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GUANGZHOU AUTOMOBILE GROUP CO., LTD.
廣州汽車集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2238)

2020 INTERIM RESULTS ANNOUNCEMENT

IMPORTANT NOTICE

- (I) The Board, the supervisory committee and the directors, supervisors and senior management of the Company warrant that the contents contained herein are true, accurate and complete. There are no false representations or misleading statements contained in or material omissions from this announcement, and they will jointly and severally accept responsibility.
- (II) All directors of the Company have attended the meeting of the Board.
- (III) The interim financial report of the Company is unaudited. The Audit Committee of the Company has reviewed the unaudited interim results of the Company for the six months ended 30 June 2020 and agreed to submit it to the Board for approval.
- (IV) Zeng Qinghong, the person in charge of the Company and Feng Xingya, the General Manager of the Company, Wang Dan, the person in charge of accounting function and Zheng Chao, the manager of the accounting department (Chief Accountant), warrant the truthfulness, accuracy and completeness of the financial statements contained in this announcement.
- (V) The Board proposed payment of interim dividend of RMB0.3 (tax inclusive) in cash for every 10 shares to all shareholders.
- (VI) The forward-looking statements contained in this announcement regarding the Company's future plans and development strategies do not constitute any substantive commitment to investors and investors are reminded of investment risks.
- (VII) There is no non-operational appropriation of the Company's funds by its controlling shareholder and its connected parties.
- (VIII) The Company has not provided any third-party guarantees in violation of stipulated decision-making procedures.

CHAIRMAN'S STATEMENT

The unexpected outbreak of the COVID-19 pandemic during the first half of the year profoundly impacted the global politics, economies and societies, and posed unprecedented challenges to the development of the automobile industry and the Group. Facing such extremely severe situation, with the great support from shareholders and business partners, the Group made a concerted effort in this “double-line battle” to achieve effective pandemic prevention and control whilst restoring production and operation. On behalf of the Board, I would like to express my heartfelt thanks to all shareholders, employees, business partners and people from all walks of life. I now report to all sectors of the society the Company's progress in business development, strategic layout, independent innovation, and social responsibility in the past six months.

In the first half of the year, **we responded calmly to the impact of the pandemic, and our business situation was stabilised and improved.** After the outbreak of the COVID-19 pandemic, the Group quickly implemented pandemic preventive measures, and no cluster infection was reported among our 100,000 employees. In spite of the severe difficulties experienced by the automobile industry when business came to a halt, the Group acted to ensure its stability through implementing targeted measures and coordinating its five major business segments of R&D, whole vehicles, parts and components, commercial services and financial services, smoothly operated the “six priorities” and the “six stabilising forces”, stepped up various production recovery measures, in order to strive towards the goal of minimising losses caused by the pandemic and maintaining an overall stable operation during the pandemic. Notably, the whole vehicles segment made every effort to increase production, with production and sales volume rebounding rapidly since March. During the first half of the year, a total of 797,300 vehicles were produced and 824,600 vehicles were sold. The decline in production and sales continued to narrow, and the domestic market share of passenger vehicles increased by 0.62 percentage point from the previous year to 10.47%. While the sales volume of new energy automobiles in China fell sharply by 37.40% year-on-year, our self-developed brand of new energy vehicles recorded an increase in sales of 89.42% year-on-year. The R&D segment completed 15 whole vehicle projects such as GS4 COUPE, GS8S, Aion V, and three powertrain design and development projects including 7WF25 gearboxes and 1.0TGDI engines. The parts and components segment coordinated the resumption of work and production for 521 suppliers in 14 provinces and cities and activated timely the overseas parts and components emergency management mechanism to ensure supply chain stability. The commercial services segment pushed forward the reform of marketing and sales models, built a digitalised marketing and sales system, carried out online marketing and sales and livestream product promotion, and seized market opportunities. The financial services segment gave full play to the industrial and financial synergy and strongly supported the development of the main businesses. In the first half of the year, the Group achieved an overall sales revenue of approximately RMB159.703 billion, representing a year-on-year decrease of approximately 9.00%. The total sales revenue of the Group was approximately RMB25.642 billion, representing a year-on-year decrease of approximately 9.56%. Net profit attributable to shareholders of the Company was approximately RMB2.318 billion, representing a year-on-year decrease of approximately 52.88%, earnings per share amounted to approximately RMB0.23, representing a year-on-year decrease of approximately 52.08%. Among them, the total sales revenue in the second quarter was approximately RMB14.764 billion, representing an increase of approximately 5.63% as compared with the corresponding period last year, and the net profit attributable to shareholders of the Company deducting non-recurring gains and losses was approximately RMB2.104 billion, representing an increase of approximately 99.10% as compared with the corresponding period last year.

We insisted on stable and continuous dividend distribution to earnestly reward shareholders. Though impacted by the COVID-19 pandemic during the first half of the year, the Group still cared about the shareholders and remained committed to its long-term continuous stable dividend policy and distribute dividend twice a year. Taking into account the impact of the pandemic, the profitability of the Group and future development needs, the Board proposed the distribution of an interim dividend of RMB0.3 (tax inclusive) in cash for every 10 shares to all shareholders. Since the Company's listing, cumulative cash dividend distribution has exceeded RMB17.1 billion.

We actively improved the strategic planning and consolidated the foundation of development. With a focus on the mid and long-term strategic planning, the strategic objectives of the "13th Five-Year Plan" and the "e-TIME Action" plan, we accelerated our digital transformation by striving for major breakthroughs in electrification, intelligent networking and internationalisation. During the first half of the year, the Group launched a total of 13 new and facelifted vehicle models to enrich its product matrix. Among which, the proportion of new energy and energy conservation products was continually enhanced, and 7 new vehicle models including Aion V have been launched. The new energy "three powers" of the GAC Zhilian New Energy Automotive Industrial Park, powertrains, gearboxes, automobile towns and other projects have progressed steadily and it has joined with business partners to invest RMB28.7 billion in building a globally competitive industrial cluster. It also welcomed deeper cooperation to accelerate the implementation of existing joint venture projects, actively explored the use of advantageous resources from each party to extend strategic cooperation, and deepened the breadth and depth of cooperation with foreign partners. With solid progress in internationalisation, the GS8 and GN8 models of our self-developed brand succeeded in entering the Russian market.

We continued to strengthen innovation, accelerated our transformation into a technological enterprise. With our independent innovation capabilities being constantly enhanced, 927 new patent applications were made in the first half of the year, amounting to a total of 6,983 patent applications. With a focus on improving product competitiveness, the Group further deepened the development of a global platform modular architecture (GPMA) and a pure electric exclusive platform (GEP) to enable greater modularity of key system components. GAC's self-developed 7-speed wet dual-clutch gearbox was cited as the "Top Ten Gearboxes in the World" by the Automotive Evaluation Research Institute for its full autonomy, good performance, high reliability and industry-leading technical strength. For the new energy vehicle sector, the fuel cell vehicle operational demonstration project and other projects have made phased progress. GAC's first hydrogen fuel cell passenger vehicle, Aion LX Fuel Cell, will be demonstrated during the year and the "ultra-fast charging battery" using three-dimensional graphene (3DG) materials has completed preliminary testing and verification. In the intelligent networking sector, the ADiGO 3.0 Smart Driving and Connected Ecosystem, remote parking, 5G V-BOX in-vehicle intelligent communication system, etc, have been equipped with Aion V mass production applications to create the first 5G smart car.

We earnestly assumed social responsibility to be an outstanding corporate citizen. In response to the unexpected outbreak of the COVID-19 pandemic, the Group immediately donated funds and resources to support pandemic prevention and control. The cumulative donation of funds, medical and pandemic prevention resources to the society amounted to a total of RMB36.1278 million. To alleviate the tight supply of masks, the Group quickly redeployed resources and commenced cross-industry R&D works for the manufacture of mask production machines and masks. So far, more than 75 million masks have been produced, and more than 1.3 million of masks have been donated to domestic medical institutions and front-line workers to support the frontline pandemic prevention and resumption of work and production. The Group also quickly built an intelligent healthy cockpit with integrated technologies of “ultra N95 filter protection” and “remote one-touch virus killer” to stasify consumers’ needs of safe traveling. The Group was effective in stabilising employment, raising livelihood standards, arranging flexibly for employees to resume work and avoiding the risks of large-scale layoffs. The year 2020 marks the successful conclusion of the war on poverty alleviation. The Group made efforts in the “five major projects” of alleviation of household, industrial, consumer, educational poverty and rural revitalisation. The Group promoted poverty alleviation work as planned and invested a total of RMB56.114 million into villages and made advancement in targeted assistance in the industry. At present, 15 enterprises have been introduced to operate business in the Meizhou GAC Parts and Components Industrial Park.

