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 2019


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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 RMB1.5 per 10 shares (tax inclusive). Together with the cash dividend of RMB0.5 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 30.95%.

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

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CHAPTER 1

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 People's Republic of China
"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 Aisin"	GAC Aisin Automatic Gearbox Co., Ltd. (廣汽愛信自動變速器有限公司), which was incorporated in December 2018 and funded by GAMC, a wholly-owned subsidiary of the Company, AISIN AW Co., Ltd. and Aida (China) Investment Co., Ltd., and the Company holds 40% of its equity interest
"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 Business"	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law
"GAC 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 Business as to 90%, 5% and 5% respectively

"GAC Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a jointly controlled entity incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd.
"GAC Honda"	GAC Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co., Ltd (廣州本田汽車有限公司)), a jointly controlled entity incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co., Ltd.
"GAC Mitsubishi"	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a jointly controlled 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 Nio"	GAC Nio New Energy Automobile Technology Co., Ltd.(廣汽蔚來新能源汽車科技有限公司), which was jointly established by the Company and Nio, Inc. in April 2018, and jointly owned by the Company and GAC New Energy as to 45% of its equity interest
"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 Contemporary Amperex Technology Co., Ltd. and jointly owned by the Company and GAC New Energy as to 51% of its equity interest
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
"GAC Toyota"	GAC Toyota Motor Co., Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co., Ltd (廣州豐田汽車有限公司)), a jointly controlled entity incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company
"GAC Toyota Engine"	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004 under PRC law by the Group and Toyota Motor Company, and the Company holds 30% of its equity interest
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which the Company has proprietary rights
"GAMC"	Guangzhou Automobile Group Motor Co., Ltd. (廣州汽車集團乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
"Group" or "GAC Group"	The Company and its subsidiaries
"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
"On Time"	a mobile mobility platform established in April 2019 and launched by the Company through Chenqi Technology Limited (including its subsidiaries) established by China Lounge Investments, Tencent and its holding company, and is indirectly held 35% by the Group
"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 People's Republic of China
"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
"Times GAC"	Times GAC Energy Battery System Co., Ltd.(時代廣汽動力電池有限公司), which was incorporated in December 2018 and funded by the Company, GAC New Energy and Contemporary Amperex Technology Co., Ltd. and jointly owned by the Company and GAC New Energy as to 49% of its equity interest
"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 53.55% 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,

In 2019, in the face of the turbulent external situation and the increasingly severe industry situation, we, with the strong support of our shareholders, stayed true to our original aspiration, kept in mind our mission, sought for internal transformation, and devoted ourselves to development, and have outpaced the overall development of the industry. On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, partners and people from all walks of life!

During the year, we maintained steady development and demonstrated our flexibility through adversity. Amidst the continuing downward trend of the domestic automobile industry which recorded a year-on-year decrease of 8.23% in sales volume, the Group's sales volume of automobiles for the year amounted to 2.0622 million units, representing a year-on-year decrease of 3.99%, which out-performed the industry by approximately 4.24 percentage points. Our sales volume of automobiles ranked among the top five in China and our market share increased by 0.35 percentage point year-on-year. In particular, the sales volume of GAC Honda and GAC Toyota achieved a growth of 3.98% and 17.59% as compared to last year, while the operating income of both achieved a record high. GAMC withstood the downward pressure and strove to reduce the inventory level and modified its structure, as well as building a digital marketing system and a specialised service system. The second generation GS4, built upon the brand new GPMA platform, recorded a sales volume of over 10,000 units for the first month after launch; Aion S and Aion LX, two new models built by the pure electric exclusive platform launched by GAC New Energy, achieved a 110.6% rise in annual sales volume as compared to last year. Total operating income of the Group together with its joint ventures and associated companies amounted to approximately RMB355.090 billion, representing a decrease of approximately 2.36% as compared to last year. The sales revenue of the Group amounted to approximately RMB59.704 billion, representing a decrease of approximately 17.51% as compared to last year. Net profit attributable to shareholders of the parent company was approximately RMB6.616 billion, representing a decrease of approximately 39.30% as compared to last year. Earnings per share amounted to approximately RMB0.65, representing a decrease of approximately 39.25% as compared to last year. The Group was listed in Fortune Global 500 for the 7th consecutive year and entered the top 200 for the first time, ranked 189.

Zeng Qinghong
Chairman

During the year, we continued to reciprocate our shareholders and shared our fruits of development with them. We always adhere to the long-term sustainable and stable dividend policy and distribute dividends twice a year, with annual dividend payout ratios exceeding 30%, so as 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 RMB1.5 (including tax) per 10 shares to all shareholders. Together with the interim dividend of RMB0.5 (including tax) per 10 shares distributed, the total amount of dividends paid to all shareholders in the year was about RMB2.048 billion, and the cumulative cash dividends distributed since the listing have exceeded RMB16.8 billion.

During the year, we implemented in depth reform and innovation, and constantly released the vitality of the enterprise. We have implemented the organisational reform of the Group's headquarter, strengthened the efficiency of integrated operation, communication and coordination of our self-developed brands, strengthened the synergy of resources and strategies among R&D, manufacture, parts and components, commercial services and financial segments, so as to accelerate the development of internationalisation and digitalisation. GAEI has simulated its operation as a legal person and established a board of directors, and implemented a unified adjustment on the composition of the board of directors of GAMC, GAC New Energy and GAEI with an aim of achieving a concerted pace for the integration of research, production and sales. We have continued to promote the reform of professional managers and completed the selection and appointment for the two vacant positions of deputy general managers (as professional managers), which enhanced the selection of pilot investment enterprises to implement the reform of professional managers.

During the year, we closely followed the strategic guidance and actively improved the strategic layout. In order to promote the implementation of the "13th Five-Year Plan", we released the "e-TIME Action" plan, which takes experience of customers (Experience) as the core and most important mission, complemented with Technology, Intelligence, Manufacture and Electrification to support such new customer experience. Digitalisation has been adopted clearly as one of the key breakthrough directions for the Group's mid-and-long term development. We actively promoted the digitalisation transformation, and formulated the overall digitalisation transformation blueprint from "business digitalisation" to "digital commercialisation". We continued to promote the construction of GAC Zhilian New Energy Automotive Industrial Park. At present, the approved scale of investment projects as located in the industrial park has reached RMB28.5 billion. "On Time" (如祺出行) was officially launched on 26 June, and its reputation on the market has continued to rise, with over one million users registered in half a year. Our "circle of friends" has been expanding, as we commenced strategic cooperations with leading automobile and parts and components enterprises domestically and internationally, and opened up for continuously deepened cooperation. GAMC's Yichang factory and GAC Toyota's production capacity expansion project (phase II production capacity of 120,000 units) have been completed and put into operation, further strengthening the development foundation.

During the year, we strengthened our independent innovation and accelerated the accumulation of developmental momentum. GAEI has fully advanced 53 vehicle projects and completed the development and launch of 14 models. A total of 13 powertrain projects were advanced throughout the year, while the 1.5TM Miller cycle engines have been put into mass production successfully, which comprehensively improved the vehicle's power performance, fuel consumption and lightweight level; the first prototype trial production of the fourth generation engine 2.0TGDI was completed ahead of schedule, which demonstrated that the manufacturing ability outperforms its counterparts over the world. In terms of technological innovation, development of one-pedal control system, automotive Ethernet, networking eco-cloud platform and networking terminal products G3.0, etc. have been completed and put into mass production; ADiGO (Smart Driving and Connected) ecosystem, which is self-developed by GAC with support from Tencent, Huawei and other strategic partners, has been released to create an intelligent networking vehicle ecosystem. The ability of independent R&D and innovation continued to improve. In the 2019 evaluation results of national enterprise technology centres issued by the general office of the National Development and Reform Commission, GAC Group ranked sixth in China with a score of 96.4 points.

During the year, we marched on to alleviate poverty and earnestly fulfilled our social responsibilities. The Group has actively advanced the precision poverty relief and poverty alleviation work and carried out the work of "no worries for two things, guaranteed on three aspects and meeting the average" ("兩不愁三保障一相當") in three poverty-stricken villages in Lianzhou City, Qingyuan, and has achieved remarkable results in stable poverty alleviation. As of December 2019, the Group has contributed a total of RMB52.836 million in the aided villages, and all the poor households have been lifted out of poverty, with the per capita disposable income exceeding RMB13,000. We have deeply participated in the poverty alleviation program cooperation between the eastern and western regions, participated in the assistance pairing activities for 5 deeply poverty-stricken villages in Shedongguanxiang, Nayong County, Bijie City, and prepared the "GAC class" with Bijie City Vocational School. In 2019, the Group contributed over RMB79.2783 million in precision poverty alleviation and various public welfare charities. Meanwhile, the Group actively implemented industry counterpart assistance, including assisting in the revitalisation and development of the northwestern region of eastern Guangdong. The construction of Meizhou GAC Parts and Components Industrial Park has completed, while the Meizhou GAC Spring project has also completed and put into operation. The investment to be introduced to the industrial park is estimated to be approximately RMB1.6 billion in total, and the introduction of investment of RMB550 million has been completed by 2019. At the beginning of 2020, in the face of the outbreak of COVID-19, we also actively shouldered our corporate social responsibility in various ways, including donating more than RMB34.38 million in cash, masks, vehicles and other resources to support the prevention and control of the epidemic, and swiftly built equipment and production lines for the production of masks, so as to contribute to the alleviation of the shortage of epidemic protection and rescue materials.

In 2020, with the rapid transformation of industry competition from increment to stock, the process of market shuffling is further intensified, and the competition among mainstream enterprises will become more and more fierce. Meanwhile, the energy revolution, intelligent revolution and networking revolution of automobile industry are just unfolded, and innovative technology and business models are emerging. In particular, the global spread of COVID-19 at the beginning of the year increased the uncertainties in the macro-economy. The supply system of auto parts and components was disrupted, the progress of enterprises' resumption of work and production was slow, and the market demand seriously contracted, and as a result the automobile industry shall face a greater downward pressure. Facing a more complex internal and external situation, we will be pragmatic and adhere to our original aspiration, maintain our strategic focus. In addition to the prevention and control of the epidemic, we will accelerate on promoting various production recovery measures, find ways to ensure the supply of parts and components, actively explore production capacity, and make every effort to promote sales and reduce costs, strive to reduce the impact of the epidemic on production and operation of the Company, and unswervingly promote high-quality development. It is expected that the annual production and sales of automobiles will increase by approximately 3% on a year-to-year basis.

We will emphasise "stability" in our business operations. The operation of the Group will continue to strive to seek improvement in stability, focus on the mid-and-long term strategic planning, the "13th Five-Year Plan" strategic objectives and the "e-TIME Action" plan measures with an aim of ensuring the completion of the 2020 operation plan objectives. We shall strengthen the building of star models, optimise the product portfolio, further improve the ability of rapid launch of new products, constantly bring forth new products and timely meet the needs of consumers for innovation and change. To draw up the blueprint for the "14th Five-Year Plan", we shall adhere to the strategic guidance, and closely focus on the major strategic direction of transformation to a technology-based, service-oriented and digitalised enterprise.

Our business development will highlight "quality". We shall focus on quality control to further improve the construction of QDR (quality, durability and reliability) standards and evaluation system. The continuous strengthening of our digitalisation construction shall be customer-oriented. The traditional linear relationship among the vehicle factories, dealers and users shall be broken, and shall be substituted by a "golden triangle" structure among the three. We will also continue to improve the images of our sales outlets and deliver upgrade of informatisation and digitalisation, and proceed the construction of a digital marketing system and a specialised service system. Besides, we will also continuously improve the brand value, and comprehensively enhance the consumer experience of GAC brand.

Our business management will focus on "effectiveness". Continuing to increase incomes, reduce expenses and costs as well as enhancing efficiency is still our focus. We will strive to bolster cost reduction through market pressure, speed up the platforming, modularisation, standardisation and generalisation of products, in order to substantially reduce the costs of product development, production and manufacturing. The Group will focus on projects with strategic, leading, forward-looking and fundamental importance to maximise the efficiency of feature allocation and unleash its largest effectiveness. We focus on improving the integration mechanism of research, production and sales, and enhance synergy between and within the segments. We will continuously optimise the assessment mechanism of professional managers, and accelerate the reform of professional managers in investment enterprises. We will vigorously implement the mixed ownership reform and employee shareholding of investment enterprises such as Urtrust Insurance, mobile mobility and Da Sheng Technology to further enhance our corporate vitality.

Our development and reform will focus on "transformation". The Group will enhance technological capabilities, accelerate its transformation to a technological enterprise, and strive to further study and vigorously execute new industrial reform on the basis of the combination of new results of basic research and new technologies; strengthen digital capabilities, actively carry out digital transformation, and guide digital transformation with business strategies and deliver innovation and development with digitalisation; strengthen international capabilities, continue to cultivate existing markets, actively open up potential markets and fully tap market potential.

"I stand strong and firm though struck and beaten without rest, careless of the wind from north or south, east or west". 2020 is the decisive year for building a moderately prosperous society, and it also marks the end of the "13th Five-Year Plan". We will make concerted efforts to forge ahead and take "one centre, two unshakable, three changes and four reforms" as the main principle, and focus on quality and efficiency, adhere to cooperation with joint ventures and independent innovation, transform from manufacturing to creation, speed to quality, and product to brand. We shall promote reform of quality, reform of efficiency, reform of momentum and reform of system and mechanism, with an aim of advancing our new development and strive to become a world-class enterprise.

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

Company Secretary/Secretary to the Board

Name	Sui Li
Address	GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou
Telephone	020-83151139
Facsimile	020-83150319
E-mail	ir@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.hkexnews.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 (domestic)	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:	Zhang Ning, Li Jiajun
Auditors (overseas)	Name:	PricewaterhouseCoopers Certified Public Accountants and Registered PIE Auditor
	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:	The Company completed the issuance of A shares convertible corporate bond in February 2016, during which the corresponding continuous supervision period was from 4 February 2016 to 31 December 2017, and the sponsor continued to perform the relevant ongoing supervision obligations before the conversion of convertible corporate bonds was completed
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:	The Company completed the non-public issuance of A shares in November 2017, during which the corresponding continuous supervision period was from 17 November 2017 to 31 December 2018, and the sponsor continued to perform the relevant ongoing supervision obligations before the raised proceeds were fully utilised
H share registrar of the Company	Name:	Tricor Investor Services Limited
	Address of the registrar:	Level 54, 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 in accordance with overseas financial reporting standards and PRC Accounting Standards are set out as follows:

Unit: 0'000 Currency: RMB

	Net profits		Net assets	
	Current period	**Last period**	**End of period**	**Beginning of period**
In accordance with PRC Accounting Standards	671,115	1,094,632	8,245,422	7,792,068
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	-229	-388	0	0
In accordance with overseas financial reporting standards	670,886	1,094,244	8,250,824	7,797,470

Financial statements of the Group for the year 2019 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) ***Automobile manufacture is mainly conducted through subsidiaries, including GAMC and joint ventures, including GAC Honda, GAC Toyota, GAC FCA and GAC Mitsubishi.***

Products: The Group's passenger vehicles include 15 series of sedans, 25 series of SUV and 3 series of MPV, details of which are set forth below:

Fuel-engined vehicle products of the Group include:

- GAC Trumpchi (GA3, GA4, GA5, GA6, GA8, GS3, GS4, GS5, GS7, GS8, GM6, GM8);
- GAC Honda Accord, Crider, Vezel, Odyssey, City, Fit, Avancier, Breeze, Acura CDX, Acura TLX-L, Acura RDX, etc.;
- GAC Toyota Camry, Highlander, Yaris L, Levin, C-HR, etc.;

- GAC FCA JEEP Cherokee, JEEP Renegade, JEEP Compass, Jeep Grand Commander, etc.;
- GAC Mitsubishi ASX, Outlander, Eclipse Cross, etc.;

Energy conservation and new energy products of the Group include:

- GAC Trumpchi GA3S • PHEV, GS4 • PHEV, GE3, AION S, AION LX;
- GAC Honda Accord Sport Hybird, Odyssey Sport Hybrid, Breeze Hybrid, Acura CDX Hybrid, Shirui, VE-1;
- GAC Toyota Camry HEV, Levin HEV, Levin HEV E+, iA5;
- GAC FCA Yuejie • PHEV, JEEP Grand Commander PHEV;
- GAC Mitsubishi Qizhi • PHEV, Qizhi • EV;

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.

Production capacity: During the reporting period, GAC New Energy increased production capacity of 100,000 units/year which commenced operation in May 2019; Yichang factory of GAMC increased production capacity of 200,000 units/year which commenced operation in June 2019. GAC Toyota's phase II production capacity expansion project with production capacity of 120,000 units was completed in December 2019. As at the end of the reporting period, the total vehicle production capacity amounted to 2,613,000 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 2,555 passenger vehicle 4S sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC.

(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 Business, and its controlling and investee companies, Da Sheng Technology and associated companies and Tong Fang Logistics in the upstream and downstream of the automobile industrial chain, the Company carried on businesses in vehicle sales, logistics, international trading, second-hand vehicles, disassembling, resources recycling, supporting services, etc., and provided innovative mobility services to users through "On Time" (如祺出行).

4. Parts and components segment

The Group's production of parts and components was mainly carried out through the controlling, jointly-controlled, investee companies of GAC Component, a subsidiary and GAC Toyota Engine and Shanghai Hino, the Group's associated companies. The parts and components include engines, gearboxes, car seats, HVAC systems, auto lamps, automation accessories, redirectors, shock absorbers, etc. and accessories. About 74% of the products were whole vehicle accessories of the Group.

5. Financial segment

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

II. INDUSTRY ENVIRONMENT

In 2019, China's economic operation still maintained in a reasonable range, stable yet promising, and the basic long-term rising trend remained unchanged. However, in the process of transformation and upgrade, the automobile industry was affected by, among others, Sino-US trade dispute, changes in environmental protection standards and reduction in new energy subsidies. The pressure has further increased and the market continued to decline, and the production and sales volume and key economic efficiency indicators of the industry all exhibited negative growth. The overall situation of the industry is as follows:

1. Annual vehicle production and sales volume further declined

In 2019, the production and sales volume of vehicles continued to be the first in the world, with the production and sales volume of 25,720,600 units and 25,768,700 units respectively, representing a decrease of 7.51% and 8.23% year-on-year, respectively, with the decline rate of 4.20 and 5.46 percentage points higher than those of the previous year.

Monthly sales volume of vehicles recorded negative growth consecutively, in which the decline was more severe in the first half of the year, while an upturn appeared in the second half of the year. The cumulative growth rate continued to narrow, but the overall pressure was still relatively intense.

2. The decline in production and sales of passenger vehicles was larger than that of the overall industry

In 2019, the production and sales volume of passenger vehicles amounted to 21,360,200 units and 21,444,200 units respectively, representing a year-on-year decrease of 9.22% and 9.56% respectively, and accounted for 83.05% and 83.22% respectively of the overall vehicle production and sales volume, which were 1.56 and 1.22 percentage points lower than those of last year respectively.

All of the four types of passenger vehicles showed negative growth. The production and sales volume of sedans dropped by 1,247,000 units and 1,234,400 units respectively, representing a year-on-year decrease of 10.86% and 10.70% respectively; the production and sales volume of SUV dropped by 599,900 units and 627,200 units respectively, representing a year-on-year decrease of 6.03% and 6.28% respectively.

3. Year-on-year growth rate of new energy vehicles dropped significantly

In 2019, as affected by the reduction in new energy subsidies, production and sales volume of new energy vehicles plunged in the second half of the year, which recorded 1,242,000 units and 1,206,000 units respectively, representing a year-on-year decrease of 2.3% and 4.0% respectively, while in 2018 the year-on-year growth of production and sales volume of new energy vehicles were 59.9% and 61.7% respectively.

The production and sales volume of purely electric powered vehicles amounted to 1,020,000 units and 972,000 units respectively, representing a year-on-year growth of 3.40% and decrease of 1.20% respectively; the production and sales volume of plug-in hybrid vehicles amounted to 220,000 units and 232,000 units respectively, representing a year-on-year decrease of 22.50% and 14.50% respectively; the production and sales volume of fuel-battery vehicles were 2,833 units and 2,737 units respectively, representing a year-on-year growth of 85.50% and 79.20% respectively.

4. Market concentration on key automobile groups continued to rise

In 2019, the sales volume of the top ten automobile groups totalled 23,294,000 units, decreased by 6.7% year-on-year, but was still 1.5 percentage points higher than the growth rate of the overall industry. It accounted for 90.4% of the total automobile sales, with an increase of 1.5 percentage points in the level of concentration from the corresponding period of last year.

III. ANALYSIS ON CORE COMPETITIVENESS

During the reporting period, the core competitiveness of the Group 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 business, financial service and mobile mobility in the downstream, which is one of the automobile groups in the PRC with the most integrated industrial 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, mobile mobility platform "On Time" (如祺出行) officially started operation, the GAC Zhilian New Energy Automotive Industrial Park Project proceeded as planned. GAC Aisin Gearbox Project and Powertrain II Factory Engine Phase I Project for GAMC were put into operation successively. Yichang plant of GAMC, smart ecological plant of GAC New Energy phase I and GAC Toyota production capacity expansion project (phase II, with production capacity of 120,000 units) were put into operation. The business layout has been further improved.

2. Advanced manufacturing, craftsmanship, quality and procedural management

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

3. Continuing to enrich product line and optimise product structure

The Group has a full range of products including sedans, SUV and MPV and continued to introduce new models and product iterations to maintain market competitiveness of its products in order to meet changes in demand of consumers. It maintained customer loyalty and a widely recognised brand reputation. During the reporting period, the Group continuously facilitated the development and introduction of new products, new vehicles and re-designed models such as GAC Trumpchi GM6, second generation GS4, GAC New Energy Aion S, Aion LX, GAC Honda Breeze, Odyssey Hybrid, GAC Toyota Levin (including HEV), etc. were successively launched by various vehicle factories, which has enriched the product variety and the proportion of new energy and energy conservation products has been continuously enhanced.

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

After years of introduction, digestion, absorption and innovation, the Group accumulated funds, technology, talents and experience and formulated a world class production system. For R&D, through the integration of advantageous global resources and the establishment of a cross-platform and modular-structured forward development system, the Group has been equipped with the advantage of integrated innovation. During the reporting period, the Group has strengthened its independent control of core parts and components, and has completed the development of the first self-developed Miller loop 1.5TM engine and self-developed 7WDCT automatic gearbox. The Group has filed 1,455 patent applications, resulted in a total of 6,079 patent applications. 799 patents have been newly granted (including 166 invention patents), total patents granted have reached 3,723 (including 575 invention patents). Trumpchi GE3 won the gold medal of national class registered design patent for the first time. On 3 November 2019, the Group's "GAC low displacement gasoline engine platform technology research and product development" project won the first prize of the highest "Science and Technology Award" issued by Chinese Society of Internal Combustion Engine.

5. Building a new energy and smart network technology system

The Group has the world's leading purely electric powered vehicle exclusive platform and the first application of the deep-integrated "three-in-one" electric automobile system. ADiGO (Smart Driving and Connected) ecosystem, which possesses automatic driving system, IoT system, cloud platform and big data, is self-developed by the Group, and has the production level of L3 class automatic driving technology, and created Aion series, a new energy vehicle product system based on the new pure electricity exclusive platform. During the reporting period, Aion S, the first strategic model based on the pure electricity exclusive platform, and the luxury smart super-run SUV-Aion LX, were officially launched. Aion LX has been well received since launch with its high technology, high quality and high performance. ADiGO (Smart Driving and Connected) ecosystem, which is self-developed by the Group with support from Tencent, Huawei and various strategic partners, has been officially released to create an intelligent network vehicle ecosystem.

6. Connection to worldwide capital operation platforms

The Group successfully built capital operation platforms in both A share and H share markets, which was favourable to the Group in leveraging on domestic and overseas capital markets in various forms to achieve effective resources allocation and realise the maximisation of capital appreciation and corporate value through the integration of internal and external growth. The Company explored structural reform in governance, continued to improve medium and long-term incentive mechanism, continued to expand its investment and financing sector, optimised financing structure, and the role of finance in supporting the main business has been significantly enhanced.

CHAPTER 5

Operation Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, in the process of transformation and upgrade, the automobile industry in China was impacted by, among others, Sino-US trade friction, changes in environmental protection standards and reduction of new energy subsidies, and faced a substantial pressure. In the face of the severe situation marked by the automobile industry's continuous downward trend, the Group focused on high-quality development and took various proactive and effective measures to overcome difficulties and maintain a stable operation. As a result, we achieved development which outperformed the overall industry and exhibited our strong developmental resilience through adversity.

1. Withstanding the downward pressure and maintaining stable operation

In the face of the severe situation of the declining market demands, each of the manufacturing enterprise under the Group stood up to challenges and outperformed the overall industry. Our star models, including Accord, Camry, Levin, Crider, Vezel, Highlander, Outlander, Avancier, GS4, Compass and Odyssey remained as hot sellers, while new vehicles models, including Trumpchi GM6, second generation GS4, upgraded GA6, Aion S, Aion LX, Breeze, Odyssey Hybrid, Vezel re-modelled, upgraded Levin (including HEV), Levin HEV E+ and Grand Commander PHEV launched successfully. Regarding parts and components segment, GAC Component actively introduced the integrated electric drive system, IGBT, bumpers and other related parts and components projects. The first production line of TNGA 2.0L engine of GAC Toyota Engine's TNGA project was fully put into mass production. As for the commercial services segment, GAC Business proceeded the construction of sales network, with 25 new sales outlets opened in the year. Da Sheng Technology explored the strategic upgrade from an open e-commerce enterprise to a digital technology-based enterprise. For the financial services segment, the penetration rate of retail loans of GAC-SOFINCO continued to rise and its performance reached another new high. Urtrust Insurance completed the acquisition of equity of Guang Ai Insurance Brokers Limited and made profit for two consecutive years. ArcSoft Technology and Guangzhou GRG Metrology & Test Co., Ltd., enterprise invested by GAC Capital, implemented IPO. GAC Finance actively carried out inventory financing business to provide support for manufacturing and sales of vehicles.

