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**GUANGZHOU AUTOMOBILE GROUP CO., LTD.**

**廣州汽車集團股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2238)**

**2022 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) Due to other official affairs, XIAO Shengfang (a director) authorised SONG Tiebo (a director) to attend the Board meeting on his behalf.
- (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 2022 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 RMB0.6 (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

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2022</b>	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	<b>48,688,649</b>	34,571,754
Cost of sales		<u><b>(46,553,112)</b></u>	<u>(32,957,110)</u>
<b>Gross profit</b>		<b>2,135,537</b>	1,614,644
Selling and distribution costs		<b>(2,370,828)</b>	(1,942,438)
Administrative expenses		<b>(2,372,835)</b>	(2,032,365)
Net impairment losses on financial assets		<b>(78,770)</b>	(534)
Interest income		<b>21,199</b>	47,693
Other gains – net		<u><b>339,286</b></u>	<u>322,108</u>
<b>Operating loss</b>	5	<b>(2,326,411)</b>	(1,990,892)
Interest income		<b>135,391</b>	77,464
Finance costs	6	<b>(158,623)</b>	(189,093)
Share of profit of joint ventures and associates	7	<u><b>8,417,441</b></u>	<u>6,324,526</u>
<b>Profit before income tax</b>		<b>6,067,798</b>	4,222,005
Income tax credit	8	<u><b>70,316</b></u>	<u>130,802</u>
<b>Profit for the period</b>		<b>6,138,114</b>	4,352,807
<b>Profit attributable to:</b>			
Owners of the Company		<b>6,073,685</b>	4,336,516
Non-controlling interests		<u><b>64,429</b></u>	<u>16,291</u>
		<u><b>6,138,114</b></u>	<u>4,352,807</u>

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2022</b>	2021
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translation of foreign operations		<b>1,554</b>	(5,263)
– changes in the fair value of debt instruments at fair value through other comprehensive income		<b>492</b>	–
– impairment loss on debt instruments at fair value through other comprehensive income		<b>101</b>	–
Items that will not be reclassified subsequently to profit or loss			
– changes in the fair value of equity investments at fair value through other comprehensive (loss)/income		<u><b>(87,945)</b></u>	<u>287,429</u>
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<u><b>(85,798)</b></u>	<u>282,166</u>
<b>Total comprehensive income for the period</b>		<u><b>6,052,316</b></u>	<u>4,634,973</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>5,987,887</b>	4,618,682
Non-controlling interests		<u><b>64,429</b></u>	<u>16,291</u>
		<u><b>6,052,316</b></u>	<u>4,634,973</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company</b> <i>(expressed in RMB per share)</i>			
– basic	9	<u><b>0.59</b></u>	<u>0.42</u>
– diluted	9	<u><b>0.58</b></u>	<u>0.42</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited 30 June 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>19,499,510</b>	19,475,570
Right-of-use assets		<b>6,838,877</b>	6,817,666
Investment properties		<b>1,747,054</b>	1,871,624
Intangible assets		<b>13,973,991</b>	13,581,219
Investments in joint ventures and associates	7	<b>37,124,520</b>	36,926,987
Deferred income tax assets		<b>3,117,869</b>	2,833,925
Financial assets at fair value through other comprehensive income		<b>1,608,576</b>	1,597,702
Financial assets at fair value through profit or loss		<b>1,871,347</b>	1,945,627
Prepayments and other long-term receivables		<b>8,945,799</b>	8,008,623
		<b><u>94,727,543</u></b>	<u>93,058,943</u>
<b>Current assets</b>			
Inventories		<b>9,490,954</b>	8,110,960
Trade and other receivables	11	<b>25,678,248</b>	25,110,073
Financial assets at fair value through other comprehensive income		<b>70,555</b>	709,064
Financial assets at fair value through profit or loss		<b>3,456,617</b>	3,225,636
Time deposits		<b>3,324,076</b>	5,176,560
Restricted cash		<b>1,529,250</b>	1,624,390
Cash and cash equivalents		<b>19,700,862</b>	17,234,963
		<b><u>63,250,562</u></b>	<u>61,191,646</u>
<b>Total assets</b>		<b><u>157,978,105</u></b>	<u>154,250,589</u>
<b>EQUITY</b>			
Share capital		<b>10,463,958</b>	10,370,593
Reserves		<b>33,454,018</b>	29,345,460
Retained earnings		<b>54,840,800</b>	50,597,258
Capital and reserves attributable to owners of the Company		<b>98,758,776</b>	90,313,311
Non-controlling interests		<b>3,542,878</b>	2,335,474
<b>Total equity</b>		<b><u>102,301,654</u></b>	<u>92,648,785</u>