Under the impact of the COVID-19 pandemic, with the global economy facing severe continuous downward risks, the development of the marco-economy of China and automobile industry are also facing unprecedented challenges. According to the forecast by CAAM, sales volume of automobiles in China will drop by 10% to 20% this year. However, challenges and opportunities always coexist under crisis, the economy of China has gradually overcome the adverse effects brought by the pandemic, showing a recovery and steady growth trend. The central and local governments have introduced a series of favorable policies to stimulate consumption, gradually increasing consumer confidence and strengthening the recovery of the automobile market. Maintaining confidence is essential for a sustained development. In the second half of the year, we will further boost our confidence, stay determined, scientifically coordinate pandemic prevention and control and operations, seize new opportunities amid the crisis, open up new grounds in the midst of changing conditions, and actively promote growth, enhance reforms, adjust structures, prevent risks, maintain stability and resolutely move forward with high quality and quantity development.

In the second half of the year, **we will take stable growth as the most important task and strive to complete the annual mission and goals.** We will solidly proceed with the smooth operation of the “six priorities” and implement the mission of the “six stabilising forces”, coordinate and focus on the new normal pandemic prevention and operation of production. In addition to strengthening the follow-up, implementation and coordination of the business plan, further optimising and implementing the responsibility management mechanism for business objectives, and making it a practice of shared responsibility for different job positions, we will also establish a special performance improvement task group to coordinate and carry out our business plans by the implementation of “one policy for one enterprise”, and deepen measures for broadening sources of income, reducing expenditure, cutting costs and enhancing efficiency for making up the losses, and strive to achieve the business goals for the year.

We will focus on the customers and strengthen the marketing and sales of products. We will adhere to the “leading strategy of appearance + PVA (perceived value analysis)” to create star products with good appearance, high cost performance and high perceived value in order to launch more new and facelifted vehicle models in the second half of the year. With full efforts to promote the QDR (quality, durability and reliability) project, quality control will be constantly improved. In response to the characteristics of the sales market in the post-pandemic era, innovative sales service and marketing and sales activities such as “cloud car-viewing”, “cloud dissemination”, and “livestream product promotion”, through digitisation approach to create the golden triangle of “customer-shop-factory” continuously, a characteristic digital sales service system will be established to effectively enhance the customer experience of car purchase and driving and increase customer loyalty.

We will take innovation as the lead and gain the upperhand in automobile technology. By fully implementing the “e-TIME” action plan, we will promote technological innovation, intelligent networking, intelligent manufacturing and electrification to continuously improve customer experience and accelerate the cultivation of new driving forces. For new energy vehicles, we will strengthen the mastery of core new energy technology and make advancement in the design and development of power battery cells, arrange for demonstration of fuel cell vehicles, introduce platform for the development of THS (Toyota Hybrid System) and G-MC 2.0 electromechanical coupling system and other key projects. For intelligent networking, in-depth exploration of “software-defined vehicle” will be carried out for the purpose of completing intelligent networking technology route planning, so as to make further progress in the key projects on Ethernet T-Box, G-OS system, EEA 3.0 electronic and electrical architecture, automated parking, and digital cockpit, etc.

We will take efficiency as the key focus and promote various reforms and innovations. In order to create a more distinctive positioning to market-oriented talent selection and employment, the Group will deepen its reform of professional managers and further establish and improve the system of professional managers’ responsibility and rights. We will actively explore and implement medium and long-term incentive plans and improve the reward mechanism. With the accelerated implementation of mixed ownership reform in qualified investee enterprises and research and exploration of mixed ownership reforms on technological or business model innovation projects, we will further carry out reform of professional managers in investee enterprises, and strive to implement pilot plans for reform within the year.

We will tackle problems to prevent and resolve major risks. We will strengthen the industrial chain by expediting the nationalisation of key parts and components and leading the establishment of an independent and highly competitive supply chain system so as to promote, supplement and strengthen the supply chain. Through better governance of the risk of the distributing channels, accelerating the submerge of such channels, improving the network profitability, the ability of risk aversion and sustainable development, enhancing the marketing and sales, management and service standards of distributors, further optimising financial instruments, product introduction, production and sales mechanisms to reduce pressure of channel distribution, we can maintain a stable distribution network and overcome challenges together with our distributors.

We will aim to achieve win-wins and intensify the work of internal and external collaboration. We will enhance the coordination of research, production and sales, improve the overall supervision system of vehicle models, and provide a powerful protection mechanism for adjustment of self-developed brand. We will continue to promote and expand industrial strategic cooperation, through further strengthening the innovative cooperation with SAIC, Huawei, Tencent, iFlytek and other enterprises to explore cooperation opportunities for shared resources, reducing costs and increasing efficiency, and enhancing competitiveness, and work together to build a cross-industry integrated automobile ecosystem.

We will pay close attention to market situation and step up seizing opportunities for development. The Group will carry out in-depth studies on the impact of the pandemic, maximise the use of policy bonus to seize market share, and turn crisis into opportunities. To make full use of the “14th Five-Year Plan” plan, we will combine the Group’s mid to long-term development strategy with changes in the internal and external environment, respond to and prepare for major challenges such as the restructuring of the global industrial chain, the “new four modernisations”, and the relaxation of joint venture share proportion. The Group will comprehensively forge ahead with the digital transformation strategy, gradually build a group-level big data platform, maximise the enormous potential of digitalisation and digital bonus, strengthen the competitiveness of its entire value chain, and make GAC a data-driven technological enterprise.

Seek challenging opportunities and overcome obstacles can one progress and achieve success. Facing the risks and difficulties brought by the COVID-19 pandemic and the extremely uncertain external environment, we will rise up to the challenges and progress with firm belief. Only reformers have the drive to improve and innovators have the desire to become stronger, and the ultimate success is always with them. We will adhere to the principle of “development is the primary priority, talent is the primary resource, innovation is the chief driving force” and stick to our primary objective of “one core theme, two unwavering strategies, three changes”, take innovation as the lead and forge ahead with determination to promote high quality and quantity development powered by our reform initiatives, so as to make ourselves the leading enterprise with global competitiveness and make the Chinese automobile brand bigger and stronger.

Last but not least, I would like to thank our investors, customers, business partners and stakeholders for their support and concern for the GAC Group.

SUMMARY OF BUSINESS OF THE COMPANY

(I) Summary of business

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

1. *Research and development segment*

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

2. *Whole vehicles segment*

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

- **Products:** The Group's passenger vehicles include 13 series of sedans, 29 series of SUV and 3 series of MPV.

Fuel-engined vehicle products of the Group include:

- GAC Trumpchi (GA4, GA6, GA8, GS3, GS4, GS5, GS8, GS8S, GM6, GM8, etc.);
- GAC Honda Accord, Crider, Vezel, Odyssey, Fit, Avancier, Breeze, Acura CDX, Acura TLX-L, Acura RDX, etc.;
- GAC Toyota Camry, Highlander, Wildlander, Yaris L (致炫, 致享), 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 GS4 PHEV, GE3, Aion S, Aion LX, Aion V;
- GAC Honda Accord Sport Hybrid, Odyssey Sport Hybrid, Breeze Sport Hybrid, Crider Sport Hybrid, Acura CDX Hybrid, Shirui, VE-1;
- GAC Toyota Camry HEV, Wildlander HEV, Levin HEV, Levin HEV E+, iA5, C-HR EV;
- GAC FCA JEEP Grand Commander • PHEV;
- GAC Mitsubishi Qizhi • PHEV, Qizhi • EV;
- GAC Nio HYCAN (Hechuang) 007

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 Honda's Zengcheng factory production capacity expansion project (phase II) with production capacity of 120,000 units/year has commenced operation in February 2020. As at the end of the reporting period, the total vehicle production capacity amounted to 2,733,000 units/year.
- **Sales channel:** The Group conducts automobile sales through sales outlets and online channels. As at the end of the reporting period, the Company, together with its joint ventures and associated companies, had 2,533 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*

Mainly through its subsidiary, GAC Business, and its controlling and investee companies, Da Sheng Technology in the upstream and downstream of the automobile industrial chain, the Group 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 its subsidiary, GAC Component, and GAC Toyota Engine and Shanghai Hino, the Group’s associated companies. The parts and components include engines, gearboxes, car seats, micro motors, shifter, electric controller, interior and exterior decorations. About 74% of the products were whole vehicle accessories of the Group.

5. *Financial segment*

The Group carried on financial investment, insurance, insurance brokerage, financial lease, automobile credit, and other related businesses mainly through its subsidiaries, namely GAC Finance, China Lounge Investments, GAC Capital, Urtrust Insurance, and its joint venture, GAC-SOFINCO, etc.