2. Deepening reform and innovation while continuously enhancing corporate governance

We comprehensively implemented the reform programme “Double Hundred Actions”, launched the pilot project of Urtrust Insurance’s employee stock ownership, carried out the reform of professional managers in investment enterprises, and established the sound fault tolerance mechanism, all of which have achieved substantial results. We have also implemented a new round of organisational reform, including establishment of new departments such as manufacturing business headquarter, parts and components business headquarter, commercial business headquarter, financial business headquarter and international business headquarter, with an aim of strengthening the integrated operation and communication and coordination efficiency of the research-production-sales of self-developed brands, and strengthening of the synergy of resources and strategies of R&D, manufacturing, parts and components, commercial and financial segments, so as to accelerate digital transformation and international business development, as well as further enhancing the management efficiency. Meanwhile, GAEI has simulated its operation as a legal person and established a board of directors; GAC FCA modified its operational mechanism and integrated the operation of GAC FCA and sales company under GAC FCA. The exercise of first phase of equity incentive plan has been completed, with a total of 59.3216 million shares exercised. Our corporate governance system has been continuously improved. During the reporting period, 17 new rules and regulations were added and 54 items in the Articles of Association and other rules and regulations were amended.

3. Firmly implementing project construction and consolidating development foundation

The GAC Zhilian New Energy Automotive Industrial Park Project proceeded as planned, and the smart ecological plant (phase I) of GAC New Energy was put into operation. Projects of GAC Aisin Gearbox, GAMC Powertrain II Factory Engine, GAC Times, Times GAC, Southern (Shaoguan) Intelligent Network Link New Energy Vehicle Testing Center have all commenced successively. Construction of Yichang factory of GAMC has been completed and put into operation, which is a benchmark factory of intelligent manufacturing with automatic production, digitalised information, intelligent management and ecological intelligent manufacturing. The construction of main structure of GAEI’s Hualong R&D Base (phase II) has completed. GAC Toyota capacity expansion project (phase II with production capacity of 120,000 units) was completed and put into operation, and GAC Toyota new energy vehicle expansion project is implementing as planned. The construction project of GAC Honda’s Zengcheng factory production capacity expansion (an increase of 240,000 units/year) has completed and is ready for production.

4. Enhancing the capability of independent system formation and driving new momentum of development

Integration of research, production and sales has been vigorously enforced for our independent brands. Development of vehicle models including second generation GS4, upgraded GA6, GM6, Aion S and Aion LX were completed and launched into market. Among them, the second generation GS4 is the first SUV built based on the brand new GAC global platform modular-structured GPMA, and also the world's first mass produced vehicle equipped with Wechat automotive version. Since the launch in April, the accumulated annual sales volume of Aion S reached 32,000 units, ranked second in the pure electric sedan market. Aion LX has become a new benchmark of self-developed pure electric vehicle with its own leading 650km NEDC endurance, its acceleration rivaling supercars (reaching 100km/h in just 3.9 seconds), and the L3 autonomous driving. We vigorously executed independent brand marketing innovation, built a "marketing golden triangle in the digital era" and launched the "4×2+1 project" to improve the digital marketing. Over 500 Trumpchi franchised stores have been upgraded in the year, and the "one-key exclusive service" (一鍵尊享服務) brand has been launched, by which we strive to build a digital specialised service system. We are committed to internationalisation, and devoted to the "One Belt One Road" market. This year, we have completed market development in 8 countries, including Israel and Cambodia, and we have plans formulated for 24 countries and regions around the world.

5. Effectively protecting investors' interests and building a favourable image in capital market

The Group continued to conduct information disclosure based on the principle of "being true, accurate, complete, timely, fair and effective". In 2019, the Company made disclosures of 156 and 126 corporate documents on the SSE and the Stock Exchange respectively on various matters without any error, delay, modification or supplement, and we have been assessed as "A-class" for four consecutive years in the annual assessment of information disclosure by the SSE. We enhanced communications with investors through various ways, including the e-interaction platform of the SSE, investor hotlines, roadshows, investors exchange forum. Over 1,500 investors and analysts have been entertained throughout the year. Besides, we have organised activities such as "Get to Learn the Quality of Shanghai Companies – "I am the Shareholder" (滬市公司質量行——「我是股東」) and "Visit GBA Listed Companies" (走進大灣區上市公司), allowing more medium to small investors to understand our Company in depth. In 2019, the Company was named the "Most Respectful Company in Asia" by the "Institutional Investor" magazine.

6. A well presented GAC story to steadily enhance our brand value

The Group actively made its appearance at international automobile shows in North America, Shanghai and Guangzhou etc. Besides, we leveraged on significant promotion opportunities such as the NPCSC and CPPCC, Boao Forum, the 70th anniversary of the People's Republic of China and the Understanding China Conference, to well present GAC and strengthen our brand image. GAC Trumpchi was named "the top ten new brand of the year" by China Media Group in the Chinese brands ceremony 2019 (中國品牌強國盛典活動).

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 RMB355.090 billion, representing a decrease of approximately RMB8.595 billion or approximately 2.36% as compared with the corresponding period last year.

During the reporting period, sales revenue of the Group amounted to approximately RMB59.704 billion, representing a decrease of approximately 17.51% as compared with the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB6.616 billion, representing a decrease of approximately 39.30% as compared with the corresponding period last year. Basic earnings per share amounted to approximately RMB0.65, representing a decrease of approximately RMB0.42 as compared with the corresponding period last year.

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

1. In 2019, in light of the increasingly downward pressure on the economy, the domestic automobile industry constantly experienced a negative growth in terms of production and sales. Under the severe environment, the Group has taken the lead in high-quality development and adopted various positive and effective measures, adhered to positive research and development, independent innovation, accelerated the introduction of new products, and continuously enhanced the product power. In 2019, the global research and development system once again advanced to a new level. Vigorously promoting the integration of research, production and sales of self-developed brands, successively launching the second MPV model Trumpchi GM6, new generation GA6, and the second generation of the traditional model GS4, as well as launching self-developed new energy vehicles Aion S and Aion LX to further enrich the star product portfolio of self-developed brand. Among which, the sales of self-developed new energy vehicles continued to increase despite the unfavourable trend, with annual sales volume exceeding 40,000 units, doubling in growth as compared with the corresponding period last year.

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 the 10th generation Accord grew steadily. Among which, GAC Honda newly launched the Odyssey Hybrid, re-modelled Vezel, Breeze. GAC Toyota launched the new generation Levin and the first pure electric sedan iA5, with satisfactory market response. The production and sales volume of GAC Honda and GAC Toyota both achieved positive growth as compared with the corresponding period last year.

3. Ancillary businesses in the upstream and downstream of the industrial chain such as financial services, parts and components and commercial services were affected to a certain extent alongside with the changes in production and sales volume of self-developed brand and joint ventures. However, the synergistic effect among business segments continued to emerge which facilitated the development of principal businesses. Among which, the Group officially released the mobile mobility platform "On Time" (如祺出行) in June 2019, and launched a pilot market operation in Guangzhou to further improve the outbound service segment of GAC Group, promoted the enhancement and up-grading of the industry chain and promoted the high-quality development of the Group to a new stage. GAC Finance continued to improve its financial services capabilities, and major progress was made in new businesses to support the Group's main business development needs.

As at 31 December 2019, 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 RMB65.341 billion and RMB124.238 billion 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	597.04	723.80	-17.51
Costs of sales	571.81	608.36	-6.01
Selling and distribution costs	45.53	50.73	-10.25
Administrative expenses	35.90	45.19	-20.56
Finance costs	5.16	4.59	12.42
Interest income	4.62	5.56	-16.91
Share of profit of joint ventures and associates	93.99	87.53	7.38
Net cash flow generated from operating activities	-23.88	-23.38	-2.14
Net cash flow generated from investing activities	-0.52	-51.48	98.99
Net cash flow generated from financing activities	-17.11	-20.12	14.96

1. Analysis on revenue and cost

During the reporting period, revenue of the Group amounted to approximately RMB59.704 billion, representing a decrease of approximately 17.51% as compared with the corresponding period last year. This was mainly due to the sales volume of the Group's vehicles declined as a result of the continuous negative growth in production and sales volume of the domestic automobile industry and the impact of changes in domestic policies.

During the reporting period, the Group recorded total cost of sales of approximately RMB57.181 billion, representing a decrease of approximately 6.01% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB2.523 billion, representing a decrease of approximately RMB9.021 billion or 78.14% as compared with the corresponding period last year. The gross profit margin decreased by 11.72 percentage points as compared with the corresponding period last year, mainly due to the combined effect of market impact, the ending of National V, increased sales promotion and early switching to National VI, leading to a narrowing of the revenue of the main vehicle models, and the reclassification of the amortisation of capitalised R&D expenditure of RMB830 million during the reporting period.

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	360.60	354.93	1.57	-28.44	-16.16	-90.18
Auto-parts manufacturing industry	24.74	23.46	5.17	-14.16	-6.38	-60.38
Commercial services	188.51	179.57	4.74	15.13	17.96	-32.57
Financial services and others	23.19	13.85	40.28	-15.05	79.40	-43.84
Total	597.04	571.81	4.23	-17.51	-6.01	-73.48

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	360.39	354.80	1.55	-28.46	-16.18	-90.29
Vehicles related trades	213.25	203.03	4.79	10.74	14.52	-39.60
Financial services and others	23.40	13.98	40.26	-14.85	79.92	-43.87
Total	597.04	571.81	4.23	-17.51	-6.01	-73.48

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	595.38	571.74	3.97	-17.72	-6.01	-75.09
Hong Kong	1.66	0.07	95.78	730.00	0.00	47.35
Total	597.04	571.81	4.23	-17.51	-6.01	-73.48

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	53,721	58,365	1,716	-10.29	4.40	-73.07
SUV	268,161	267,453	18,991	-40.81	-40.10	3.55
MPV	57,437	58,760	3,437	53.11	79.45	-28.05

Illustration on production and sales volume: mainly from the production and sales 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	29.64	5.00

Major Suppliers

Unit: 100 million Currency: RMB

Suppliers	Amount of procurement	Ratio to total procurement (%)
Total procurement from the top 5 suppliers	133.44	24.20

Amount of procurement fees paid to the largest supplier of the Group accounted for 8.36% 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

(1) The decrease of approximately RMB520 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 advertising promotion and marketing expenses during the reporting period as compared with the corresponding period last year.

(2) The decrease of approximately RMB929 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the combined effect of the year-on-year decrease in the allocation of expenses of A share option incentive during the reporting period.

(3) The increase of approximately RMB57 million in finance costs as compared with the corresponding period last year was mainly attributable to the combined effect of the year-on-year increase in borrowing, hence the increase in interest expenses during the reporting period.

(4) The decrease of approximately RMB94 million in interest income as compared with the corresponding period last year was mainly attributable to the combined effect of the decrease in production and sales resulting in a reduction of funds and a decrease in interest income during the reporting period as compared with the corresponding period last year.

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	9.59
Capitalised research and development expenses for the period	43.17
Total research and development expenditures	52.76
Percentage of total research and development expenditures over total revenue (%)	8.84
Number of research and development staff	6,222
Number of research and development staff over total number of staff (%)	17.62
Percentage of capitalised research and development expenditures (%)	81.82

(2) During the reporting period, expenditures in research and development amounted to approximately RMB5.276 billion, representing an increase of RMB387 million 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 associates was approximately RMB9.399 billion, representing an increase of approximately RMB646 million as compared with the corresponding period last year, mainly as a result of the combined effect of the increase in profit of Japanese joint ventures, the decrease in profit of European and American joint ventures, and the decrease in profit of upstream auto-parts associated companies resulting from the decrease in production and sales volume.

5. Cash flows

(1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB2.388 billion, representing an increased outflow of approximately RMB50 million, as compared with net cash outflow of approximately RMB2.338 billion in the corresponding period last year, mainly due to the combined effect of the corresponding reduction in operating receipts and payments and decreased tax expenses resulting from the decrease in sales volume during the reporting period;

(2) During the reporting period, net cash outflow generated from investing activities amounted to approximately RMB52 million, representing a decreased outflow of approximately RMB5.096 billion, as compared with net cash outflow of approximately RMB5.148 billion in the corresponding period last year, mainly due to the combined effect of the increased receipts of dividends from investee enterprises and the decreased time deposits during the reporting period;

(3) During the reporting period, net cash outflow generated from financing activities amounted to approximately RMB1.711 billion, representing a decreased outflow of approximately RMB301 million, as compared with net cash outflow of approximately RMB2.012 billion of the corresponding period last year, mainly due to the combined effect of the increase in investment absorption by subsidiaries during the reporting period;

(4) As at 31 December 2019, cash and cash equivalent of the Group amounted to approximately RMB23.605 billion, representing a decrease of approximately RMB4.125 billion as compared with approximately RMB27.730 billion as at 31 December 2018.

6. Others

Income tax amounted to approximately RMB-417 million, representing a decrease of approximately RMB1.338 billion as compared with the corresponding period last year, mainly due to the change in profit of certain subsidiaries 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 RMB6.616 billion, representing a decrease of approximately 39.30% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.65, representing a decrease of approximately RMB0.42 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 (%)
Prepayments and other long-term receivables	41.41	3.01	28.27	2.14	46.48
Financial assets at fair value through profit or loss – non-current	31.37	2.28	15.89	1.20	97.42
Property, plant and equipment	193.96	14.11	163.18	12.35	18.86
Borrowings – current	61.69	4.49	28.29	2.14	118.06
Trade and other payables – current	336.16	24.45	357.86	27.08	-6.06

2. Analysis on change

(1) Prepayments and other long-term receivables: mainly due to the combined effect of the increase in finance lease receivables during the reporting period;

(2) Financial assets at fair value through profit or loss – non-current: mainly due to the combined effect of the increase in investment in financial products by financial enterprises during the reporting period;

(3) Property, plant and equipment: mainly due to the combined effect of the increase in fixed assets along with the construction of capacity expansion of GAMC and construction of factories for new energy vehicles during the reporting period;

(4) Borrowings – current: mainly due to the combined effect of the transfer of RMB2 billion corporate bonds and RMB300 million medium-term notes maturing in 2020 and the issuance of RMB400 million short-term financing bonds during the reporting period;

(5) Trade and other payables – current: mainly due to the combined effect of the corresponding decrease in payables for the purchase of raw materials and payables to the distributing outlets along with the decrease in production and sales volume during the reporting period.

(III) ANALYSIS OF FINANCIAL POSITION

1. Financial indicators

As at 31 December 2019, the Group's current ratio was approximately 1.36 times, representing a decrease from approximately 1.64 times as at 31 December 2018, and quick ratio was approximately 1.20 times, representing a decrease from approximately 1.48 times as at 31 December 2018, which were within reasonable range.

2. Financial resources and capital structure

As at 31 December 2019, the Group's current assets amounted to approximately RMB56.865 billion, current liabilities amounted to approximately RMB41.775 billion and current ratio was approximately 1.36 times.

As at 31 December 2019, the Group's total borrowings amounted to approximately RMB13.861 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 approximately RMB2.551 billion, short-term bonds with closing balance of approximately RMB400 million and loans from bank and financial institutions with closing balance amounting to approximately RMB5.070 billion, etc. 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 2019, the Group's gearing ratio was approximately 14.38%. (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 2019, third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2018 was RMB0; as at 31 December 2019, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2018 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	650,000 units	77.66	119.48
GAC Toyota	600,000 units	67.06	139.71
GAMC (include GAC New Energy)	820,000 units	37.93	55.92
GAC Mitsubishi	200,000 units	12.80	64.00
GAC FCA	328,000 units	6.57	20.03
GAC Hino	10,000 units	0.35	35.00
GAC BYD	5,000 units	0.02	4.00

Notes:

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

2. Production capacity of GAC Honda had integrated that of the original Honda (China). Zengzheng factory of GAC Honda production capacity expansion (addition of 240,000 units/year) project phase II commenced production in February 2020.

3. GAC Toyota production capacity expansion project phase II of 120,000 units was completed in December 2019, and the actual production capacity utilisation rate for the reporting period was 139.71%.

4. Production capacity of Yichang factory of GAMC was 200,000 units/year, which commenced production in June 2019; production capacity of GAC New Energy was 100,000 units/year, which commenced production in May 2019.

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
Production capacity expansion project for the addition of 200,000 units of new energy vehicles for GAC self-developed brand passenger vehicle	469,400	65,028	311,817	Phase One (100,000 units) completed and commenced production in December 2018; Phase Two (100,000 units) shall commence construction according to the market situation.	200,000 units
Production capacity expansion project of Zengcheng factory of GAC Honda (addition of 240,000 unit/year)	310,221	39,300	307,256	Phase One (120,000 units) commenced production in October 2015; Phase Two (120,000-240,000 units) commenced production in February 2020.	240,000 units
GAC Toyota new energy vehicle expansion project (phase I and phase II)	1,132,988.6	196,077	196,077	2022	400,000 units

Production capacity calculation standards

Calculated based on standard production capacity and two production shifts.

2. Sales and production volume of whole vehicles

By vehicle models

	Sales volume (units)			Production volume (units)		
Vehicle types	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in production volume compared with the corresponding period last year (%)
Passenger vehicle	2,058,500	2,138,543	-3.74	2,020,161	2,184,910	-7.54
Sedans	1,108,722	986,524	12.39	1,090,750	1,011,920	7.79
MPV	103,241	78,243	31.95	100,623	82,602	21.82
SUV	846,537	1,073,776	-21.16	828,788	1,090,388	-23.99
Commercial vehicle	3,660	9,349	-60.85	3,653	9,100	-59.86
Passenger vehicle	142	5,046	-97.19	137	5,046	-97.28
Truck	3,518	4,303	-18.24	3,516	4,054	-13.27
Total	2,062,160	2,147,892	-3.99	2,023,814	2,194,010	-7.76

By regions

	Domestic sales (units)			Overseas sales (units)		
Vehicle types	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)
Passenger vehicle	2,033,824	2,120,739	-4.10	24,676	17,804	38.60
Sedans	1,092,933	972,337	12.40	15,789	14,187	11.29
MPV	102,901	78,168	31.64	340	75	353.33
SUV	837,990	1,070,234	-21.70	8,547	3,542	141.30
Commercial vehicle	3,660	9,349	-60.85	–	–	–
Passenger vehicle	142	5,046	-97.19	–	–	–
Truck	3,518	4,303	-18.24	–	–	–
Total	2,037,484	2,130,088	-4.35	24,676	17,804	38.60

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

3. New energy vehicle business

Production capacity of new energy vehicles

The smart ecological plant (phase I) of GAC New Energy (with production capacity of 100,000 units per year) commenced production in May 2019.

Sales and production volume of new energy vehicles

	Sales volume (units)			Production volume (units)		
Vehicle types	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in production volume compared with the corresponding period last year (%)
Passenger vehicle	42,224	20,045	110.65	43,078	20,014	115.24

Income and subsidies for new energy vehicles

Unit: '0,000 Currency: RMB

Vehicle types	Income	Subsidy for new energy vehicle	Ratio of subsidy (%)
Passenger vehicle	491,819	86,139	17.51

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, actively adopted effective measures including strengthening production, innovative marketing, reducing costs and improving efficiency, and achieved steady development. In particular, GAC Toyota and GAC Honda achieved an exceptional results in sales and production, outperforming the overall market. Among that:

The production and sales of GAC Honda were 762,390 units and 770,884 units, representing an increase of 1.56% and 3.98% as compared to the corresponding period of last year; operating income was RMB105.71144 billion, representing an increase of 8.03% as compared to the corresponding period of last year;

The production and sales of GAC Toyota were 670,554 units and 682,008 units, representing an increase of 11.88% and 17.59% as compared to the corresponding period of last year; operating income was RMB98.05427 billion, representing an increase of 17.12% as compared to the corresponding period of last year;

The production and sales of GAMC were 379,319 units and 384,578 units, representing a decrease of 31.09% and 28.14% as compared to the corresponding period of last year; operating income was RMB40.72182 billion, representing a decrease of 26.89% as compared to 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

In 2020, due to the increase of uncertainties in the macro economy, insufficient consumer confidence, intensified industry competition, the implementation of national six emission standards and dual-point, coupled with the impact of COVID-19 epidemic at the beginning of the year, the automobile industry will face greater downward pressure. The development and trend of the automobile industry will present the following characteristics:

1. COVID-19 epidemic intensifies downward pressure on the industry

Hubei province, where the epidemic situation was disastrous, and Guangdong and Zhejiang regions where the epidemic situation were rather serious, are major provinces for automobile industry and significant bases for many parts and components enterprises. Since the whole vehicle factory supply covers the entire country, coupled with the long industrial chain, the epidemic will not only directly affect the production and sales volume of the local whole vehicle enterprises, but will also affect the parts and components supply nationwide in the short term, thus restricting the production pace of the whole vehicle. Meanwhile, the epidemic also caused a significant decline in domestic demand for vehicles and consumption capacity in the short term, and increased the potential risk of capital chain fracture of small and medium-sized enterprises. Nonetheless, once the epidemic is over, the suppressed consumption demand is expected to be released in the short term, and individuals' concerns about the safety of public transportation will be intensified, which will boost the demand for individual first-time vehicle purchase.

2. The country is expected to further introduce policies to encourage automobile consumption

In February 2020, General Secretary Xi Jinping stated in his speech that the government shall actively stabilise traditional high consumption such as automobiles, and encourage regions with limited automobile purchase to appropriately increase the quota of automobile license plates, so as to boost the consumption of automobiles and related products. The Ministry of Commerce also indicated that it will, together with relevant departments, study the introduction of policies to further stabilise automobile consumption, and encourage local regions to introduce measures to promote new energy vehicle consumption, increase the purchase limit index of conventional vehicles, and carry out the replacement of old vehicles with new ones, in order to promote automobile consumption. Eleven departments, including the National Development and Reform Commission, the Ministry of Science and Technology and the Ministry of Industry and Information Technology jointly issued the "Smart Car Innovation and Development Strategy" (《智能汽車創新發展戰略》), which will play an effective leading role in the smart car industry chain. In March, the city of Guangzhou issued "Various Measures regarding Guangzhou City's Determination to Triumph in the Battle in Preventing, Controlling and Defeating COVID-19 Epidemic and Accomplish the Mission of Achieving the Annual Economic and Social Development Objectives" (《廣州市堅決打贏新冠肺炎疫情防控阻擊戰努力實現全年經濟社會發展目標任務的若干措施》), which shall offer subsidies to consumers for new energy vehicles and car replacement, so as to lift automobile consumption. It is expected that in 2020, more favourable policies will be introduced to ease the downward pressure on the automobile market, such as lessening purchase restrictions, car replacement and supporting the development of new energy vehicles.

3. Transformation and upgrade of automobile industry intensifies industry reshuffling

Driven by a new round of scientific and technological revolution and industrial transformation, the automobile industry is accelerating the trend of intellectualisation, electrification, digitalisation and sharing. New driving forces, led by new energy vehicles and intelligent network vehicles are growing, while new business models such as intelligent transportation and shared commuting are rising rapidly. The domestic automobile industry is in the critical period of changing the development model, optimising the industrial structure and transforming the growth from high-speed growth to high-quality development. The automobile market is transforming from the sales market to the inventory market. The market shuffling process is further intensified, and the market-oriented competition situation will become increasingly fierce.

(2) Corporate development strategy

During the period of the "13th Five-Year Plan", the Group has adhered to the development principle of "internal collaborative innovation and external open cooperation", completed one goal, consolidated five major segments, highlighted one key point and achieved three breakthroughs. The goal was 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, were to be consolidated. The one key point was to develop self-developed brand with full strength and make strides in self-developed brand development. The Group strove to make major breakthroughs in electrification, internationalisation and connected vehicles.

In 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 enterprise with global competitiveness.".

(3) Operational plan

In 2020, the Group's work policy is: follow the guidance of Xi Jinping's vision on socialism with Chinese characteristics for a new era, understand in depth the spirit of the 19th CPC National Congress and the second, third and fourth plenary sessions of the CPC Central Committee, thoroughly implement the important speeches delivered by General Secretary Xi Jinping to Guangdong and significant directions and instructions, seriously execute the spirits of the 8th meeting of 12th Provincial Party Committee and 9th meeting of 11th City Party Committee, take "one centre, two unshakables, three changes and four reforms" as the main principle, and focus on quality and efficiency, adhere to independent innovation and cooperation with joint ventures, accelerate the transformation from manufacturing to creation, speed to quality, and product to brand. The Group shall thoroughly deliver reform of quality, efficiency, momentum, system and mechanism, focusing on the Group's medium and long-term development plan, and the "13th Five- Year Plan" and the e-TIME Action Plan, adhere to the general tone of seeking progress while maintaining stability, coordinate and advance market expansion, stable growth, innovation, reform, strong momentum, risk prevention and other work, extensively carry out activities of increasing revenue and reducing costs, grasp the pace of investment, strive to achieve the annual task objective, facilitate the GAC Group to accelerate digital transformation and upgrade, and achieve high-quality development.

In 2020, in the face of a sudden outbreak of COVID-19 pneumonia, the Group will accelerate various production recovery measures with respect to the prevention and control of the epidemic, and strive to reduce the impact of the epidemic on the Group's production and operation. It is estimated that the annual production and sales of automobiles will increase by approximately 3% on a year-to-year basis. With an aim of further improving the product structure and enhancing the comprehensive competitiveness, the Group plans to launch 19 new and re-modelled models, including 8 self-developed brand models: GAC Trumpchi second generation GS4 PHEV and Coupe version, re-modelled models GA8, GM8 and GS3, GAC New Energy pure electric medium-sized SUV, compact crossover model, GAC Nio's first model HYCAN 007; and 11 joint venture models: GAC Honda Breeze Hybrid, Crider Hybrid, re-modelled Avancier, Fourth Generation Fit, re-modelled VE-1, re-modelled Acura CDX, GAC Toyota Wildlander (including HEV), C-HR EV, the re-modelled GAC FCA Jeep Compass and the re-modelled GAC Mitsubishi ASX.

