect to the share incentive scheme, the total share number of the Company cannot be estimated on the A shares record date. Calculation made hereinafter is temporarily based on the total share number of the Company of 10,232,497,472 shares as at 31 December 2018, by which the total amount of final dividend will be RMB 2,865,099,000 (such distribution would be made to A shareholders in RMB, and be made to H shareholders in HKD). Such proposal for profit distribution is subject to the consideration and approval at the 2018 annual general meeting of the Company.

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
ASSETS		
Non-current assets		
Land use rights	434,712	444,695
Property, plant and equipment	2,423,048	2,231,739
Investment properties	522,518	538,423
Intangible assets	3,562,814	2,543,108
Investments in subsidiaries	26,759,236	23,198,398
Investments in joint ventures and associates	21,954,143	19,067,547
Financial assets at fair value through profit or loss	662,344	–
Available-for-sale financial assets	–	601,696
Prepayments and long-term receivables	57,125	8,261
	56,375,940	48,633,867
Current assets		
Inventories	82,094	54,192
Trade and other receivables	5,825,798	5,641,339
Time deposits	119,000	119,000
Cash and cash equivalents	12,580,469	18,192,944
	18,607,361	24,007,475
Total assets	74,983,301	72,641,342

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Balance sheet of the Company (continued)

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		7,475,747	7,404,190
Government grants		613,058	611,924
		8,088,805	8,016,114
Current liabilities			
Trade and other payables		5,714,432	5,152,500
Contract liabilities		5,000	–
Borrowings		–	999,488
		5,719,432	6,151,988
Total liabilities		13,808,237	14,168,102
Net assets		61,175,064	58,473,240
EQUITY			
Share capital		10,232,497	7,293,424
Other reserves	*(a)*	35,288,243	36,995,605
Retained earnings	*(a)*	15,654,324	14,184,211
Total equity		61,175,064	58,473,240

The balance sheet of the Company was approved by the Board of Directors on 29 March 2019 and was signed on its behalf:

Zeng Qinghong
Director

Feng Xingya
Director

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company

	Share premium RMB'000	Other capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Available-for-sale investments RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserve RMB'000
As at 1 January 2017	17,671,997	18,262	2,605,811	32,300	50,241	384,242	20,762,853	10,989,418	31,752,271
Profit for the year	–	–	–	–	–	–	–	5,860,917	5,860,917
Revaluation – gross	–	–	–	81,097	–	–	81,097	–	81,097
Reclassification to profit or loss	–	–	–	(54,701)	–	–	(54,701)	–	(54,701)
Appropriation to statutory surplus reserve fund	–	–	586,092	–	–	–	586,092	(586,092)	–
Dividend declared by the Company	–	–	–	–	–	–	–	(2,080,032)	(2,080,032)
Non-public issuance of A shares	14,158,385	–	–	–	–	–	14,158,385	–	14,158,385
Employee share option scheme									
- Value of employee services	–	–	–	–	31,538	–	31,538	–	31,538
- Proceeds from shares issued	126,908	–	–	–	(30,253)	–	96,655	–	96,655
Convertible bonds									
- Conversion of convertible bonds	1,476,904	–	–	–	–	(143,218)	1,333,686	–	1,333,686
As at 31 December 2017	33,434,194	18,262	3,191,903	58,696	51,526	241,024	36,995,605	14,184,211	51,179,816

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company (continued)

	Share premium RMB'000	Other capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Available-for-sale investments RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserve RMB'000
As at 31 December 2017 originally presented	33,434,194	18,262	3,191,903	58,696	51,526	241,024	36,995,605	14,184,211	51,179,816
Change in accounting policy	–	–	(350)	(58,696)	–	–	(59,046)	(3,146)	(62,192)
As at 1 January 2018 (restated)	33,434,194	18,262	3,191,553	–	51,526	241,024	36,936,559	14,181,065	51,117,624
Profit for the year	–	–	–	–	–	–	–	6,257,455	6,257,455
Transfer from share premium to share capital	(2,918,122)	–	–	–	–	–	(2,918,122)	–	(2,918,122)
Appropriation to statutory surplus reserve fund	–	–	625,745	–	–	–	625,745	(625,745)	–
Dividend declared by the Company	–	–	–	–	–	–	–	(4,158,451)	(4,158,451)
Employee share option scheme									
- Value of employee services	–	–	–	–	566,062	–	566,062	–	566,062
- Proceeds from shares issued	112,622	–	–	–	(35,382)	–	77,240	–	77,240
Convertible bonds									
- Conversion of convertible bonds	841	–	–	–	–	(82)	759	–	759
As at 31 December 2018	30,629,535	18,262	3,817,298	–	582,206	240,942	35,288,243	15,654,324	50,942,567

43. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors', supervisors' and general manager's emoluments

The remuneration of every director, supervisor and the general manager for the year ended 31 December 2018 is set out as below:

Name	Fees	Basic salaries, housing fund and other allowances	Employer's contributions to a retirement benefit scheme	Discretionary bonuses	Remunerations paid or receivable in respect of accepting office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director:						
Zeng Qinghong	–	516	148	535	–	1,199
Feng Xingya	–	563	148	676	–	1,387
Yan Zhuangli	–	496	108	461	–	1,065
Chen Maoshan	–	537	142	571	–	1,250
Fu Yuwu	–	–	–	–	150	150
Lan Hailin	–	–	–	–	150	150
Liang Nianchang	–	–	–	–	150	150
Wang Susheng	–	–	–	–	150	150
Ding Hongxiang	–	–	–	–	–	–
Li Pingyi *(Note (i))*	–	–	–	–	–	–
Chen Jun *(Note (i))*	–	–	–	–	–	–
Han Ying *(Note (i))*	–	–	–	–	–	–
Name of supervisor:						
Ji Li	–	–	–	–	–	–
He Jinpei	–	693	223	96	–	1,012
Jiang Xiuyun	–	700	114	97	–	911
Wang Lu	–	574	107	113	–	794
Wang Junyang	–	–	–	–	–	–
Chen Jianxin *(Note (ii))*	–	–	–	–	–	–
Wu Chunlin *(Note (ii))*	–	–	–	–	–	–
Liao Chongkang *(Note (ii))*	–	–	–	–	–	–
Chen Tian *(Note (ii))*	–	–	–	–	–	–

The above emoluments do not include the fair value of share options granted under SOs-I in 2014, SOs-II Phase I in 2017 and SOs-II Phase II in 2018.

43. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

The remuneration of every director, supervisor and the general manager for the year ended 31 December 2017 is set out as below:

Name	Fees	Basic salaries, housing fund and other allowances	Employer's contributions to a retirement benefit scheme	Discretionary bonuses	Remunerations paid or receivable in respect of accepting office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director:						
Zeng Qinghong	–	536	192	462	–	1,190
Feng Xingya	–	536	159	450	–	1,145
Yuan Zhongrong	–	328	59	213	–	600
Fu Yuwu	–	–	–	–	150	150
Lan Hailin	–	–	–	–	150	150
Li Fangjin	–	–	–	–	100	100
Liang Nianchang	–	–	–	–	150	150
Wang Susheng	–	–	–	–	150	150
Yao Yiming	–	329	111	299	–	739
Wu Song	–	493	233	300	–	1,026
Lu Sa	–	125	39	76	–	240
Yan Zhuangli	–	206	31	167	–	404
Chen Maoshan	–	494	151	379	–	1,024
Li Pingyi	–	–	–	–	–	–
Ding Hongxiang	–	–	–	–	–	–
Name of supervisor:						
Gao Fusheng	–	121	21	78	–	220
Ji Li	–	–	–	–	–	–
Chen Jianxin	–	–	–	–	–	–
He Jinpei	–	91	14	21	–	126
Jiang Xiuyun	–	276	53	95	–	424
Ye Shanhul	–	656	122	269	–	1,047
Wu Chunlin	–	–	–	–	–	–
Wang Junyang	–	–	–	–	–	–
Wang Lu	–	552	100	305	–	957

The above emoluments do not include the fair value of share options granted under SOs-I in 2014 or SOs-II in 2017.

43. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

Expense recognised in the consolidated statement of comprehensive income for share options granted to the above directors, supervisors and the general manager for the year ended 31 December 2018 and 2017 is set out as below:

	Year ended 31 December			
	2018		2017	
Name	Number of share options granted	Expense recognised for the share options granted RMB'000	Number of share options granted	Expense recognised for the share options granted RMB'000
Name of director:				
Zeng Qinghong	2,140,000	1,173	1,700,000	380
Feng Xingya	1,925,333	1,108	1,520,000	339
Yuan Zhongrong *(Note (iv))*	1,008,000	1,001	1,530,000	342
Yao Yiming *(Note (v))*	–	–	740,000	165
Wu Song	1,846,667	1,051	1,460,000	326
Yan zhuangli	1,064,000	1,057	760,000	170
Chen Maoshan	1,846,667	1,051	1,460,000	326

(i) In August 2018, Mr. Li Pingyi resigned from the director position. Mr. Chen Jun and Mr. Han Ying were appointed as directors. The executives described above were paid with the remuneration in their director terms.

(ii) In August 2018, Mr. Chen Jianxin and Mr. Wu Chunlin resigned from supervisor positions. Mr. Liao Chongkang and Ms. Chen Tian were appointed as supervisors. In November 2018, Mr. Liao Chongkang submitted his resignation to the board of supervisors.

(iii) The amount represented emoluments throughout their terms of directors or supervisors in 2018.

(iv) Upon resignation of Mr. Yuan Zhongrong in 2017, the unexercised 551 thousand units of share options under SO-I granted to him have lapsed in 2018. The expenses of RMB1,001,000 disclosed above represent share option expenses, which relate to 1,008 thousand units of unexercised share options under SO-II Phase I, charged to profit or loss in 2018.

43. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

(v) Upon resignation of Mr. Yao Yiming in 2017, the unexercised 345 thousand units of share options under SO-I granted to him have lapsed in 2018.

(vi) Share option expenses totalling RMB1,804,000 recognised in prior years were reversed in 2018 due to the lapse of the share options granted.

(vii) In 2018 and 2017, there was no emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits for the year ended 31 December 2018 (2017: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2018 (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2018, the Group did not pay consideration to any third parties for making available directors' services (2017: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2018, there are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors (2017: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

A summary of the published financial results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below:

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Revenue	**72,379,779**	71,574,939	49,417,676	29,418,223	22,383,424
Cost of sales	**(60,835,699)**	(58,716,478)	(41,961,379)	(25,974,620)	(19,831,167)
Gross profit	**11,544,080**	12,858,461	7,456,297	3,443,603	2,552,257
Selling and distribution costs	**(5,073,033)**	(5,250,070)	(3,396,393)	(1,866,537)	(1,841,370)
Administrative expenses	**(4,519,380)**	(4,021,804)	(2,738,874)	(2,037,088)	(1,882,183)
Net impairment losses on financial assets	**(7,257)**	–	–	–	–
Interest income	**453,389**	342,643	488,696	411,556	317,678
Other gains – net	**1,067,991**	562,459	331,196	435,386	362,765
Operating profit/(loss)	**3,465,790**	4,491,689	2,140,922	386,920	(490,853)
Finance costs	**(458,858)**	(646,477)	(962,927)	(849,396)	(745,415)
Interest income	**103,021**	52,676	97,240	127,955	120,960
Share of profit of joint ventures and associates	**8,753,300**	8,296,387	5,774,362	4,720,117	4,181,213
Profit before income tax	**11,863,253**	12,194,275	7,049,597	4,385,596	3,065,905
Income tax expense	**(920,808)**	(1,154,259)	(754,342)	(400,067)	(130,587)
Profit for the year	**10,942,445**	11,040,016	6,295,255	3,985,529	2,935,318
Profit attributable to:					
Owners of the Company	**10,899,603**	11,004,671	6,287,542	4,211,553	3,194,160
Non-controlling interests	**42,842**	35,345	7,713	(226,024)	(258,842)
	10,942,445	11,040,016	6,295,255	3,985,529	2,935,318

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Assets, liabilities and non-controlling interests					
Total assets	**132,173,759**	119,656,441	82,146,241	67,219,688	62,462,723
Total liabilities	**54,199,052**	49,188,448	37,252,780	27,728,368	26,213,576
Non-controlling interests	**1,370,853**	1,043,725	1,037,308	844,811	795,956