(II) **INDUSTRY ENVIRONMENT**

During the reporting period, the global economic recession continued to be severe, the domestic economy was in a critical period of development transformation, optimisation of economic structure and transformation of the growth drive, and affected by the sudden COVID-19 pandemic, global industry chain was materially disrupted, national automobile industry experienced a sharp downturn and came to a halt for a long time. With the timely introduction of a series of policies in stimulating production and consumption which covered the whole industry chain by national and local governments, the automobile industry began to recover gradually since April and maintained a relatively good momentum of development. The overall situation of the industry is as follows:

The production and sales volume of automobiles amounted to 10.1124 million units and 10.2569 million units, representing a year-on-year decrease of 16.81% and 16.91% respectively. The degree of decline has continued to narrow since April. The production and sales volume of passenger vehicles amounted to 7.7536 million units and 7.8725 million units, representing a year-on-year decrease of 22.48% and 22.42% respectively, among which, the production and sales volume of sedans recorded a year-on-year decrease of 25.93% and 25.96% respectively. The production and sales volume of SUV recorded a year-on-year decrease of 14.63% and 14.87% respectively. The production and sales volume of MPV recorded a year-on-year decrease of 48.06% and 45.68% respectively. The production and sales volume of new energy vehicles amounted to 397,000 units and 393,000 units respectively, representing a year-on-year decrease of 36.50% and 37.40% respectively.

Looking at the market share of passenger vehicle brands, the market share of passenger vehicles of Chinese brand was 36.30%, decreased by 3.04 percentage points year-on-year, passenger vehicles of the German series and Japanese series maintained growth with a market share of 25.00% and 23.70% respectively, increased by 1.90 percentage points and 2.30 percentage points year-on-year respectively.

The top 10 enterprise groups in terms of automobile sales volume achieved an aggregate sales volume of 9.1390 million units, representing a year-on-year decrease of 16.50%, but was 0.40 percentage point higher than that of the industry, and accounted for a 89.10% of the total sales volume of automobiles, representing a year-on-year increase of 0.40 percentage point.

(III) ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Industry layout 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 whole 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, with new profit growth points emerging, and the comprehensive competitiveness of the Group has been constantly enhanced. During the reporting period, GAC Honda officially completed the absorption merger of Honda Automobile (China) Co., Ltd., and GAC Honda's Zengcheng factory production capacity expansion project (phase II) with production capacity of 120,000 units/year officially commenced production, which further improved the industrial layout.

2. Advanced manufacturing, craftsmanship, quality and process management

The Group has comprehensive advantages in terms of manufacturing, craftsmanship, quality and process 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 excellence.

3. Continued 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 promoted the development and introduction of new products, new vehicles and facelifted vehicle models such as GS4 PHEV, GS4 COUPE, brand new GA8, Aion V, Wildlander (including HEV), C-HR EV, facelifted Avancier, Breeze Sport Hybrid, Crider Sport Hybrid, facelifted Acura CDX, GAC Nio HYCAN (Hechuang) 007, etc. were successively launched by various vehicle factories, which has enriched the product lines and the proportion of new energy and energy conservation products has been continuously enhanced.

4. *Initiated the “GAC Model” for the R&D and production system of self-developed brand*

After years of introduction, digestion, absorption and innovation, the Group accumulated funds, technology, talents and experience and formulated a world class production system. For R&D, through the integration of advantageous global resources and the establishment of a cross-platform and modular-structured R&D system, the Group has been equipped with the advantage of integrated innovation. During the reporting period, independent design and development of battery cells, integrated electric drive IDU and fuel-battery vehicle demonstration projects, etc. made phased progress; ADiGO 3.0 Smart Driving and Connected Ecosystem, remote parking and 5G V-BOX in-vehicle intelligent communication system, etc. were put into mass production. The Group has filed 927 new patent applications, resulted in a total of 6,983 patent applications. 666 patents have been newly granted (including 67 invention patents), and total patents granted have reached 4,498 (including 642 invention patents). GAC’s self-developed 7-speed wet dual-clutch gearbox was awarded the title of “Top Ten Gearboxes in the World” by the Automotive Evaluation Research Institute; GAC Group’s “Self-Development of Key Technology of A Class Purely Electric Powered Passenger Vehicle and Industrialisation” project won the Science & Technology Progress Awards of Guangdong Province (First Class).

5. *Built a new energy and intelligent network technology system*

The Group has the world’s leading purely electric powered vehicle exclusive platform GEP 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 created Aion series, a new energy vehicle product system based on the new purely electric powered exclusive platform, and a variety of GAC New Energy products were introduced to the joint ventures successfully. During the reporting period, the first 5G smart car, which was equipped with the one-touch remote parking, ADiGO 3.0 Smart Driving and Connected Ecosystem, 5G intelligent healthy cockpit technology and the first domestic self-developed integrated 5G+C-V2X in-vehicle intelligent communication system, and designed based on the successful launch of Aion V produced by the GEP 2.0 whole aluminum purely electric powered exclusive platform, was created.

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 and to expand its investment and financing sector, optimised financing structure, and the role of finance in supporting the main business has been significantly enhanced.

DISCUSSION AND ANALYSIS ON OPERATION

(I) MAJOR WORKS

During the first half of 2020, facing the severe situation brought by the sudden outbreak of the COVID-19 pandemic and the continued decline of the automobile industry, the Group resisted the pressure and overcame the difficulties to achieve positive results in fighting the “double-line battle” of the pandemic prevention and control and business development. As the pandemic prevention and control was generally stabilised and resumption of work and production was fully progressed, the operating performance was on a good track while maintaining stability.

1. *Withstanding the severe test and achieving notable results in pandemic prevention and control and the resumption of work and production*

After the outbreak of the COVID-19 pandemic, the Group immediately established a pandemic prevention leadership team for coordination and to make an overall plan and quickly implement pandemic prevention measures. The Group valued the health and safety of employees, our 100,000 employees have no cluster infection. The Group strictly complied with the requirements of pandemic prevention and control, and promoted the resumption of work and production by enterprise, field and stage. The Group was one of the first batch of automobile companies to resume work and production across the country. In early April, more than 5,000 parts and components and logistics suppliers and sales outlets of the Group have all resumed work and production; each investee enterprises has actively expanded production and took every effort to expand production capacity, with the overall capacity utilisation rate basically returning to normal; through a series of positive measures for the recovery of operations, the Group’s performance has gradually recovered and picked up, with major indicators continuing to improve. While solidly proceeding the work of the “six priorities” and the “six stabilising forces”, the Group assisted parts and components suppliers to resume work and production, and activated overseas parts and components emergency management mechanism to ensure the stability of the supply chain; the Group actively stabilised the investments and steadily promoted the construction of a series of major projects, such as the GAC Zhilian New Energy Automotive Industrial Park, GAC Aisin Gearbox Project and Southern Intelligent Network New Energy Vehicle Testing Center. In stabilising employment and protecting employees’ livelihood, the Group made every effort to prevent and minimise the risk of large-scale layoffs.

2. *Flexibly controlling the development pace with achievements in various segments*

For the whole vehicles segment, the overall performance of passenger vehicles outshined the overall industry. Accord and Camry were among the top two hot sellers in the medium to high end sedan segment market in terms of sales volume. Star vehicle models, including Aion S, Levin, Highlander, Avancier, Breeze, Vezel, Yaris L (致炫) and Odyssey, were all among the best sellers in their respective segment markets. Newly launched vehicle models, including GS4 PHEV, GS4 COUPE, brand new GA8, Aion V, Wildlander (including HEV), C-HR EV, facelifted Avancier, Breeze Sport Hybrid, Crider Sport Hybrid and facelifted Acura CDX, were well appraised by the market. The first GAC Nio HYCAN (Hechuang) 007 was successfully launched and delivered. For

the parts and components segment, the Saint-Gobain glass project was successfully commenced in the Meizhou GAC Parts and Components Industrial Park and the Guangzhou Zhongxin YFOP project has received orders for ancillary facilities from various customers during the period of preparation for construction. For the commercial services segment, GAC Business proceeded with the construction of sales network and Da Sheng Technology accelerated the formulation of the implementation plan of the digital transformation systems and mechanisms. For the financial services segment, GAC-SOFINCO, Urtrust Insurance, GAC Capital and GAC Finance gave full play to the industrial and financial synergy to expand the inventory financing business, increase financial support, integration of industry and finance, optimise automobile insurance business and provide strong support for the development of major businesses. For the mobility segment, “On Time” (「如祺出行」) newly launched the hitch ride services and implemented the franchising mode to achieve rapid expansion of the transport capacity.

3. *Taking the initiative to innovate and change and implementing various measures to seize the market opportunities*

The Group quickly responded to local governments’ policies to promote automobile consumption, and promptly launched special promotion policies to vigorously expand to the market-oriented customers. The Group continued to proceed with digital quick-win projects and build a digitalised marketing and sales system. The first phase of GAMC digital marketing and sales service platform was launched, and the marketing and sales business coverage increased to 80%; GAC New Energy created a nationwide marketing and sales model for Aion partners. The Group also directly reached consumers through online live broadcasts such as “sales promotion by boss” and “cloud dissemination”. In the “GAC 628 Super Brand Day” event held by the Group, the chairman and general manager of the Group, together with 12 investee enterprises, conducted product promotion through live streaming, with the total number of viewers exceeding 59 million.