The main operational measures are as follows:

1. Stick to the goal and dedicate ourselves to secure stable growth. Continue to increase revenue, reduce expenditure, reduce costs and increase efficiency, fully develop business potential, and launch the "14th Five-Year Plan".

2. Adhere to the concept of "customer first" and create a new marketing experience. Highlight the cultivation of star models, focus on quality control and cost control, build a digital "golden triangle" sales service system with a focus on customer experience, and expand the service ecosystem.

3. Adhere to innovation and improve the core competitiveness. Improve the research, production and sales integration mechanism, enhance the efficiency of integrated operation, communication and coordination of independent brands, strengthen core technical capabilities, and enhance the capacity of independent innovation systems.

4. Stand firm without fear, cultivate new driving forces comprehensively. Implement the GAC Zhilian New Energy Automotive Industrial Park project, promote the development of key system components of intelligent network to achieve interim results, constantly enrich the new energy vehicle product portfolio, accelerate the Group's digital transformation, and actively innovate the mobile mobility operation model.

5. Constantly welcome cooperation and integrate resources for win-win results. Firmly implement internationalisation, improve the level of joint venture cooperation, and advance open innovation and integration of different sectors.

6. Reform relentlessly to realise high quality development. Implement the task of "Double-Hundred Reform", continue to optimise the assessment mechanism for professional managers, accelerate the implementation of the reform of professional managers in investment enterprises, continue to enhance brand value, and actively fulfill social responsibilities, and shoulder the responsibilities of strict party governance, business integrity, safe production, stability maintenance and comprehensive management, and risk prevention and control.

(4) Possible risks

1. Industry risks

(1) Risks of fluctuation of macro environment

The automobile industry is mostly influenced by the domestic overall economic development level, and the automobile consumption will either be stimulated or inhibited by the pace of economic growth. In addition, out of the economic globalisation, the automobile industry is also influenced by the international macro environment and the international situation. The Sino-US trade friction in recent years, combined with the COVID-19 sudden global outbreak severely aggravated the uncertainties in the macro economy, which also further intensified the impacts on the automobile industry.

(2) Competition in the industry is increasingly fierce

Although the pressure on China's automobile industry has been further increased, and the drop in production and sales volume have broadened by 3.3 and 5.4 percentage points respectively as compared with the preceding year, both production and sales have exceeded 25 million units and continued to outrun the rest of the world, and China remained as the market focused and invested by major global automobile enterprises. Meanwhile, the market concentration of key automobile groups has increased during the reporting period, but the market share of self-developed brands has declined significantly. Competition between joint ventures and local enterprises, foreign brands and self-developed brands, and among self-developed brands has become increasingly fierce.

(3) Risks of industrial reform

Under the backdrop of the energy shortage and enhanced environmental protection awareness, new energy vehicle technology is becoming the focus of the automobile enterprises and the orientation of automobile technical reform.

On 24 February, the relevant national ministries and commissions jointly issued the "Smart Car Innovation and Development Strategy" (《智慧汽車創新發展戰略》), which clearly indicated that by 2025, the technological innovation, industrial ecology, infrastructure and facilities, regulatory standards, product supervision and network security system regarding standard smart vehicles in China will be established fundamentally, and the conditional autonomous (L3) vehicles shall achieve large-scale production by 2025.

The development of new energy vehicles is greatly influenced by national policies. Under the new national strategic planning, higher requirements are imposed on the R&D and technology of new energy vehicles of automobile enterprises, especially in areas regarding intelligent networking and automatous driving. In addition, adjustment of subsidy policies will also cast an impact on the sales of new energy vehicles. In the case that cost control does not correspond to the adjustment of subsidies, it will inevitably lead to excessively high cost and lower the 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, GM8 and GM6, 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 years, the Group and the joint venture enterprises released a number of competitive new models in the market, such as Trumpchi GS4, GS8, GM8, GM6, GAC Honda Accord, Avancier, Vezel, GAC Toyota Highlander, Camry, Levin 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 information of the State Administration for Market Regulation (國家市場監督管理總局), in 2019 there were 167 recalls in the Chinese automobile market, involving 6,809,700 units of defective automobiles from 56 brands in total. Although such figures were lower than those of the same period last year, the recalling scale is still enormous. As the supply chain of the automobile industry is rather long and complicated, the risks of quality control are relatively high. 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.

4. **Risks of epidemic**

The global COVID-19 epidemic has continued since the end of last year, which has hindered the mobility of people and logistics, resulting in the postponement of work and production resumption, the rupture of the supply chain of parts and components, as well as disruption in the usual operation of the industry. Meanwhile, industries such as transportation and logistics, catering, tourism, shopping malls, film and television are all affected significantly by the epidemic. A reduction in people's income and the further weakening of consumption may have an impact on the production and sales of automobile.

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 2018 and profit distribution plan for the interim period of 2019 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 (%)
2019	0	2.0	0	2,047,541	6,616,265	30.95
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

Note: The Company proposes to distribute final dividend for 2019 of RMB0.15 (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 10,237,707,610 shares of the Company on 29 February 2020 and the total amount of final dividend would be RMB1,535,656,131.15. As interim dividend of RMB511,885,377.05 were distributed in 2019, a total dividend of RMB2,047,541,508.20 would be distributed in 2019.

(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 2019, the Company's reserves available for distribution to shareholders amounted to RMB20,587,427,000 (2018: RMB15,654,324,000).

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	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
Other commitments to the medium and small shareholders of the Company	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	RMB830,000
Audit years of domestic accounting firm	11 years
Name of overseas accounting firm	PricewaterhouseCoopers
Remuneration of overseas accounting firm	RMB3,050,000
Audit years of overseas accounting firm	9 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 19th meeting of the 5th session of the Board and the 2019 first extraordinary 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 2019 and re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP as the internal control auditor of the Company for the year 2019.

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.

The third exercise period of the 2014 First A Share Option Incentive Scheme of the Company commenced from 19 September 2018 and ended on 18 September 2019. The share options could be exercised freely. During the reporting period, 5,209,867 share options were exercised cumulatively at the exercise price of RMB4.20 per share. The weighted average closing price of the A shares of the Company on the trading day prior to the commencement of the third exercise period was RMB10.18 per share.

On 19 September 2014, the Company granted A share options to all participants, with an exercise period commencing from 19 September 2016 to 18 September 2019. As at 18 September 2019, the three exercise periods of the Company's 2014 First A Share Option Incentive Scheme ended, with a cumulative exercise of 59,321,600 shares, which accounted for 0.58% of the total issued shares of the Company as at 31 December 2019. 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 8 October 2019 (Announcement No.: Lin 2019-068) for details.

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. 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. Corresponding adjustments were made in accordance with the Company's profit distribution plan and due to resignation, retirement and appraisal of participants. As at the end of the reporting period, the number of securities issuable under the Second Share Option Incentive Scheme was 576,881,800 shares, representing approximately 5.63% of total issued shares of the Company as at 31 December 2019. 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.

On 25 June 2019, as a result of the implementation of the 2018 final profit distribution plan, the exercise price of the Company's 2014 First A Share Option Incentive Scheme was adjusted from RMB4.48 per A share to RMB4.20 per A share, the exercise price of the 2017 Second A Share Option Incentive Scheme was adjusted to RMB19.60 per A share, the exercise price of the reserved share option of the 2017 Second A Share Option Incentive Scheme was adjusted to RMB10.33 per A share. For details, please refer to the "Announcement on the Exercise Prices of First Share Option Incentive Scheme and Second Share Option Incentive Scheme, and the Reserved Exercise Price of Second Share Option Incentive Scheme" disclosed on the websites of SSE and the Stock Exchange on 17 June 2019 (Announcement No.: Lin 2019-041).

On 6 December 2019, according to the interim profit distribution plan of 2019, the exercise price of the initial grant of the Second Share Option Incentive Scheme was adjusted to RMB19.55 per A share, and the exercise price of the reserved share option was adjusted to RMB10.28 per A share. For details, please refer to the "Announcement on Adjusting the Exercise Price, Participants List and Number of Options of the Second Share Option Incentive Scheme" disclosed on the websites of SSE and the Stock Exchange on 6 December 2019 (Announcement No.: Lin 2019-080).

On 18 December 2019, the first exercise period for the initial grant of the Company's 2017 Second Share Option Incentive Scheme commenced.

Relevant information regarding the abovementioned 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 "Details of A share options 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	Number of A-share options cancelled 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)	5,209,867	0	5,209,867	3,985,306 1,224,561	0	4.48 4.20	0
The Second Share Option Incentive Scheme								
/	Middle level and other core businesses, technical and management key personnel (2,141 people in total)	564,669,560	0	169,257,814	0	50,124,650	19.55	514,544,910
The Second Share Option Incentive Scheme reserved for grant								
/	Middle level and other core businesses, technical and management key personnel (457 people in total)	62,336,900	0	0	0	0	10.28	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. According to the Company's profit distribution plan, corresponding adjustment was made to the exercise price of the share options under initial grant and reserved share options of the Second Share Option Incentive Scheme. Meanwhile, due to reasons such as resignation, retirement and appraisal of participants, an aggregate of 50,124,650 share options (inclusive of partial cancellation) were cancelled. 514,544,910 share options under initial grant of the Second Share Option Incentive Scheme were exercisable after the adjustment.

XI. MATERIAL CONNECTED TRANSACTIONS

1. Certain categories of related party transactions as disclosed in note 41 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 2019 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 2019, 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

For the year ended 31 December 2019, each of the JV Partner Group provided transport and logistic services (the "JV Partner Logistics Services") in respect of vehicle products and vehicle parts and components to the Company, its subsidiaries and the principal joint ventures (including GAC Toyota and GAC Honda) according to the following pricing terms on a regular basis. The Company's principal joint ventures purchase raw materials and components from the relevant JV partners, as well as selling some products to the relevant JV partners. The relevant JV partners will provide transportation and logistics services to complete the entire process. Such service will continue during the term of the joint ventures.

On 26 April 2019:

(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 Guangzhou Guanqi Commercial Logistics Co., Ltd. (廣州廣汽商貿物流有限公司) and Hunan Shun Jie Logistics Co., Ltd. (湖南順捷物流有限公司) of the Group, so as to continue with the Logistic Services of JV Partner, with validity period from 1 January 2019 to 31 December 2021. 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 Guangzhou Automobile Hunan NYK Logistics Co., Ltd.* (湖南廣汽商貿日郵物流有限公司), so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2019 to 31 December 2021. 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 2019 to 31 December 2021. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

(iv) GAC 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 2019 to 31 December 2021. 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 2019, the total amount of the consideration paid by the Group for the JV Partner Logistic Services was RMB1,956,283,635.

In relation to the transactions, the directors consider that the annual transaction amount of each transaction under the Logistics Services of JV Partner should not be disclosed. The provision of transportation and logistics services is an important part of entering into cooperation arrangements with JV parties and their associates. They are a key part of the supply chain management and sales business of automobile production. Disclosing the annual transaction amount for each transaction under the Logistics Services of JV Partner will disclose commercially sensitive information relating to the operation of the relevant joint ventures, which is not in the interest of the Group or the related joint ventures.

The Company has applied to the Stock Exchange for and was granted a waiver from compliance with the annual cap requirement 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. However, the exemption expired before the Framework Agreement of JV Partner and the New Agreement of JV Partner were entered into.

During the reporting period, the Company has applied for, and was granted by the Stock Exchange a revised waiver from strict compliance with the annual reporting and annual caps requirements under the Listing Rules in respect of such transactions to the extent that the Company is still required to set aggregate caps for the Framework Agreement of JV Partner and the New Agreement of JV Partner and disclose the total annual consideration of such transactions in the annual report.

For details, the annual cap and the basis for determination of the Framework Agreement of JV Partner and the New Agreement of JV Partner, please refer to the Company's announcement dated 26 April 2019.

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 2019, 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 2019, 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 2019, 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 license 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 2019, 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 license agreements and trademark license 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 license 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 license 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 2019, 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 2019, 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;

(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; and

(4) the annual caps (in respect of the Framework Agreement of JV Partner and the New Agreement of JV Partner) have not been exceeded.

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 Motors 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

N/A

3. 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	495,000,000
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)	225,000,000
Total guarantee of the Company (including those provided to subsidiaries)	
Total guarantee (A+B)	225,000,000
Proportion of total guarantee in the net assets of the Company (%)	0.28%
Description of unexpired guarantees that may be subject to joint liability	N/A
Description of guarantee	Guarantee provided to subsidiaries during the reporting period mainly represented the guarantee for customs duty issued by GAC Finance to GAMC

(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)
GAC Hino	10,000	2017/11/14	2019/11/13	4.35%	Repaid	–
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	8,000	2018/11/16	2019/11/15	4.35%	Repaid	–
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	8,500	2019/4/12	2020/4/11	4.35%	Not due yet	–
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	7,500	2019/10/25	2020/10/25	4.35%	Not due yet	–
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	8,000	2019/11/25	2020/11/25	4.35%	Not due yet	–
Huizhou GAC Automobile Electronic Equipment Co., Ltd. (惠州市佳廣汽車電裝有限公司)	940	2016/12/20	2019/6/27	4.35%	Repaid	–
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)	2,437.26	2016/12/20	2021/12/20	6.18%	Not due yet	12.18

As at the end of the reporting period, the entrusted loans provided to the associates and joint ventures by the Company amounted to approximately RMB240 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 2020, 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 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 2020, 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.

2. Summary of targeted poverty alleviation during the year

The Group conducted targeted poverty alleviation in poverty-stricken villages for 233 poverty-stricken households with a total of 586 poverty-stricken people. After four 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 the end of the reporting period, the Group invested RMB52.836 million in total in those poverty-stricken villages and all poverty-stricken households have overcome poverty with disposable income per capita of over RMB13,000. The village collective income reached RMB300,000.

Poverty alleviation was conducted during the reporting period to perform the "four focuses". Firstly, responsibilities were in place. The Group implemented the "1+1+1+2" model in poverty alleviation, 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 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, Chen Xiaomu, deputy secretary of the CPC Committee and other major leaders have successively led teams to conduct investigations and research in those poverty-stricken villages for 17 times, and convened 18 special meetings to summarise, analyse, research and promote the poverty alleviation work of each stage. Secondly, targeted policies were in place. A thorough investigation and identification, 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, the processing project of bean products constructed jointly by the three villages had played an important role in increasing the income of the collective poverty-stricken villages and poverty-stricken households. Currently, the project has recruited 33 local employees, 11 of whom were poverty-stricken people. In 2019, the sales income of the project amounted to RMB11.27 million with a profit of RMB900,000 and profit attributable to every village amounted to RMB100,000. With the support of "Zhizhi Double Help", the one-line caring system of kindergartens – primary and secondary schools – universities was built, so that students in poverty could learn and afford the costs at all stages of education, and thus preventing the intergenerational transmission of poverty. 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 responsible enterprises set up specialised working group to investigate, establish archives and filings for each household to achieve targeted poverty alleviation. Fourthly, poverty alleviation was facilitated by Party building. By strengthening the construction of grass-roots Party organisations in rural areas and organising the targeted assistance of enterprise Party organisations, turning 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 arranged their Party members to carry out targeted poverty alleviation and assistance work in Lianzhou for 207 times during the new period. Near 2,200 Party members participated in the work. Performing a proper job in the adjustment and handover of new and old cadres in the villages, newly appointing 3 outstanding cadres in the village, giving full play to the advantages of Party building in state-owned enterprises, building/improving 38 Party building units, revising the Party building system, organising poverty-stricken village cadres to invest and learn in investment enterprises and advanced villages.

3. *Results of targeted poverty alleviation*

Unit: 0'000 Yuan Currency: RMB

Indicator	Amount and implementation
I. General conditions	
Among which, 1. Funds	1,155
2. Amount of materials	44.11
3. Number of people under assistance with archives established who overcame poverty	586
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	8
1.3 Amount of input in projects for poverty alleviation	87.9
1.4 Number of people under assistance with archives established who overcame poverty	497
2. Poverty alleviation through transferring employment	
Among which, 2.1 Amount of input in tranings on vocational skills	0
2.2 Number of people who attended trainings on vocational skills (person/time)	192
2.3 Number of poverty-stricken people with archives established who achieved employment	48
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	11.26
4.2 Number of poverty-stricken students subsidised (person)	29
4.3 Amount of input made in improving education resources in poverty-stricken regions	17.27
5. Poverty alleviation through better health	
Among which, 5.1 Amount of input made in medical and hygiene resources in poverty-stricken regions	5.4
6. Poverty alleviation through ecological protection	
6.1 Amount of input	0

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	1.34
7.2 Number of left-behind children, women and senior people assisted (person)	15
7.3 Input in assisting poor people with physical disabilities	8.89
7.4 Number of poor people with disabilities assisted (person)	99
8. Social poverty alleviation	
Among which, 8.1 Input in poverty alleviation programs cooperation of the East and West	105
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)	55
9.2 Amount of input	562.09
9.3 Number of people under assistance with archives established who overcame poverty	586
9.4 Explanation for other projects	Assist in construction of street lighting in villages, culture room, beautiful village incentive subsidy, construction of service centre, construction of retaining wall etc.
III. Awards received (content and level)	Nil

4. ***Subsequent targeted poverty alleviation plans***

Facing 2020, the Group will closely focus on the two key tasks of achieving a "comprehensive well-off" society in 2020: resolutely win the fight against poverty and make up for the particular shortcomings in the field of "agriculture, rural areas and farmers" in the "comprehensive well-off policy", and carry out the work to tackle poverty in 2020.

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, 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.

3. Promote an organic link between 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 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.

(II) Fulfillment of Social Responsibility

For details about the fulfillment of social responsibilities by the Company, please refer to the full text of the "2019 Social Responsibilities Report" disclosed on the websites of the Stock Exchange (in form of overseas regulatory announcement) and SSE on 31 March 2020.

(III) Environmental information

Every enterprises of the Group strictly abide by environmental protection laws and regulations and strictly implement every environmental emission standards in their daily operations and project construction. Continuously deepening energy conservation and environmental protection management, continuously implementing various energy conservation and environmental protection measures in various fields such as green factories, green procurement, green sales, and green products, and making full use of the longer-term foundation of the automotive industry chain to work with suppliers to actively implement energy conservation and emission reduction together with the concept of environmental protection and build a green, low-carbon and environmentally-friendly environment.

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 "2019 Social Responsibilities Report" disclosed on the websites of the Stock Exchange (in form of overseas regulatory announcement) and SSE on 31 March 2020.

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	1,010
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)	320,222,000	12.55
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank)	185,143,000	7.25
China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu	129,833,000	5.09
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.)	115,626,000	4.53
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	111,669,000	4.38
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial Bank Co., Ltd.)	107,918,000	4.23
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Agricultural Bank of China)	96,682,000	3.79
China Merchants Bank Co., Ltd. －Hongde Zhiyuan Mixed Bond Securities Investment Fund (泓德致遠混合型證券投資基金)	86,303,000	3.38
Bank of China Limited – Haifutong Pure Bond Securities Investment Fund (海富通純債債券型證券投資基金)	73,588,000	2.88
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Shanghai Pudong Development Bank)	48,424,000	1.90

(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	2,552,279,000	3,000	–	–	2,552,276,000

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

Amount of conversion during the reporting period (RMB)	3,000
Number of converted shares during the reporting period (A share)	202
Accumulated number of converted shares (A share)	71,853,823
Proportion of accumulated number of converted shares to total shares of the Company in issue before the conversion (%)	1.12
Amount of unconverted bonds (RMB)	2,552,276,000
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.
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.

Date of adjustment of conversion price	Adjusted conversion price	Timing of disclosure	Disclosure media	Information about adjustment to conversion price
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.
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.

Date of adjustment of conversion price	Adjusted conversion price	Timing of disclosure	Disclosure media	Information about adjustment to conversion price
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.
25 June 2019	14.46	17 June 2019	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 2018, pursuant to which cash dividend of RMB2.8 per 10 shares (tax inclusive) was distributed, the conversion price was adjusted accordingly.
24 September 2019	14.41	17 September 2019	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.5 (tax inclusive) for every 10 shares for the interim period of 2019, the conversion price was adjusted from RMB14.46 per A share to RMB14.41 per A share accordingly.
Latest conversion price as at the end of the reporting period				14.41

(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 2019, the total asset was RMB137,463,551,000 and the asset-liability ratio was 39.98%. 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. UTILISATION OF PROCEEDS FROM NON-PUBLIC ISSUANCE OF A SHARES

The Non-public Issuance of A shares was completed in November 2017 (details of which are set out in the announcement of the Company dated 17 November 2017). The actual amount of gross proceeds raised was RMB14,999,999,957.14 and the actual amount of net proceeds raised, after deducting the issuance expenses of RMB83,050,000.00 was RMB14,916,949,957.14. Details of utilisation of the proceeds raised as at 31 December 2019 are set out below.

As at 31 December 2019

As at 31 December 2019, the amount of proceeds brought forward was RMB5,629,276,909.69 whereas the total cumulative amount of utilised proceeds was RMB1,004,811.75 (inclusive of issuance expenses). There was no inconsistency between the utilisation of the proceeds and the original intended use.

Details of utilisation of the proceeds raised are set out below:

Unit: 0'000 Currency: RMB

No.	Investment project	Total amount of investment commitment from the proceeds raised	Amount invested for this year	Cumulative amount invested	Estimated time of completion
1	New energy vehicles and R&D of prospective technology project	480,000.00	141,461.36	255,683.99	2020
2	GAEI phase 1 base construction project	60,000.00	11,070.39	20,944.65	2020
3	GAEI phase 2 base construction project	100,000.00	14,300.47	54,485.82	2020
4	GAC proprietary brand project of Xinjiang	80,000.00	0.00	22,782.95	2023
5	GAC improvement project of Hangzhou	220,000.00	0.00	152,350.38	Completed
6	GAC proprietary brands technological reformation project	250,000.00	63,114.43	202,681.43	Completed
7	GAC proprietary brands vehicle models projects	215,000.00	15,672.63	199,771.09	Completed
7.1	GAMC A16 project	20,000.00	934.43	18,573.48	Completed
7.2	GAMC A35 project	35,000.00	6,743.19	31,820.28	Completed
7.3	GAMC A5H project	30,000.00	0.00	30,547.98	Completed
7.4	GAMC A10 project	40,000.00	2,401.95	36,237.72	Completed
7.5	GAMC A30 project	15,000.00	0.00	15,000.00	Completed
7.6	GAMC A32 project	10,000.00	150.05	10,000.00	Completed
7.7	GAMC A06 project	35,000.00	3,276.95	34,768.49	Completed
7.8	GAMC A7M project	30,000.00	2,166.05	22,823.14	Completed
8	GAMC engine project	50,000.00	1,803.24	47,601.12	Completed
9	GAMC gearbox project	30,000.00	1,887.58	27,205.32	Completed
10	P6 gearbox development project	15,000.00	1,249.59	15,000.00	2020
	Issuance expenses	–	0.00	8,305.00	–
	Total	**1,500,000.00**	**250,559.69**	**1,004,811.75**	

The Group expects to continue to invest the unused proceeds raised from the Non-public Issuance in each of the above unfinished projects in accordance with the respective amount of investment commitment and expected time of completion, and in order taking into account the importance and urgency of each project.

For further information on the utilisation of proceeds raised from the Non-public Issuance, please refer to the "Specific Report on the Deposit of the Proceeds and the Utilisation of the Proceeds by Guangzhou Automobile Group Co., Ltd." published by the Company on 31 March 2020 by way of overseas regulatory announcements.

