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广汽集团
GAC GROUP

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

2021 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 2021 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 RMB0.5 (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 related parties.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2021**	2020
		RMB'000	*RMB'000*
Revenue	*4*	**34,571,754**	25,641,584
Cost of sales		**(32,957,110)**	(24,675,356)
Gross profit		**1,614,644**	966,228
Selling and distribution costs		**(1,942,438)**	(1,429,927)
Administrative expenses		**(2,032,365)**	(1,642,854)
Net impairment losses on financial assets		**(534)**	(43,794)
Interest income		**47,693**	205,706
Other gains – net		**322,108**	392,166
Operating loss	*5*	**(1,990,892)**	(1,552,475)
Interest income		**77,464**	50,798
Finance costs	*6*	**(189,093)**	(235,236)
Share of profit of joint ventures and associates	*7*	**6,324,526**	3,986,867
Profit before income tax		**4,222,005**	2,249,954
Income tax credit	*8*	**130,802**	92,389
Profit for the period		**4,352,807**	2,342,343
Profit attributable to:			
Owners of the Company		**4,336,516**	2,317,770
Non-controlling interests		**16,291**	24,573
		4,352,807	2,342,343

		Unaudited	
		Six months ended 30 June	
	Note	**2021**	2020
		RMB'000	*RMB'000*
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
– exchange differences on translation of foreign operations		**(5,263)**	1,611
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		**287,429**	(116,910)
Other comprehensive income/(loss) for the period, net of tax		**282,166**	(115,299)
Total comprehensive income for the period		**4,634,973**	2,227,044
Total comprehensive income attributable to:			
Owners of the Company		**4,618,682**	2,202,471
Non-controlling interests		**16,291**	24,573
		4,634,973	2,227,044
Earnings per share for profit attributable to the ordinary equity holders of the Company *(expressed in RMB per share)*			
– basic	*9*	**0.42**	0.23
– diluted	*9*	**0.42**	0.23

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2021** *RMB'000*	Audited 31 December 2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**19,983,420**	20,073,210
Right-of-use assets		**6,916,163**	6,909,008
Investment properties		**1,459,984**	1,387,545
Intangible assets		**13,058,497**	12,258,613
Investments in joint ventures and associates	*7*	**34,340,164**	33,403,563
Deferred income tax assets		**2,416,258**	2,123,604
Financial assets at fair value through other comprehensive income		**918,133**	630,703
Financial assets at fair value through profit or loss		**4,460,438**	4,375,256
Prepayments and long-term receivables		**6,403,741**	5,056,277
		89,956,798	86,217,779
Current assets			
Inventories		**5,775,344**	6,621,580
Trade and other receivables	*11*	**20,930,878**	19,615,555
Financial assets at fair value through other comprehensive income		**183,764**	310,690
Financial assets at fair value through profit or loss		**2,021,265**	1,595,011
Time deposits		**6,750,313**	10,624,362
Restricted cash		**1,784,629**	2,084,314
Cash and cash equivalents		**13,862,781**	15,791,397
		51,308,974	56,642,909
Total assets		**141,265,772**	142,860,688

	Note	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
EQUITY			
Share capital		**10,353,228**	10,349,697
Reserves		**29,500,343**	28,928,263
Retained earnings		**47,880,791**	45,097,071
Capital and reserves attributable to owners of the Company		**87,734,362**	84,375,031
Non-controlling interests		**2,333,956**	2,338,597
Total equity		**90,068,318**	86,713,628
LIABILITIES			
Non-current liabilities			
Trade and other payables	*12*	**1,153,602**	530,786
Borrowings		**6,753,640**	8,473,173
Lease liabilities		**1,380,831**	1,303,479
Deferred income tax liabilities		**128,784**	138,032
Provisions		**661,319**	602,579
Government grants		**2,458,374**	2,555,825
		12,536,550	13,603,874
Current liabilities			
Trade and other payables	*12*	**27,511,888**	33,971,538
Contract liabilities		**2,200,007**	1,492,859
Current income tax liabilities		**112,222**	103,049
Borrowings		**8,605,225**	6,504,211
Lease liabilities		**112,876**	209,062
Provisions		**118,686**	262,467
		38,660,904	42,543,186
Total liabilities		**51,197,454**	56,147,060
Total equity and liabilities		**141,265,772**	142,860,688

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., 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 The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange 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 30 August 2021.

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 2021 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 2020, 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 2020, 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 2021.

(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 2021:

Amendments	Subject of Amendments
HKFRS 9, HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions

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

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

Certain new accounting standards, amendments to existing standards and interpretations have been published but are not effective for the financial year beginning 1 January 2021 and have not been early adopted by the Group. According to the assessment made by the director, none of these is expected to have a significant impact on the condensed consolidated interim financial information of the Group.

Standards/Amendments/ Interpretations	Subject of standards/amendments/ interpretations	Effective for accounting periods beginning on or after
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
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Annual Improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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 determined

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 condensed consolidated statement of comprehensive income.

During the six months ended 30 June 2021, 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 2021 and other segment items included in the interim condensed 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 2021					
Total gross segment revenue	**33,264,543**	**1,496,373**	**(189,162)**	**–**	**34,571,754**
Inter-segment revenue	**(51,206)**	**(137,956)**	**189,162**	**–**	**–**
Revenue (from external customers)	**33,213,337**	**1,358,417**	**–**	**–**	**34,571,754**
Timing of revenue recognition under HKFRS 15					
– At a point in time	**31,622,423**	**–**	**–**	**–**	**31,622,423**
– Over time	**1,213,045**	**399,854**	**–**	**–**	**1,612,899**
Revenue from other sources	**377,869**	**958,563**	**–**	**–**	**1,336,432**
Segment results	**(1,949,123)**	**249,810**	**(3,744)**	**–**	**(1,703,057)**
Unallocated income – Interest income of headquarters				**22,410**	**22,410**
Unallocated costs – Expenditure of headquarters				**(310,245)**	**(310,245)**
Operating loss					**(1,990,892)**
Interest income	**26,943**	**7,971**	**–**	**42,550**	**77,464**
Finance costs	**(125,569)**	**(288)**	**–**	**(63,236)**	**(189,093)**
Share of profit of joint ventures and associates	**5,991,421**	**333,105**	**–**	**–**	**6,324,526**
Profit before income tax					**4,222,005**
Income tax credit/(expenses)	**205,018**	**(74,118)**	**–**	**(98)**	**130,802**
Profit for the period					**4,352,807**

The segment results for the six months ended 30 June 2020 and other segment items included in the interim condensed 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)	24,537,292	1,104,292	–	–	25,641,584
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	473,659	967,877	–	–	1,441,536
Segment results	(1,866,278)	76,115	–	–	(1,790,163)
Unallocated income – Interest income of headquarters				163,385	163,385
Unallocated costs – Expenditure of headquarters				74,303	74,303
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	–	–	3,986,867
Profit before income tax					2,249,954
Income tax credit/(expenses)	149,903	(57,380)	–	(134)	92,389
Profit for the period					2,342,343

The segment assets and liabilities as at 30 June 2021 and 31 December 2020 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 2021	**107,787,638**	**35,702,003**	**(45,374,386)**	**43,150,517**	**141,265,772**
At 31 December 2020	106,340,940	38,893,282	(41,611,147)	39,237,613	142,860,688
Total liabilities					
At 30 June 2021	**60,858,824**	**25,514,709**	**(44,008,683)**	**8,832,604**	**51,197,454**
At 31 December 2020	58,667,700	28,884,062	(40,313,754)	8,909,052	56,147,060

5 OPERATING LOSS

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

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Depreciation and amortisation	**2,840,150**	2,305,591
Impairment charges of inventories	**15,435**	112
Net impairment losses on financial assets	**534**	43,794
Staff costs	**4,603,895**	3,945,660
Gains on disposal of property, plant and equipment and intangible assets	**(15,136)**	(3,426)
Government grants	**(306,024)**	(314,167)
Donation	**2,479**	19,893

6 FINANCE COSTS

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Interest expense	**209,461**	200,262
Others	**(20,368)**	34,974
	189,093	235,236

7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Investments in joint ventures	**25,523,692**	24,654,320
Investments in associates	**8,816,472**	8,749,243
	34,340,164	33,403,563

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Share of profit of joint ventures *(Note (i))*	**5,697,380**	3,580,985
Share of profit of associates *(Note (i))*	**627,146**	405,882
	6,324,526	3,986,867

(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	
	2021	2020
	RMB'000	*RMB'000*
Beginning of the period	**24,654,320**	23,867,207
Additions *(Note (i))*	**856,931**	422,126
Transfer to investments in associates	**(18,073)**	–
Capital reduction	**(20,716)**	(6,949)
Share of profit	**6,008,091**	3,580,863
Dividends declared	**(5,956,861)**	(4,909,604)
End of the period	**25,523,692**	22,953,643

(i) In the six months ended 30 June 2021, the additions mainly represent the Group's additional capital contribution of RMB786,813,000 to GAC Toyota Motor Co., Ltd. in proportion to its interest held.