4. *Continuously strengthening innovation and consolidating self-development foundation*

The Group gave full play to the role of the board of directors of self-developed brands, actively improved the operating mechanism of the board of directors of self-developed brands and established a supervision system of vehicle models to promote the integration of research, production and sales. The Group solidly advanced the QDR project and strove to improve product quality. The Group focused on cultivating star vehicle models, enriching and improving the product matrix, and launched Trumpchi GS4 COUPE, GS4 PHEV, GS8S, GM8 master version and other models to enrich the Trumpchi family products. The Group launched the new model Aion V as planned, which is equipped with the latest technologies such as one-touch remote parking, ADiGO 3.0 Smart Driving and Connected Ecosystem, 5G intelligent healthy cockpit, and also equipped with China’s first self-developed integrated 5G+C-V2X in-vehicle intelligent communication system, and became the first 5G smart car available in the market.

5. *Implementing in-depth reform and motivating the development vitality of enterprises*

The Group continued to deepen the mixed-ownership reform, actively encouraged GAC Nio and Urtrust Insurance to introduce strategic investors, launched the core team incentive and investment systems for innovative and entrepreneurial venture enterprises, and explored the implementation of employee shareholding scheme in venture enterprises in fields such as graphene; continued to explore the implementation of the medium and long-term incentive plan, optimised the management evaluation indicator system, explored the establishment of the “one indicator for one person” differentiated performance management system for senior management, highlighted the job relevance, objectivity, differentiation and quantification of the evaluation indicators, and revised 40 systems including the Articles of Association and the rules of procedures of the general meetings. Changes of independent directors were completed to ensure that the composition of the Board is scientific and reasonable. The construction of the compliance system was strengthened, and a complete and standardised long-term operating mechanism was established with full coverage of the compliance management and organisation system. The Group also promoted the reform of the audit institution and its model to further strengthen risk management and control for the building of a scientific, standardised, streamlined and efficient audit management and risk management system.

6. *Strengthening the management of investor relations and building a good image in the market*

The Group continued to conduct information disclosure based on the principle of being “true, accurate, complete, timely, fair and effective” and has been rated as “A-class” for five consecutive years in information disclosure by the SSE. In first half of 2020, the Company made 98 and 80 announcements on the SSE and the Stock Exchange respectively, making disclosures on various corporate documents without any error, delay, modification or supplement. We enhanced communications with investors through various ways, including the e-interaction platform of the SSE, investor hotlines, roadshows and investors exchange forum. Over 1,500 investors and analysts have been met during the period. The Company was granted a number of awards including “The Eleventh Pegasus Award of China’s Listed Companies Investor Relations”, “Best Company for Investor Relations”, “Best IR HK Listed Companies” in the third session of the New Fortune, etc.

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

During the reporting period, the overall sales revenue of the Group amounted to approximately RMB159.703 billion, representing a decrease of approximately 9.00% as compared with the corresponding period last year.

During the reporting period, the sales revenue of the Group amounted to approximately RMB25.642 billion, representing a decrease of approximately 9.56% as compared with the corresponding period last year; net profit attributable to shareholders of the Company amounted to approximately RMB2.318 billion, representing a decrease of approximately 52.88% as compared with the corresponding period last year. Basic earnings per share amounted to approximately RMB0.23, representing a decrease of approximately 52.08% as compared with the corresponding period last year.

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

1. In the first half of 2020, the domestic and international situation was severe and complicated, and it was even more affected by the COVID-19 pandemic. Under the downward pressure on the economy, the production and sales of domestic automobile industry declined significantly. Since entering into the second quarter, as the domestic anti-pandemic situation continued to improve, a series of favourable policies were successively implemented and the production and sales of domestic automobile industry gradually recovered. Since the resumption of work and production, the Group has been actively adopting operation recovery measures and the major indicators continuously improved. The decline in sales volume in the second quarter was 5.38 percentage points narrower than that of the first quarter. Facing the complicated and dynamic situation, the Group has always adhered to positive R&D, independent innovation, accelerated the introduction of new products and continuous enhancement of product power. In the first half of the year, new generation of Trumpchi GS4 PHEV, GS8S, GS4 COUPE, Aion V and new GA8 were successively launched 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 sales volume exceeding 20,000 units in the first half of the year, achieving a year-on-year growth of 89.42%.

2. Japanese series joint ventures launched new products and technologies which continuously enhanced integrated competitiveness. Among which, GAC Toyota continued to maintain growth despite the unfavourable trend, the main vehicle models were in short supply. In the first half of the year, Wildlander (including HEV) and C-HR EV were newly launched. The proportion of new energy and energy conservation products continuously enhanced. GAC Honda Breeze continued to achieve hot-sales, Avancier, Acura CDX were facelifted and Crider Sport Hybrid was newly launched.
3. As affected by the pandemic, there were changes in the production and sales volume of the Group's whole vehicle enterprise. Ancillary businesses in the upstream and downstream of the industry chain such as financial services, parts and components and commercial services were also affected to a certain extent. However, the synergistic effect among business segments continued to emerge which facilitated the development of principal businesses. Among which, the cooperation between financial enterprises has been continuously deepened, with the innovation in business expansion, both of which strongly supported the Group's automobile sales. "On Time" (如祺出行) continued to enrich its product business and extended its scope of services to achieve rapid expansion.

(III) ANALYSIS OF PRINCIPAL BUSINESS

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

Unit: 100 million Currency: RMB

Item	Current period	Corresponding period last year	Percentage change (%)
Revenue	256.42	283.51	-9.56
Costs of sales	246.75	263.10	-6.21
Selling and distribution costs	14.30	17.35	-17.58
Administrative expenses	16.43	17.81	-7.75
Finance costs	2.35	2.92	-19.52
Interest income	2.57	2.14	20.09
Share of profit of joint ventures and associates	39.87	48.66	-18.06
Net cash flow generated from operating activities	-68.82	-37.55	-83.28
Net cash flow generated from investing activities	32.46	-0.94	3,553.19
Net cash flow generated from financing activities	-32.11	-14.52	-121.14

2. *Revenue*

During the reporting period, sales revenue of the Group amounted to approximately RMB25.642 billion, representing a decrease of approximately 9.56% as compared with the corresponding period last year, which was mainly due to the impact of the COVID-19 pandemic, the significant decline in the production and sales of domestic automobile industry and the decrease in sales volume of the Group's self-developed brand "Trumpchi" model.

3. *Costs of sales and gross profit*

During the reporting period, the Group recorded costs of sales of approximately RMB24.675 billion, representing a decrease of approximately 6.21% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB967 million, representing a decrease of approximately RMB1.074 billion as compared with the corresponding period last year. Gross profit margin decreased by 3.43 percentage points as compared with the corresponding period last year, mainly due to the combined effect of the impact of the COVID-19 pandemic, the decrease in production and sales volume of self-developed brand model, corresponding decrease in production costs, and the corresponding decrease in costs of the components enterprises as a result of the decrease in sales volume of self-developed and joint venture whole vehicle enterprises.

4. *Expenses*

- (1) The decrease of approximately RMB305 million in selling and distribution costs as compared with the corresponding period last year was mainly attributable to the combined effect of the decrease in advertisement, promotion and marketing expenditures, as well as logistics and warehousing expenses during the reporting period as compared to the corresponding period last year;
- (2) The decrease of approximately RMB138 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the combined effect of the decrease in R&D expensed spending during the reporting period;
- (3) The decrease of approximately RMB57 million in finance costs as compared with the corresponding period last year was mainly attributable to the combined effect of the repayment of corporate bonds with nominal value of RMB2 billion which led to the decrease in interest expenses during the reporting period;
- (4) The increase of approximately RMB43 million in interest income as compared with the corresponding period last year was mainly attributable to the combined effects of increase in average interest rate, resulting in the increase in interest income during the reporting period.

5. *Cash flow*

- (1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB6.882 billion, representing an increase in outflow of approximately RMB3.127 billion as compared with the net cash outflow of RMB3.755 billion in the corresponding period last year, which was mainly attributable to the combined effect of the corresponding decrease in sales payables, the year-on-year decrease in net deposit of non-consolidated companies in GAC Finance and the increase in customer lending issued by GAC Finance as a result of the decrease in sales volume during the reporting period;
- (2) During the reporting period, net cash inflow generated from investing activities amounted to approximately RMB3.246 billion, representing a decrease in outflow of approximately RMB3.340 billion as compared with the net cash outflow of approximately RMB94 million in the corresponding period last year, which was mainly attributable to the combined effect of the impact of the year-on-year decrease in the purchase and construction of fixed assets and intangible assets investment and the increase in interest sharing received from investee enterprises during the reporting period;
- (3) During the reporting period, net cash outflow generated from financing activities amounted to approximately RMB3.211 billion, representing an increase in outflow of approximately RMB1.759 billion as compared with the net cash outflow of approximately RMB1.452 billion in the corresponding period last year, which was mainly attributable to the combined effect of the repayment of corporate bonds with nominal value of RMB2 billion during the reporting period;
- (4) As at 30 June 2020, cash and cash equivalent of the Group amounted to approximately RMB16.767 billion, representing a decrease of approximately RMB5.674 billion as compared with approximately RMB22.441 billion as at 30 June 2019.