XVI. 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	Annual Golden Cup of Guangdong Poverty Relief Red Cotton Cup	Leading Group for Poverty Relief in Guangdong Province
	Ranking 46th in Interbrand Best China Brand Rankings	Interbrand
	The Most Influential Brand of Social Responsibility in 2019	Social Responsibility Conference Organising Committee
	2019 Golden Responsibility Award Best Environment (E) Responsibility Award	Sina Finance
	2019 Salute to "Innovative Enterprise" by the Southern Daily	Southern Daily
	2019 Outstanding Innovation Efficiency Award of Listed Companies in China	China Finance Online
	2019 Human Resources Management Excellence Award	51job
	Annual Fengyun Automobile Group Brand	Automobile Alliance
	2019 Best Overseas Employer	UGCDC (lockin)
	The 17th Best Employer of Overseas Students Top 10	Zhaopin.com
GAEI	The Project of "Independent R&D and Application of Key Technologies of High-Performance Modular Chassis Based on Two-Dimensional Decoupling and Reconstruction" is awarded the second prize of China Automotive Industry Science and Technology Award	China Association of Automobile Manufactures/Technology Award Working Committee
	The Project of Independent R&D and Application of Smart Network System and Its Core Technology" is awarded the second prize of Guangdong Province Science and Technology in 2018	Guangdong Provincial People's Government
	The Project of "GAC Small Displacement Gasoline Engine Platform Technology Research and Product Development" is awarded the first price of Science and Technology Award by China Internal Combustion Engine Society	China Internal Combustion Engine Society
	The "Key Technology of Crash Safety Optimisation Design for Passenger Cars and Its Application" Project was awarded the third prize of China Machinery Industry Science and Technology Award	China Machinery Industry Federation/Chinese Mechanical Engineering Society

Subject	Awards won by the Group and its major investees	Organiser/theme
	The Project of "Research on the Reform and Optimisation Management of Automobile Enterprises and Product Access" is awarded the third prize of China Automotive Industry Science and Technology Award	China Association of Automobile Manufactures/Technology Award Working Committee
	GE3 Design is awarded the 21st China Design Gold Award	National Intellectual Property Administration
	GAC G-MC Electromechanical Coupling System won the title of the 2nd Best 10 Gearbox in the World	World Top Ten Gearbox Selection Committee
	Aion LX of GAC New Energy won the "Top 10 Cars of the Year" of Xuanyuan Award	Organising Committee of Xuanyuan Award
	2019 China Design Smart Manufacturing Awards (Aion S)	Organising Committee of China Design and Manufacturing Awards
GAMC	100 Model Brand, Top 10 New Brands of the Year	China Media Group
	Best Quality of New China Vehicles among Chinese Brands for Seven Consecutive Years	J.D. Power
	No. 1 Chinese Brand in Chinese Automobile Sales Satifaction Index (SSI) Research	
	No. 1 Chinese Brand in China After-sales Customer Satifisfaction Index (CSI) Research	J.D. Power
	No.1 Chinese Brand for Four Consecutive Years	CAACS
	2019 Best Service Enterprise	National Business Daily
	Annual Corporate Social Responsibility Award	China Automotive News
	No. 1 in the Local Car Category of Good Chinese Brands	Jiemian.com
	Craftsmanship Enterprise	Nanfang Daily
	China Automotive Corporate Social Responsibility Benchmark Award	Auto Business Review
GAC Honda	CSR Award for Targeted Poverty Reduction	Xinhuanet.com
	Corporate Social Responsibility of the Year	Yangcheng Automobile Fengyun Ranking by Yangcheng Evening News
	Champion of Sales Satisfaction Index (SSI) in Mainstream Car Segment	J.D. Power China Automobile Sales Satisfaction Research
	Chinese Partner of the 2019 United Nations Decade Operation of Road Safety	Organiser of the 2019 United Nations Decade Operation of Road Safety
	Outstanding Corporate Citizen	2019 Chinese Corporate Citizen Selection of 21st Century Media
	China's Most Respect Corporate in 2019	
	2019 New Green Excellent Environmental Protection Project Award	The Economic Observer
	Second Place in the Green Development Index (GDI) of Automotive Companies in 2019	China Automotive Technology & Research Center

Subject	Awards won by the Group and its major investees	Organiser/theme
	Environmental Contribution Award	Guangzhou Civil Affairs Bureau, Guangzhou Daily Group, Guangzhou Charity Association 2019 Guangdong-Hong Kong-Macau Greater Bay Area Social Impact Charity Festival
	Salute to Brand Corporate Award by Southern Daily	Southern Daily
GAC Toyota	2019 Green Development Enterprise Award	Southern Weekly
	2019 Responsibility Model Award, 2019 China Public Welfare Enterprise	China Philanthropy Times
	Responsibility Model Award	Yicai
	2019 New Green Environmental Protection Benchmarking Enterprise Award	The Economic Observer
	Annual Social Responsibility Corporate	Yangcheng Evening news
	Environmental Contribution Award	Guangzhou Daily
GAC FCA	May 1st Labour Certificate of Hunan Province	Hunan Federation of Trade Unions
	National Model Labor Relations Harmonious Enterprise	Ministry of Human Resources and Social Security, All-China Federation of Trade Unions, China Enterprise Confederation/China Enterprise Directors Association and All-China Federation of Industry and Commerce
	2019 National Automotive Logistics Industry Innovation Award	China Federation of Logistics & Purchasing
GAC New Energy	2019 China's Best New Energy Vehicles Company	21st Century Business Herald
	China's Annual New Energy Vehicles Enterprise	Securities Daily
	Smart Environmental Contribution Award	Guangzhou Daily
	Most Worth Looking forward to New Energy Corporate	RDA
	China Automobile Marketing Innovation Award, Best Channel and After-sales Service Innovation Excellence Award	China Marketing Association (Automotive) Marketing Expert Committee
GAC Hino	National Excellent Service Brand of Commercial Vehicles in 2019	China Automobile Dealers Association
GAC-SOFINCO	2019 Best Automobile Finance Company	China Automotive "Gold Engine" Award
GAC Components	2019 China Machinery Top 500 (Rank 40th)	China Machinery Enterprise Management Association
GAC Business	Ranking 22nd in China Automobile Dealer Groups Top 100	China Automobile Dealers Association
	Ranking 2nd in the Top 10 Guangdong Automobile Dealer Groups	
	Guangdong Outstanding Automobile Industry Outstanding Enterprise Award for 40-year of Reform and Opening up	Guangdong Automobile Distribution Industry Association
GAC Capital	Top 100 China's Best Venture Capital Fund in 2019	China Fund of Funds Union

(II) Car Models and Other Awards

Car Model	Name of Award	Awarded by
GAC Trumpchi second generation GS4	Annual SUV Model Award	China Business Journal
GAC Trumpchi second generation GS4	Annual Zhilian SUV	SUV Da Ka (SUV大咖)
GAC Trumpchi second generation GS4	2019 Most Influential SUV Model	Dazhong Kanche
GAC Trumpchi second generation GS4	Most Promising SUV of the Year	Netease Auto
GAC Trumpchi second generation GS4	Most Popular SUV Award	Guangdong Radio and Television
GAC Trumpchi second generation GS4	2019 Best Chinese Quality Compact SUV	Information Times
GAC Trumpchi second generation GS4	Annual Smart Compact SUV	Xinchepin.com
GAC Trumpchi second generation GS4	Annual Self-developed Compact SUV Award	ZAKER
GAC Trumpchi second generation GS4	Most Concerned Car Model Award	Sohu Auto
GAC Trumpchi second generation GS4	2019 China Automotive Annual Innovative Model	Auto-first
GAC Trumpchi second generation GS4	New Car of the Year	The Economic Observer
GAC Trumpchi second generation GS4	Annual Fengyun SUV	China New Mainstream Media Automotive Union
GAC Trumpchi GM8	Best 10 innovative Marketing Award	iFeng.com
GAC Trumpchi GM8	Most Discussed MPV of the Year	Yidian Xinxi
GAC Trumpchi GM6	New MPV of the Year	My Auto Live/amaiche.com
GAC Trumpchi GM6	MPV of the Year	cctv.com
GAC Trumpchi brand new generation GA6	Best Elite Automobile of 2019	21st Century Business Herald
GAC Trumpchi brand new generation GA6	Chinese Brand Sedan of the Year Award	Che Shi Hong Dian
GAC Trumpchi brand new generation GA6	Annual Chinese Sedan	Ai Che Bingtuan
GAC Trumpchi brand new generation GA6	Top 10 National Sedans of 2020	Bitauto.com
GAC Trumpchi brand new generation GA6	Self-developed B Class Sedan of the Year	Southern Metropolis Daily
GAC Trumpchi brand new generation GA6	Annual Model Award	Autobserver
GAC Trumpchi brand new generation GA6	Excellent B Class Sedan of Self-develop Brands of 2019	The Beijing News
GAC Honda Accord Sport Hybrid	Comprehensive champion, champion of five individual items	2019 China Car Performance Challenge (CCPC)
GAC Honda Accord Sport Hybrid	Hybrid Car Model of the Year	Sina Auto
GAC Honda Accord	First Place in New Automobile Quality Study (IQS) for Mid-range High-end Car	J.D. Power
GAC Honda Accord	Ranked 1st in the Domestic Mid-sized Sedan Preservation Rate of China's Automobile Preservation Rate Research	China Auto Finance and Preservation Rate Research Committee
GAC Honda Accord	Mid-range Automobile of the Year	Tencent Auto
GAC Honda Breeze	Automobile Model of the Year	China Newsweek
GAC Honda Breeze	Most Anticipated Automobile Model of the Year	Netease
GAC Honda Breeze	Compact SUV of the Year	Tencent Auto
GAC Honda Breeze	Compact SUV of the Year	iFeng.com
GAC Honda Breeze	Most Promising Medium-sized SUV, Joint Venture Brand SUV of the Year	Global Auto Media
GAC Honda City	Ranked 3rd in the China's Automobile Preservation Rate Ranking for Compact Cars of 2019	58che.com, J.D. Power and Uxin

Car Model	Name of Award	Awarded by
GAC Honda Fit	Ranked 1st in the China's Automobile Preservation Rate Fengyun Ranking for Small-sized Cars of 2019	58che.com, J.D. Power and Uxin
GAC Honda Fit	Ranked 1st in the China's Automobile Preservation Rate Study of Small-sized Sedans of 2019	China Auto Finance and Preservation Rate Research Committee
GAC Honda Fit	Most Loved Automobile Model by Youngsters	Sohu Auto
GAC Honda Vezel	Ranked 2nd in the China's Automobile Preservation Rate Fengyun Ranking for Small-sized Cars of 2019	58che.com, J.D. Power and Uxin
GAC Honda Vezel	Ranked 2nd in the China's Automobile Preservation Rate Study of Small-sized Sedans of 2019	China Auto Finance and Preservation Rate Research Committee
GAC Honda Odyssey Sport Hybrid	MPV of the Year	China Automotive News
GAC Honda Odyssey	Ranked 1st in the China's Automobile Reservation Rate Fengyun Ranking for MPV of 2019	58che.com, J.D. Power and Uxin
GAC Acura RDX	Middle-and-Large-sized SUV of the Year	Beijing Evening News
GAC Acura RDX	Best Luxurious Middle-sized SUV of the Year	PCauto
GAC Toyota iA5	Best New Energy Elite Automobile of 2019	21st Century Business Herald
GAC Toyota brand new re-modelled Levin	Household Automotive of the Year – GAC Toyota	Netease
GAC Toyota brand new re-modelled Levin	Most Popular Automobile Model of the Year	XCar
GAC Toyota brand new re-modelled Levin	Middle-range Automobile of the Year	Guangzhou Daily
GAC Toyota brand new re-modelled Levin HEV	Energy-saving Automobile Model of the Year	Southern Metropolis Daily
GAC Toyota C-HR	Most Anticipated Trendy SUV of 2019	Global Auto Media
GAC Mitsubishi Outlander	Recommended City SUV of the Year	Nandu Media
GAC Mitsubishi Outlander	Annual All-round SUV	Netease Auto
GAC Mitsubishi new ASX	Compact SUV of the Year	China Auto TV General Evaluation List
GAC Mitsubishi new ASX	New SUV of the Year	Yangcheng Evening News
GAC FCA Jeep Grand Commander	C-NCAP Annual Safe Automobile of 2019	World Auto Magazine
GAC FCA Jeep Grand Commander	Received three excellent ratings in crash test	China Insurance Automotive Safety Index (C-IASI)
GAC FCA JEEP Renegade	Highest Safety Rating	Insurance Institute for Highway Safety (IIHS)
GAC FCA JEEP Cherokee	Highest Safety Evaluation	Insurance Institute for Highway Safety (IIHS)
GAC New Energy Aion S	Most Popular New Energy Automobile of the Year	Che Shi Hong Dian
GAC New Energy Aion S	Innovative Technology of the Year Award	Autobserver
GAC New Energy Aion S	Best New Energy Automobile Model	Organising Committee of China Automobile Golden Elephant Award
GAC New Energy Aion S	2019 China New Energy's Recommended Model Sports Pure Electric Automobile of the Year	Organising Committee of China New Energy Vehicles Competition
GAC New Energy Aion S	Most Trendy New Energy Vehicle of the Year	Che-shijie.com
GAC New Energy Aion LX	Electric Luxurious Smart Supercar SUV of 2019	Global Auto Media
GAC New Energy Aion LX	Most Popular New Energy Vehicle	Cheshenghuo
GAC New Energy Aion LX	Most Anticipated New Energy Vehicle of 2019	Nandu Media
GAC New Energy Aion LX	Electric Car of the Year	Netease Auto
GAC New Energy Aion LX	Top Five National New Energy Vehicles	Bitauto.com

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 2019.

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 42 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 and exercise of share options granted under the share option incentive schemes, an aggregate of 5,210,069 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 RMB0.05 per share (2018: RMB0.10) (tax inclusive) was distributed, totalling approximately RMB511,885,377.05 (2018: approximately RMB1,021,469,986.6). The Board recommends to distribute a final dividend of RMB0.15 per share (2018: RMB0.28) (tax inclusive) for the year ended 31 December 2019, totalling approximately RMB1,535,656,131.15 (2018: approximately RMB2,865,994,675.32).

REASONS FOR RESIGNATION

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, 31 March 2020

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

Approved by the 2018 annual general meeting held on 31 May 2019, Mr. Long Yong was elected as a supervisor of the 5th session of the supervisory committee. The 5th session of the supervisory committee comprises seven supervisors after election, namely Ji Li, Chen Tian, Loug Yong, Wang Junyang, Jiang Xiuyun (staff representative supervisor), He Jinpei (staff representative supervisor) and Wang Lu (staff representative supervisor). Ji Li is the chairman of the supervisory committee. The term of office of this session of the supervisory committee is from 23 August 2018 to 22 August 2021.

(II) BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2019

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. During the reporting period, the automobile industry in China was under relatively great pressure due to various adverse factors such as trade friction between China and the United States, changes in environmental protection standards and withdrawal of new energy subsidies. However, the various enterprises were able to take the initiative to adjust and respond positively, and with the joint efforts of all employees, it has achieved excellent results that are significantly better than the average growth rate of the industry. All major economic indicators have been well completed, and the Company has achieved stable development of overall operation.

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 as well as in accordance with the PRC 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 7 supervisory meetings with the details as follows:

1. The 7th meeting of the 5th session of the supervisory committee was held on 29 March 2019, at which the following resolutions were considered and approved:

   (1) Resolution in respect of the annual report and its summary of 2018

   (2) Resolution in respect of the supervisory committee report of 2018

   (3) Resolution in respect of the financial report of 2018

   (4) Resolution in respect of the profit distribution plan of 2018

   (5) Resolution in respect of the self-evaluation report on internal control of 2018

   (6) Resolution in respect of internal control audit report of 2018

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

   (8) Resolution in respect of utilisation of the remaining proceeds of investment project raised from convertible corporate bonds for permanent replenishment of working capital

   (9) Resolution in respect of election of supervisor

2. The 8th meeting of the 5th session of the supervisory committee was held on 26 April 2019, at which the resolution in respect of changing the implementation subject of the GAMC engine project and gearbox project was considered and approved.

3. The 9th meeting of the 5th session of supervisory committee was held on 29 April 2019, at which the resolution in respect of the first quarterly report of 2019 was considered and approved.

4. The 10th meeting of the 5th session of supervisory committee was held on 17 June 209, at which the following resolutions were considered and approved:

    (1) Resolution in respect of the adjustment of the exercise prices of First Share Option Incentive Scheme and Second Share Option Incentive Scheme, and the Second Option Incentive Scheme Reserved Grant

    (2) Resolution in respect of changing the implementation location of GAMC A35 project

    (3) Resolution in respect of the appointment of auditing firm of 2019

    (4) Resolution in respect of the appointment of internal control auditing organisation of 2019

5. The 11th meeting of the 5th session of supervisory committee was held on 30 August 2019, at which the following resolutions were considered and approved:

    (1) Resolution in respect of the interim report of 2019

    (2) Resolution in respect of the profit distribution plan for the interim period of 2019

    (3) Resolution in respect of the report of deposit and usage of proceeds from fund-raising activities for the first half of 2019

6. The 12th meeting of the 5th session of supervisory committee was held on 29 October 2019, at which the resolution in respect of the third quarterly report of 2019 was considered and approved.

7. The 13th meeting of the 5th session of supervisory committee was held on 6 December 2019, at which the resolution in respect of the matters related to the exercise of the Second Option Incentive Scheme (first exercise) and the adjustment of exercise price of the reserved grant was considered and approved.

(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. During the reporting period, the supervisory committee has reviewed and given opinions in relation to the equity incentive scheme.

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 sectors and fields of business management. At the same time, the Company closely tracked key risk areas 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 2019" and the establishment and implementation of internal control policies of the Company, and approved the "Evaluation Report on Internal Control of the Company for 2019" as 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 2018 annual financial report and the first quarterly report, interim report and the third quarterly report of 2019 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 transaction prices were fair and reasonable and was not aware of any circumstances which were prejudicial to the interests of the Company and the small- and medium-sized and minority shareholders.

(V) WORKING PLAN

In 2020, 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	1,054,746,356	10.31						1,054,746,356	10.30
1. State-owned Shares									
2. Shares held by state-owned legal person									
3. Shares held by other domestic entities	1,054,746,356	10.31						1,054,746,356	10.30
Including: Shares held by domestic non-state-owned legal persons	1,054,746,356	10.31						1,054,746,356	10.30
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	9,177,751,116	89.69				5,210,069	5,210,069	9,182,961,185	89.70
1. RMB-denominated ordinary shares	6,079,130,811	59.41				5,210,069	5,210,069	6,084,340,880	59.43
2. Domestically-listed foreign shares									
3. Overseas listed foreign shares	3,098,620,305	30.28						3,098,620,305	30.27
4. Others									
III. Total ordinary shares	10,232,497,472	100				5,210,069	5,210,069	10,237,707,541	100

2. *Explanation on changes in ordinary shares*

During the reporting period, as a result of the exercise of share option incentive scheme and conversion of convertible corporate bonds, an aggregate of 5,210,069 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)***

Nil

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

Nil

(II) Changes in shares subject to trading moratorium

N/A

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 exercise of options granted under the share option incentive scheme and conversion of convertible corporate bonds, an aggregate of 5,210,069 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	36,869
Total number of shareholders as at the end of the month prior to the disclosure of the annual report	38,971

Notes:

1. Total number of shareholders as at the end of the reporting period was 36,869, among which total number of A share shareholders was 36,608 and total number of H share shareholders was 261.

2. Total number of shareholders as at the end of the month prior to the disclosure of the annual report was 38,971, among which total number of A share shareholders was 38,712 and total number of H share shareholders was 259.

(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 the 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)*	0	5,499,140,069	53.71	0	Nil	0	State-owned legal person
HKSCC Nominees Limited *(Note 2)*	2,264	3,095,135,186	30.23	0	Nil	0	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)	0	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)	0	210,949,272	2.06	210,949,272	Nil	0	State-owned legal person

Shareholding of top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at the 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)	0	210,949,271	2.06	210,949,271	Nil	0	Other
Shanghai Pu-Xing Energy Limited (普星聚能股份公司)	9,251,012	109,164,253	1.07	0	Nil	0	Domestic non-state-owned legal person
Guangzhou Light Industry & Trade Group Co., Ltd.(廣州輕工工貿集團有限公司)	0	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)	0	105,474,635	1.03	105,474,635	Pledged	105,474,635	State-owned legal person
CITIC Zhongzheng Asset Management Company Limited (中信中證資本管理有限公司)	56,880,400	56,880,400	0.56	0	Nil	0	Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited *(Note 3)*	36,109,838	48,745,743	0.48	0	Nil	0	Foreign legal person

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
GAIG *(Note 1)*	5,499,140,069	RMB ordinary shares	5,499,140,069
HKSCC Nominees Limited *(Note 2)*	3,095,135,186	Overseas listed foreign shares	3,095,135,186
Shanghai Pu-Xing Energy Limited (普星聚能股份公司)	109,164,253	RMB ordinary shares	109,164,253
CITIC Zhongzheng Asset Management Company Limited	56,880,400	RMB ordinary shares	56,880,400
Hong Kong Securities Clearing Company Limited *(Note 3)*	48,745,743	RMB ordinary shares	48,745,743
Ningbo Mei Shan Baoshuigang Area Jincheng Shazhou Equity Investment Co., Ltd.	41,852,306	RMB ordinary shares	41,852,306
China National Machinery Industry Corporation Limited	35,230,166	RMB ordinary shares	35,230,166
ICBC – E Value Growth Mixed Security Investment Fund (易方達價值成長混合型證券投資基金)	14,315,887	RMB ordinary shares	14,315,887
Jiangsu Shagang Group Co., Ltd (江蘇沙鋼集團有限公司)	12,027,685	RMB ordinary shares	12,027,685
Guangzhou Industrial Investment Holdings Group (廣州工業投資控股集團有限公司) *(Note 4)*	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 of the Company in total, representing approximately 72.94% of the A share capital of the Company. At the same time, GAIG, through Southbound Trading of Shanghai-Hong Kong Stock Connect and Guangzhou Auto Group (Hong Kong) Limited (a wholly-owned subsidiary) 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 53.71% 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 Guangzhou Auto Group (Hong Kong) Limited are also registered in trust with HKSCC Nominees Limited.

Note 3: The shares held by Hong Kong Securities Clearing Company Limited represent A shares held on behalf of multiple Hong Kong stock investors through Northbound Trading of Shanghai-Hong Kong Stock Connect.

Note 4: On 1 November 2019, Guangzhou Iron & Steel Enterprises Group was renamed as Guangzhou Industrial Investment Holdings Group.

Unit: share

No.	Name of shareholder subject to trading moratorium	The number of shares subject to trading moratorium held	Listing and trading of shares subject to trading moratorium: Time for listing and trading	Listing and trading of shares subject to trading moratorium: Number of additional shares to be listed and traded	Conditions of trading moratorium
	Number of shares subject to trading moratorium held by top 10 Shareholders and 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

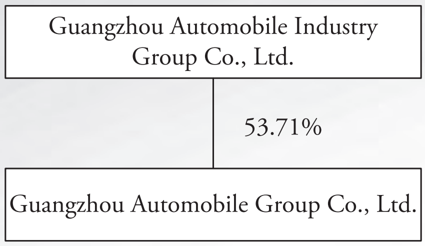
2. *Special explanation on absence of a controlling shareholder of the Company*

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.

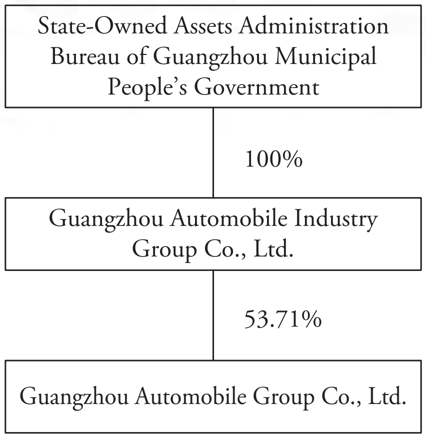
2. ***Special explanation on absence of an ultimate controller of the Company***

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 2019, 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 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)	72.71	53.56
	H Shares	Interest of a controlled corporation	292,208,000 (L)	9.43	
BlackRock, Inc.	H Shares	Interest of a controlled corporation	158,076,614 (L)	5.10	1.65
			11,226,400 (S)	0.36	
Citigroup Inc.	H Shares	Approved lending agent	217,415,971 (L)	7.02	4.22
			2,708,027 (S)	0.09	
			211,679,255 (P)	6.83	
Schroders Plc	H Shares	Investment manager	185,134,800 (L)	5.97	1.81
Brown Brothers Harriman & Co.	H Shares	Agent	202,510,610 (L)	6.54	3.96
			202,510,610 (P)	6.54	

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 2019 was 5,206,932,069 shares, representing approximately 72.94% of the A share capital of the Company. At the same time, GAIG, through Southbound Trading of Shanghai-Hong Kong Stock Connect and Guangzhou Auto Group (Hong Kong) Limited (a wholly-owned subsidiary) 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 53.71% 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

Unit: share

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	58	23 August 2018	22 August 2021	1,155,000 (A shares)	867,000 (A shares)	-288,000	Share Option Scheme	110.70	No
Feng Xingya	Director and General Manager	Male	50	23 August 2018	22 August 2021	975,333 (A shares)	731,533 (A shares)	-243,800	Share Option Scheme	207.00	No
Fu Yuwu	Independent Director	Male	75	23 August 2018	22 August 2021	0	0	0	–	15.00	No
Lan Hailin	Independent Director	Male	60	23 August 2018	22 August 2021	0	0	0	–	15.00	No
Leung Lincheong	Independent Director	Male	66	23 August 2018	22 August 2021	0	0	0	–	15.00	No
Wang Susheng	Independent Director	Male	51	23 August 2018	22 August 2021	0	0	0	–	15.00	No
Chen Xiaomu	Director and Deputy Party Secretary	Male	44	20 March 2020	22 August 2021	–	98,467 (A shares)	–	–	–	No
							98,000 (H shares)				No
Yan Zhuangli	Director	Male	51	23 August 2018	15 January 2020	0	0	0	–	–	No
Chen Maoshan	Director and chairman of the labour union	Male	55	23 August 2018	22 August 2021	949,668 (A shares)	716,368 (A shares)	-233,300	Share Option Scheme	181.78	No
						111,274 (H shares)	111,274 (H shares)	0			No
Chen Jun	Director	Male	44	23 August 2018	22 August 2021	0	0	0	–	–	No
Ding Hongxiang	Director	Male	53	23 August 2018	22 August 2021	0	0	0	–	–	No
Han Ying	Director	Male	41	23 August 2018	22 August 2021	0	0	0	–	–	No
Ji Li	Chairman of the supervisory committee	Male	54	23 August 2018	22 August 2021	0	0	0	–	–	No
Chen Tian	Supervisor	Female	42	23 August 2018	22 August 2021	0	0	0	–	–	No
Long Yong	Staff Supervisor	Male	45	31 May 2019	22 August 2021	0	0	0	–	–	No
Jiang Xiuyun	Staff supervisor	Female	52	23 August 2018	22 August 2021	0	0	0	–	93.37	No
He Jinpei	Staff supervisor	Male	56	23 August 2018	22 August 2021	92,400 (H shares)	92,400 (H shares)	0	–	94.01	No
Wang Lu	Staff supervisor	Female	51	23 August 2018	22 August 2021	0	0	0	–	76.34	No
Wu Song	Deputy General Manager	Male	56	23 August 2018	22 August 2021	949,668 (A shares)	712,300 (A shares)	-237,368	Share Option Scheme	181.95	No
Yan Zhuangli	Deputy General Manager	Male	51	24 December 2019	22 August 2021	0	0	0	–	110.17	No
Li Shao	Deputy General Manager	Male	57	23 August 2018	22 August 2021	949,667 (A shares)	712,267 (A shares)	-237,400	Share Option Scheme	181.89	No
Wang Dan	Deputy General Manager and person in charge of accounting function	Female	49	23 August 2018	22 August 2021	949,668 (A shares)	713,668 (A shares)	-236,000	Share Option Scheme	181.54	No
Chen Hanjun	Deputy General Manager	Male	57	23 August 2018	22 August 2021	185,220 (A shares)	139,220 (A shares)	-46,000	Share Option Scheme	180.87	No
Gao Rui	Deputy General Manager	Male	40	24 December 2019	22 August 2021	–	0	–	–	4.97	No
Sui Li	Secretary of the Board	Female	51	23 August 2018	22 August 2021	107,053 (A shares)	80,353 (A shares)	-26,700	Share Option Scheme	172.74	No
Total	/	/	/	/	/			-1,548,568	/	1,837.33	/

(2) Interests required to be disclosed under the Hong Kong Securities and Futures Ordinance

The following are the interests or short positions of the current and resigned 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 2019, 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	Position	Class of shares	Capacity	Number of shares held	Number of interests in underlying Shares held under equity derivatives	Total	Percentage in the class of issued share capital (%)	Percentage of total share capital (%)
Zeng Qinghong	Chairman and Party Secretary	A shares	Beneficial owner	867,000	1,120,000	1,987,000	0.0278	0.0194
Feng Xingya	Director and General Manager	A shares	Beneficial owner	731,533	1,064,000	1,795,533	0.0252	0.0175
Chen Maoshan	Director, chairman of the labour union	A shares	Beneficial owner	716,368	1,008,000	1,724,368	0.0242	0.0168
		H shares	Beneficial owner	111,274	0	111,274	0.0036	0.0011
Yan Zhuangli	Director and Deputy Party Secretary *(Note 1)*	A shares	Beneficial owner	0	1,064,000	1,064,000	0.0149	0.0104
He Jinpei	Staff supervisor	H shares	Beneficial owner	92,400	0	92,400	0.0030	0.0009
Wu Song	Deputy General Manager	A shares	Beneficial owner	712,300	1,008,000	1,720,300	0.0241	0.0168
Li Shao	Deputy General Manager	A shares	Beneficial owner	712,267	1,008,000	1,720,267	0.0241	0.0168
Wang Dan	Deputy General Manager and person in charge of accounting function	A shares	Beneficial owner	713,668	1,008,000	1,721,668	0.0241	0.0168
Chen Hanjun	Deputy General Manager	A shares	Beneficial owner	139,220	1,008,000	1,147,220	0.0161	0.0112
Sui Li	Secretary of the Board	A shares	Beneficial owner	80,353	1,008,000	1,088,353	0.0152	0.0106

Note 1: Mr. Yan Zhuangli has resigned as a non-executive director of the Company on 15 January 2020. After his resignation, Mr. Yan Zhuangli still serves as the deputy general manager (professional manager) of the Company and a member of the Executive Committee.