(b) Summarised financial information for joint ventures

Set out below is the summary of combined financial information for all the joint ventures of the Group (excluding goodwill). As restricted by the confidentiality agreements entered into with other shareholders of certain joint ventures, the Group has not disclosed certain financial data of material joint ventures separately. The aggregate of the financial information of the six 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 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Assets		
Non-current assets	**86,900,028**	80,634,952
Current assets		
– Cash and cash equivalents	**55,775,717**	53,784,557
– Other current assets	**32,949,477**	53,230,040
	88,725,194	107,014,597
Total assets	**175,625,222**	187,649,549
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**22,142,434**	18,639,156
– Other non-current liabilities (including trade and other payables)	**9,346,578**	5,597,716
	31,489,012	24,236,872
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**22,559,032**	30,914,068
– Other current liabilities (including trade and other payables)	**76,824,128**	88,441,087
	99,383,160	119,355,155
Total liabilities	**130,872,172**	143,592,027
Net assets	**44,753,050**	44,057,522
Less: Non-controlling interests	**(21,812)**	(18,882)
	44,731,238	44,038,640

Summarised statement of comprehensive income

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**132,594,844**	107,259,368
Cost of sales	**(108,933,788)**	(88,955,681)
Other expenditures	**(12,983,680)**	(11,138,691)
Profit after tax	**10,677,376**	7,164,996
Less: profit attributable to non-controlling interests	**(2,931)**	(1,135)
	10,674,445	7,163,861
Other comprehensive income	**–**	–
Total comprehensive income	**10,674,445**	7,163,861

8 INCOME TAX CREDIT

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 condensed consolidated statement of comprehensive income:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current income tax	**171,100**	86,261
Deferred income tax	**(301,902)**	(178,650)
	(130,802)	(92,389)

(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 2021 are 15% or 25% (2020: 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	
	2021	2020
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**4,336,516**	2,317,770
Weighted average number of ordinary shares in issue (thousands)	**10,350,942**	10,237,708
Basic earnings per share (RMB per share)	**0.42**	0.23

(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 2021) 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	
	2021	2020
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**4,336,516**	2,317,770
Add: Interest expense on convertible bonds	**47,913**	46,857
Profit used to determine diluted earnings per share	**4,384,429**	2,364,627
Weighted average number of ordinary shares in issue (thousands)	**10,350,942**	10,237,708
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	**2,866**	–
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	**182,467**	178,981
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**10,536,275**	10,416,689
Diluted earnings per share (RMB per share)	**0.42**	0.23

10 DIVIDEND

	Unaudited Six months ended 30 June 2021 *RMB'000*	2020 *RMB'000*
Interim dividend declared: RMB0.05 per ordinary share (2020: RMB0.03 per ordinary share)	**517,661**	307,138

Dividend paid in six months ended 30 June 2021 was approximately RMB1,552,796,000 (2020: RMB1,535,656,000).

In addition, an interim dividend of RMB0.05 per ordinary share (2020: RMB0.03 per ordinary share) was declared by the board of directors on 30 August 2021. This interim dividend, amounting to approximately RMB517,661,000 (2020: RMB307,138,000), 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 2021 and 31 December 2020, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Trade receivables		
Within 1 year	**3,622,355**	3,374,378
Between 1 and 2 years	**1,116,684**	845,760
Between 2 and 3 years	**124,134**	117,223
Between 3 and 4 years	**78,452**	76,087
Between 4 and 5 years	**5,450**	5,289
Over 5 years	**153,975**	164,361
	5,101,050	4,583,098
Less: Provision for impairment	**(265,767)**	(265,896)
Trade receivables – net	**4,835,283**	4,317,202

12 TRADE AND OTHER PAYABLES

As at 30 June 2021 and 31 December 2020, 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
	2021	2020
	RMB'000	*RMB'000*
Trade payables		
Within 1 year	**9,673,553**	11,377,420
Between 1 and 2 years	**263,659**	351,351
Between 2 and 3 years	**45,442**	32,536
Over 3 years	**64,327**	41,018
	10,046,981	11,802,325

CHAIRMAN'S STATEMENT

2021 marks the beginning of the"14th Five-Year Plan". During the first half of the year, amid numerous challenges including shortage in supply of chips and resurgence of COVID-19 pandemic, as well as drastic changes occurring in various sectors, industries and markets under the unprecedented and turbulent situations, we persisted in the development direction of "Dust will settle as people go along" and strategic focus of "Always keep calm and composed". With the spirit of cultivating preemptive opportunities out of a crisis and making new advances amid changes, we strived to triumph over the pandemic, ensure our supplies, maintain efficient production, compete for orders, explore in R&D and accelerate our transformation in order to achieve a good start of the "14th Five-Year Plan". On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers, employees, partners and people from all walks of life.

By overcoming difficulties, we sought business progress while maintaining stability. Confronted with the severe challenges resulting from global shortage in supply of chips, we actively coordinated the resources mobilisation, strengthened cooperation with chips manufacturers and optimised the production schedule of vehicle models for the purpose of minimising the losses caused by shortage in chips supply. In response to the sudden local pandemic outbreak in Guangzhou, we rapidly initiated an emergency response mechanism for overall coordination of pandemic prevention and production to ensure a positive start of the"14th Five-Year Plan". During the first half of the year, both of the Group's production and sales volume of vehicles exceeded 1 million units, representing an increase of 25.6% and 24.5% year-on-year, respectively, or an increase of 5.6% and 2.7%, respectively, as compared to the corresponding period in 2019. Our self-developed brands deepened the integration of research, production and sales and optimised our products layout, which propelled the platform modular architecture and digital marketing as well as characteristic services. The reformations and adjustments brought about prominent results. For the first half of this year, several types of hot-selling and market-leading vehicle models were launched, including GAC Trumpchi EMPOW55, GS4 PLUS, GAC AION AION Y and AION S PLUS. In the first half of the year, the Group realised sales revenue of approximately RMB204.282 billion on an aggregated basis, representing an increase of approximately 27.91% as compared with that of the corresponding period of the previous year. The sales revenue of the Group amounted to approximately RMB34.572 billion, representing an increase of approximately 34.83% as compared with that of the corresponding period of the previous year; the net profit attributable to owners of the listed company amounted to approximately RMB4.337 billion, representing an increase of approximately 87.10% as compared with that of the corresponding period of the previous year; the basic earnings per share amounted to approximately RMB0.42, representing an increase of approximately 82.61% as compared with that of the corresponding period of the previous year. We were listed in the Fortune Global 500 for nine consecutive years, soaring up 30 places from its ranking of last year and ranked the 176th which marks the best result over the years. For the purpose of giving practical returns to shareholders, the Board proposed to distribute to all shareholders an interim dividend of RMB0.5 (including tax) for every 10 shares.