6. *Share of profit of joint ventures and associated enterprises*

During the reporting period, the Group's share of profit of joint ventures and associated enterprises amounted to approximately RMB3.987 billion, representing a decrease of approximately RMB879 million as compared with the corresponding period last year, which was mainly attributable to the combined effect of the impact of the pandemic, the decrease in profit of joint ventures, as well as the decrease in profit in the upstream parts and components business of associated companies as a result of the decrease in production and sales volume.

7. Others

Income tax amounted to approximately RMB-92 million, representing a decrease of approximately RMB95 million as compared with the corresponding period last year, which was mainly attributable to changes in profit of certain enterprises during the reporting period.

To sum up, the Group's net profit attributable to shareholders of the Company for the reporting period amounted to approximately RMB2.318 billion, representing a decrease of approximately 52.88% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.23, representing a decrease of approximately 52.08% as compared with the corresponding period last year.

(IV) ANALYSIS BY INDUSTRY, PRODUCT OR REGIONAL OPERATION

1. Principal business by industry

By industry	Revenue	Cost of sales	Gross profit margin (%)	Unit: 100 million Currency: RMB		
				Changes in revenue compared with last year (%)	Changes in costs of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Automobile manufacturing industry	149.18	147.55	1.09	-11.46	-9.80	Decreased by 1.82 percentage points
Parts and components manufacturing industry	9.04	8.67	4.09	-10.50	-0.23	Decreased by 9.87 percentage points
Commercial services	87.16	84.18	3.42	-7.42	-0.46	Decreased by 6.76 percentage points
Financial services and others	11.04	6.35	42.48	2.41	1.44	Increased by 0.55 percentage points
Total	256.42	246.75	3.77	-9.56	-6.21	Decreased by 3.43 percentage points

2. *Principal business by product*

Unit: 100 million Currency: RMB

By product	Revenue	Cost of sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in costs of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Passenger vehicles	149.09	147.49	1.07	-11.46	-9.80	Decreased by 1.82 percentage points
Vehicles-related trades	96.20	92.85	3.48	-7.72	-0.44	Decreased by 7.06 percentage points
Financial services and others	11.13	6.41	42.41	2.39	1.42	Increased by 0.55 percentage points
Total	256.42	246.75	3.77	-9.56	-6.21	Decreased by 3.43 percentage points

3. *Principal business by region*

Unit: 100 million Currency: RMB

By region	Revenue	Changes in revenue compared with last year (%)
Mainland China	253.78	-10.49
Hong Kong	2.64	N/A
Total	256.42	-9.56

(V) ANALYSIS ON ASSETS AND LIABILITIES

1. Analysis table of assets and liabilities

Unit: 100 million Currency: RMB

Item	Balance at the end of the current period	Balance at the end of the period over total assets (%)	Balance at the end of previous period	Balance at the end of previous period over total assets (%)	Change (%)
Financial assets (current) at fair value through profit or loss	18.45	1.42	8.43	0.61	118.86
Intangible assets	120.60	9.29	108.10	7.86	11.56
Borrowings (current)	48.03	3.70	61.69	4.49	-22.14
Trade and other payables (current)	270.71	20.85	336.16	24.45	-19.47

2. Analysis on change of items

- (1) Financial assets (current) at fair value through profit or loss increased by 118.86% as compared with the balance at the end of the previous period, mainly due to the combined effect of year-on-year increase in financial products investment during the reporting period;
- (2) Intangible assets increased by 11.56% as compared with the balance at the end of the previous period, mainly due to the combined effect of increase in intangible assets by technological development;
- (3) Borrowings (current) decreased by 22.14% as compared with the balance at the end of the previous period, mainly due to the combined effect of repayment of corporate bonds with nominal value of RMB2 billion during the reporting period;
- (4) Trade and other payables (current) decreased by 19.47% as compared with the balance at the end of the previous period, mainly due to the combined effect of decrease in payables due to the decrease in sales volume during the reporting period.

(VI) ANALYSIS OF FINANCIAL POSITION

1. *Financial indicators*

As at 30 June 2020, the Group's current ratio was approximately 1.44 times, representing an increase from approximately 1.36 times as at 31 December 2019, quick ratio was approximately 1.24 times, representing an increase as compared with that of approximately 1.20 times as at 31 December 2019. Current ratio and quick ratio remained normal.

2. *Financial resources and capital structure*

As at 30 June 2020, the Group's current assets amounted to approximately RMB48.324 billion, current liabilities amounted to approximately RMB33.463 billion and current ratio was approximately 1.44 times. As at 30 June 2020, the Group's total borrowings amounted to approximately RMB12.533 billion, mainly consisting of corporate bonds issued by the Group with nominal value of RMB3 billion, two tranches of medium-term notes both with nominal value of RMB0.3 billion, convertible bonds with closing balance of approximately RMB2.575 billion, short-term financing bonds with closing balance of approximately RMB0.4 billion and loans from bank and financial institutions with closing balance of approximately RMB5.886 billion, etc. gearing ratio was approximately 13.12%. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

3. *Foreign exchange risk*

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

4. *Contingent liabilities*

As at 30 June 2020, third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2019 was RMB0; as at 30 June 2020, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2019 was RMB0.

5. *Charges on the Group's assets*

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

OTHER DISCLOSURES

1. Possible risks

Affected by the COVID-19 pandemic, the global finance, trade, supply chain and tourism industry have been severely affected. The overall macroeconomic environment fluctuated dramatically. In particular, the pandemic has not been effectively contained in overseas countries, and the global economy is still facing serious and continuous downward risks. Meanwhile, benefited from the effective containment of the pandemic in China and the introduction of a series of favorable policies and measures for stimulating consumption and stabilising employment by the central and local governments, consumer confidence is expected to be enhanced and part of the inhibited consumption demand is expected to be released, which will also further facilitate the recovery of the automobile industry.

2. Production safety

The Group insisted on following the guidance of President Xi Jinping's new era of socialism with Chinese characteristics, adhered to the spirit of "party and government sharing the same responsibility, one post with dual responsibilities, joint control and management and accountability for dereliction of duty", as well as the idea of "people-oriented and safe development". Based on the working philosophies of supervision, monitor and service, the Group closely focused on the major tasks of resumption of work and production, production safety and pandemic prevention and control, earnestly implemented objective management assessment, strengthened risk management and control and the treatment of hidden hazards, solidly promoted the implementation of main responsibility of the investee enterprises, and strove to achieve safe production, regularisation of stability maintenance and comprehensive management work, standardised and scientific management.

Following strictly the annual working plan, the Group strengthened the safety risk management control and the investigation and treatment of hidden hazards by focusing on transportation, logistics, construction, hazardous chemicals and dilapidated old buildings; resumed work and production while focusing on pandemic prevention and control and safe production, implemented the main responsibility in the “five aspects” of pandemic prevention and control and production safety; well prepared for flood prevention and encouraged investee enterprises to comprehensively improve the flood prevention mechanisms and systems, emergency equipment and materials and the treatment of hidden hazards. In the first half of the year, the Group and its investee enterprises recorded no serious production accident, and the production safety conditions remained stable in general.

In the second half of the year, the Group will continue to pay close and serious attention to safety, supervise and urge investee enterprises to comprehensively conduct safety risk grading management, investigations and rectification work for hidden hazards, enhance publicity and educational training of safe production, strictly implement safe production target management, and promote the implementation of main responsibility of investee enterprises in production safety, so as to ensure safe production to progress in a steady and orderly way.

3. Remuneration and legal rights of employees

As at 30 June 2020, there are 91,835 registered employees of the Group (including its investee enterprises).

In terms of remuneration policy, the Group, on one hand, analyses remuneration data in the market, CPI growth and industry benchmark, maintains the market competitiveness of remuneration levels, and popularises the collective wage negotiation mechanism to ensure that remuneration plays an incentive role in talent retention. On the other hand, the Group strengthens the relationship between remuneration and performance, and constantly optimises the management system such as remuneration system, enterprise performance appraisal mechanism, individual performance appraisal method, and employee promotion system, and promote the offer of remuneration incentives to high-performance employees.

Timely and full contributions to various social insurances were made by the Group for the employees in accordance with the requirements of national and provincial laws and regulations on labour security in order to ensure that employees receive labour protection in accordance with the law. The Group also purchased supplementary medical and enterprise annuity for its staff in order to further protect and safeguard their interests and health beyond the requirements of policies and legal regulations.