(3) Details of A share options during the reporting period

Details of A share options granted to the participants are set out in the following table:

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	Number of A-share options cancelled 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 Second Share Option Incentive Scheme								
Zeng Qinghong	Chairman and Party Secretary	1,120,000	0	373,332	0	0	19.55	1,120,000
Feng Xingya	Director and General Manager	1,064,000	0	354,666	0	0	19.55	1,064,000
Yan Zhuangli	Director and Deputy Party Secretary *(Note 1)*	1,064,000	0	354,666	0	0	19.55	1,064,000
Chen Maoshan	Director, chairman of the labour union	1,008,000	0	336,000	0	0	19.55	1,008,000
Wu Song	Standing Deputy General Manager	1,008,000	0	336,000	0	0	19.55	1,008,000
Li Shao	Deputy General Manager	1,008,000	0	336,000	0	0	19.55	1,008,000
Wang Dan	Deputy General Manager and person in charge of accounting function	1,008,000	0	336,000	0	0	19.55	1,008,000
Chen Hanjun	Deputy General Manager	1,008,000	0	336,000	0	0	19.55	1,008,000
Sui Li	Secretary of the Board	1,008,000	0	336,000	0	0	19.55	1,008,000
Total	/	9,296,000	0	3,098,664	0	0	/	9,296,000

Note 1: Mr. Yan Zhuangli has resigned as a non-executive director of the Company on 15 January 2020. After his resignation, Mr. Yan Zhuangli still serves as the deputy general manager (professional manager) of the Company and a member of the Executive Committee.

For the grant date, validity period and exercise period of the above A share options, please refer to the section titled "Share Option Scheme, Employee Stock Ownership Scheme and Other Share Incentives of the Company and Their Impact" under Chapter 6 – "Significant Events" of this report.

Name	Main work experiences
Zeng Qinghong	Chairman, and party secretary and the chairman of the Strategy Committee of the Board 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 Automobile Co., Ltd. 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 and a member of the Strategy Committee of the Board of the Company. He is also a director of GAIG, chairman of GAMC and chairman of GAC New Energy. 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 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.

Name	Main work experiences
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 Changchun Yidong Clutch Co., Ltd. (SSE stock code: 600148), 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.
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 a supervisor of GF Securities Co., Ltd. (SZSE stock code: 000776) and an independent director of 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 Sky Dragon Printing Ink Group Co., Ltd. (SZSE stock code: 300063), 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.

Name	Main work experiences
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 and chairman of audit committee 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 Shenzhen Prolto Supply Chain Management Co., Ltd. (SZSE stock code: 002769), 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
Chen Xiaomu	Director, deputy party secretary and the head of party work department (黨群工作本部本部長) of the Company. Mr. Chen is also a director of GAIG. He served as the head of human resources department of the Company, the party secretary, secretary to the disciplinary committee, chairman of labour union and the director of GAC Mitsubishi, and the director of GAC Mitsubishi Motor Sales Co., Ltd. (廣汽三菱汽車銷售有限公司). He graduated from Jilin University of Technology majoring in international trade in 1999 as an undergraduate with a bachelor's degree in engineering. In 2011, Mr. Chen graduated from the School of Business Administration, South China University of Technology majoring in business administration as a postgraduate with a master's degree in business administration. He graduated from Jilin University majoring in business administration in 2019 as a postgraduate with a doctorate degree in management.
Chen Maoshan	Director (staff representative) and chairman of the labour union of the Company. Mr. Chen is also a director (staff representative), general manager 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 February 2015. 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. and president of Wanxiang 123 Holdings Co., Ltd. He served as assistant to general manager of Wanxiang Electric Vehicle Development Centre (萬向電動汽車開發中心), 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). 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 of the Board, a member of the Strategy Committee of the Board of the Company, 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 Zhujiang Industrial Group Co., Ltd. (廣州珠江實業集團有限公司). 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.
Long Yong	Head of planning and development department of Guangzhou Iron & Steel Enterprises Group Co., Ltd.(廣州鋼鐵企業集團有限公司). He previously served as the deputy officer and the officer of the Guangzhou Non-ferrous Metals Group(廣州有色金屬集團), the secretary of the board, officer of the board office and officer of the company office of Guangzhou Iron & Steel Enterprises Group. Mr. Long graduated from Hengyang branch of Hunan University(湖南大學衡陽分校) in 1995 and graduated with a major in economics from the Graduate School of Party School of the Central Committee of C.P.C. in 2011.

Name	Main work experiences
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 deputy head of compliance department, head of risk control department and head of the audit department of the Company. She is also a supervisor of GAC Nio. 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.
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 Motor Co., Ltd.. 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, 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.

Name	Main work experiences
Wu Song	Standing deputy general manager and a member of the Executive Committee of the Company. He is also currently the chairman of GAC Toyota, GAC Toyota Sales, vice chairman of GAC Toyota Engine and a director of GAMC and GAC New Energy. Mr. Wu joined the Company in August 2002 and acted as deputy general manager of the Company from 2007 to June 2013. He has been a director of the Company since February 2015. Mr. Wu 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 Guangzhou Automobile Group Motor (Hangzhou) Co., Ltd. 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.
Yan Zhuangli	Deputy general manager and a member of the Executive Committee of the Company. He is also the chairman of GAC FCA and Zhicheng Industry, a director of GAMC and GAC New Energy. He previously served as a director and the deputy party secretary of the Company, a director of GAIG, the chairman of GAC Business, 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 Insurance Co., Ltd.. He has successively studied in the department of social sciences of Central South Industrial University and the master of business administration in the School of Management of Sun Yat-sen University, and obtained a bachelor degree, a bachelor's degree in law and a master's degree in business administration, respectively.
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 and a director of GAMC and GAC New Energy. 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.

Name	Main work experiences
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, GAC Finance and Guangyue assets and a director of GAMC and GAC New Energy. 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 Motor Co., Ltd. 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 department head of investment management department and assistant of general manager of Guangzhou Junda Automobile Group,the chairman of Guangzhou Huade Automobile Spring Co., Ltd., 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 the department of mechanical engineering of South China University of Technology with a bachelor's degree in engineering in 1984. 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. He went to the University of Coventry to study advanced manufacturing management technology in 2000. He is a senior economist.
Gao Rui	Born in December 1979, he is currently the deputy general manager, a member of the Executive Committee and the head of the public relations and publicity department of the Company. He also acts as the chairman of 廣州宸祺出行科技有限公司 and 廣州宸祺汽車服務有限公司, and a director of GAC Components. He served as the head of the assets management department of the Company, the chairman and general manager of China Lounge Investments and Guangzhou Auto Group (Hong Kong) Limited, a director and general manager of Denway Motors Limited. He studied at the National University of South Australia in business administration and obtained a master's degree in business administration.

Name	Main work experiences
Sui Li	Secretary and the head of the financing business department 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 Motors Co., Ltd.. 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

N/A

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	
Chen Maoshan	GAIG	Director, Chairman of Labour Union	March 2015	
Chen Maoshan	GAIG	General Manager	June 2019	
Yan Zhuangli	GAIG	Director	August 2017	March 2020
Yan Zhuangli	GAIG	Deputy Party Secretary	October 2017	March 2020
Ding Hongxiang	China Industry National Corporation Machinery Limited	Deputy General Manager	August 2011	
Han Ying	Guangzhou Industrial Investment Fund Management Co., Ltd.	Chairman and 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	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	Changchun Yidong Clutch Stack Co., Ltd.	Independent Director	January 2018	Until Now
Fu Yuwu	Hunan Corun New Energy Co., Ltd.	Independent Director	August 2017	Until Now
Fu Yuwu	Chongqing Sokon Industry Group Co., Ltd.	Independent Director	September 2016	Until Now
Fu Yuwu	Ningbo Shenglong Automotive Powertrain System Co., Ltd.	Independent Director	December 2015	Until Now
Lan Hailin	Gf Securities Co., Ltd.	Supervisor	November 2018	Until Now
Lan Hailin	Letong Chemical Co., Ltd.	Independent Director	August 2016	Until Now
Lan Hailin	Jiangsu Shuangxing Color Plastic New Materials Co., Ltd.	Independent Director	May 2016	Until Now
Lan Hailin	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	Independent Director	January 2014	Until Now
Leung Lincheong	Petro-King Oilfield Services Limited	Independent Non-Executive Director and chairman of the Audit Committee	June 2017	Until Now
Leung Lincheong	Hong Kong Open University	Part-time Tutor for a master's course	September 2016	Until Now
Leung Lincheong	Union Registrars Limited	Managing Director	May 2014	Until Now
Wang Susheng	Shenzhen Public Administration Institute (深圳市公共管理學會)	President	January 2017	Until Now
Wang Susheng	Tianma Microelectronics Co., Ltd.	Independent Director	December 2016	Until Now
Wang Susheng	Wedge Industrial Co., Ltd.	Independent Director	January 2016	Until Now
Wang Susheng	Shahe Industrial Co., Ltd.	Independent Director	April 2017	Until Now
Wang Susheng	Shenzhen Prolto Supply Chain Management Co., Ltd.	Independent Director	October 2018	Until Now
Chen Jun	Wanxiang Group Co., Ltd.	Vice President	November 2017	
Chen Jun	Wanxiang Group Co., Ltd. Research Institution	President	March 2017	
Chen Jun	Wanxiang 123 Holdings Co., Ltd.	President	December 2019	
Chen Jun	Shangwan New Energy Bus Co., Ltd.	General Manager	June 2015	December 2019
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	November 2019
Ji Li	Guangzhou Pearl River Industrial Development Co., Ltd.	Chairman of the Supervisory Committee	January 2020	
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	RMB18.3733 million

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

Name	Position	Way of Change	Reason for change
Chen Xiaomu	Director	Election	Election
Yan Zhuangli	Director	Resignation	Resigned as Director due to change of position
Yan Zhuangli	Deputy General Manager	Appointment	Appointed as Deputy General Manager with the approval of the Board
Gao Rui	Deputy General Manager	Appointment	Appointed as Deputy General Manager with the approval of the Board
Long Yong	Supervisor	Election	Election

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	263
Number of existing employees of major subsidiaries	93,591
Total number of existing employees	93,854
Number of employees resigned or retired the pension of which the parent company and major subsidiaries had to be responsible for	1,826

Professional composition

Category of professional composition	Number of employees
Production personnel	56,772
Salesperson	5,572
Technician	14,241
Financial staff	1,654
Administrative staff	4,109
Finance and insurance	1,518
Others	9,988
Total	**93,854**

Education level	Number of employees
Doctorate	142
Master's degree	4,375
Undergraduate	21,674
Tertiary	19,497
Secondary school and below	48,166
Total	**93,854**

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.

Since 2019, the Group and the relevant investment enterprises, in accordance with the requirements of the relevant remuneration determination mechanism of the senior departments, have implemented record-keeping and liquidation management in respect of the total wage budget, in order to realise the link between the total wages and economic indicators as well as the labour efficiency indicators.

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 restraints.

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, optimising resource allocation and serving the corporate", 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. An aggregate of 923,400 staff has completed training throughout the year. GAC University (Party school) was awarded the "Most Growing Corporate University of 2019" from the 2019 China Best Corporate Universities Ranking jointly organised by Overseas Education College of Shanghai Jiao Tong University and the China Best Corporate Universities Ranking Committee.

The Group will adopt the guiding principle of "focusing on key points, continuously tapping potential, improving quality and efficiency", continue to focus on boosting the implementation of the Group's strategies, provide protection for talents and focus on leadership development and promotion. Implementing relevant leadership improvement training projects, continuing to build and make good use of high-quality resources of the system with flexibility, and helping the Group achieve its strategic goals and annual goals.

(4) Labour Outsourcing

Total working hours of labour outsourcing	16,439,433
Total remuneration paid for labour outsourcing	RMB782,756,819

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, monitoring and serving the safety management work of each investing enterprises.

During the reporting period, the Group and investing enterprises had experienced no major (or above) safety production accidents, and its production remained generally safe and was in an orderly manner.

In 2020, the Group will continue to follow the guidance of Xi Jinping 's new era of socialism with Chinese characteristics, conscientiously implement the spirit of the Fourth Plenary Session of the 19th Central Committee, and the important deployment requirements of the country, provinces, and cities for work safety, and promote the in-depth implementation of investment companies responsibility for the main body of enterprise safety production, improve the enterprise safety production responsibility system, perform a proper job of enterprise safety risk investigation and control and the investigation and management of hidden accident hazards, improve and perfect the "dual prevention" mechanism, and resolutely curb the occurrence of major (or above) production safety accidents.

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, 17 systems including the Administrative Rules for Changes in Investment Projects (《投資項目變更管理細則》), Guarantee Management Measures (《擔保管理辦法》), Headquarters Safety Production Target Management System (《總部安全生產目標管理制度》) and Administrative Measures for Enterprise Asset Transactions (《企業資產交易管理辦法》) were formulated and at the same time, 54 systems including the Articles of Association, Working Rules of General Manager (《總經理工作細則》), Departmental Responsibilities Rules (《部室職責細則》) and the Implementation Rules of the "Three Importance and One Big" decision-making system (《「三重一大」決策制度實施細則》) 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: 020-83150319, 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 (General Manager); 5 non-executive directors, namely Chen Xiaomu (appointed on 20 March 2020), 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. Yan Zhuangli, a non-executive director, resigned on 15 January 2020. 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.

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 23 Board meetings. 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 2019, 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 2019 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 2019, 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. The secretary to the Board and company secretary, Ms. Sui Li and joint company secretary, Mr. Leung Chong Shun have complied with the professional training requirement under Rule 3.29 of the Listing Rules. 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	BC	ABC	BC	ABC	ABC	BC	BC	ABC	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 2019.

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. 2 meetings 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, 6 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, 3 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 2018 and the appraisal plan relating to 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 7 supervisors, namely Ji Li, Chen Tian, Loug Yong, 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 7 meetings, 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 2019 is set out below:

Remuneration bands (RMB)	Number of persons
1 to 1,000,000	1
1,000,001 to 2,000,000	6
2,000,001 to 3,000,000	1
Total	8

(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

Based on the amendments to the provisions of the Company Law in relation to share repurchase by the Sixth Session of the Standing Committee of the 13th National People's Congress, the amendments to the Code of Corporate Governance of Listed Companies by the CSRC, and actual circumstances such as that the Company's total share capital had been changed to 10,232,497,472 shares as at 31 December 2018 after the Company had successively implemented the issuance of convertible corporate bonds, A share option incentive scheme, non-public issuance of A shares, conversion of capital reserve into shares during the period from 2014 to 2018, the Company amended the Articles of Association. The relevant amendments to the Articles of Association were passed by way of special resolution at the 2018 annual general meeting of the Company which was held on 31 May 2019. Please refer to the circular of the Company dated 15 April 2019 for details.

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
2018 annual general meeting	31 May 2019	Websites of SSE and Stock Exchange	31 May 2019
2019 first extraordinary general meeting	6 August 2019	Websites of SSE and Stock Exchange	6 August 2019

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	23	23	20	0	0	No	2
Feng Xingya	No	23	23	20	0	0	No	2
Fu Yuwu	Yes	23	23	20	0	0	No	0
Lan Hailin	Yes	23	23	20	0	0	No	1
Leung Lincheong	Yes	23	23	20	0	0	No	2
Wang Susheng	Yes	23	23	21	0	0	No	1
Yan Zhuangli	No	23	23	20	0	0	No	2
Chen Maoshan	No	23	23	20	0	0	No	2
Chen Jun	No	23	23	23	0	0	No	0
Ding Hongxiang	No	23	23	23	0	0	No	0
Han Ying	No	23	23	23	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	23
Of which: Number of physical meetings	3
Number of meetings held via communication	20
Number of meetings held by way of combination of both	3

(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 2019. 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 31 March 2020.

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 2019, 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 2019" (for full text of the audit report, please refer to the announcement disclosed on the website of the SSE (www.sse.com.cn) on 31 March 2020).

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. (2019-2020)" (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 (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 "12GAC02" and "12GAC03" was timely paid in accordance with the terms set out in the prospectus. 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).

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 23 May 2019, 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	45,105,974,228.06	5.82
Gearing ratio	40.66%	-1.08
Return on net assets	8.67%	-5.07
Current ratio	1.36	-15.00
Quick ratio	1.21	-15.97
Cumulative balance of external guarantees	5,000,000,000	-11.34
Proportion of cumulative balance of external guarantees to net assets	11.09%	-2.14

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 28 June 2019. 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 RMB35.674 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.

CHAPTER 13

Financial Statements

pwc 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 156 to 297, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 2019, the warranty provisions of the Group amounted to approximately RMB1,013,136,000 (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"), GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") and GAC Fiat Chrysler Automobiles Co., Ltd. ("GAC Fiat Chrysler") (collectively "Major 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 Major Joint Ventures were considered significant to the Company's consolidated financial statements. Provisions for warranties granted by the Group's Major 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 Major 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 Major Joint Ventures and GAC Motor. (a) Procedures performed on warranty provisions of GAC Honda, GAC Toyota, GAC Mitsubishi 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. 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.

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.	(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, Major 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 Major 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 2019, 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 RMB9,796,480,000. An impairment charge of approximately RMB442,805,000 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 2019. 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 the 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, and 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 2019, the Group has goodwill of approximately RMB 2,895,293,000 in relation to its investment in a joint venture, GAC Mitsubishi. 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, 31 March 2020

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Land use rights	*2.2*	–	3,929,992
Property, plant and equipment	*7*	**19,395,807**	16,318,393
Right-of-use assets	*8*	**6,846,371**	–
Investment properties	*9*	**1,334,487**	1,485,994
Intangible assets	*10*	**10,809,744**	8,539,985
Investments in joint ventures and associates	*11*	**32,004,786**	28,995,309
Deferred income tax assets	*13*	**1,705,313**	1,062,075
Financial assets at fair value through other comprehensive income	*14*	**1,224,218**	1,215,244
Financial assets at fair value through profit or loss	*15*	**3,137,472**	1,588,786
Prepayments and other long-term receivables	*16*	**4,140,853**	2,827,005
		80,599,051	65,962,783
Current assets			
Inventories	*17*	**6,927,830**	6,729,797
Trade and other receivables	*18*	**16,843,950**	16,605,239
Financial assets at fair value through other comprehensive income	*14*	**6,948**	–
Financial assets at fair value through profit or loss	*15*	**842,845**	967,734
Time deposits	*19*	**6,959,924**	10,336,681
Restricted cash	*20*	**1,678,017**	3,841,939
Cash and cash equivalents	*21*	**23,604,986**	27,729,586
		56,864,500	66,210,976
Total assets		**137,463,551**	132,173,759
LIABILITIES			
Non-current liabilities			
Trade and other payables	*25*	**262,876**	198,485
Borrowings	*26*	**7,691,622**	9,611,461
Lease liabilities	*8*	**1,232,042**	–
Deferred income tax liabilities	*13*	**183,136**	160,977
Provisions	*27*	**1,014,776**	674,556
Government grants	*28*	**2,795,975**	3,262,220
		13,180,427	13,907,699

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and other payables	*25*	**33,616,467**	35,786,131
Contract liabilities	*6(a)*	**1,528,757**	1,335,696
Current income tax liabilities		**284,124**	340,264
Borrowings	*26*	**6,168,929**	2,829,262
Lease liabilities	*8*	**176,601**	–
		41,774,878	40,291,353
Total liabilities		**54,955,305**	54,199,052
Net assets		**82,508,246**	77,974,707
EQUITY			
Share capital	*22*	**10,237,708**	10,232,497
Other reserves	*24*	**28,144,766**	26,880,662
Retained earnings	*24*	**41,805,637**	39,490,695
Capital and reserves attributable to owners of the Company		**80,188,111**	76,603,854
Non-controlling interests		**2,320,135**	1,370,853
Total equity		**82,508,246**	77,974,707

The notes on pages 164 to 297 are an integral part of these financial statements.

The financial statements on pages 156 to 297 were approved by the Board of Directors on 31 March 2020 and were signed on its behalf:

Zeng Qinghong
Director

Feng Xingya
Director

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	*6*	**59,704,322**	72,379,779
Cost of sales	*29*	**(57,181,363)**	(60,835,699)
Gross profit		**2,522,959**	11,544,080
Selling and distribution costs	*29*	**(4,553,402)**	(5,073,033)
Administrative expenses	*29*	**(3,589,516)**	(4,519,380)
Net impairment losses on financial assets	*3.1.2*	**(53,831)**	(7,257)
Interest income	*32*	**290,694**	453,389
Other gains – net	*31*	**2,620,340**	1,067,991
Operating (loss)/profit		**(2,762,756)**	3,465,790
Interest income	*32*	**171,565**	103,021
Finance costs	*33*	**(516,481)**	(458,858)
Share of profit of joint ventures and associates	*11*	**9,399,343**	8,753,300
Profit before income tax		**6,291,671**	11,863,253
Income tax credit/(expense)	*34*	**417,186**	(920,808)
Profit for the year		**6,708,857**	10,942,445
Profit is attributable to:			
Owners of the Company		**6,616,265**	10,899,603
Non-controlling interests		**92,592**	42,842
		6,708,857	10,942,445

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translation of foreign operations	*24,35*	**1,151**	722
– share of other comprehensive loss of joint ventures and associates accounted for using the equity method	*35*	**(419)**	–
Items that will not be reclassified subsequently to profit or loss			
– changes in the fair value of equity investments at fair value through other comprehensive income	*24,35*	**8,974**	(75,562)
Other comprehensive income/(loss) for the year, net of tax		**9,706**	(74,840)
Total comprehensive income for the year		**6,718,563**	10,867,605
Total comprehensive income attributable to:			
Owners of the Company		**6,625,971**	10,824,763
Non-controlling interests		**92,592**	42,842
		6,718,563	10,867,605
Earnings per share for profit attributable to ordinary equity holders of the Company (expressed in RMB per share)			
– basic	*36*	**0.65**	1.07
– diluted	*36*	**0.64**	1.06

The notes on pages 164 to 297 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 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	–	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						
– Value of employee services	–	566,062	–	566,062	–	566,062
– Proceeds from shares issued	20,911	77,240	–	98,151	–	98,151
Convertible bonds						
– 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

	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 2019	10,232,497	26,880,662	39,490,695	76,603,854	1,370,853	77,974,707
Comprehensive income						
Profit for the year	–	–	6,616,265	6,616,265	92,592	6,708,857
Other comprehensive income, net of tax	–	9,706	–	9,706	–	9,706
Total comprehensive income	–	9,706	6,616,265	6,625,971	92,592	6,718,563
Transactions with owners in their capacity as owners						
Appropriation to statutory surplus reserve fund	–	923,443	(923,443)	–	–	–
Dividend declared by the Company and subsidiaries	–	–	(3,377,880)	(3,377,880)	(98,649)	(3,476,529)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	1,093,525	1,093,525
Transactions with non-controlling interests *(Note 40)*	–	138,640	–	138,640	(138,640)	–
Employee share option scheme *(Note 23)*						
– Value of employee services	–	158,980	–	158,980	–	158,980
– Proceeds from shares issued	5,210	17,567	–	22,777	–	22,777
Convertible bonds *(Note 26(g))*						
– Conversion of convertible bonds	1	3	–	4	–	4
Others	–	15,765	–	15,765	454	16,219
Total transactions with owners in their capacity as owners	5,211	1,254,398	(4,301,323)	(3,041,714)	856,690	(2,185,024)
Balance as at 31 December 2019	10,237,708	28,144,766	41,805,637	80,188,111	2,320,135	82,508,246

The notes on pages 164 to 297 are an integral part of these financial statements.