Driven by innovation, we accelerated the "New Four Modernisations" transformation. The Group constantly implemented the "e-TIME action", aiming at accelerating the transformation into a technological enterprise. We recorded 1,343 new patent applications including 614 invention patents, amounting to a total of over 9,300 patent applications including over 3,300 invention patents. In terms of electrification, the Group published the power battery technology strategy named "Neutron Star Strategy" on the GAC Tech Day 2021, commenced in-depth independent R&D and industrial application of power batteries and battery cells. Our self-developed technologies of sponge silicone anode battery allow users to ease EV mileage anxiety effectively; ultra-fast charging battery technologies significantly shorten the charging time of EV; the magazine battery system safety technologies passed for the first time the lithium iron phosphate battery pack needling test without fire generation, which improved the safety of battery system. For the intelligent networking aspect, we targeted to achieve key breakthrough in the fields of cloud services, intelligent driving and smart cabin on the basis of novel electronic and electrical architecture, and we made milestone progress in vehicle-cloud centralised computing electronic and electrical architecture, L2++ NDA and ADiGO 4.0 Intelligent IoT System. Meanwhile, we would jointly define, develop and manufacture a series of future-oriented intelligent vehicles equipped with Huawei's full-stack intelligent vehicle solutions with Huawei, and the first model is expected to be launched at the end of 2023. For the digitalisation aspect, we elaborately promoted the establishment of digital marketing system with the goal of operation for users' full life cycle, carried out global traffic operations with manufacturers directly connecting users, and continued to innovate digital tools such as digital show room and smart cloud outbound call to empower dealerships and enhance customer stickiness. GAC Group's digital transformation project (Plan G) was the only benchmark project in Guangdong being selected as establishment action of management benchmark for key state-owned enterprises by State-owned Assets Supervision and Administration Commission of the State Council. In relation to sharing,"ON TIME"successively explored the Zhuhai and Shenzhen markets, and continued to promote refined operations. Its service reputation and key operation indicators continued to improve, and its market share in Guangzhou and Foshan reached the second place.

By tackling challenges through cohesion of strengths, we promoted the state-owned enterprise reform in depth. 2021 is a crucial and critical year for state-owned enterprise reform where the Group proactively implemented the three-year action for the reform of state-owned enterprises, Double-Hundred Reform and improvement campaign that benchmarked against world-class management. We deepened the system reform in three aspects, namely labor, personnel and distribution, comprehensively carried forward a tenure system and contract-based management, vigorously implemented the selective and competitive recruitment for management personnel, and established a mechanism for linking employee's income and efficiency with the Company's achievements. We also established the work leading group of high-caliber personnel to support their performance of duties, and introduced various international top experts who are experienced in the fields including AI, new energy, as well as product design and management. We deepened the mixed ownership reform, achieved capital injection and employee stock ownership in HYCAN Automobile and Juwan Technology Research. Aiming at the overall success of vehicle models, the Group promoted an incentive mechanism in relation to overall supervision of vehicle models, and formulated an evaluation mechanism directly linked to the indicators such as sale volume, ranking, market share and revenue of vehicle models, therefore expediting the formation of a "community of interests" between R&D team and vehicle models projects.

By assuming the responsibilities, we actively assisted the "dual-carbon" strategy. On the basis of the nation's objectives on peaking carbon dioxide emissions and carbon neutralisation, the Group unswervingly followed the green and low-carbon high-quality development path with ecology as the priority. At the Shanghai Auto Show of this year, we announced the plan named "Green Low-carbon for Achieving Sustainable Success" which will realise sustainable development and assist in achieving the peaking of carbon dioxide emissions and carbon neutralisation through the green and low-carbon development actions, leading to a cleaner and more beautiful world. For implementation of "Green Low-carbon for Achieving Sustainable Success", the Group will implement various measures simultaneously to achieve electrification, hybridisation and the application of fuel cell, thus increasing the proportion of low-carbon vehicle models gradually and adding the carbon emissions index as an objective of the vehicle models. According to the Group's "14th Five-Year Plan", it is expected that by 2025, the Group's sales of new energy vehicles will account for 20% of the total sales, and the proportion of traditional fuel-engined vehicles with hybrid power will exceed 20%, among which, self-developed brands will fully achieve electrification. The "Green Engine Technology" was launched in hybrid power field, comprehensively promoting the application of Toyota Hybrid System THS and GMC dual-motor hybrid system independently developed by GAC Group. At the same time, the systematic promotion of green procurement, green manufacturing and green recycling contributed to forming a new green and low-carbon ecosystem covering the entire value chain, from R&D to production and from purchase to use. Continuous improvement of the environmental management in the entire supply chain accelerated the construction of GAC Zhilian New Energy Automotive Industrial Park, which further promoted the green low-carbon intelligent manufacturing model.

It is estimated that the domestic economy will maintain a restorative growth in the second half of the year, which shall play a part in supporting the stability of automobile consumption. However, considering the existing instabilities and uncertainties which are disrupting the global economy recovery and pandemic prevention and control, ensuring stable supply of chips and creating an independent, safe and controllable industry chain remain important issues for the automotive industry. Industrial upgrading brought about by technological progress is driving the reconstruction of the entire automotive industry chain. The "New Four Modernisations" are constantly accelerating the pace of product iteration, digital operation, and consumption upgrades. With more and more new players pouring into the automotive industry, it has become the highland for technology sectors around the world to compete and pursue, leading to increasingly fierce market competition.

New challenges bring new opportunities, and a new stage must be underpinned by new initiatives. For the second half of the year, we will continue to advance the Group's seven major initiatives of "stabilising growth, improving performance, exercising strict benchmarking, ensuring supply, strengthening independence, seeking development, and cultivating brand". The Group will make breakthrough as a pioneer, withstand the pressure and overcome difficulties to meet our annual targets as planned and have a solid start of the "14th Five-Year Plan". Focusing on products, the Group will strive to identify the disparity by benchmarking against the competitors' products, enrich the star product matrix, and implement incentive mechanism in relation to overall supervision of vehicle models in pursuit of higher product power and brand power; leveraging on brands, the Group will uphold a customer-centric concept and will improve its digital marketing abilities, establish an agile service system with precise response which improves the ability to respond to users during the full life cycle and thus strengthen the customer stickiness; via attaching importance to cultivation of strengths and intensification of breakthrough in key core technologies, the Group will establish leading, original and exclusive competitiveness of core new energy technologies of intelligent networking, and accelerate establishment of the industrial ecosystem with "GAC characteristics, multi-party participation and multi-party win-win" to seize the new industrial innovation highlands across the world; deepening reforms include advancing the three systematic reforms, accelerating the reform of mixed ownership of investment enterprises and employee stock ownership, and accelerating upgrades of digitalisation, intelligentisation and management model changes, which can stimulate the enterprise's forward momentum.

We will forge ahead with firm determination no matter what difficulties and obstacles stand in the way. The year 2021 marks the 100th anniversary of the establishment of the Communist Party of China. Building on the achievement of the first centenary goal of building a moderately prosperous society in all respects, 2021 is the first year of China's new journey towards fully building a modern socialist country and marching toward the second centenary goal. As we have embarked on a new journey, we will adhere to our original mission to stand on a new development stage, implement new development philosophy and establish new development layout. In order to build up the technological GAC leading domestically and reaching the internationally advanced level, to construct GAC Group as a world-class company which wins customers' trust, ensures staff's well-being and meets social expectation, and to achieve high-quality development of China's automobile industry, we will make unremitting endeavor day and night so as to celebrate the 100th anniversary of the establishment of the CPC with excellent performance.

SUMMARY OF BUSINESS OF THE COMPANY

(I) Summary of Business

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

1. R&D

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

2. Manufacture

(1) The manufacture of whole passenger vehicles is mainly conducted through subsidiaries, including GAMC and joint ventures, including GAC Honda, GAC Toyota, GAC FCA, GAC Mitsubishi and GAC AION.

➢ **Products:** The Group's passenger vehicles include 14 series of sedans, 27 series of SUV and 3 series of MPV.

Fuel-engined vehicle products of the Group mainly include:

- GAC Trumpchi (GA4, GA6, GA8, GS3, GS4, GS4 COUPE, GS4 PLUS, GS8, GS8S, M6, M8, etc.);
- GAC Honda Accord, Crider, Vezel, Odyssey, Fit, Avancier, Breeze, Acura CDX, Acura RDX, etc.;
- GAC Toyota Camry, Highlander, Wildlander, Yaris L, Levin, Lingshang (凌尚), 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;

- GAC AION AION S, AION S PLUS, AION LX, AION V, AION Y;

- GAC Honda Accord Sport Hybrid, Odyssey Sport Hybrid, Breeze Sport Hybrid, Crider Sport Hybrid, Acura CDX Hybrid, VE-1, EA6;

- GAC Toyota Camry HEV, Wildlander HEV, Wildlander PHEV, Levin HEV, Levin HEV E+, iA5, C-HR EV;

- GAC FCA JEEP Grand Commander•PHEV;

- HYCAN Automobile 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:** 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 enterprises, had 2,491 passenger vehicle 4S sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC. In order to flexibly respond to market changes, especially in the field of new energy vehicles, the Group actively explored the innovation of marketing models and created a dual-track model of "Direct Sales+Distribution, Online+Offline, Automobile City+Commercial Supermarkets".