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

SIGNIFICANT EVENTS

1. PROFIT DISTRIBUTION PLAN OR CONVERSION OF CAPITAL RESERVE

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

Whether making profit distribution or converting capital reserve into share capital	Yes
Number of bonus share for every 10 shares	0
Amount of cash dividend for every 10 shares (RMB) (tax inclusive)	0.3
Number of shares converted for every 10 shares	0
Relevant Explanation on Profit Distribution Plan or Plan to Convert Capital Reserve into Shares	
At the 49th meeting of the 5th session of the Board of the Company held on 28 August 2020, it was considered and resolved that a cash interim dividend of RMB0.3 (tax inclusive) per 10 shares shall be distributed to all shareholders of the Company on the record date.	

2. Matters relating to insolvency or restructuring

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

3. Material litigations or arbitrations matters

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

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

The first exercise period of the 2017 initial grant of the Second Share Option Incentive Scheme of the Company is from 18 December 2019 to 17 December 2020; no exercise has taken place during the reporting period.

On 22 June 2020, according to the final profit distribution plan of 2019, the exercise price of the initial grant of the Second Share Option Incentive Scheme was adjusted to RMB19.40/A share, and the exercise price of the reserved share option was adjusted to RMB10.13/A share. For details, please refer to the “Announcement on Adjusting the Exercise Price of the Initial Grant and Reserved Share Option of the Second Share Option Incentive Scheme” (Announcement No.: Lin 2020-048) published on the websites of SSE and the Stock Exchange on 12 June 2020.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trusts

As considered and approved at the 59th meeting of the 4th session of the Board, the Company was entrusted by GAIG, its controlling shareholder, to manage the assets of its wholly-owned subsidiaries, namely Guangzhou Zhicheng Property 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) for a term of 3 years (Announcement No.: Lin 2017-111).

2. Guarantee

Unit: Yuan Currency: RMB

External Guarantee of the Company (excluding those provided to subsidiaries)	
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	0
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	0
Guarantee provided to subsidiaries by the Company	
Total guarantee provided to subsidiaries of the Company during the reporting period	461,000,000
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)	244,000,000
Total guarantee of the Company (including those provided to subsidiaries)	
Total guarantee (A+B)	244,000,000
Proportion of total guarantee in the net assets of the Company (%)	0.30%
In which:	
Amount of guarantees provided for shareholders, ultimate controllers and its connected parties (C)	0
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)	0
Total amount of guarantees in excess of 50% of net assets (E)	0
Sum of the above three guaranteed items (C+D+E)	0
Description on outstanding guarantees which may bear several and joint liability	N/A
Description on guarantees	Guarantee provided to subsidiaries during the reporting period, mainly represented the guarantee for customs duties issued by GAC Finance to GAMC

A SHARE CONVERTIBLE BONDS OF THE COMPANY

1. Issuance of convertible bonds

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

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

Name of convertible bonds	2016 convertible corporate bonds of Guangzhou Automobile Group Co., Ltd.	
Number of convertible bonds holders at the end of the period	1,965	
Guarantors of convertible bonds of the Company	Nil	
Conditions of top ten convertible bonds holders are as follows:		
Name of convertible bonds holders	Amount of bonds held at the end of the period (RMB)	Percentage of holding (%)
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	276,051,000	10.83
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	248,777,000	9.76
China Life Insurance Company Limited – Dividends Distribution – Dividends Distribution to Individuals – 005L – FH002 Hu	176,752,000	6.93
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.)	128,030,000	5.02
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank)	114,775,000	4.50
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial Bank Co., Ltd.)	100,557,000	3.94
China Merchants Bank Co., Ltd. – Hongde Zhiyuan Mixed Bond Securities Investment Fund	75,803,000	2.97
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Shanghai Pudong Development Bank)	72,794,000	2.86
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Agricultural Bank of China)	57,142,000	2.24
Huaxia Life Insurance Co., Ltd. – Self-owned Fund	51,185,000	2.01

3. Changes in the convertible bonds during the reporting period

Unit: Yuan Currency: RMB

Name of convertible bonds	Prior to current change	Increase/decrease as a result of the current change			After current change
		Converted	Redeemed	Resold	
2016 convertible corporate bonds of Guangzhou Automobile Group Co., Ltd.	2,552,276,000	3,102,000	0	0	2,549,174,000

4. Aggregated conversion of convertible bonds during the reporting period

Name of convertible bonds	2016 convertible corporate bonds of Guangzhou Automobile Group Co., Ltd.
Amount of shares converted during the reporting period (RMB)	3,102,000
Number of shares converted during the reporting period (A shares)	217,530
Aggregated number of shares converted (A shares)	72,071,353
Aggregated number of shares converted per the total number of issued shares of the Company before conversion (%)	1.12%
Outstanding convertible bonds (RMB)	2,549,174,000
Outstanding convertible bonds per the total number of convertible bonds issued (%)	62.09%

5. Previous adjustments to conversion price

Date of adjustment on conversion price	Adjusted conversion price	Date of disclosure	Disclosure media	Description of the conversion price adjustment
14 September 2017	RMB21.43	6 September 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB1 (tax inclusive) for every 10 shares for the interim period of 2017, the conversion price was adjusted from RMB21.53 per A share to RMB21.43 per A share accordingly.
21 November 2017	RMB21.27	20 November 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the non-public issue of 753,390,254 A shares, the conversion price was adjusted from RMB21.43 per A share to RMB21.27 per A share accordingly.
21 December 2017	RMB21.24	20 December 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the commencement of the first exercise period of the first A share option incentive scheme of the Company during the reporting period, the conversion price was adjusted based on the number of shares increased as a result of the exercise of share options accordingly.

Date of adjustment on conversion price	Adjusted conversion price	Date of disclosure	Disclosure media	Description of the conversion price adjustment
12 June 2018	RMB14.86	5 June 2018	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the profit distribution for the year of 2017, pursuant to which cash dividend of RMB4.3 per 10 shares (tax inclusive) was distributed and at the same time 4 shares were issued for every 10 shares to all shareholders by way of conversion of capital reserve, the conversion price was adjusted accordingly.
17 September 2018	RMB14.76	6 September 2018	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB1 (tax inclusive) for every 10 shares for the interim period of 2018, the conversion price was adjusted from RMB14.86 per A share to RMB14.76 per A share accordingly.
7 November 2018	RMB14.74	5 November 2018	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to exercise of share options under the 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.

Date of adjustment on conversion price	Adjusted conversion price	Date of disclosure	Disclosure media	Description of the conversion price adjustment
25 June 2019	RMB14.46	17 June 2019	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the profit distribution for the year of 2018, cash dividend of RMB2.8 per 10 shares (tax inclusive) was distributed, the conversion price was adjusted accordingly.
24 September 2019	RMB14.41	17 September 2019	Websites of SSE and the 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.
22 June 2020	RMB14.26	15 June 2020	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the final profit distribution plan of 2019 of RMB1.5 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB14.41 per A share to RMB14.26 per A share accordingly.
Latest conversion price as at the end of the reporting period		RMB14.26		

6. Information on the Company's liability, credit changes and cash arrangement for debt repayment next year

As at 30 June 2020, the total assets amounted to RMB129,840,547,305 and the gearing ratio was 36.05%. During the reporting period, the credit rating of the Company was AAA without changes. The Company's main sources of cash for debt repayment next year are operating cash flow and external investment income of the Company.

CHANGES IN SHARE CAPITAL

During the reporting period, due to the conversion of convertible corporate bonds, an aggregate of 217,530 A shares were increased.

CORPORATE GOVERNANCE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	25,641,584	28,351,459
Cost of sales		<u>(24,675,356)</u>	<u>(26,310,099)</u>
Gross profit		966,228	2,041,360
Selling and distribution costs		(1,429,927)	(1,734,589)
Administrative expenses		(1,642,854)	(1,780,519)
Net impairment losses on financial assets		(43,794)	(10,087)
Interest income		205,706	170,742
Other gains – net		<u>392,166</u>	<u>1,671,268</u>
Operating (loss)/profit	5	(1,552,475)	358,175
Interest income		50,798	43,478
Finance costs	6	(235,236)	(291,981)
Share of profit of joint ventures and associates	7	<u>3,986,867</u>	<u>4,866,225</u>
Profit before income tax		2,249,954	4,975,897
Income tax credit/(expense)	8	<u>92,389</u>	<u>(2,118)</u>
Profit for the period		2,342,343	4,973,779
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translation of foreign operations		1,611	382
Items that will not be reclassified to profit or loss			
– changes in the fair value of equity investments at fair value through other comprehensive income		<u>(116,910)</u>	<u>(6,281)</u>
Other comprehensive loss for the period, net of tax		<u>(115,299)</u>	<u>(5,899)</u>
Total comprehensive income for the period		<u><u>2,227,044</u></u>	<u><u>4,967,880</u></u>