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash used in operations	*38(a)*	**(2,117,561)**	(971,395)
Interest received		**604,696**	468,333
Interest paid		**(614,913)**	(462,268)
Income tax paid		**(260,033)**	(1,372,378)
Net cash used in operating activities		**(2,387,811)**	(2,337,708)
Cash flows from investing activities			
Purchases of property, plant and equipment, land use rights and intangible assets		**(10,100,641)**	(9,852,008)
Proceeds from sales of property, plant and equipment, land use rights and investment properties		**43,187**	43,489
Acquisition of a subsidiary, net of cash acquired		**–**	151,337
Additional capital injection in joint ventures		**(77,500)**	(1,499,281)
Additional capital injection in associates		**(421,809)**	(124,842)
Set-up of joint ventures		**(431,010)**	(94,000)
Set-up of associates		**(957,082)**	(152,338)
Disposals or capital reduction of joint ventures and associates		**76,352**	291,774
Acquisition of investment in financial assets at fair value through profit or loss, other comprehensive income and at amortised cost		**(2,721,535)**	(2,439,191)
Disposal of investment in financial assets at fair value through profit or loss, other comprehensive income and at amortised cost		**2,212,346**	1,806,737
Proceeds from investment income from financial instruments		**192,296**	224,718
Granting of entrusted loans		**(240,000)**	(100,000)
Proceeds from repayment of entrusted loans		**196,415**	287,123
Receipt of government grants related to assets		**192,744**	508,302
Dividends received		**7,886,516**	6,610,598
Decrease/(increase) in time deposits		**3,380,951**	(173,874)
Decrease/(increase) in restricted cash related to investment		**636,300**	(636,300)
Proceeds from repayment of asset-based loans		**80,066**	–
Net cash used in investing activities		**(52,404)**	(5,147,756)

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares under employee share option scheme		**22,777**	98,151
Contribution from non-controlling shareholders of subsidiaries		**1,093,525**	261,524
Dividend paid to shareholders of the Company		**(3,377,880)**	(4,158,451)
Dividend paid to non-controlling interests in subsidiaries		**(85,625)**	(57,914)
Proceeds from borrowings	*38(c)*	**4,845,290**	4,650,232
Proceeds from finance leases	*38(c)*	**–**	119,743
Repayments of borrowings	*38(c)*	**(3,872,507)**	(3,227,830)
(Acquisition)/disposal of repurchasing financial assets	*38(c)*	**(126,720)**	323,995
Principal element of lease payments	*38(c)*	**(194,192)**	–
Other payments of financing activities	*38(c)*	**(15,205)**	(21,592)
Net cash used in financing activities		**(1,710,537)**	(2,012,142)
Net decrease in cash and cash equivalents		**(4,150,752)**	(9,497,606)
Cash and cash equivalents at beginning of the year		**27,729,586**	37,198,750
Exchange gains on cash and cash equivalents		**26,152**	28,442
Cash and cash equivalents at end of the year		**23,604,986**	27,729,586

The notes on pages 164 to 297 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 2019:

Standards/Amendments	Subject of standards/amendments
HKFRS 16	Leases
HK (IFRIC) 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Improvements to HKFRSs
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not 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/amendments	Effective for accounting periods beginning on or after
HKFRS 9, HKFRS 39 and HKFRS 7 (Amendment)	IBOR reform and effects (phase 1)	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021 (likely to be extended to 1 January 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.31.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(ii) Measurement of lease liabilities

	2019 **RMB'000**
Operating lease commitments disclosed as at 31 December 2018	443,350
Discounted using the lessee's incremental borrowing rate at the date of initial application	361,120
Lease liabilities recognised as at 1 January 2019	361,120
Of which are:	
Current lease liabilities	93,095
Non-current lease liabilities	268,025
	361,120

(iii) Measurement of right-of-use assets

Associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018.

The land use rights, representing upfront payments made for the use of land and amortised over the unexpired terms of the lease on a straight-line basis, are reclassified to right-of-use assets as at 1 January 2019.

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB 4,291,112,000
- lease liabilities – increase by RMB 361,120,000
- land use rights – decrease by RMB 3,929,992,000.

There was no impact on retained earnings on 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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 profit or loss, comprehensive income, 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 2.12.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 profit or loss, 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'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(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 consolidated balance sheet presented are translated at the closing rate at the date of that consolidated 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 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.

2.10 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)

2.11 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)

2.12 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.

2.13 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 coordinated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets

2.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

2.14.2 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets (continued)

2.14.3 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.

- 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 income gains 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Investments and other financial assets (continued)

2.14.3 Measurement (continued)

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.

2.14.4 Impairment

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, see Note 18 for further details.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 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.

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.

2.17 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.

2.18 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 2.14.4 for a description of the Group's impairment policies.

2.19 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 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.

2.21 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.

2.22 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.

2.23 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 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 consolidated 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 consolidated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Current and deferred income tax (continued)

(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.

2.25 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 consolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 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
- 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).

2.27 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Provisions (continued)

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.

2.28 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 receive and consume 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.

2.29 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. 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)

2.30 Insurance services

(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)

2.30 Insurance services (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 recognising 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)

2.31 Lease

(a) *Operating lease*

(i) *The Group as a lease under operating lease*

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 39). Payments made under operating leases (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.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Lease (continued)

(a) Operating lease (continued)

(i) The Group as a lease under operating lease (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Lease (continued)

(a) Operating lease (continued)

(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 (Note 9(d)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(b) Finance lease

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 (Note 18(e)).

2.32 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)

2.33 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 and fair value interest rate risk and price 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 2019 and 2018, 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

The Group has no significant interest-bearing assets other than entrusted loans (included in other receivables), time deposits, restricted cash, 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 2019, 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 RMB26,497,000 (2018: RMB15,032,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

(c) Price risk

The Group's exposure to price risk arises from investment held by the Group and classified in the consolidated balance sheet either as at FVOCI (Note 14) or FVPL (Note 15). The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated statement of comprehensive income. If the price of the Group's FVOCI had been 1% higher/lower, other comprehensive income (net of tax) for the year ended 31 December 2019 would increase/decrease by RMB12,312,000 (2018: RMB12,152,000). If the price of the Group's FVPL had been 1% higher/lower, post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB29,852,000 (2018: RMB19,174,000).

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

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.

(a) Trade receivables

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

As at 31 December 2019, the Group assessed that the expected loss rate for trade receivables due from related parties was immaterial considering their good finance position and credit history. Thus no allowance for trade receivables from related parties was recognised in 2019 (31 December 2018: Nil).

As at 31 December 2019, the Group assessed the expected loss rate for trade receivables from governments in relation to the subsidy of new energy vehicles sold to end users and made an allowance amounted to RMB 1,328,000 accordingly (31 December 2018: Nil).

As at 31 December 2019 and 2018, the expected loss rate for certain third-party customers who were in bankruptcy or liquidation are assessed specifically by the directors as follows:

	As at 31 December 2019	As at 31 December 2018
Expected loss rate	**100.00%**	98.74%
Gross carrying amount (RMB'000)	**89,879**	90,806
Loss allowance provision (RMB'000)	**89,879**	89,659

As at 31 December 2019 and 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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Trade receivables (continued)

	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 2019							
Gross carrying amount (RMB'000)	1,332,052	6,219	2,062	7,363	7,463	143,811	1,498,970
Expected loss rate	0.63%	10.00%	30.00%	50.00%	80.00%	100.00%	
Loss allowance provision (RMB'000)	8,416	622	619	3,682	5,971	143,811	163,121

	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

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 2019 is the carrying amount of these investments, amounting to RMB1,666,646,000 (31 December 2018: RMB1,383,582,000).

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*

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 HKFRS 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 2019 and 2018, except for certain default receivables, management considers that the expected credit loss is immaterial.

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:

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)

- 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 behavior 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 2019, 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 2019.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(d) As at 31 December 2018 and 2019, 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	**Other receivables (current)**	**Other long-term receivables**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	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
Provision for loss allowance recognised in profit or loss	5,422	5,994	42,415	53,831
At 31 December 2019	254,327	353,040	59,347	666,714

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, the 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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2019				
Borrowings	**6,426,467**	**1,904,407**	**6,611,625**	**–**
Trade and other payables (excluding employee benefits payable, other taxes and government grants)	**30,760,197**	**262,876**	**–**	**–**
Lease liabilities	**272,832**	**246,542**	**538,256**	**686,955**
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	–

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 and lease liabilities (including current and non-current 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 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total borrowings *(Note 26)*	**13,860,551**	12,440,723
Total lease liabilities *(Note 8)*	**1,408,643**	–
Less: cash and cash equivalents *(Note 21)*	**(23,604,986)**	(27,729,586)
Net credit	**(8,335,792)**	(15,288,863)
Total equity	**82,508,246**	77,974,707
Total capital	**74,172,454**	62,685,844
Gearing ratio	**N/A**	N/A

As at 31 December 2019 and 2018, the Group's total borrowings and lease liabilities are less than cash and cash equivalents and therefore the Group is subject to a net credit position, instead of net debt position.

Following the adoption of HKFRS 16, both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See Note 2.2 for further information.

3.3 Fair value estimation

The Group's financial instruments recognised in the consolidated balance sheet are mainly loans and receivables, FVPL, FVOCI 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:

- 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).

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 2019.

	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	732,236	–	–	732,236
– Fund investments	50,191	1,017,380	–	1,067,571
– Financial products	–	–	785,539	785,539
– Trust products	–	–	148,871	148,871
– Stocks	114,724	–	–	114,724
– Other equity investment	–	–	543,952	543,952
– Preference shares	–	587,424	–	587,424
	897,151	1,604,804	1,478,362	3,980,317
Financial assets at fair value through other comprehensive income				
– Stocks	497,550	–	–	497,550
– Preference shares	–	–	726,668	726,668
– Notes receivable	–	–	6,948	6,948
	497,550	–	733,616	1,231,166
Total assets	1,394,701	1,604,804	2,211,978	5,211,483

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 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)

(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.

(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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) *Financial instrument in level 3*

The following table presents the changes in level 3 instruments for the year ended 31 December 2018 and 31 December 2019.

	Other equity investment RMB'000	Financial products RMB'000	Preference shares RMB'000	Trust products RMB'000	Notes receivable RMB'000	Total RMB'000
Opening balance as at 1 January 2018	148,062	417,657	680,626	175,000	–	1,421,345
Acquisitions	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 as at 31 December 2018	214,981	582,275	714,896	96,157	–	1,608,309
Acquisition	311,512	2,855,224	–	145,000	109,857	3,421,593
Gains for the period recognised in profit or loss	26,287	48,680	–	7,542	–	82,509
Gains for the period recognised in other comprehensive income	–	–	11,772	–	–	11,772
Disposal	(8,828)	(2,700,640)	–	(99,828)	(102,909)	(2,912,205)
Closing balance as at 31 December 2019	543,952	785,539	726,668	148,871	6,948	2,211,978
Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period						
2019	18,905	4,561	–	3,871	–	27,337
2018	(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 2019 RMB'000	Valuation technique(s)	Unobservable input	Range (weighted average)
– Financial products	785,539	Discounted cash flow	Expected interest rate per annum	4%-5.6%
– Preference shares *(Note (i))*	726,668	Comparable transaction approach	Recent market transaction	USD145-153 per Share
– Other equity investment *(Note (ii))*	543,952	Discounted cash flow	Discount rate	1%-3%
– Trust products	148,871	Discounted cash flow	Expected interest rate per annum	5.36%-6.35%

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instrument in level 3 (continued)

	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.

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 in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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 right-of-use assets

Property, plant and equipment, intangible assets and right-of-use assets 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.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 13.5% 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.

If the budgeted revenue used by the management in the fair value less cost of disposal calculation for this joint venture had been increased by 18.54%, the Group would not recognise any impairment of investment. A 1.73% increase in the estimated post-tax discount rate for the joint venture would not result in an impairment against investment. If the estimated gross profit margins estimated by the management for the joint venture had been decreased by 10.91%, 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 3.1 above.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 2.17. 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.

(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 3.3.

(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 associated with 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 2019 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						
GAC Motor Co., Ltd. ("GAC Motor") 廣汽乘用車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobiles	RMB15,516,834,365	100%	–
Guangzhou Automobile Group Component Co., Ltd. ("GAC Component") 廣汽零部件有限公司	Mainland China	Limited liability company	Manufacture and sale of automotive parts	RMB 107,211,000	51%	49%
Guangzhou Automobile Group Business Co., Ltd. ("GAC Business") 廣汽商貿有限公司	Mainland China	Limited liability company	Trading of automobiles, automotive parts and steel	RMB 3,241,512,000	100%	–
GAC Motor (Hangzhou) Co., Ltd. ("GAC Motor Hangzhou") 廣汽乘用車(杭州)有限公司	Mainland China	Limited liability company	Manufacture and sale of automobile	RMB 4,231,280,000	–	100%
Urtrust Insurance Co., Ltd. 眾誠汽車保險有限公司*(Note 40)*	Mainland China	Joint stock company with limited liabilities	Provision of automobile insurance services	RMB 2,268,750,000	27.11%	26.44%
GAC Capital Co., Ltd. ("GAC Capital") 廣汽資本有限公司	Mainland China	Limited liability company	Investment and investment management	RMB 1,500,000,000	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	RMB 1,000,000,000	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	USD 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	USD 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	RMB 2,220,000,000	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	RMB 3,000,000,000	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	RMB 6,000,000,000	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	USD 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	RMB 1,947,000,000	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	USD 670,940,000	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	USD 29,980,000	30%	–
Guangzhou TS Automotive Interior Systems Co., Ltd. 廣州提愛思汽車內飾系統有限公司	Mainland China	Manufacture and sale of automotive parts	USD 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	USD 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	USD 44,700,000	–	30%
Guangzhou Denso Co., Ltd. 廣州電裝有限公司	Mainland China	Manufacture and sale of automotive parts	USD 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 2019, 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 2019 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	57,473,064	2,647,427	(416,169)	–	59,704,322
Inter-segment revenue	(87,576)	(328,593)	416,169	–	–
Revenue (from external customers)	57,385,488	2,318,834	–	–	59,704,322
Segment results	(2,287,703)	(175,137)	(425)	–	(2,463,265)
Unallocated income-Interest income of headquarters	–	–	–	198,953	198,953
Unallocated costs-Expenditure of headquarters	–	–	–	(498,444)	(498,444)
Operating loss					(2,762,756)
Finance costs	(219,642)	(14,762)	–	(282,077)	(516,481)
Interest income	27,986	21,039	–	122,540	171,565
Share of profit of joint ventures and associates	8,937,715	461,628	–	–	9,399,343
Profit before income tax					6,291,671
Income tax credit/(expense)	494,487	(66,610)	–	(10,691)	417,186
Profit for the year					6,708,857
Other segment information					
Depreciation and amortisation	4,197,356	26,500	–	59,810	4,283,666
Net impairment losses on financial assets	17,882	35,949	–	–	53,831
Impairment charges of inventories	30,183	–	–	–	30,183
Impairment charges of property, plant and equipment	81,667	331	–	–	81,998
Impairment charges of intangible assets	443,217	–	–	–	443,217

6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2019 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	101,925,922	37,036,319	(36,341,329)	34,842,639	137,463,551
Total assets include:					
Investments in joint ventures and associates	28,281,061	3,723,725	–	–	32,004,786
Total liabilities	51,542,547	27,583,109	(36,431,011)	12,260,660	54,955,305
Additions to non-current assets (other than deferred tax assets, FVPL and FVOCI)	11,299,504	1,135,866	–	–	12,435,370

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-Interest income of headquarters	–	–	–	334,035	334,035
Unallocated costs-Expenditure of headquarters	–	–	–	(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

Restatements for changes in accounting policy:

The adoption of the new leasing standard described in Note 2.2 had the following impact on the segment disclosures in the current year.

	Decrease	Increase		
	Profit before tax RMB'000	Depreciation RMB'000	Segment assets RMB'000	Segment liabilities RMB'000
Vehicles and related operations	30,759	188,326	1,279,566	1,300,363
Others	3,835	30,498	104,445	108,280
	34,594	218,824	1,384,011	1,408,643

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

6. SEGMENT INFORMATION (continued)

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Mainland China	**59,538,122**	72,359,820
Hong Kong	**166,200**	19,959
	59,704,322	72,379,779

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Mainland China	**74,376,868**	62,011,514
Hong Kong	**155,180**	85,164
	74,532,048	62,096,678

Analysis of revenue by category:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Recognised at a point in time		
Sales of vehicles and related products	**53,955,055**	66,197,235
Recognised over time		
Maintenance, transportation and other services	**2,768,327**	3,038,081
Revenue under HKFRS 15	**56,723,382**	69,235,316
Revenue from other sources *(Note (i))*	**2,980,940**	3,144,463
	59,704,322	72,379,779

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

6. SEGMENT INFORMATION (continued)

(a) Contract liabilities

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contract liabilities		
– Related parties	**66,158**	82,253
– Third parties	**1,462,599**	1,253,443
	1,528,757	1,335,696

(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 or the vehicles and related products are yet to be delivered. 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	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– Related parties	**82,253**	20,326
– Third parties	**1,253,443**	1,089,457
	1,335,696	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. 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 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 *(Note 29)*	–	(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
Year ended 31 December 2019								
Opening net book amount	**6,806,926**	**5,218,356**	**812,410**	**783,289**	**268,815**	**205,736**	**2,222,861**	**16,318,393**
Additions	**57,658**	**638,984**	**579,532**	**468,927**	**164,284**	**142,474**	**3,096,807**	**5,148,666**
Transfer from investment properties *(Note 9)*	**66,022**	**–**	**–**	**–**	**–**	**–**	**–**	**66,022**
Disposals	**(7,076)**	**(3,630)**	**(48,767)**	**(1,494)**	**(2,477)**	**–**	**–**	**(63,444)**
Transfer to investment properties *(Note 9)*	**(8,161)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,161)**
Transfers	**1,561,811**	**1,849,883**	**6,509**	**214,786**	**33,561**	**–**	**(3,666,550)**	**–**
Depreciation charge *(Note 29)*	**(396,149)**	**(848,026)**	**(219,549)**	**(351,351)**	**(86,323)**	**(82,273)**	**–**	**(1,983,671)**
Impairment charge *(Note 29)*	**–**	**(5,765)**	**(12,499)**	**(61,383)**	**(2,351)**	**–**	**–**	**(81,998)**
Closing net book amount	**8,081,031**	**6,849,802**	**1,117,636**	**1,052,774**	**375,509**	**265,937**	**1,653,118**	**19,395,807**
As at 31 December 2019								
Cost	**9,940,640**	**10,362,909**	**1,680,587**	**2,764,901**	**745,017**	**793,546**	**1,654,141**	**27,941,741**
Accumulated depreciation and impairment	**(1,859,609)**	**(3,513,107)**	**(562,951)**	**(1,712,127)**	**(369,508)**	**(527,609)**	**(1,023)**	**(8,545,934)**
Net book amount	**8,081,031**	**6,849,802**	**1,117,636**	**1,052,774**	**375,509**	**265,937**	**1,653,118**	**19,395,807**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**1,671,159**	1,198,405
Selling and distribution costs	**76,117**	27,833
Administrative expenses	**236,395**	249,153
	1,983,671	1,475,391

(b) As at 31 December 2019, certain bank borrowings (Note 26(a)) were secured by the Group's property, plant and equipment with the carrying value of approximately RMB69,084,000 (2018: RMB59,000,000).

(c) As at 31 December 2019, the Group is in the process of applying for the title certificates of certain of its property with an aggregate carrying value of approximately RMB2,315,334,000 (2018: RMB2,262,481,000). 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 RMB9,412,000 (2018: RMB 4,356,000) on qualifying assets (construction in progress). Borrowing costs were capitalised at rate of its general borrowings of 2.25%-5.12% (2018: 2.25%-5.41%).

8. LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet:

The consolidated balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Right-of-use assets		
Land-use rights (Note (i), (ii), (iii) and (iv))	5,462,360	3,929,992
Properties	1,338,808	360,709
Vehicles	21,800	411
Others	23,403	–
	6,846,371	4,291,112
Lease liabilities		
Current	176,601	93,095
Non-current	1,232,042	268,025
	1,408,643	361,120

Additions to the right-of-use assets during the 2019 financial year were RMB2,893,379,000.

8. LEASES (continued)

(a) Amounts recognised in the consolidated balance sheet: (continued)

(i) The Group has land lease arrangement with mainland China government.

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	
	2019	2018
	RMB'000	RMB'000
Beginning of the year		
Cost	**4,302,065**	4,002,705
Accumulated depreciation and impairment	**(372,073)**	(286,123)
Net book amount	**3,929,992**	3,716,582
For the year ended		
Opening net book amount	**3,929,992**	3,716,582
Additions	**1,651,664**	390,956
Acquisition of a subsidiary	**–**	41,181
Transferred to investment properties *(Note 9)*	**–**	(126,779)
Depreciation charge	**(119,296)**	(91,948)
Closing net book amount	**5,462,360**	3,929,992
End of the year		
Cost	**5,953,729**	4,302,065
Accumulated depreciation and impairment	**(491,369)**	(372,073)
Net book amount	**5,462,360**	3,929,992

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

(iii) As at 31 December 2019, certain bank borrowings (Note 26(a)) were secured by the Group's land use rights with the carrying value of approximately RMB14,771,000 (2018: RMB51,449,000).

8. LEASES (continued)

(a) Amounts recognised in the consolidated balance sheet: (continued)

(iv) As at 31 December 2019, 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 RMB623,237,000 (2018: RMB432,255,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those land use rights.

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Notes	2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets			
Land-use rights		**119,296**	91,948
Properties		**203,097**	–
Vehicles		**10,283**	–
Others		**5,444**	–
	29	**338,120**	91,948
Interest expense (included in finance cost)	33	**59,503**	–
Expense relating to short-term leases (included in cost of sale, selling expense and administrative expenses)	29	**28,918**	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	29	**88**	–

The total cash outflow for leases in 2019 was RMB282,701,000.

(c) The Group's leasing activities and how these are accounted for

The Group leases various properties, vehicles, office and other equipment. Rental contracts are typically made for fixed periods of 6 months to 20 years, but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

9. INVESTMENT PROPERTIES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning 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
For the year ended		
Opening net book amount	**1,485,994**	1,339,996
Adjustment	**(25,136)**	–
Transfer from land use rights *(Note 8)*	**–**	126,779
Transfer from property, plant and equipment *(Note 7)*	**8,161**	14,612
Acquisition of subsidiaries	**–**	69,176
Disposal	**–**	(1,283)
Transfer to property, plant and equipment *(Note 7)*	**(66,022)**	–
Depreciation charge *(Note 29)*	**(68,510)**	(63,286)
Closing net book amount	**1,334,487**	1,485,994
End of the year		
Cost	**1,636,186**	1,727,811
Accumulated depreciation	**(301,699)**	(241,817)
Net book amount	**1,334,487**	1,485,994

9. INVESTMENT PROPERTIES (continued)

(a) The Group's investment properties at their net book values are analysed as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Mainland China	**1,320,451**	1,471,994
Hong Kong	**14,036**	14,000
	1,334,487	1,485,994

(b) As at 31 December 2019, 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 RMB 35,938,000 (2018: RMB 37,000,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

(c) Rental income from operating lease recognised in profit or loss for investment properties in 2019 were approximately RMB230,886,000 (2018: RMB262,655,000).

(d) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no variable lease payments that depend on an index or rate.

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 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
Year ended 31 December 2019					
Opening net book amount	**444,724**	**298,766**	**127,099**	**7,669,396**	**8,539,985**
Additions	**17,286**	**272,109**	**–**	**4,316,946**	**4,606,341**
Amortisation charge *(Note 29)*	**(57,394)**	**(88,914)**	**–**	**(1,747,057)**	**(1,893,365)**
Impairment charge *(Note 29)*	**–**	**(412)**	**–**	**(442,805)**	**(443,217)**
Closing net book amount	**404,616**	**481,549**	**127,099**	**9,796,480**	**10,809,744**
As at 31 December 2019					
Cost	**1,318,134**	**792,291**	**127,099**	**17,990,582**	**20,228,106**
Accumulated amortisation and impairment	**(913,518)**	**(310,742)**	**–**	**(8,194,102)**	**(9,418,362)**
Net book amount	**404,616**	**481,549**	**127,099**	**9,796,480**	**10,809,744**

(a) Amortisation of the Group's intangible assets mainly charged to cost of sales.