(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 and Mobility Services

Mainly through its subsidiary, GAC Business, its controlling and investee companies, Da Sheng Technology, and its associated company "ON TIME" (如祺出行) etc. in the upstream and downstream of the automobile industrial chain, the Group carried on businesses in vehicle sales, logistics, international trading, second-hand vehicles, end-of life vehicles disassembling, resources recycling, supporting services, digitalisation and mobility services, etc.

4. Parts and Components

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 73.5% of the products were whole vehicle accessories of the Group.

5. Financial

The Group carried on financial investment, insurance, insurance brokerage, finance 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) 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 and Northwest China and a complete closed-loop industrial chain centering upon manufacture of vehicles and covering R&D of vehicles and parts and components in the upstream and automobile business, financial service and mobile mobility in the downstream, which is one of the automobile groups in the PRC with the most integrated industrial chain and the most optimised industry layout. The synergy in the upstream and downstream of the industrial chain progressed gradually, new profit growth points were emerging and the comprehensive competitiveness of the Group has been constantly enhanced.

2. Advanced manufacturing, craftsmanship, quality and procedural management

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

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, formulated a world-class production system and built a global R&D network. For R&D, through the integration of advantageous global resources and the establishment of a cross-platform and modular-structured forward development system, the Group has been equipped with the advantage of integrated innovation. In the accreditation of "State-accredited Corporate Technology Center"organised by the National Development and Reform Commission in 2019, GAC ranked sixth nationwide and first in the automobile industry.

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

For the new energy field, the Group has the leading purely electric powered vehicle exclusive platform GEP2.0, the first application of the deep-integrated "three-in-one" electric automobile system and two-gear dual-motor "four-in-one" integrated electric automobile system. The Group deeply engaged in the independent research and development as well as the industrial application of power battery and battery cells, self-developed power battery technologies such as sponge silicon anode battery technology, ultra-fast charging battery technology and the magazine battery system safety technology, creating the AION series, a new energy vehicle product system based on the new purely electric powered exclusive platform, and introduced a variety of new energy products to the joint ventures successfully. In the intelligent networking sector, ADiGO Smart Driving and Connected Ecosystem, which possesses intelligent driving system, IoT system, cloud platform and big data, and the first 5G V2X in-vehicle intelligent communication system were self-developed by the Group.

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 adequately leveraging on investment and financing instruments in various forms from domestic and overseas capital markets 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) Analysis on Industry Environment

In the first half of 2021, the overall domestic economy remained stable and the domestic automobile market rebounded. The production and sales volume of vehicles were 12.569 million units and 12.891 million units, respectively, representing an increase of 24.2% and 25.6% year-on-year, respectively, or an increase of 3.4% and 4.4% as compared with the same period of 2019, respectively.

Under the effect of unfavourable factors such as chip shortage and price increase of raw materials, the domestic sales volume of passenger vehicles in the first half of this year still exceeded 10 million units, and the production and sales volume of passenger vehicles were 9.84 million units and 10.007 million units, respectively, representing an increase of 26.8% and 27.0% year-on-year, respectively, while the production and sales volume decreased by 1.6% and 1.4%, respectively, as compared to the same period of 2019. The sales volume of luxury vehicles produced domestically was 1.658 million units, representing an increase of 41.5% year-on-year, which is much higher than the growth rate of the sales volume of passenger vehicles.

Among the major types of passenger vehicles, the scale of production and sales of SUV continuously exceeded that of sedans, and amounted to 4.731 million units, representing a year-on-year increase of 28.6%; the sales volume of sedans recorded 4.643 million units, representing a year-on-year increase of 26.2%; the sales volume of MPV recorded 456 thousand units, representing a year-on-year increase of 25.2%; and the sales volume of cross passenger vehicles recorded 177 thousand units, representing a year-on-year increase of 13.7%.

Among which, 4.198 million units of passenger vehicles of Chinese brands were sold, representing a year-on-year increase of 46.8%, accounting for 42% of the total sales volume of passenger vehicles, and 5.7 percentage points up from the same period last year. Among the major foreign brands, except the market shares of French series increased slightly, the market shares of German series, Japanese series, American series and Korean series all declined.

The emerging momentum with emphasis on new energy vehicles expanded rapidly. The production and sales volume of new energy vehicles of the first half of 2021 amounted to 1.215 million units and 1.206 million units, respectively, both representing a year-on-year increase of two times. Compared to the same period of 2019, the production and sales volume increased by 94.4% and 92.3% year-on-year, respectively, which already equaled to that of the whole year of 2019. Among with, the production and sales volume of purely electric powered vehicles both exceeded 1 million units, while the penetration rate of new energy vehicles increased from 5.4% at the beginning of the year to 9.4% at the first half of the year, which consolidated the foundation of the transformation and upgrades of the industry.

(II) Analysis on Operation of the Company

1. Production and operations remained stable while showing an upward trend

Confronted with the unfavourable factors such as chip shortage and pandemic resurgence in the first half of the year, the Group firmly guaranteed supply and pandemic prevention and actively took countermeasures to minimise the unfavourable effects. The production and sales volume of vehicles amounted to 1,001.4 thousand units and 1,026.5 thousand units, respectively, representing an increase of 25.61% and 24.49% year-on-year, respectively, and an increase of 5.62% and 2.70% as compared to the same period of 2019, respectively, with market share accounting for 7.96% of domestic market. Among which, the production and sales volume of passenger vehicles amounted to 999.8 thousand units and 1,024.6 thousand units, respectively, representing an increase of 25.60% and 24.41% year-on-year, respectively, with market share accounting for 10.24% of domestic market. With respect to the types of vehicles, the sales volume of sedans, SUV and MPV increased by 12.71%, 30.14% and 87.87%, respectively. The production and sales volume of commercial vehicles increased by 34.40% and 90.97%, respectively.

The production and sales capability of the major manufacturing enterprises of the Group remained stable while showing an upward trend. GAC Toyota and GAC Honda maintained its growth trend since last year and achieved excellent performance. The production and sales volume of GAC Toyota was 409,600 units and 417,200 units, respectively, representing a year-on-year increase of 32.32% and 30.02%, respectively; the production and sales volume of GAC Honda was 368,700 units and 371,600 units, respectively, representing a year-on-year increase of 19.86% and 16.68%, respectively. GAMC realised positive year-on-year growth in sales volume for twelve consecutive months, and delivered production and sales volume of 140,500 units and 151,000 units, respectively, representing an increase of 24.84% and 28.29% year-on-year, respectively. Among which, the sales volume of MPV recorded 54,200 unit, representing a significant increase of 126.50% year-on-year. GAC AION maintained its rapid growth in production and sales volume which recorded 42,700 units and 43,000 units, respectively, representing an increase of 107.55% and 112.03% year-on-year, respectively. The production and sales volume of GAC Mitsubishi recovered steadily, which recorded 30,700 units and 30,000 units, respectively, representing an increase of 2.61% and 4.65% year-on-year, respectively.

The star models remained hot sellers. Accord, Camry, Levin, Vezel, Breeze, Wildlander, Yaris L Family, Highlander, Fit, Trumpchi M8, AION S, Avancier, C-HR, Odyssey, Trumpchi M6 and other star models were all among the best sellers in their respective segment markets. During the reporting period, the Group's newly launched models, namely Trumpchi EMPOW55, Trumpchi GS4 PLUS, Trumpchi M6 PRO, AION Y, AION S PLUS, facelifted Camry, Fourth-Generation Highlander, Wildlander PHEV, facelifted C-HR, Lingshang, EA6 and other models were well received by the market.