		Unaudited	
		Six months ended 30 June	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
Owners of the Company		2,317,770	4,918,558
Non-controlling interests		24,573	55,221
		<u>2,342,343</u>	<u>4,973,779</u>
Total comprehensive income attributable to:			
Owners of the Company		2,202,471	4,912,659
Non-controlling interests		24,573	55,221
		<u>2,227,044</u>	<u>4,967,880</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share)			
– basic	<i>9</i>	<u>0.23</u>	<u>0.48</u>
– diluted	<i>9</i>	<u>0.23</u>	<u>0.48</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		19,558,410	19,395,807
Right-of-use assets		6,983,155	6,846,371
Investment properties		1,301,066	1,334,487
Intangible assets		12,059,979	10,809,744
Investments in joint ventures and associates	7	31,158,546	32,004,786
Deferred income tax assets		1,911,187	1,705,313
Financial assets at fair value through other comprehensive income		1,107,308	1,224,218
Financial assets at fair value through profit or loss		3,308,088	3,137,472
Prepayments and long-term receivables		4,129,107	4,140,853
		<u>81,516,846</u>	<u>80,599,051</u>
Current assets			
Inventories		6,845,837	6,927,830
Trade and other receivables	11	17,661,646	16,843,950
Financial assets at fair value through other comprehensive income		15,120	6,948
Financial assets at fair value through profit or loss		1,844,995	842,845
Time deposits		3,533,414	6,959,924
Restricted cash		1,655,200	1,678,017
Cash and cash equivalents		16,767,489	23,604,986
		<u>48,323,701</u>	<u>56,864,500</u>
Total assets		<u><u>129,840,547</u></u>	<u><u>137,463,551</u></u>

		Unaudited	Audited
		30 June	31 December
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Share capital		10,237,925	10,237,708
Other reserves		27,907,353	28,144,766
Retained earnings		42,587,751	41,805,637
<hr/>			
Capital and reserves attributable to owners of the Company		80,733,029	80,188,111
Non-controlling interests		2,293,721	2,320,135
<hr/>			
Total equity		83,026,750	82,508,246
<hr/> <hr/>			
LIABILITIES			
Non-current liabilities			
Trade and other payables	<i>12</i>	355,100	262,876
Borrowings		7,729,653	7,691,622
Lease liabilities		1,253,271	1,232,042
Deferred income tax liabilities		210,360	183,136
Provisions		882,595	1,014,776
Government grants		2,919,457	2,795,975
<hr/>			
		13,350,436	13,180,427
<hr/>			
Current liabilities			
Trade and other payables	<i>12</i>	27,070,818	33,616,467
Contract liabilities		1,218,915	1,528,757
Current income tax liabilities		203,185	284,124
Borrowings		4,803,289	6,168,929
Lease liabilities		167,154	176,601
<hr/>			
		33,463,361	41,774,878
<hr/>			
Total liabilities		46,813,797	54,955,305
<hr/> <hr/>			
Total equity and liabilities		129,840,547	137,463,551
<hr/> <hr/>			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and 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.

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB”) Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2020.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this information is to be read in conjunction with the annual report for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and any public announcement made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended HKFRSs effective for the financial period beginning on 1 January 2020.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial period beginning on 1 January 2020:

Amendments	Subject of Amendments
HKFRS 3 (Amendment)	Definition of a business
HKAS 1 and HKAS 8 (Amendment)	Definition of material
HKFRS 9, HKAS 39 and HKFRS 7 (Amendment)	IBOR Reform and its Effects on Financial Reporting-Phase 1
Conceptual Framework for Financial Reporting 2018	Revised conceptual Framework for Financial Reporting

The adoption of above amendments does not have material impact on the results and financial position of the Group.

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted. According to the preliminary assessment made by the director, none of these is expected to have a significant impact on the consolidated financial statements of the Group when they become effective.

Amendments	Subject of Amendments	Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-related rent concessions	1 June 2020
Amendments to annual improvements project	Annual improvements 2018-2020 cycle	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

For management purpose, the executive directors considered the nature of the Group's products and services and determined that the Group has two reportable operating segments as follows:

Vehicles and related operations segment – production and sale of a variety of passenger vehicles, commercial vehicles, automotive parts and related operations.

Others – mainly production and sale of motorcycles, automobile finance and insurance, other financing services and investing business.

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

During the six months ended 30 June 2020, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

The segment results for the six months ended 30 June 2020 and other segment items included in the interim consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB' 000	Others RMB'000	Eliminations RMB' 000	Unallocated RMB' 000	Consolidated RMB' 000
Six months ended 30 June 2020					
Total gross segment revenue	24,583,430	1,215,845	(157,691)	–	25,641,584
Inter-segment revenue	(46,138)	(111,553)	157,691	–	–
Revenue (from external customers)	<u>24,537,292</u>	<u>1,104,292</u>	<u>–</u>	<u>–</u>	<u>25,641,584</u>
Timing of revenue recognition under HKFRS 15					
– At a point in time	22,665,639	–	–	–	22,665,639
– Over Time	1,397,994	136,415	–	–	1,534,409
Revenue from other sources	<u>473,659</u>	<u>967,877</u>	<u>–</u>	<u>–</u>	<u>1,441,536</u>
Segment results	(1,866,278)	76,115	–	–	(1,790,163)
Unallocated income – Headquarter interest income				163,385	163,385
Unallocated costs – Headquarter expenditure				74,303	<u>74,303</u>
Operating loss					(1,552,475)
Interest income	7,765	2,686	–	40,347	50,798
Finance costs	(137,345)	(3,805)	–	(94,086)	(235,236)
Share of profit of joint ventures and associates	3,726,434	260,433	–	–	<u>3,986,867</u>
Profit before income tax					2,249,954
Income tax credit/(expense)	149,903	(57,380)	–	(134)	<u>92,389</u>
Profit for the period					<u>2,342,343</u>

The segment results for the six months ended 30 June 2019 and other segment items included in the interim consolidated statement of comprehensive income are as follows:

	Vehicles and related operations <i>RMB' 000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB' 000</i>	Unallocated <i>RMB' 000</i>	Consolidated <i>RMB' 000</i>
Six months ended 30 June 2019					
Total gross segment revenue	27,307,673	1,146,258	(102,472)	–	28,351,459
Inter-segment revenue	<u>(34,439)</u>	<u>(68,033)</u>	<u>102,472</u>	<u>–</u>	<u>–</u>
Revenue (from external customers)	<u>27,273,234</u>	<u>1,078,225</u>	<u>–</u>	<u>–</u>	<u>28,351,459</u>
Timing of revenue recognition under HKFRS 15					
– At a point in time	25,443,294	–	–	–	25,443,294
– Over Time	1,298,463	128,739	–	–	1,427,202
Revenue from other sources	<u>531,477</u>	<u>949,486</u>	<u>–</u>	<u>–</u>	<u>1,480,963</u>
Segment results	(351,592)	215,708	18,057	–	(117,827)
Unallocated income – Headquarter interest income				118,934	118,934
Unallocated costs – Headquarter expenditure				357,068	<u>357,068</u>
Operating profits					358,175
Interest income	8,784	4,408	–	30,286	43,478
Finance costs	(110,894)	(10,320)	–	(170,767)	(291,981)
Share of profit of joint ventures and associates	4,617,637	248,588	–	–	<u>4,866,225</u>
Profit before income tax					4,975,897
Income tax expense	35,780	(40,861)	–	2,963	<u>(2,118)</u>
Profit for the period					<u>4,973,779</u>

The segment assets and liabilities as at 30 June 2020 and 31 December 2019 are as follows:

	Vehicles and related operations RMB' 000	Others RMB' 000	Eliminations RMB' 000	Unallocated RMB' 000	Consolidated RMB' 000
Total assets					
At 30 June 2020	<u>96,820,858</u>	<u>32,894,970</u>	<u>(36,640,214)</u>	<u>36,764,933</u>	<u>129,840,547</u>
At 31 December 2019	<u>101,925,922</u>	<u>37,036,319</u>	<u>(36,341,329)</u>	<u>34,842,639</u>	<u>137,463,551</u>
Total liabilities					
At 30 June 2020	<u>51,169,847</u>	<u>23,018,630</u>	<u>(36,640,214)</u>	<u>9,265,534</u>	<u>46,813,797</u>
At 31 December 2019	<u>51,542,547</u>	<u>27,583,109</u>	<u>(36,431,011)</u>	<u>12,260,660</u>	<u>54,955,305</u>

5 OPERATING PROFIT

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Depreciation and amortisation	2,305,591	1,679,204
Impairment charges of property, plant and equipment	–	17
Reversal of impairment charges of inventories	112	(14,691)
Net impairment losses on financial assets	43,794	10,087
Staff costs	3,945,660	4,172,588
Gains on disposal of property, plant and equipment and intangible assets	(3,426)	(1,278)
Government grants	(314,167)	(1,760,694)
Gains on disposal of an associate	–	(22,328)
Donation	<u>19,893</u>	<u>10,221</u>

6 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense	200,262	212,691
Others	34,974	79,290
	<u>235,236</u>	<u>291,981</u>

7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in joint ventures	22,953,643	23,867,207
Investments in associates	8,204,903	8,137,579
	<u>31,158,546</u>	<u>32,004,786</u>

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Share of profit of joint ventures (<i>Note (i)</i>)	3,580,985	4,295,449
Share of profit of associates (<i>Note (i)</i>)	405,882	570,776
	<u>3,986,867</u>	<u>4,866,225</u>

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

7.1 INVESTMENTS IN JOINT VENTURES

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	23,867,207	22,113,574
Additions (<i>Note (i)</i>)	422,126	290,900
Disposals	–	(22)
Capital reduction	(6,949)	–
Share of profit	3,580,863	4,342,566
Dividends declared	(4,909,604)	(3,301,991)
End of the period	<u>22,953,643</u>	<u>23,445,027</u>

- (i) In the six months ended 30 June 2020, the additions mainly represent the Company's contribution of additional capital of RMB 329,686,000 to GAC Toyota in proportion to its interest held. In addition, the Group contributed capital of RMB 15,000,000 to Junqiao Technology Co., Ltd., a newly set up joint ventures, in proportion to its interest held.