10. INTANGIBLE ASSETS (continued)

(b) Goodwill arose from acquisition of businesses:

	As at 31 December	
	2019	2018
	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 2019, the Group capitalised borrowing costs amounting to RMB54,909,000 (2018: RMB 47,087,000) on qualifying assets (development costs). Borrowing costs were capitalised at rate of its general borrowings of 5.19% (2018: 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	
	2019	2018
	RMB'000	RMB'000
Investments in joint ventures	**23,867,207**	22,113,574
Investments in associates	**8,137,579**	6,881,735
	32,004,786	28,995,309

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	
	2019	2018
	RMB'000	RMB'000
Share of profit of joint ventures *(Note (i))*	**8,194,859**	7,226,090
Share of profit of associates *(Note (i))*	**1,204,484**	1,527,210
	9,399,343	8,753,300

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

11.1 INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investment in unlisted shares	**23,867,207**	22,113,574

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	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**22,113,574**	19,201,981
Changes in accounting policy	**–**	(62,191)
Beginning of the year (restated)	**22,113,574**	19,139,790
Additions *(Note (i))*	**508,510**	1,593,281
Disposals	**–**	(62,396)
Capital reduction	**(88,420)**	(27,115)
Share of profits	**8,252,907**	7,240,817
Share of addition in other reserves	**2,654**	3,731
Dividends declared	**(6,922,018)**	(5,774,534)
End of the year	**23,867,207**	22,113,574

(i) In 2019, the Group contributed additional capital of RMB 77,500,000 to a joint venture in proportion to its interest held. In addition, the Group contributed capital of RMB 431,010,000 to four newly set up 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 2019, 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 automobiles and automotive parts, GAC Sofinco is a company providing automotive financing services, and Wuyang-Honda is a company manufacturing and selling 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	
	2019	2018
	RMB'000	RMB'000
Assets		
Non-current assets	**74,621,992**	61,074,993
Current assets		
– Cash and cash equivalents	**52,811,062**	42,761,569
– Other current assets	**46,104,137**	61,897,923
	98,915,199	104,659,492
Total assets	**173,537,191**	165,734,485
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**21,693,717**	13,291,657
– Other non-current liabilities (including trade and other payables)	**5,980,843**	4,999,229
	27,674,560	18,290,886
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**23,703,660**	21,893,491
– Other current liabilities (including trade and other payables)	**79,557,334**	86,630,312
	103,260,994	108,523,803
Total liabilities	**130,935,554**	126,814,689
Net assets	**42,601,637**	38,919,796
Less: Non-controlling interests	**(17,206)**	(17,073)
	42,584,431	38,902,723

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 2019 RMB'000	Year ended 31 December 2018 RMB'000
Revenue	**248,545,510**	241,881,015
Cost of sales	**(211,668,629)**	(203,685,751)
Other expenditures	**(20,390,072)**	(23,661,386)
Profit after tax	**16,486,809**	14,533,878
Less: profit attributable to non-controlling interests	**(133)**	(20)
	16,486,676	14,533,858
Other comprehensive loss	**(20)**	–
Total comprehensive income	**16,486,656**	14,533,858

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 2019 RMB'000	Assets As at 31 December 2018 RMB'000	Liabilities As at 31 December 2019 RMB'000	Liabilities As at 31 December 2018 RMB'000	Revenue Year ended 31 December 2019 RMB'000	Revenue Year ended 31 December 2018 RMB'000	Dividends received Year ended 31 December 2019 RMB'000	Dividends received Year ended 31 December 2018 RMB'000
GAC Honda	44,697,440	40,167,959	35,192,313	31,372,152	105,711,443	97,853,420	3,170,453	2,704,000
GAC Toyota	42,413,233	39,049,082	26,733,071	26,570,474	98,054,270	83,724,509	3,222,567	2,442,200
GAC Fiat Chrysler	13,813,233	13,402,145	12,477,307	9,929,940	11,660,579	19,705,257	–	–
GAC Mitsubishi	10,648,201	10,971,003	6,922,310	7,693,027	17,861,884	19,513,979	–	–
GAC Hino	1,992,311	1,973,534	1,473,738	1,461,068	1,320,691	1,474,323	–	–
GAC Sofinco	47,115,278	42,222,387	41,108,831	36,902,796	3,802,501	3,296,414	50,000	–
Wuyang-Honda	3,032,838	2,555,300	1,729,641	1,362,463	5,109,057	4,580,909	12,660	85,179
Total	163,712,534	150,341,410	125,637,211	115,291,920	243,520,425	230,148,811	6,455,680	5,231,379

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	
	2019	2018
	RMB'000	RMB'000
Assets	**163,712,534**	150,341,410
Less: Liabilities	**(125,637,211)**	(115,291,920)
Non-controlling interests	**(17,206)**	(17,073)
Net assets excluding non-controlling interests	**38,058,117**	35,032,417
Percentage of ownership interest	**50%**	50%
Interests in material joint ventures	**19,029,059**	17,516,209
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	**21,945,611**	20,432,761

11.2 INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Unlisted companies	**8,137,579**	6,881,735

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	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**6,881,735**	6,541,156
Additions *(Note (i))*	**1,441,317**	277,180
Disposals	**(10,004)**	(165,617)
Capital reduction	**(17,861)**	(33,065)
Share of profits	**1,214,895**	1,540,426
Share of addition in other reserves	**3,566**	3,294
Dividends declared	**(1,376,069)**	(1,281,639)
End of the year	**8,137,579**	6,881,735

(i) In 2019, the Group contributed additional capital of RMB 421,809,000 to its three associates. In addition, the Group contributed capital of RMB 957,082,000 to three newly set up associates.

(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	
	2019	2018
	RMB'000	RMB'000
Associates		
Profit	**1,204,484**	1,527,210
Other comprehensive loss	**(409)**	–
Total comprehensive income	**1,204,075**	1,527,210

(c) Particulars of the Group's principal associates are set out in Note 5.

12. FINANCIAL INSTRUMENTS BY CATEGORY

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Financial asstes at amortised cost		
– Prepayments and long-term receivables (excluding prepayments) *(Note (a))* *(Note 16)*	**2,914,290**	1,413,930
– Trade and other receivables (excluding prepayments and VAT recoverable) *(Note 18)*	**13,675,873**	13,428,381
– Time deposits *(Note 19)*	**6,959,924**	10,336,681
– Restricted cash *(Note 20)*	**1,678,017**	3,841,939
– Cash and cash equivalents *(Note 21)*	**23,604,986**	27,729,586
Financial assets at fair value through profit or loss *(Note 15)*	**3,980,317**	2,556,520
Financial assets at fair value through other comprehensive income *(Note 14)*	**1,231,166**	1,215,244
	54,044,573	60,522,281

(a) As at 31 December 2019, certain bank borrowings (Note 26(a)) were secured by the Group's long-term receivables with the carrying value of approximately RMB798,420,000 (2018: RMB1,051,233,000).

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Financial liabilities at amortised cost		
– Trade and other payables (excluding employee benefits payable, other taxes and government grants) *(Note 25)*	**31,092,864**	32,913,625
– Borrowings *(Note 26)*	**13,860,551**	12,440,723
Lease liabilities *(Note 8)*	**1,408,643**	–
Total	**46,362,058**	45,354,348

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	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**976,561**	92,529
– to be recovered within 12 months	**728,752**	969,546
	1,705,313	1,062,075
Deferred tax liabilities:		
– to be settled after more than 12 months	**(159,120)**	(160,971)
– to be settled within 12 months	**(24,016)**	(6)
	(183,136)	(160,977)
Deferred tax assets – net	**1,522,177**	901,098

(b) The net movements on the deferred income tax account are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
As at 31 December as originally presented	**901,098**	1,015,901
Change in accounting policy	**–**	1,001
As at 1 January (restated)	**901,098**	1,016,902
Acquisition of a subsidiary	**–**	(168)
Tax recognised in profit or loss *(Note 34)*	**621,079**	(115,636)
End of the year	**1,522,177**	901,098

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	Accrued expenses and others RMB'000	Provisions RMB'000	Intangible asset amortisation RMB'000	Tax losses RMB'000	Total RMB'000
Year ended 31 December 2018						
Opening book amount as originally presented	125,008	661,431	222,291	58,969	55,719	1,123,418
Change in accounting policy	1,001	–	–	–	–	1,001
Opening book amount (restated)	126,009	661,431	222,291	58,969	55,719	1,124,419
Acquisition of a subsidiary	1,055	11,015	–	–	–	12,070
Recognised in profit or loss	2,403	(6,840)	(60,427)	24,533	(34,083)	(74,414)
Closing book amount	129,467	665,606	161,864	83,502	21,636	1,062,075
Year ended 31 December 2019						
Opening book amount	**129,467**	**665,606**	**161,864**	**83,502**	**21,636**	**1,062,075**
Recognised in profit or loss	**70,349**	**(113,682)**	**70,104**	**40,232**	**576,235**	**643,238**
Closing book amount	**199,816**	**551,924**	**231,968**	**123,734**	**597,871**	**1,705,313**

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 associates RMB'000	Total RMB'000
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)
Year ended 31 December 2019						
Opening book amount	**(6)**	**(96,818)**	**(2,776)**	**(24,088)**	**(37,289)**	**(160,977)**
Recognised in profit or loss	**(25)**	**(8,227)**	**(11,277)**	**4,442**	**(7,072)**	**(22,159)**
Closing book amount	**(31)**	**(105,045)**	**(14,053)**	**(19,646)**	**(44,361)**	**(183,136)**

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 2019, the Group did not recognise deferred tax assets in respect of losses amounting to RMB 7,460,746,000 (2018: RMB 9,990,366,000), as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. These tax losses will expire between 2020 and 2024.

Expire year	**Unused tax losses for which no deferred tax asset was recognised** RMB'000
2020	1,256,238
2021	1,828,387
2022	2,205,653
2023	521,464
2024	1,649,004
	7,460,746

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Listed stock	**497,550**	500,348
Unlisted preference share	**726,668**	714,896
	1,224,218	1,215,244
Current assets		
Unlisted notes receivable	**6,948**	–
	1,231,166	1,215,244

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

(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 2019.

(iii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gains/(losses) recognised in other comprehensive income		
– Related to equity investments	**8,974**	(75,562)
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	**19,040**	22,097

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Debt instrument		
Listed bond investments	**662,117**	501,707
Unlisted financial products	**572,864**	125,352
	1,234,981	627,059
Equity instrument		
Listed stocks	**114,724**	17,452
Listed fund investments	**45,018**	29,079
Listed preference shares	**587,424**	569,344
Unlisted fund investments	**611,373**	130,871
Unlisted other equity investment	**543,952**	214,981
	1,902,491	961,727
Current assets		
Debt instrument		
Listed bond investments	**70,119**	203,443
Unlisted financial products	**212,675**	456,923
Unlisted trust products	**148,871**	96,157
	431,665	756,523
Equity instrument		
Unlisted fund investments	**411,180**	211,211
	3,980,317	2,556,520

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	
	2019	2018
	RMB'000	RMB'000
Fair value gains/(losses) on equity investments at FVPL recognised in other gains – net *(Note 31)*	**22,515**	(8,546)
Fair value gains/(losses) on debt instruments at FVPL recognised in other gains – net *(Note 31)*	**72,839**	(15,311)
	95,354	(23,857)

16. PREPAYMENTS AND OTHER LONG-TERM RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Prepayments	**1,226,563**	1,413,075
Finance lease receivables *(Note 18(e))*	**1,017,757**	876,611
Other loans and receivables	**1,005,880**	554,251
Loans to related parties *(Note 18(c))*	**950,000**	–
	2,973,637	1,430,862
Less: provision for other long-term receivables	**(59,347)**	(16,932)
	4,140,853	2,827,005

17. INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Raw materials and consumables	**1,946,542**	2,077,457
Work-in-progress	**101,593**	113,222
Finished goods and merchandise	**5,032,157**	4,782,717
	7,080,292	6,973,396
Less: provision for impairment	**(152,462)**	(243,599)
	6,927,830	6,729,797

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB 43,909,642,000 (2018: RMB48,475,684,000).

As at 31 December 2019, certain bank borrowings (Note 26(a)) and notes payable were secured by the Group's inventories with the carrying value of approximately RMB443,335,000 (2018: RMB453,556,000) and RMB774,206,000 (2018: RMB794,782,000), respectively.

18. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables *(Note (a) and (b))*	**3,720,676**	2,407,440
Less: provision for impairment	**(254,327)**	(248,905)
Trade receivables – net	**3,466,349**	2,158,535
Notes receivable	**2,241,121**	4,756,832
Loans to related parties *(Note (c) and 41(b))*	**1,645,655**	603,412
Entrusted loans to related parties *(Note (d) and 41(b))*	**240,000**	189,400
Value added tax recoverable	**1,883,638**	1,751,306
Prepayments	**1,284,439**	1,425,552
Dividends receivable *(Note 41(b))*	**3,614,415**	3,202,844
Finance lease receivables *(Note (e))*	**1,127,573**	1,045,445
Other receivables	**1,340,760**	1,471,913
	16,843,950	16,605,239

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 2019 and 2018, 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	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**2,908,145**	2,153,009
Between 1 and 2 years	**561,819**	79,519
Between 2 and 3 years	**78,988**	7,619
Between 3 and 4 years	**7,363**	10,083
Between 4 and 5 years	**8,401**	6,439
Over 5 years	**155,960**	150,771
	3,720,676	2,407,440

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB254,327,000 was made against the gross amounts of trade receivables (2018: RMB248,905,000).

(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 2019 is 3.71%-4.35% (2018: 3.92%-4.35%).

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Gross loan balance	**2,623,364**	625,247
Less: provision for impairment	**(59,705)**	(21,835)
	2,563,659	603,412
Less: current portion	**(1,645,655)**	(603,412)
Non-current portion	**918,004**	–

Movements of impairment allowances are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**21,835**	16,250
Provision for impairment loss	**37,870**	5,585
At 31 December	**59,705**	21,835

18. TRADE AND OTHER RECEIVABLES (continued)

(d) The entrusted loans are mainly lent to related parties through financial institutions, which will be due in 2020. The effective interest rate as at 31 December 2019 is 4.35% (2018: 4.35%).

(e) Finance income on the net investment in the lease amounted to RMB295,313,000 in 2019.

(f) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**16,727,847**	16,535,560
USD	**57,677**	68,655
HKD	**58,426**	1,024
	16,843,950	16,605,239

19. TIME DEPOSITS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in:		
– RMB	**6,488,974**	10,292,070
– USD	**466,366**	44,611
– HKD	**4,584**	–
	6,959,924	10,336,681

The initial term of time deposits was over three months.

20. RESTRICTED CASH

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deposits for letters of credit and bank notes	**434,757**	653,740
Security and other deposits	**152,780**	149,084
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))*	**1,090,480**	1,486,240
	1,678,017	3,841,939

(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	
	2019	2018
	RMB'000	RMB'000
RMB	**1,675,926**	3,838,760
HKD	**2,091**	3,179
	1,678,017	3,841,939

21. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in:		
– RMB	**23,126,628**	26,309,282
– HKD	**23,276**	25,797
– USD	**452,343**	1,385,678
– JPY	**1,736**	7,853
– EUR	**720**	709
– Others	**283**	267
	23,604,986	27,729,586

As at 31 December 2019 and 2018, 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 2019 and 2018, 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	
	2019	2018
	RMB'000	RMB'000
AAA	**32,213,149**	41,754,404
AA+	**2,349**	3,086
Others and cash on hand	**27,429**	150,716
	32,242,927	41,908,206
Representing		
– Time deposits	**6,959,924**	10,336,681
– Restricted cash	**1,678,017**	3,841,939
– Cash and cash equivalents	**23,604,986**	27,729,586
	32,242,927	41,908,206

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 2018	7,133,877	7,133,877	3,098,620	3,098,620	10,232,497	10,232,497
Employee share option scheme – Proceeds from share issued *(Note 23)*	5,210	5,210	–	–	5,210	5,210
Conversion of convertible bonds *(Note 26 (g))*	1	1	–	–	1	1
As at 31 December 2019	7,139,088	7,139,088	3,098,620	3,098,620	10,237,708	10,237,708

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.

The first (the "Batch I SO-I") and second (the "Batch II SO-I") one third of the SO-I became exercisable on 19 September 2016 and 19 September 2017 respectively. Up to 31 December 2019, 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 2019, there are no outstanding options in Batch I and Batch II SO-I.

On 19 September 2018, the last one third of SO-I ("Batch IlI SO-I") became exercisable. Up to 31 December 2019, an accumulative total of approximately 23,008,000 units of Batch IlI SO-I were exercised by the SO-I Recipients. The Company issued approximately 5,210,000 ordinary shares accordingly in 2019. As at 31 December 2019, there are no outstanding options in Batch IlI SO-I.

The Company received capital contribution of approximate RMB22,777,000 in cash from the SO-I Recipients for exercise of Batch III of SO-I in 2019 and increased share capital and share premium with the amount of RMB5,210,000 and RMB17,567,000, respectively. At the same time, the Company derecognised the accumulative employee share option scheme reserve relating to exercised share options of RMB6,834,000 and transferred this amount to share premium.

23. SHARE-BASED PAYMENTS (continued)

(a) Equity-settled share-based payment – the First A Share Options Scheme (continued)

Movements in the number of SO-I outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	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	**4.48**	**5,210**	6.84	20,290
Exercised-Batch II of SO-I	**–**	**–**	5.92	(3,113)
Effect of transfer from share premium to share capital	**–**	**–**	5.20	6,966
Exercised-Batch III of SO-I	**4.20**	**(5,210)**	4.48	(17,798)
Forfeited	**–**	**–**	5.20	(1,135)
At 31 December	**4.20**	**–**	4.48	5,210

(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 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.

23. SHARE-BASED PAYMENTS (continued)

(b) Equity-settled share-based payment – the Second A Share Options Scheme (continued)

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.

On 18 September 2019, the first one third of SO-II ("Batch I SO-Il") became exercisable. As at 31 December 2019, no units of Batch I SO-Il were exercised by the SO-II Recipients.

Movements in the number of SO-II Phase I outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	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	**19.88**	**564,670**	28.40	403,335
Effect of transfer from share premium to share capital *(Note (i))*	**–**	**–**	19.98	161,335
Forfeited *(Note (ii))*	**19.55**	**(50,125)**	–	–
At 31 December	**19.55**	**514,545**	19.88	564,670

(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. Upon completion of the conversion, the Company's share capital increased by RMB2,918,122,000. Accordingly, the outstanding share options were increased by 161,335,000 units.

(ii) 50,125,000 units of SO-II Phase I was forfeited due to resignation or retirement of 282 individuals.

No SO-II phase II was forfeited or exercised in 2019 (2018: Nil).

(c) Total expenses recognised in profit or loss for SO-I and SO-II Phase I and II in 2019 are RMB 158,980,000 (2018: RMB566,062,000).

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 translation 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	–	–	–	–	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	–	–	–	–	–	–	–	–	–	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													
– Value of employee services	–	–	–	–	–	–	–	566,062	–	–	566,062	–	566,062
– Proceeds from shares issued	105,635	–	–	–	–	–	–	(28,395)	–	–	77,240	–	77,240
Convertible bonds													
– Conversion of convertible bonds	841	–	–	–	–	–	–	–	(82)	–	759	–	759
Others	–	(90,974)	4,428	–	–	–	–	–	–	–	(86,546)	–	(86,546)
As at 31 December 2018	30,622,548	(9,021,820)	22,714	341,631	268,620	–	(464)	589,193	240,942	3,817,298	26,880,662	39,490,695	66,371,357

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 translation 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 2019	30,622,548	(9,021,820)	22,714	341,631	268,620	-	(464)	589,193	240,942	3,817,298	26,880,662	39,490,695	66,371,357
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	6,616,265	6,616,265
Appropriation to statutory surplus reserve fund *(Note (i))*	-	-	-	-	-	-	-	-	-	923,443	923,443	(923,443)	-
Dividend declared by the Company	-	-	-	-	-	-	-	-	-	-	-	(3,377,880)	(3,377,880)
Revaluation	-	-	-	-	8,974	-	-	-	-	-	8,974	-	8,974
Other currency translation differences	-	-	-	-	-	-	1,151	-	-	-	1,151	-	1,151
Employee share option scheme *(Note 23)*													
– Value of employee services	-	-	-	-	-	-	-	158,980	-	-	158,980	-	158,980
– Proceeds from shares issued	24,401	-	-	-	-	-	-	(6,834)	-	-	17,567	-	17,567
Transactions with non-controlling interests *(Note 40)*	138,640	-	-	-	-	-	-	-	-	-	138,640	-	138,640
Convertible bonds *(Note 26(g))*													
– Conversion of convertible bonds	3	-	-	-	-	-	-	-	-	-	3	-	3
Others	-	6,378	9,387	-	(10)	-	(409)	-	-	-	15,346	-	15,346
As at 31 December 2019	30,785,592	(9,015,442)	32,101	341,631	277,584	-	278	741,339	240,942	4,740,741	28,144,766	41,805,637	69,950,403

(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.

(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	
	2019	2018
	RMB'000	RMB'000
Trade payables *(Note (a))*	**12,142,923**	11,438,370
Notes payable	**1,122,303**	834,772
Employee benefits payable	**2,179,518**	2,190,001
Other taxes *(Note (b))*	**417,427**	764,328
Government grants	**189,534**	116,662
Construction cost payables	**718,208**	741,226
Sales rebate	**1,548,213**	1,747,657
Payable for mould expenses	**1,451,364**	1,590,019
Advertising expense payables	**659,699**	874,055
Development cost payables	**825,802**	691,342
Customer deposits *(Note (c))*	**8,596,263**	9,746,028
Unearned premium reserve	**825,680**	625,596
Assets sold under agreements to repurchase	**252,235**	378,955
Deposit payables	**178,609**	169,054
Other payables	**2,771,565**	4,076,551
	33,879,343	35,984,616
Less: non-current portion of trade and other payables	**(262,876)**	(198,485)
Current portion	**33,616,467**	35,786,131

25. TRADE AND OTHER PAYABLES (continued)

(a) As at 31 December 2019 and 2018, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**11,749,823**	11,256,179
Between 1 and 2 years	**318,534**	106,697
Between 2 and 3 years	**39,981**	50,365
Over 3 years	**34,585**	25,129
	12,142,923	11,438,370

(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 2019 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	
	2019	2018
	RMB'000	RMB'000
RMB	**33,860,335**	35,970,326
HKD	**19,008**	12,276
Others	**–**	2,014
	33,879,343	35,984,616

26. BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current		
Borrowings from banks and other financial institutions		
– secured *(Note (a))*	**416,419**	791,642
– unsecured	**1,437,159**	744,823
	1,853,578	1,536,465
Convertible bonds *(Note (g))*	**2,550,677**	2,496,398
Corporate bonds – guaranteed *(Notes (h))*	**2,987,685**	4,979,349
Debentures – unsecured *(Note (k))*	**299,682**	599,249
Total non – current borrowings	**7,691,622**	9,611,461
Current		
Borrowings from banks and other financial institutions		
– secured *(Note (a))*	**945,779**	481,896
– unsecured	**2,201,033**	2,247,366
	3,146,812	2,729,262
Corporate bonds – guaranteed *(Notes (i))*	**2,245,284**	–
Debentures – unsecured *(Notes (j))*	**306,979**	–
Entrusted loans from related parties – unsecured	**70,000**	100,000
Short-term debentures – unsecured *(Notes (l))*	**399,854**	–
Total current borrowings	**6,168,929**	2,829,262
Total borrowings	**13,860,551**	12,440,723

26. BORROWINGS (continued)

(a) As at 31 December 2019, the Group's borrowings were secured by the Group's certain restricted cash, inventories, property, plant and equipment, land use rights 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	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**9,701,827**	4,365,727
Between 1 and 5 years	**4,158,724**	8,074,996
	13,860,551	12,440,723

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December 2019		As at 31 December 2018	
	Bank borrowings	**Other loans**	Bank borrowings	Other loans
	RMB'000	**RMB'000**	RMB'000	RMB'000
Within 1 year	**3,216,812**	**2,952,117**	2,829,262	–
Between 1 and 2 years	**1,305,165**	**299,682**	848,331	2,294,831
Between 2 and 5 years	**548,413**	**5,538,362**	688,134	5,780,165
	5,070,390	**8,790,161**	4,365,727	8,074,996

26. BORROWINGS (continued)

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	13,860,551	12,440,723

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2019	2018
Borrowings from banks and other financial institutions	5.13%	5.88%
Corporate bonds	5.12%	5.12%
Debentures	4.84%	4.84%
Convertible bonds	2.98%	3.03%
Entrusted loans	2.25%	2.25%
Short-term debentures	3.25%	–

(f) As at 31 December 2019, the fair value of the non-current borrowings is RMB7,906,630,000 (2018: RMB9,830,193,000). 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 (RMB 3,672,418,000) 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 2019, the conversion price has been adjusted to RMB14.41 per share (2018: RMB14.74 per share).

The convertible bonds recognised in the consolidated balance sheet is calculated as follows:

	RMB'000
Liability component as 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
Liability component at 1 January 2019	2,496,398
Conversion of convertible bonds	(4)
Interest expense	91,832
Interest included in trade and other payables	(37,549)
Liability component at 31 December 2019	2,550,677

26. BORROWINGS (continued)

(g) Convertible bonds (continued)

In 2019, certain convertible bond holders partially converted the convertible bonds in the principal amount of RMB 4,000 into shares of the Company. The Company allotted and issued a total of 202 shares to such convertible bond holders at a conversion price of RMB14.74 per share. Upon the conversion, the Company derecognised the liability component of RMB4,000 and transferred this amount with equity component (convertible bonds reserve) into share capital and share premium.

(h) In March 2013, the Company issued ten-year period corporate bonds with par value of RMB 3,000,000,000 at the weighted average effective interest rate of 5.23% per annum. The related interest is payable on an annual basis. These corporate 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 RMB 2,000,000,000 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.

(l) In September 2019, GAC Business issued 270 days period debentures with principals of RMB 400,000,000, with an effect interest rate of 3.25%. These debentures will be fully redeemed at par in 31 May 2020. The net proceeds of these short-term debentures, after deducting the transaction costs, amounted to RMB399,854,000.

27. PROVISIONS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Warranty provisions *(Note (i))*	**1,013,136**	666,287
Other provisions	**1,640**	8,269
	1,014,776	674,556

(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	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**3,262,220**	3,133,278
Increase in grant	**192,744**	508,302
Amount recognised in profit or loss	**(658,989)**	(379,360)
End of the year	**2,795,975**	3,262,220

29. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Raw materials and consumables used	**44,234,629**	50,891,106
Changes in inventories of finished goods, merchandise and work-in-progress	**(324,987)**	(2,415,422)
Depreciation and amortisation *(Notes 7, 8, 9 and 10)*	**4,283,666**	3,048,347
Impairment charges of property, plant and equipment *(Note 7)*	**81,998**	266
Impairment charges of intangible assets *(Note 10)*	**443,217**	102,107
Impairment charges of inventories	**30,183**	103,692
Taxes and levies	**1,355,523**	2,310,886
Transportation and traveling expenses	**2,258,261**	2,784,832
Advertising costs	**2,231,640**	3,336,527
Warranty expenses	**1,130,113**	425,177
Amortisation of government grants	**(658,989)**	(379,360)
Opereating lease expenses	**29,006**	263,162
Auditors' remuneration		
– Audit service	**11,485**	9,943
– Non-audit service	**7,586**	7,502

For the year ended 31 December 2019, the Group recognised research and development expenditure of RMB2,706,419,000 (2018:RMB2,015,477,000) as cost of sales and administrative expenses in the profit or loss, including current year expensed research costs of RMB959,362,000 (2018: RMB826,674,000) and amortisation of capitalised development costs of RMB1,747,057,000 (2018: RMB1,188,803,000) (Note 10).