2. Self-developed brands became stable and gained momentum

The synergy effect in the integration of research, production and sales improved. The Group further enhanced business decision-making role of operational management committee for self-developed brands, improved the operation mechanism of professional committees such as product committees, and realised the normalised and standardised decision-making of important management issues such as feasibility research and technology application planning of vehicle type projects. The Group established the general affair department of the overall supervision of vehicle models, formulated the incentive scheme for the overall supervision team, and further improved the operation system and mechanism of the overall supervision. Taking the cost and revenue committee as the platform, the Group improved all-field cost control, and strengthened the vehicle model cost control through close coordination with the overall supervision team of vehicle models. GAC AION actively promoted the reform of the organisational system, strengthened the "horizontal-flat" matrix management model, and created an agile organisational system.

Preliminary effects were seen on product focus. The Group dynamically updated and optimised product plan of self-developed brands during the "14th Five-Year Plan"and promptly responded to market changes. M6 PRO, GS4 PLUS, GS3 POWER and other two models of GAC Trumpchi were put into production, and the first smart sport sedan-EMPOW under GPMA structure was launched; AION Y and AION S PLUS, two new products of GAC AION, were launched. GAC Trumpchi M8 and M6 remained hot sellers, and were the best sellers in market segment of self-developed MPV; AION S ranked first in the A-level pure electric sedan market.

Digital marketing gained breakthroughs. Efforts were made in building digital marketing system, with GAC Trumpchi completely connected to customers via APP, public accounts and mini programs on client-side, accelerating the management progress of ONE APP and improving the online experience of client of whole-process management; GAC AION started the reform of marketing model by setting up the first direct-sale experience center in Guangzhou, actively developed operation and service models for brand users, unifying user operation to one window with APP as its core, and smoothing user experience and stickiness chain.

3. *Steadily pushed forward project investment*

GAC Toyota's new energy vehicle capacity expansion project (phase I) with production capacity of 200,000 units/year commenced operation in July; construction project of Times GAC Energy Battery is expected to commence operation in September, which will complete the Group's vacancy in power battery manufacturing field; GAC Aisin Gearbox project and GAC Toyota Engine's construction project of TNGA series engines realised mass production. Passenger vehicle and new energy vehicle capacity expansion project of self-developed brands (phase II) commenced construction, which will add a production capacity of 100,000 units/year upon completion; production lines transformation project of I Factory Engine Phase III of Guangzhou Qisheng Powertrain Co., Ltd. commenced construction as planned; GAC Toyota's new energy vehicle capacity expansion project (phase II), construction project of GAC Component (Guangzhou) industrial park and relevant parts and component projects accessing to the park, Southern (Shaoguan) Intelligent Network New Energy Vehicle Testing Center (phase I), construction project of GAEI's Hualong R&D Base and other key projects were steadily proceeding as planned.

4. Fruitful independent innovation

Overcame difficulties in the core technologies of electrification. The self-developed sponge silicon anode battery technology successfully realised a reduction of 20% in battery size and 14% in weight, and the AION LX installed with sponge silicon anode battery technology can achieve a comprehensive endurance mileage of up to 1,000km, which has completed two rounds of high temperature and severe cold tests by now with good performance. The safety technology of magazine battery system passed for the first time the lithium iron phosphate battery pack needling test without fire generation, which was installed on AION Y for application. A new type of conductive material was used in ultra-fast charging battery technology to build an efficient three-dimensional conductive network and enhance the conductivity of battery cells; ceramic-coated separators and a new type of high-power electrolyte were used to improve the rate capability and heat stability of battery. Batteries with 6C charging rate which could charge up to 80% within 8 minutes is expected to be available for application during the year.

Improved the level of intelligent networking. The Group continued to increase investment in research and development of intelligent networking, steadily proceeded research and development of various advanced intelligent networking technologies, which made milestone progress in electronic and electrical architecture of automobile-cloud integration, intelligent driving, ADiGO intelligent IoT system, etc. Electronic and electrical architecture of automobile-cloud integration will support the implementation of "Software Defining Vehicles" to meet individualised needs and customisation of vehicles; L2++ NDA supports assistant driving according to the navigation routes set in advance automatically, which can realise functions such as single-lane cruising, automatically up and down ramp, automatic lane change, automatic overtaking and automatically obstacle avoidance in the main road and ramp; ADiGO 4.0 intelligent IoT system realised simultaneous connection of four screens of intelligent cockpit, application of double-open and four-sound area intelligent speech interaction functions, which will be installed on AION Y, AION S PLUS and other types of vehicles to be mass produced.

Accelerated digital transformation. Taking the GAC Digital Accelerator (GDA) project group as a starting point, the Group gradually realised the extension of digital transformation from the fields of marketing and control to the fields of intelligent manufacturing and R&D. GAC Cloud Data Center project was initiated to provide support for the Group's digital transformation. The Group promoted the establishment of a joint venture company, the Da Sheng IoV, realised the unification of data from and operation of the IoV platform and improved the efficiency and quality of the operation of IoV.

5. *Synergistic development of the segments*

In parts and components segment, GAC Component took the industrial parks in Guangzhou and Meizhou as the starting point, focusing on planning the layout of the energy-saving and new energy vehicles three electric system and its industrial chain, and steadily promoting projects such as electronic control systems related products. The proportion of operating revenue of the parts and components business outside the Group increased to approximately 26.5%.

In commercial services segment, GAC Business actively explored businesses in vehicle sales, logistics, supporting services and environmental protection. In the sales field, the Group built a digital marketing platform, deepened the application of marketing system, call system and sales system to expand opening of clues, improve digital sales capabilities, and achieve closed-loop management of passenger flow; as for the field of renewable resources, the Group expanded the business of scrapped vehicles and battery recycling in multiple locations, and promoted the construction of power battery maintenance network.

In the financial services segment, the number of retail contracts of GAC-SOFINCO in the first half of the year increased by 27% year-on-year, and jointly created an inventory financing scheme for distributors exclusive to GAMC with GAC Finance, which strongly supported the development of the main business. Urtrust Insurance innovated personalised insurance services for new energy vehicles, and actively carried out business cooperation outside the Group to increase the proportion of market-oriented business. Focusing on the Group's strategic needs, GAC Capital spread out key enterprises (such as Yuexin Semiconductor, Horizon, Chenjing Technology, etc.) in the chip and intelligent networking fields to allow the supply chain to be independent and controllable.

(III) Discussion and Analysis by the Board on Operation of the Company During the Reporting Period

During the reporting period, the Group realised sales revenue of approximately RMB204.282 billion on an aggregated basis, representing an increase of approximately 27.91% as compared with that of the corresponding period of the previous year.

During the reporting period, the sales revenue of the Group amounted to approximately RMB34.572 billion, representing an increase of approximately 34.83% as compared with that of the corresponding period of the previous year; the net profit attributable to owners of the listed company amounted to approximately RMB4.337 billion, representing an increase of approximately 87.10% as compared with that of the corresponding period of the previous year. The basic earnings per share amounted to approximately RMB0.42, which increased by approximately RMB0.19 as compared with that of the corresponding period of the previous year.

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

1. China's economy continued to recover steadily. As a whole, the domestic automobile market remained stable, despite of a series of influential factors comprising the recurrence of pandemic in certain areas of the country, the supply shortage of chips, the price increase of raw materials, and so on. Under such circumstances, with the "14th Five-Year Plan" as development and planning orientation, the Group proactively pushed forward high-quality development. In the first half of the year, sales volume of automobile increased by 24.49% year-on-year, representing an increase of 2.70% than that in the first half of 2019. The Group consistently persisted in positive research and development, independent innovation, accelerated the introduction of new products, and continuously enhanced the product power. During the reporting period, AION AION Y, Trumpchi EMPOW55, AION AION S PLUS and Trumpchi GS4 PLUS, and other new, facelifted and annual vehicle models were launched, further enriching the star product portfolio of self-developed brands. Among which, the self-developed new energy vehicles continued to record impressive sales, with sales volume of the first half of the year exceeding 40,000 units, representing a year-on-year increase of more than 112%.

2. Japanese series joint ventures launched new products and technologies which continuously enhanced overall competitiveness. Among which, GAC Toyota continued its upward progress, while the main vehicle models were undersupplied, facelifted Camry, Lingshang and new Fourth-Generation Highlander were newly launched. TNGA vehicle models were continuously enriched, and the structural proportion of new energy and energy-saving products continued to increase. GAC Honda's Breeze remained a hot seller, and Breeze 2021 Version, EA6 purely electric powered vehicle, Acura CDX Premium Smart Security Version and CDX Premium·A-Spec Smart Security Sports Version, etc. were newly launched in the first half of the year.