(b) Summarised financial information for joint ventures

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

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

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

Summarised balance sheet

	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
Assets		
Non-current assets	<u>76,756,328</u>	<u>74,621,992</u>
Current assets		
– Cash and cash equivalents	47,650,950	52,811,062
– Other current assets	<u>42,234,948</u>	<u>46,104,137</u>
	<u>89,885,898</u>	<u>98,915,199</u>
Total assets	<u><u>166,642,226</u></u>	<u><u>173,537,191</u></u>
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	20,728,436	21,693,717
– Other non-current liabilities (including trade and other payables)	<u>10,302,631</u>	<u>5,980,843</u>
	<u>31,031,067</u>	<u>27,674,560</u>
Current liabilities		
– Financial liabilities (excluding trade and other payables)	22,186,760	23,703,660
– Other current liabilities (including trade and other payables)	<u>72,527,864</u>	<u>79,557,334</u>
	<u>94,714,624</u>	<u>103,260,994</u>
Total liabilities	<u><u>125,745,691</u></u>	<u><u>130,935,554</u></u>
Net assets	40,896,535	42,601,637
Less: Non-controlling interests	<u>(18,341)</u>	<u>(17,206)</u>
	<u><u>40,878,194</u></u>	<u><u>42,584,431</u></u>

Summarised statement of comprehensive income

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue	107,259,368	118,137,092
Cost of sales	(88,955,681)	(97,408,737)
Other expenditures	(11,138,691)	(12,022,625)
	<hr/>	<hr/>
Profit after tax	7,164,996	8,705,730
Less: profit attributable to non-controlling interests	(1,135)	(107)
	<hr/>	<hr/>
	7,163,861	8,705,623
Other comprehensive income	<hr/>	<hr/>
	—	—
	<hr/>	<hr/>
Total comprehensive income	7,163,861	8,705,623
	<hr/> <hr/>	<hr/> <hr/>

8 INCOME TAX (CREDIT)/EXPENSE

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax	86,261	333,433
Deferred income tax	(178,650)	(331,315)
	<hr/>	<hr/>
	(92,389)	2,118
	<hr/> <hr/>	<hr/> <hr/>

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

The tax rates applicable to the Company and its major subsidiaries for the six months ended 30 June 2020 are 15% or 25% (2019: 15% or 25%).

9 EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit attributable to owners of the Company	2,317,770	4,918,558
Weighted average number of ordinary shares in issue (thousands)	10,237,708	10,233,717
	0.23	0.48

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for six months ended 30 June 2020) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit attributable to owners of the Company	2,317,770	4,918,558
Add: Interest expense on convertible bonds	46,857	58,874
Profit used to determine diluted earnings per share	2,364,627	4,977,432
Weighted average number of ordinary shares in issue (thousands)	10,237,708	10,233,717
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	–	4,809
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	178,981	176,506
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	10,416,689	10,415,032
Diluted earnings per share (RMB per share)	0.23	0.48

10 DIVIDEND

Unaudited	
Six months ended 30 June	
2020	2019
<i>RMB'000</i>	<i>RMB'000</i>

Interim dividend declared: RMB 0.03 per ordinary share
(2019: RMB 0.05 per ordinary share)

307,138	511,824
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Dividend paid in six months ended 30 June 2020 was approximately RMB 1,535,656,000 (2019: RMB 2,865,995,000).

In addition, an interim dividend of RMB 0.03 per ordinary share (2019: RMB 0.05 per ordinary share) was declared by the board of directors on 28 August 2020. This interim dividend, amounting to approximately RMB 307,138,000 (2019: RMB 511,824,000), has not been recognised as a liability in this interim financial information.

11 TRADE AND OTHER RECEIVABLES

Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 0 to 365 days.

As at 30 June 2020 and 31 December 2019, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
Trade receivables		
Within 1 year	3,869,507	2,908,145
Between 1 and 2 years	230,741	561,819
Between 2 and 3 years	3,987	78,988
Between 3 and 4 years	77,748	7,363
Between 4 and 5 years	462	8,401
Over 5 years	102,563	155,960
	4,285,008	3,720,676
Less: Provision for impairment	(258,525)	(254,327)
Trade receivables – net	4,026,483	3,466,349

12 TRADE AND OTHER PAYABLES

As at 30 June 2020 and 31 December 2019, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
Within 1 year	8,993,215	11,749,823
Between 1 and 2 years	299,842	318,534
Between 2 and 3 years	28,350	39,981
Over 3 years	44,634	34,585
	9,366,041	12,142,923

DEFINITIONS

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

“associated companies” or “associated enterprises”	all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
“Board”	the board of directors of the Company
“China Lounge Investments”	China Lounge Investments Limited (中隆投資有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong
“Company” or “GAC”	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)
“Da Sheng Technology”	Da Sheng Technology Co., Ltd. (大聖科技股份有限公司), which was incorporated on 8 June 2016 and in which the Company and Urtrust Insurance hold 60% equity interest in total
“GAC 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 Business”	it was renamed into GAC Business Co., Ltd. (廣汽商貿有限公司) on 16 April 2018, a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law
“GAC BYD”	Guangzhou GAC BYD New Energy Autobus Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), a joint venture incorporated on 4 August 2014 under PRC law by the Group and BYD Company Limited, and the Company holds 49% of its equity interest
“GAC Capital”	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary of the Company incorporated in April 2013 under PRC Law

“GAC Component”	it was renamed into GAC Component Co., Ltd. (廣汽零部件有限公司) on 28 February 2018, a wholly-owned subsidiary of the Group incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries
“GAC FCA”	GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司) (formerly known as GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司)), a joint venture incorporated on 9 March 2010 under PRC law by the Company and Fiat Group Automobiles S.P.A.
“GAC Finance”	Guangzhou Automobile Group Finance Co., Ltd. (廣州汽車集團財務有限公司), which was incorporated in January 2017 and owned by the Company, GAMC and GAC Business as to 90%, 5% and 5% equity interest respectively
“GAC Hino”	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a joint venture incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd.
“GAC Honda”	GAC Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co. Ltd (廣州本田汽車有限公司)), a joint venture incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd.
“GAC Mitsubishi”	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a joint venture incorporated on 25 September 2012 under PRC law by the Company, Mitsubishi Motors Corporation and Mitsubishi Corporation
“GAC New Energy”	GAC New Energy Automobiles Co., Ltd. (廣汽新能源汽車有限公司), a wholly-owned subsidiary of the Company incorporated in July 2017 under PRC law
“GAC 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-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a joint venture incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
“GAC Toyota”	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a joint venture incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company
“GAC Toyota Engine”	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004 under PRC law by the Group and Toyota Motor Company, and the Company holds 30% of its equity interest
“GAMC”	GAC Motor Co. Ltd. (廣汽乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
“GAIG”	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), a state-owned enterprise incorporated on 18 October 2000 under PRC law and the controlling shareholder of the Company
“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
“Group” or “GAC Group”	the Company and its subsidiaries
“joint venture(s)”	joint venture companies under direct or indirect joint control, and no participating party has unilateral control power over the economic activities of such joint venture as a result of such direct or indirect joint control
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time

“MPV”	multi-purpose passenger vehicle
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Hino”	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated on 8 October 2003 under PRC law. Shanghai Hino is held as to 70% by Hino Motors, Ltd. and 30% by the Company respectively
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUV”	sports utility vehicle
“Urtrust Insurance”	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a subsidiary incorporated on 8 June 2011 under PRC law by the Company, and in which the Group directly and indirectly holds a total of 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 joint venture established in 1992 by the Company, Honda Motor Co. Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which each holds 50% equity interest

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

Guangzhou, the PRC, 28 August 2020

As at the date of this announcement, the executive directors of the Company are ZENG Qinghong and FENG Xingya, the non-executive directors of the Company are CHEN Xiaomu, CHEN Maoshan, CHEN Jun, DING Hongxiang and HAN Ying, and the independent non-executive directors of the Company are ZHAO Fuquan, XIAO Shengfang, WONG Hakkun and SONG Tiebo.