For the information of employee benefit expenses, please refer to Note 30.

30. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	**6,284,753**	6,276,267
Pension scheme and other social security costs *(Note (a))*	**963,993**	819,375
Employee share option scheme *(Notes 23)*	**158,980**	566,062
Housing benefits *(Note (b))*	**471,609**	385,120
Welfare, medical and other expenses	**636,038**	596,127
	8,515,373	8,642,951

(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 2019 include 5 directors and supervisors (2018: 5 directors and supervisors) whose emoluments are reflected in the analysis presented in Note 44.

31. OTHER GAINS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net foreign exchange gains	**40,071**	65,203
Gains/(losses) on disposal of property, plant and equipment, land use right, intangible assets and investment properties	**8,895**	(48,977)
Donations	**(14,127)**	(16,788)
Gains on disposals of joint ventures and associates	**22,493**	25,677
Government grants	**2,239,317**	790,314
Net investment income related to investment in financial assets	**191,875**	194,679
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**95,354**	(23,857)
Gains on remeasurement of the Group's previously held equity interest in an associate to fair value at the acquisition date	**–**	17,622
Others	**36,462**	64,118
	2,620,340	1,067,991

32. INTEREST INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income from time deposits	**278,549**	446,189
Interest income from restricted cash and cash and cash equivalents	**171,565**	98,288
Interest income from entrusted loans	**12,145**	11,933
	462,259	556,410

33. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest expense	**521,299**	510,301
Interest expense on lease liabilities	**59,503**	–
Interest capitalised in qualifying assets	**(64,321)**	(51,443)
	516,481	458,858

34. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax	**203,893**	805,172
Deferred tax *(Note 13)*	**(621,079)**	115,636
	(417,186)	920,808

34. INCOME TAX (CREDIT)/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	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**6,291,671**	11,863,253
Notional tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned *(Note(i))*	**1,801,795**	2,645,646
Share of profit of joint ventures and associates	**(2,342,764)**	(2,179,465)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(7,232)**	3,385
Expenses not deductible for corporate income tax	**38,588**	43,314
Utilisation of previously unrecognised tax losses	**(274,478)**	(86,843)
Unused tax losses and deductible temporary differences for which no deferred tax asset was recognised	**431,765**	524,142
Super deduction of research and development expenses	**(64,860)**	(29,371)
Income tax (credit)/expense	**(417,186)**	920,808

(i) The tax rates applicable to the Company and its major subsidiaries for the year ended 31 December 2019 are 15% or 25% (2018: 15% or 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year ended 31 December 2019.

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	
	2019	2018
	RMB'000	RMB'000
Change in fair value of FVOCI	**8,974**	(75,562)
Exchange difference on translation of foreign operations	**1,151**	722
Share of other comprehensive loss of joint ventures and associates accounted for using the equity method	**(419)**	–
	9,706	(74,840)

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	
	2019	2018
	RMB'000	RMB'000
Profit attributable to owners of the Company	**6,616,265**	10,899,603
Weighted average number of ordinary shares in issue (thousands)	**10,235,610**	10,216,906
Basic earnings per share (RMB per share)	**0.65**	1.07

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 2019) 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	
	2019	2018
	RMB'000	RMB'000
Profit attributable to owners of the Company	**6,616,265**	10,899,603
Add: Interest expense on convertible bonds	**91,832**	89,427
Profit used to determine diluted earnings per share	**6,708,097**	10,989,030
Weighted average number of ordinary shares in issue (thousands)	**10,235,610**	10,216,906
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	**2,612**	22,535
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	**177,118**	173,153
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**10,415,340**	10,412,594
Diluted earnings per share (RMB per share)	**0.64**	1.06

37. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interim dividend paid of RMB0.05 (2018: RMB0.10) per ordinary share	**511,885**	1,021,470
Proposed final dividend of RMB0.15 (2018: RMB0.28) per ordinary share	**1,535,656**	2,865,995
	2,047,541	3,887,465

Dividends paid in 2019 and 2018 were RMB3,377,880,000 and RMB4,158,451,000 respectively. A final dividend in respect of the year ended 31 December 2019 of RMB0.15 per ordinary share, amounting to a total dividend of approximately RMB1,535,656,000 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	
	2019	2018
	RMB'000	RMB'000
Profit for the year	6,708,857	10,942,445
Adjustments for:		
– Income tax (credit)/expense *(Note 34)*	(417,186)	920,808
– Depreciation *(Notes 7, 8 and 9)*	2,390,301	1,538,677
– Amortisation *(Notes 10)*	1,893,365	1,509,670
– Amortisation of government grants related to assets *(Note 28)*	(658,989)	(379,360)
– Impairment provision	609,229	213,322
– (Gain)/losses on disposal of property, plant and equipment, land use right, intangible assets and investment properties *(Note 31)*	(8,895)	48,977
– Interest income *(Note 32)*	(462,259)	(556,410)
– Finance costs *(Note 33)*	516,481	458,858
– Gains on disposals of joint ventures and associates *(Note 31)*	(22,493)	(25,677)
– 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 on cash and cash equivalents	(26,152)	(28,442)
– Share of profit of joint ventures and associates *(Note 11)*	(9,399,343)	(8,753,300)
– Net investment income relating to financial assets *(Note 31)*	(191,875)	(194,679)
– Fair value (gains)/losses on financial assets at fair value through profit or loss *(Note 31)*	(95,354)	23,857
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(295,308)	(3,503,434)
– Trade and other receivables	(1,223,579)	(5,603,902)
– Restricted cash	1,527,622	(1,049,740)
– Trade and other payables	(2,295,681)	2,490,297
– Contract liabilities	193,061	1,335,696
– Provisions	340,220	(240,656)
– Financial assets at fair value through profit or loss	(1,199,583)	(99,022)
Cash used in operations	(2,117,561)	(971,395)

38. CASH FLOWS INFORMATION (continued)

(b) Non-cash transaction

Non-cash transaction of acquisition of right-of-use assets is disclosed in Note 8.

(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 – interest payables RMB'000	Trade and other payables – other payables RMB'000	Leases liabilities RMB'000	Total RMB'000
Net debt as at 31 December 2018	(2,829,262)	(9,611,461)	(378,955)	(293,324)	(119,964)	–	(13,232,966)
Recognised on adoption of HKFRS 16 *(Note 2.2)*	–	–	–	–	–	(361,120)	(361,120)
Reclassification	(293,324)	–	–	293,324	–	–	–
Net debt as at 1 January 2019	(3,122,586)	(9,611,461)	(378,955)	–	(119,964)	(361,120)	(13,594,086)
Financing cash flows	670,481	(1,643,264)	126,720	–	15,205	194,192	(636,666)
Others	362,756	–	–	–	–	–	362,756
Reclassification	(3,620,981)	3,620,981	–	–	–	–	–
Non-cash changes:							
– Interest charge	(458,599)	(57,882)	–	–	–	–	(516,481)
– Conversion of convertible bonds	–	4	–	–	–	–	4
– Addition to lease liabilities	–	–	–	–	–	(1,241,715)	(1,241,715)
Net debt as at 31 December 2019	(6,168,929)	(7,691,622)	(252,235)	–	(104,759)	(1,408,643)	(15,626,188)

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	Trade and other payables – assets sold under agreements to repurchase RMB'000	Trade and other payables – other 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)

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	
	2019	2018
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	**1,054,365**	2,278,070
– Authorised but not contracted for	**1,233,384**	2,464,588
	2,287,749	4,742,658
Intangible assets		
– Contracted but not provided for	**12,880**	104,331
– Authorised but not contracted for	**2,754,435**	3,587,703
	2,767,315	3,692,034
Investments		
– Authorised but not provided for *(Note (i),(ii) and (iii))*	**1,402,920**	923,125
	6,457,984	9,357,817

(i) In 2016, the Board of Directors of the Company approved an additional capital contribution of RMB 360,000,000 to GAC Fiat Chrysler, according to the proportion of shares. Up to 31 December 2019, none of the amount has been paid.

(ii) In 2017, the Board of Directors of the Company approved an additional capital contribution of USD 35,225,000 (equivalent to RMB217,050,000) to GAC Toyota, according to the proportion of shares. Up to 31 December 2019, none of the amount has been paid.

In 2018, the Board of Directors of the Company approved an additional capital contribution of USD 11,435,000 (equivalent to RMB78,795,000) to GAC Toyota according to the proportion of shares. Up to 31 December 2019, none of the amount has been paid.

In 2019, the Board of Directors of the Company approved an additional capital contribution to GAC Toyota with an amount of USD37,855,000(equivalent to RMB260,890,000) and USD20,330,000 (equivalent to RMB140,110,000) respectively, according to the proportion of shares. Up to 31 December 2019, none of the amount has been paid.

39. COMMITMENTS (continued)

(a) Capital commitments (continued)

(iii) In 2017, the Board of Directors of the Company approved an additional capital contribution to GAC Mitsubishi, with an amount of RMB79,470,000 and RMB266,605,000 respectively, according to the proportion of shares. Up to 31 December 2019, none of the amount has been paid.

(b) Non-cancellable operating leases

The investment properties and certain property, plant and equipment are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements of investment properties, refer to Note 9.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Minimum lease payments receivable on leases of investment properties and certain property, plant and equipment are as follows:		
Within 1 year	**240,182**	436,906
Between 1 and 2 years	**194,715**	219,611
Between 2 and 3 years	**23,196**	198,777
Between 3 and 4 years	**13,595**	20,892
Between 4 and 5 years	**7,491**	13,595
Later than 5 years	**6**	7,497
	479,185	897,278

The Group leases various properties, vehicles, offices and other equipment under non-cancellable operating leases expiring within 6 months to 20 years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 6 and Note 8 for further information.

39. COMMITMENTS (continued)

(b) Non-cancellable operating leases (continued)

As at 31 December 2019, the Group's future aggregate minimum lease payments of leases not yet commended to which the Group is committed are listed as follows:

	As at 31 December 2019 RMB'000
Within 1 year	**11,970**
Between 1 and 5 years	**42,429**
Over 5 years	**103,756**
	158,155

40. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the year ended 31 December 2019, the Group and a third party investor subscribed for additional shares issued by a non-wholly owned subsidiary, Urtrust Insurance, at considerations of RMB636,300,000 and RMB916,575,000 respectively. Immediately after the share subscription, the Group's equity interest in Urtrust Insurance decreased from 60% to 53.55%. In addition, the Company disposed of its directly held equity interest of 50.2% in another non-wholly owned subsidiary, Guangai Insurance Brokers Ltd., to Urtrust Insurance. After taking into account the effect of these two transactions, the Group recognised an increase of RMB138,640,000 in other reserves attributable to owners of the Company and a decrease of RMB138,640,000 in non-controlling interests.

41. 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.

41. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Sales of goods		
Sales of automotive parts and steels		
– Joint ventures	2,618,828	2,320,022
– Associates	65,141	84,917
	2,683,969	2,404,939
Sales of passenger vehicles		
– Joint ventures	135,725	181,649
– Associates	297	1,143
– GAIG	–	215
– Subsidiaries of GAIG	441	341
	136,463	183,348
Sales of production facility		
– Joint ventures	69,351	16,992
	2,889,783	2,605,279
Loan interest from related parties ***(Note 18(d))***		
– Joint ventures	42,114	26,788
– Associates	2,015	1,978
	44,129	28,766
Rendering of labour and insurance services		
– Joint ventures	1,354,737	1,221,699
– Associates	560,401	448,489
– GAIG	99	121
– Subsidiaries of GAIG	354	255
	1,915,591	1,670,564
Income of trustee management of equity assets		
– GAIG *(Note (i))*	22,250	16,425

41. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Purchases of goods		
Purchases of automotive parts and materials		
– Joint ventures	1,199,353	1,658,218
– Associates	689,999	1,114,428
– GAIG	3	–
	1,889,355	2,772,646
Purchases of passenger vehicles		
– Joint ventures	9,077,429	8,043,687
– Associates	–	164
	9,077,429	8,043,851
	10,966,784	10,816,497
Interest on customer deposits		
– Joint ventures	107,343	109,331
– Associates	14,712	5,850
	122,055	115,181

41. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Purchases of labour services and settlement of insurance claims		
– Joint ventures	52,860	77,677
– Associates	85,798	47,233
– GAIG	–	1
– Subsidiaries of GAIG	52,373	43,325
	191,031	168,236
Provision of entrusted loans to related parties		
– Joint ventures	240,000	80,000
– Associates	–	20,000
	240,000	100,000
Rental from related parties		
– Joint ventures	237,735	251,893
– Associates	660	871
– Subsidiaries of GAIG	15,082	13,875
	253,477	266,639

41. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December 2019 RMB'000
Interest charges for lease liabilities to related parties	
– Joint ventures	844
– GAIG	1,236
– Subsidiaries of GAIG	617
	2,697
Rental of right-of-use assets to related parties	
– Joint ventures	21,524
– GAIG	33,287
– Subsidiaries of GAIG	15,239
	70,050

41. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Repayment of entrusted loans from related parties		
– Joint ventures	180,000	263,200
– Associates	9,400	20,600
	189,400	283,800
Entrusted loan interest from related parties		
– Joint ventures	10,038	10,087
– Associates	190	621
	10,228	10,708
Entrusted loans from a related party		
– An associate	70,000	100,000
Repayment of entrusted loans to related parties		
– An associate	100,000	100,000
Entrusted loan interest to related parties		
– Associates	1,554	2,031
Borrowings from a related party		
– A joint venture	2,476,250	3,844,141

41. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Repayment of borrowings to a related party		
– A joint venture	2,506,313	3,822,113
Borrowing interest to a related party		
– A joint venture	14,290	25,645
Loans to related parties		
– Joint ventures	4,261,400	570,250
– Associates	59,701	55,247
	4,321,101	625,497
Repayment of loans from related parties		
– Joint ventures	2,232,895	600,250
– Associates	90,090	50,000
	2,322,985	650,250
Guarantee fees to a related party		
– GAIG	5,000	5,000
Sales of intangible assets and property, plant and equipment		
– Joint ventures	22,271	1,156

41. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables		
– Joint ventures	652,947	715,172
– Associates	24,102	51,615
– GAIG	7	9
– Subsidiaries of GAIG	1	3
	677,057	766,799
Interest receivable		
– Joint ventures	6,837	1,245
– Associates	30	62
	6,867	1,307
Other receivables and prepayments		
– Joint ventures	509,182	402,345
– Associates	603	10,060
– GAIG	21,233	17,517
– Subsidiaries of GAIG	1,686	1,532
	532,704	431,454
Dividend receivable		
– Joint ventures	3,588,956	3,189,382
– Associates	25,459	13,462
	3,614,415	3,202,844
Notes receivable		
– Joint ventures	14,259	13,439

41. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Entrusted loans due from		
– Joint ventures	240,000	180,000
– Associates	–	9,400
	240,000	189,400
Loans to related parties – current *(Note (ii))*		
– Joint ventures	1,621,503	550,388
– Associates	24,152	53,024
	1,645,655	603,412
Loans to related parties-non current		
– Joint ventures	918,004	–
Long-term receivables		
– Joint ventures	3,590	4,181
– Associates	115	533
	3,705	4,714
Trade payables		
– Joint ventures	211,210	256,193
– Associates	401,927	311,757
– Subsidiaries of GAIG	8	–
	613,145	567,950
Other payables		
– Joint ventures	31,951	48,926
– Associates	8,076	3,268
– GAIG	504,731	504,731
– Subsidiaries of GAIG	696	4,372
	545,454	561,297

41. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contract liabilities		
– Joint ventures	**60,106**	78,282
– Associates	**6,012**	3,971
– GAIG	**2**	–
– Subsidiaries of GAIG	**38**	–
	66,158	82,253
Notes payable		
– Joint ventures	**421,015**	651,709
Customer deposits *(Note 25(c))*		
– Joint ventures	7,445,849	8,809,928
– Associates	1,080,180	888,586
	8,526,029	9,698,514
Short-term borrowings		
– A joint venture *(Note (iii))*	**306,210**	336,272
Entrusted loans due to		
– Associates	**70,000**	100,000
Interest payable		
– Joint ventures	**7,093**	34,391
– Associates	**2,689**	2,825
	9,782	37,216

41. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

	As at 31 December 2019 RMB'000
Lease liabilities	
– Joint ventures	**20,829**
– GAIG	**25,303**
– Subsidiaries of GAIG	**12,202**
	58,334

(i) On 11 November 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 2019, the Group recorded provision of RMB58,998,000 for joint ventures and RMB 707,000 for associates for impairment of loans relating to financing services to related parties (2018: RMB19,612,300 and RMB2,222,900).

(iii) Borrowings from a joint venture, which is a financial institution, are interest bearing. As at 31 December 2019, borrowings from a joint venture were secured by the Group's inventories with carrying value of approximately RMB273,515,000 (2018: RMB304,606,000).

(c) Commitments for related parties

As at 31 December 2019, the bill acceptance provided by the Group to joint ventures amounted to approximately RMB24,358,000 (2018: RMB 6,392,000).

(d) Key management compensation

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries and other short-term employee benefits	**18,373**	15,406

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 2019 is RMB3,661,000 (2018: RMB7,229,000).

41. RELATED PARTY TRANSACTIONS (continued)

(e) 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 2019 and 2018, 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 2019 and 2018, information of borrowings secured by guarantees given by a state-owned financial institution and GAIG is presented in Note 26(h) and 26(i).

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 31 March 2020, the Company held the forty-first meeting of fifth session of the Board, at which the proposal for profit distribution for 2019 was considered and passed. The Company proposed to pay the 2019 final dividends of RMB 0.15 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 10,237,707,541 shares as at 31 December 2019, by which the total amount of final dividend will be RMB 1,535,656,000 (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 2019 annual general meeting of the Company.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the 2019 consolidated financial statements as a result of the COVID-19 outbreak.

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Land use rights	–	434,712
Property, plant and equipment	**2,856,365**	2,423,048
Right-of-use assets	**457,547**	–
Investment properties	**481,545**	522,518
Intangible assets	**5,481,217**	3,562,814
Investments in subsidiaries	**30,177,381**	26,759,236
Investments in joint ventures and associates	**23,919,556**	21,954,143
Financial assets at fair value through profit or loss	**980,424**	662,344
Prepayments and long-term receivables	**128,570**	57,125
	64,482,605	56,375,940
Current assets		
Inventories	**61,791**	82,094
Trade and other receivables	**6,995,254**	5,825,798
Time deposits	–	119,000
Cash and cash equivalents	**9,734,366**	12,580,469
	16,791,411	18,607,361
Total assets	**81,274,016**	74,983,301

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Balance sheet of the Company (continued)

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**5,538,362**	7,475,747
Lease liabilities		**4,240**	–
Government grants		**556,190**	613,058
		6,098,792	8,088,805
Current liabilities			
Trade and other payables		**5,670,137**	5,714,432
Contract liabilities		**36,169**	5,000
Borrowings		**2,245,284**	–
Lease liabilities		**10,273**	–
		7,961,863	5,719,432
Total liabilities		**14,060,655**	13,808,237
Net assets		**67,213,361**	61,175,064
EQUITY			
Share capital		**10,237,708**	10,232,497
Other reserves	*(a)*	**36,388,226**	35,288,243
Retained earnings	*(a)*	**20,587,427**	15,654,324
Total equity		**67,213,361**	61,175,064

The balance sheet of the Company was approved by the Board of Directors on 31 March 2020 and was signed on its behalf:

Zeng Qinghong	**Feng Xingya**
Director	*Director*

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movements of the Company

	Share premium RMB'000	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 reserves 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	105,635	–	–	–	(28,395)	–	77,240	–	77,240
Convertible bonds									
– Conversion of convertible bonds	841	–	–	–	–	(82)	759	–	759
As at 31 December 2018	30,622,548	18,262	3,817,298	–	589,193	240,942	35,288,243	15,654,324	50,942,567

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movements of the Company (continued)

	Share premium RMB'000	Capital reserve RMB'000	FVOCI Reserve RMB'000	Statutory surplus reserve fund RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2019	30,622,548	18,262	–	3,817,298	589,193	240,942	35,288,243	15,654,324	50,942,567
Profit for the year	–	–	–	–	–	–	–	9,234,426	9,234,426
Appropriation to statutory surplus reserve fund	–	–	–	923,443	–	–	923,443	(923,443)	–
Dividend declared by the Company	–	–	–	–	–	–	–	(3,377,880)	(3,377,880)
Employee share option scheme									
– Value of employee services	–	–	–	–	158,980	–	158,980	–	158,980
– Proceeds from shares issued	24,401	–	–	–	(6,834)	–	17,567	–	17,567
Convertible bonds									
– Conversion of convertible bonds	3	–	–	–	–	–	3	–	3
Others	–	–	(10)	–	–	–	(10)	–	(10)
As at 31 December 2019	30,646,952	18,262	(10)	4,740,741	741,339	240,942	36,388,226	20,587,427	56,975,653

44. 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 2019 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	–	625	131	352	–	1,108
Feng Xingya	–	1,055	131	884	–	2,070
Fu Yuwu	–	150	–	–	–	150
Lan Hailin	–	150	–	–	–	150
Liang Nianchang	–	150	–	–	–	150
Wang Susheng	–	150	–	–	–	150
Yan Zhuangli	–	628	132	341	–	1,101
Chen Maoshan	–	1,000	127	691	–	1,818
Chen Jun	–	–	–	–	–	–
Ding Hongxiang	–	–	–	–	–	–
Han Ying	–	–	–	–	–	–
Name of supervisor						
Ji Li	–	–	–	–	–	–
Chen Tian	–	–	–	–	–	–
Long Yong *(Note (ii))*	–	–	–	–	–	–
Wang Junyang	–	–	–	–	–	–
Jiang Xiuyun	–	638	116	179	–	933
He Jinpei	–	634	143	163	–	940
Wang Lu	–	526	109	128	–	763

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.

44. 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 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	–	–	–	–	–	–
Chen Jun	–	–	–	–	–	–
Han Ying	–	–	–	–	–	–
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	–	–	–	–	–	–
Wu Chunlin	–	–	–	–	–	–
Liao Chongkang	–	–	–	–	–	–
Chen Tian	–	–	–	–	–	–

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.

44. 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 2019 and 2018 is set out as below:

	Year ended 31 December			
	2019		2018	
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	**1,120,000**	**346**	2,140,000	1,173
Feng Xingya	**1,064,000**	**329**	1,925,333	1,108
Yan Zhuangli	**1,064,000**	**329**	1,064,000	1,057
Chen Maoshan	**1,008,000**	**311**	1,846,667	1,051
Yuan Zhongrong *(Note(iii))*	**–**	**–**	1,008,000	1,001

(i) The amount represented emoluments throughout their terms of directors or supervisors in 2019.

(ii) In May 2019, Mr. Long Yong was appointed as supervisor.

(iii) 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.

(iv) In 2019 and 2018, 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.

44. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits for the year ended 31 December 2019 (2018: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2019 (2018: Nil).

(d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2019, the Group did not pay consideration to any third parties for making available directors' services (2018: 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 2019, there are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors (2018: 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 (2018: Nil).

Five-Year Financial Summary

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				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
Revenue	**59,704,322**	72,379,779	71,574,939	49,417,676	29,418,223
Cost of sales	**(57,181,363)**	(60,835,699)	(58,716,478)	(41,961,379)	(25,974,620)
Gross profit	**2,522,959**	11,544,080	12,858,461	7,456,297	3,443,603
Selling and distribution costs	**(4,553,402)**	(5,073,033)	(5,250,070)	(3,396,393)	(1,866,537)
Administrative expenses	**(3,589,516)**	(4,519,380)	(4,021,804)	(2,738,874)	(2,037,088)
Net impairment losses on financial assets	**(53,831)**	(7,257)	–	–	–
Interest income	**290,694**	453,389	342,643	488,696	411,556
Other gains – net	**2,620,340**	1,067,991	562,459	331,196	435,386
Operating (loss)/profit	**(2,762,756)**	3,465,790	4,491,689	2,140,922	386,920
Interest income	**171,565**	103,021	52,676	97,240	127,955
Finance costs	**(516,481)**	(458,858)	(646,477)	(962,927)	(849,396)
Share of profit of joint ventures and associates	**9,399,343**	8,753,300	8,296,387	5,774,362	4,720,117
Profit before income tax	**6,291,671**	11,863,253	12,194,275	7,049,597	4,385,596
Income tax credit/(expense)	**417,186**	(920,808)	(1,154,259)	(754,342)	(400,067)
Profit for the year	**6,708,857**	10,942,445	11,040,016	6,295,255	3,985,529
Profit attributable to:					
Owners of the Company	**6,616,265**	10,899,603	11,004,671	6,287,542	4,211,553
Non-controlling interests	**92,592**	42,842	35,345	7,713	(226,024)
	6,708,857	10,942,445	11,040,016	6,295,255	3,985,529

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000
Assets, liabilities and non-controlling interests					
Total assets	**137,463,551**	132,173,759	119,656,441	82,146,241	67,219,688
Total liabilities	**54,955,305**	54,199,052	49,188,448	37,252,780	27,728,368
Non-controlling interests	**2,320,135**	1,370,853	1,043,725	1,037,308	844,811