3. Ancillary businesses in the upstream and downstream of the industrial chain such as financial services, vehicle components and commercial services were deeply promoted by closely revolving around the Group's strategy, and the synergistic effect among business segments continued to emerge which facilitated the development of principal businesses. Among which, the continuous deepening of cooperation between financial enterprises as well as the business expansion and innovation strongly supported the Group's automobile sales; "ON TIME" (如祺出行) continuously enriched its product business, improved the quality of services and extended the scope of services, and its market share steadily increased during the reporting period. With its business expanded to Zhuhai and Shenzhen successively in the first half of this year, the strategic layout entered into a new stage.

(IV) Analysis of Principal Business

1. Analysis table of changes in 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**	**Change** *(%)*
Revenue	345.72	256.42	34.83
Costs of sales	329.57	246.75	33.56
Selling and distribution costs	19.42	14.30	35.80
Administrative expenses	20.32	16.43	23.68
Finance costs	1.89	2.35	-19.57
Interest income	1.25	2.57	-51.36
Share of profit of joint ventures and associates	63.25	39.87	58.64
Net cash flow generated from operating activities	-79.72	-68.82	-15.84
Net cash flow generated from investing activities	59.22	32.46	82.44
Net cash flow generated from financing activities	1.42	-32.11	104.42

2. Revenue

During the reporting period, sales revenue of the Group amounted to approximately RMB34.572 billion, representing an increase of approximately 34.83% as compared with the corresponding period last year. This was mainly due to the combined effect of the continuous positive growth in the production and sales of automobile industry due to steady and positive situation of domestic economy, the relative lower production and sales base resulted from the pandemic in the corresponding period last year and the continuous diversification of the Group's self-developed brand vehicle models and significant increase in the sales volume.

3. Costs of sales and gross profit

During the reporting period, the Group recorded costs of sales of approximately RMB32.957 billion, representing an increase of approximately 33.56% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB1.615 billion, representing an increase of approximately RMB648 million as compared with the corresponding period last year. Gross profit margin increased by 0.90 percentage point as compared with the corresponding period last year, mainly due to the combined effect of the increase in production and sales volume of self-developed brand vehicle models leading to corresponding increase in production costs.

4. Expense

(1) The increase of approximately RMB512 million in selling and distribution costs as compared with the corresponding period last year was mainly attributable to the combined effect of the increase in commercial and advertising expenses during the reporting period and the corresponding increase in after-sales service fees resulting from increase in sales volume;

(2) The increase of approximately RMB389 million in management expenses as compared with the corresponding period last year was mainly attributable to the combined effect of amortisation of share option incentive expenses during the reporting period;

(3) The decrease of approximately RMB46 million in finance costs as compared with the corresponding period last year was mainly attributable to the combined effect of the impact of changes in the coupon rate of convertible bonds during the reporting period;

(4) The decrease of approximately RMB132 million in interest income as compared with the corresponding period last year was mainly attributable to the combined effect of decrease in capital deposit during the reporting period, which led to a decrease in interest income as compared with the corresponding period last year.

5. Cash flow

(1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB7.972 billion, representing an increase in net outflow of approximately RMB1.090 billion as compared with the net cash outflow of approximately RMB6.882 billion in the corresponding period last year, which was mainly attributable to the combined effect of the increase in cash received from the sales of goods due to increased sales and the decrease in net deposit of non-consolidated companies in GAC Finance compared to the corresponding period of last year and the increase in the expenditures on purchase of commodities for finance lease business during the reporting period;

(2) During the reporting period, net cash inflow generated from investing activities amounted to approximately RMB5.922 billion, representing an increase of net inflow of approximately RMB2.676 billion as compared with net cash inflow of approximately RMB3.246 billion in the corresponding period last year, mainly due to the combined effect of the increase in the profit sharing received from investee enterprises and the increase in recovery of financial assets invested by financial enteprises during the reporting period compared to the corresponding period of last year;

(3) During the reporting period, net cash inflow generated from financing activities amounted to approximately RMB142 million, representing an increase of net inflow of approximately RMB3.353 billion as compared with the net cash outflow of approximately RMB3.211 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 in the corresponding period of last year and the increase in borrowings for finance lease business during the reporting period;

(4) As at 30 June 2021, cash and cash equivalent of the Group amounted to approximately RMB13.863 billion, representing a decrease of approximately RMB2.904 billion as compared with approximately RMB16.767 billion as at 30 June 2020.

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 RMB6.325 billion, representing an increase of approximately RMB2.338 billion as compared with the corresponding period last year, which was mainly attributable to the combined effect of the increase in profit of Japanese series joint ventures.

7. *Others*

During the reporting period, income tax amounted to approximately RMB-131 million, representing a decrease of approximately RMB39 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 owners of the listed company for the reporting period amounted to approximately RMB4.337 billion, representing an increase of approximately 87.10% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.42, representing an increase of approximately RMB0.19 as compared with the corresponding period last year.

(V) Analysis by Industry, Product or Regional Operation

1. *Principal business by industry*

Unit: 100 million Currency: RMB

By industry	Revenue	Cost of sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in costs of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Automobile manufacturing industry	211.58	203.84	3.66	41.91	38.21	Increased by 2.59 percentage points
Parts and components manufacturing industry	15.08	14.66	2.79	66.81	69.09	Decreased by 1.30 percentage points
Commercial services	105.48	102.03	3.27	21.02	21.20	Decreased by 0.15 percentage point
Financial services and others	13.58	9.04	33.43	22.01	41.03	Decreased by 8.98 percentage points
Total	345.72	329.57	4.67	34.83	33.56	Increased by 0.90 percentage point

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	211.58	203.84	3.66	41.91	38.21	Increased by 2.59 percentage points
Vehicles-related business	120.56	116.69	3.21	25.32	25.68	Decreased by 0.27 percentage point
Financial services and others	13.58	9.04	33.43	22.01	41.03	Decreased by 8.98 percentage points
Total	345.72	329.57	4.67	34.83	33.56	Increased by 0.90 percentage point

3. *Principal business by region*

Unit: 100 million Currency: RMB

By region	Revenue	Changes in revenue compared with last year (%)
Mainland China	338.90	33.54
Overseas	6.82	158.33
Total	345.72	34.83

(VI) 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 current period over total assets	Balance at the end of previous period	Balance at the end of previous period over total assets	Change
		(%)		*(%)*	*(%)*
Prepayments and long-term receivables	64.04	4.53	50.56	3.54	26.66
Financial assets at fair value through profit or loss-current	20.21	1.43	15.95	1.12	26.71
Borrowings-current	86.05	6.09	65.04	4.55	32.30
Contract liabilities	22.00	1.56	14.93	1.05	47.35
Borrowings-non-current	67.54	4.78	84.73	5.93	-20.29

2. Analysis on change of items

(1) Prepayments and long-term receivables increased by 26.66% as compared with the balance at the end of the previous period, mainly due to the combined effect of the corresponding increase of prepayments income with the increase in production and sales volume and the increase in finance leasing business during the reporting period;

(2) Financial assets at fair value through profit or loss – current increased by 26.71% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increase in investment in financial products by financial enterprises during the reporting period;

(3) Borrowings-current increased by 32.30% as compared with the balance at the end of the previous period, mainly due to the combined effect of the upcoming maturity of convertible bonds within one year and the increase of long-term borrowings due within one year during the reporting period;

(4) Contract liabilities increased by 47.35% as compared with the balance at the end of the previous period, mainly due to the combined effect of the corresponding increase in the prepayment by customers with the increase in production and sales volume during the reporting period;

(5) Borrowings-non-current decreased by 20.29% as compared with the balance at the end of previous period, mainly due to the combined effect of the upcoming maturity of convertible bonds within one year and the increased demand for funds for the development of certain enterprise businesses during the reporting period.

(VII) Analysis of Financial Position

1. Financial indicators

As at 30 June 2021, the Group's current ratio was approximately 1.33 times, basically unchanged compared to the approximately 1.33 times as at 31 December 2020, and quick ratio was approximately 1.18 times, basically unchanged compared to the approximately 1.18 times as at 31 December 2020, which were within normal level.

2. Financial resources and capital structure

As at 30 June 2021, the Group's current assets amounted to approximately RMB51.309 billion, current liabilities amounted to approximately RMB38.661 billion and current ratio was approximately 1.33 times.

As at 30 June 2021, total borrowings amounted to approximately RMB15.359 billion, mainly consisting of corporate bonds issued by the Group with nominal value of RMB3 billion, medium-term notes with nominal value of RMB300 million, convertible bonds with closing balance of approximately RMB2.574 billion, and borrowings from bank and financial institutions with closing balance of approximately RMB9.364 billion, etc. The above borrowings and bonds are payable upon maturity. The Group generally funds its business and operational capital needs with its own operating cash flow.

As at 30 June 2021, the Group's gearing ratio was approximately 14.57% (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 in which the domestic sales and purchases 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 2021, third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2020 was RMB0; as at 30 June 2021, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2020 was RMB0.

(VIII) Analysis of Major Controlling and Investee Companies

GAC Honda, GAC Toyota, GAMC and GAC AION are the key joint ventures and subsidiaries of the Group. During the reporting period, the four companies actively took effective measures to cope with the supply chain on the basis of strict prevention and control of the pandemic, resulting in steady development. Among which:

The production and sales volume of GAC Honda were 368,686 units and 371,578 units, respectively, representing an increase of 19.86% and 16.68% year-on-year, respectively; sales revenue was RMB56.88175 billion, representing an increase of approximately 18.87% year-on-year;

The production and sales volume of GAC Toyota were 409,593 units and 417,228 units, respectively, representing an increase of 32.32% and 30.02% year-on-year, respectively; sales revenue was RMB60.89402 billion, representing an increase of approximately 30.57% year-on-year;

The production and sales volume of GAMC were 140,540 units and 150,974 units, respectively, representing an increase of 24.84% and 28.29% year-on-year, respectively; sales revenue was RMB23.28562 billion, representing an increase of approximately 44.39% year-on-year;

The production and sales volume of GAC AION were 42,655 units and 43,013 units, respectively, representing an increase of 107.55% and 112.03% year-on-year, respectively; sales revenue was RMB5.01833 billion, representing an increase of approximately 85.32% year-on-year.

OTHER DISCLOSURES

1. Possible risks

The risk of chip supply shortage. Despite the Company's efforts to reduce the losses caused by the shortage of chip supply by strengthening the cooperation with chip manufacturers and optimising the model production plan of vehicle models, the global shortage of chip supply will not be completely resolved in the short term, which brings challenges and uncertainties to the Company in achieving the annual vehicle production and selling goals. To create an independent, safe and controllable industry chain with guaranteed and stable supply will continue to be the important issues in the second half of the year.

The risk of rising raw material cost. Due to the continuous loosening of global liquidity and the gradual recovery of the domestic economy and other factors, commodity price continues to rise. Although the Company actively takes cost control measures, the result of the trend of price increase will be more prominent in the second half of the year, causing the increase in the pressure of corporation cost, which brings uncertainties to the attainment of the Company's profit targets.

The risk of pandemic resurgence. The continuous recurrence of the domestic COVID-19 pandemic may block the flow of people and logistics, and will have certain impacts on the operation of the macro economy and the consumption capacity of residents, which in turn will have an impact on the production and sales of automobile enterprises.

2. Production Safety

During the reporting period, the Group followed the guidance of Xi Jinping's vision on socialism with Chinese characteristics for a new era, and adhered to the idea of "people-oriented and safe development". In accordance with the annual production safety target control indicator plan approved by the Board, by focusing on the key issues of production safety, the Group strictly performed the main responsibility of enterprises for production safety. First of all, the Group earnestly implemented objective management and assessment for production safety, strengthened risk classification management and control and the investigation and treatment of hidden hazards and consolidated the foundation for production safety management. Secondly, the Group made a specific plan for developing special investigation of performing the main responsibility of enterprises for production safety on tertiary investment enterprises, pushed forward the enterprises to improve comprehensively production safety responsibility system for all employees and production safety work mechanism "one red line, troubleshooting, ordering and elimination (一線三排)", thereby further consolidating the main responsibility for production safety. Thirdly, the Group did preparation to defend against the flood period and high temperature, organised and developed the special training of three proofings and special inspection for flood proofing and wind proofing, propelled the investment enterprises to further perfect their flood period defense mechanism, prepare emergency equipment resources and hidden risks solutions, and did a good job in production safety risk control during the rainy season and hot summer.

During the reporting period, the Group and each of investment enterprises had experienced no significant (or above) production accidents, and its production remained generally safe and was in an orderly manner.

In the second half of 2021, the Group will continue to pay close and serious attention to safety in accordance with procedures of "supervision, guidance and service", supervise and urge investment enterprises to implement the responsibility system of production safety for all employees, perfect safety risk classification management and control and the work mechanism for investigation and treatment of hidden hazards, improve the abilities of meteorological warning and disaster defence, strengthen safety production propaganda education training, strictly implement objective management for production safety and push each investment enterprises to perform the main responsibility for production safety, thereby ensuring production safety of the Group to remain on a stable and positive track.

3. Remuneration and legal rights of employees

As at the end of the reporting period, there are 91,429 registered employees in the Group (including joint ventures and associated enterprises).

In terms of remuneration policy, the Group, on one hand, analysed remuneration data in the market, CPI growth and industry benchmark, maintained the market competitiveness of remuneration levels, and promotes the collective wage negotiation mechanism to ensure that remuneration plays an incentive role in talent retention. On the other hand, the Group strengthened the relationship between remuneration and performance, and constantly optimised the administrative measures such as remuneration system, enterprise performance appraisal mechanism, individual performance appraisal method, and employee promotion system, and promoted 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 legal labour protection and enterprises were encouraged to purchase supplementary medical insurance and enterprise annuity for its staff in order to further protect and safeguard the interests and health conditions of their employees.

The Group will further improve the remuneration system to ensure it is effective in terms of incentive provision 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)	0.5
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 69th meeting of the 5th session of the Board of the Company held on 30 August 2021, it was considered and resolved that a cash interim dividend of RMB0.5 (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 reserved share option of 2017 Second Share Option Incentive Scheme has begun, commencing from 17 December 2020 to 16 December 2021. During the reporting period, a total of 3,525,102 options have been exercised. As of 30 June 2021, a total of 13,190,189 options have been exercised, representing 73.90% of the total exercisable options.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trusts

☐Applicable ✓N/A

2. Guarantee

Unit: Yuan Currency: RMB

External Guarantee of the Company (excluding those provided to subsidiaries)	
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	0
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	0
Guarantee provided to subsidiaries by the Company and its subsidiaries	
Total guarantee provided to subsidiaries of the Company during the reporting period	240,000,000
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)	240,000,000
Total guarantee of the Company (including those provided to subsidiaries)	
Total guarantee (A+B)	240,000,000
Proportion of total guarantee in the net assets of the Company (%)	0.27
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 unexpired guarantees that may be subject to joint liability	N/A
Description of 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	3,368	
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)	348,105,000	13.66
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	106,541,000	4.18
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank)	93,767,000	3.68
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.)	84,056,000	3.30
China Merchants Bank Co., Ltd. – Hongde Zhiyuan Mixed Bond Securities Investment Fund	65,803,000	2.58
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Shanghai Pudong Development Bank)	56,604,000	2.22
China CITIC Bank Corporation Limited – ICBC Credit Suisse Industrial Bond Securities Investment Fund	54,298,000	2.13
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of Communications)	50,106,000	1.97
National Social Security Fund 214 Combination	48,745,000	1.91
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Minsheng Banking Corp., Ltd.)	46,559,000	1.83

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.	2,549,095,000	79,000	0	0	2,549,016,000

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)	79,000
Number of shares converted during the reporting period (A shares)	5,592
Aggregated number of shares converted (A shares)	72,082,274
Aggregated number of shares converted per the total number of issued shares of the Company before conversion (%)	1.12
Outstanding convertible bonds (RMB)	2,549,016,000
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
21 June 2016	RMB21.87	14 June 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB1.2 (tax inclusive) for every 10 shares for the year of 2015, the conversion price was adjusted from RMB21.99 per A share to RMB21.87 per A share accordingly.
20 October 2016	RMB21.79	12 October 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.8 (tax inclusive) for every 10 shares for the interim period of 2016, the conversion price was adjusted from RMB21.87 per A share to RMB21.79 per A share accordingly.
21 December 2016	RMB21.75	19 December 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to exercise of A share options under the 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.
13 June 2017	RMB21.53	6 June 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 RMB2.2 (tax inclusive) for every 10 shares for the year of 2016, the conversion price was adjusted from RMB21.75 per A share to RMB21.53 per A share accordingly.
14 September 2017	RMB21.43	6 September 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB1 (tax inclusive) for every 10 shares for the interim period of 2017, the conversion price was adjusted from RMB21.53 per A share to RMB21.43 per A share accordingly.
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.

Date of adjustment on conversion price	Adjusted conversion price	Date of disclosure	Disclosure media	Description of the conversion price adjustment
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.
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.
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.

Date of adjustment on conversion price	Adjusted conversion price	Date of disclosure	Disclosure media	Description of the conversion price adjustment
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.
22 September 2020	RMB14.23	11 September 2020	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.3 (tax inclusive) for every 10 shares for the interim period of 2020, the conversion price was adjusted from RMB14.26 per A share to RMB14.23 per A share accordingly.
10 February 2021	RMB14.12	9 February 2021	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	As of 31 January 2021, the exercise of share options by the participants during the first exercise period for the reserved share options of the Second Share Option Incentive Scheme of the Company resulted in the increase in the Company's share capital of 10,961,082 shares, the conversion price was adjusted from RMB14.23 per A share to RMB14.12 per A share accordingly.
8 June 2021	RMB13.97	1 June 2021	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 2020 of RMB1.5 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB14.12 per A share to RMB13.97 per A share accordingly.
Latest conversion price as at the end of the reporting period				RMB13.97

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

As at 30 June 2021, the total assets amounted to RMB141,211,746,627 and the gearing ratio was 36.26%. 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, as a result of the exercise of share options pursuant to the share option incentive scheme and conversion of convertible corporate bonds, an aggregate of 3,530,694 A shares were increased, which are liquid shares without any selling restrictions.

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.

DEFINITIONS

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

"associate(s)", "associated company(ies)" or "associated enterprise(s)"	all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
"Board"	the board of directors of the Company
"China Lounge Investments"	China Lounge Investments Limited (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), a subsidiary of the Company established in June 2016 under PRC law, in which the Company and Urtrust Insurance hold approximately 74.30% equity interests in total
"GAC AION"	GAC AION New Energy Automobile Co., Ltd. (廣汽埃安新能源汽車有限公司) (formerly known as Guangzhou Automobile New Energy Automobile Co., Ltd. (廣汽新能源汽車有限公司)), a wholly-owned subsidiary of the Company incorporated in July 2017 under PRC law

"GAC Aisin"	GAC Aisin Automatic Gearbox Co., Ltd. (廣汽愛信自動變速器有限公司), an associated company jointly funded and established by GAMC, AISIN AW Co., Ltd. and Aida (China) Investment Co., Ltd. in December 2018 under PRC law, in which the Company indirectly holds 40% equity interests
"GAC Business"	GAC Business Co., Ltd. (廣汽商貿有限公司) (formerly known as Guangzhou Automobile Group Business Co., Ltd. (廣州汽車集團商貿有限公司)), a wholly-owned subsidiary of the Company incorporated in March 2000 under PRC law
"GAC BYD"	Guangzhou GAC BYD New Energy Passenger Vehicle Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), a jointly controlled entity incorporated in August 2014 under PRC law by the Company and BYD Company Limited, in which the Company holds 49% of its equity interests
"GAC Capital"	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary of the Company incorporated in April 2013 under PRC Law
"GAC Component"	GAC Component Co., Ltd. (廣汽零部件有限公司) (formerly known as Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司)), a wholly-owned subsidiary incorporated in August 2000 under PRC law by the Company and its subsidiaries
"GAC FCA"	GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司) (formerly known as GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司)), a jointly controlled entity incorporated in March 2010 under PRC law by the Company and Fiat Chrysler Automobiles (In January 2021, Fiat Chrysler Automobiles and the former Groupe PSA merged to form the Stellantis Group)
"GAC Finance"	Guangzhou Automobile Group Finance Co., Ltd. (廣州汽車集團財務有限公司), a wholly-owned subsidiary of the Company incorporated in January 2017 under PRC law
"GAC Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a jointly controlled entity incorporated in November 2007 under PRC law by the Company and Hino Motors, Ltd.

"GAC Honda"	GAC Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co., Ltd. (廣州本田汽車有限公司)), a jointly controlled entity incorporated in May 1998 under PRC law by the Company, Honda Motor Co. Ltd. and Honda Motor (China) Investment Co., Ltd.
"GAC Mitsubishi"	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a jointly controlled entity incorporated in September 2012 under PRC law by the Company, Mitsubishi Motors Corporation and Mitsubishi Corporation
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated in May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
"GAC Toyota"	GAC Toyota Motor Co., Ltd. (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co., Ltd. (廣州豐田汽車有限公司)), a jointly controlled entity incorporated in September 2004 under PRC law by the Company, Toyota Motor Company and Toyota Motor (China) Investment Co., Ltd.
"GAC Toyota Engine"	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated in February 2004 under PRC law by the Company and Toyota Motor Company, in which the Company holds 30% of its equity interests
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, a branch company of the Company established in June 2006 for the purpose of conducting research and development of the products and technology in which the Company has proprietary rights
"GAMC"	GAC Motor Co., Ltd. (廣汽乘用車有限公司) (formerly known as Guangzhou Automobile Group Motor Co., Ltd. (廣州汽車集團乘用車有限公司)), a wholly-owned subsidiary of the Company incorporated in July 2008 under PRC law
"Group" or "GAC Group"	the Company and its subsidiaries

"HYCAN Automobile"	HYCAN Automobile Technology Co., Ltd.(合創汽車科技有限公司) (formerly known as GAC Nio New Energy Automobile Technology Co., Ltd. (廣汽蔚來新能源汽車科技有限公司)), a company jointly funded and established by the Company and Nio, Inc. in April 2018 under PRC law, in which 25% of its equity interests are jointly held by the Company and its subsidiaries after the completion of capital injection in January 2021
"joint venture(s)", "joint enterprise(s)", "jointly controlled entity(ies)"	joint venture companies under direct or indirect joint control, and no participating party has unilateral control power over the economic activities of such jointly controlled entity as a result of such direct or indirect joint control
"Juwan Technology Research"	Guangzhou Juwan Technology Research Co., Ltd., an associated company incorporated in September 2020 under PRC law and jointly funded and established by the Company, GAC Capital, Guangzhou Juwan Investment Partnership (Limited Partnership) and other natural person shareholders, in which the Company and GAC Capital jointly hold 39% equity interests
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"MPV"	multi-purpose passenger vehicle
"ON TIME"	a mobile mobility platform established in April 2019 and launched by the Company through Chenqi Technology Limited (including its subsidiaries) established by China Lounge Investments and Tencent, and its controlling company, and is indirectly held 35% by the Group
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated by the Company and Hino Motors, Ltd. in October 2003 under PRC law, in which the Company holds 30% equity interests
"SSE"	the Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"SUV"	sports utility vehicle
"Times GAC"	Times GAC Energy Battery System Co., Ltd. (時代廣汽動力電池有限公司), an associated company jointly funded and established by the Company, GAC AION and Contemporary Amperex Technology Co., Ltd. in December 2018 under PRC law, in which the Company and GAC AION hold 49% equity interests in total
"Urtrust Insurance"	Urtrust Insurance Co., Ltd. (眾誠汽車保險股份有限公司), a subsidiary incorporated by the Company in June 2011 under PRC law, in which the Company directly and indirectly holds a total of 53.55% equity interests
"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊－本田摩托(廣州)有限公司), a jointly controlled entity incorporated by the Company, Honda Motor Co., Ltd. and Honda Motor (China) Investment Co., Ltd. in July 1992 under PRC law

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

Guangzhou, the PRC, 30 August 2021

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.