	<i>Note</i>	<b>Unaudited 30 June 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	12	538,194	773,048
Borrowings		4,559,447	7,526,724
Lease liabilities		1,312,646	1,270,196
Deferred income tax liabilities		140,593	144,418
Provisions		747,650	559,341
Government grants		<u>2,150,153</u>	<u>2,195,521</u>
		<u>9,448,683</u>	<u>12,469,248</u>
<b>Current liabilities</b>			
Trade and other payables	12	32,312,735	35,863,483
Contract liabilities		2,059,907	2,626,902
Current income tax liabilities		177,359	202,040
Borrowings		11,152,589	9,888,738
Lease liabilities		204,401	193,531
Provisions		<u>320,777</u>	<u>357,862</u>
		<u>46,227,768</u>	<u>49,132,556</u>
<b>Total liabilities</b>		<u><u>55,676,451</u></u>	<u><u>61,601,804</u></u>
<b>Net assets</b>		<u><u>102,301,654</u></u>	<u><u>92,648,785</u></u>
<b>Total equity and liabilities</b>		<u><u>157,978,105</u></u>	<u><u>154,250,589</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sale of automobiles, engines and other automotive parts and rendering of financial services. The Company’s holding company is Guangzhou Automobile Industry Group Co., Ltd. (“GAIG”), a state-owned enterprise incorporated in the People’s Republic of China (the “PRC”).

The registered address of the Company is 23/F, Chengyue Building, No. 448 – No. 458, Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong, the PRC.

The Company was established in June 1997 as a limited liability company in the PRC. In June 2005, the Company underwent a reorganisation and transformed itself into a joint stock company with limited liability under the Company Law of the PRC. The Company’s shares have been listed on 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 2022.

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 2022 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 2021, 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 2021, 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 2022.

#### (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 2022:

Amendments	Subject of Amendments
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations
Annual Improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41

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 2022 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 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements– Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies “HKAS 1 (Amendments)”

#### **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 2022, 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 2022 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
<b>Six months ended 30 June 2022</b>					
Total gross segment revenue	47,071,914	1,915,625	(298,890)	-	48,688,649
Inter-segment revenue	<u>(135,525)</u>	<u>(163,365)</u>	<u>298,890</u>	-	-
<b>Revenue (from external customers)</b>	<b><u>46,936,389</u></b>	<b><u>1,752,260</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>48,688,649</u></b>
Timing of revenue recognition under HKFRS 15					
- At a point in time	44,580,417	-	-	-	44,580,417
- Over time	1,487,761	400,919	-	-	1,888,680
Revenue from other sources	<u>868,211</u>	<u>1,351,341</u>	<u>-</u>	<u>-</u>	<u>2,219,552</u>
<b>Segment results</b>	<b>(1,865,546)</b>	<b>37,218</b>	<b>(43,562)</b>	<b>-</b>	<b>(1,871,890)</b>
Unallocated income – Interest income of headquarters					
				7,597	7,597
Unallocated costs – Expenditure of headquarters					
				(462,118)	<u>(462,118)</u>
<b>Operating loss</b>					<b>(2,326,411)</b>
Interest income	67,145	19,723	-	48,523	135,391
Finance costs	(120,155)	(3,507)	-	(34,961)	(158,623)
Share of profit of joint ventures and associates	8,084,408	333,033	-	-	<u>8,417,441</u>
<b>Profit before income tax</b>					<b>6,067,798</b>
Income tax credit/(expenses)	102,367	(27,371)	-	(4,680)	<u>70,316</u>
<b>Profit for the period</b>					<b><u>6,138,114</u></b>

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 <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<b>Six months ended 30 June 2021</b>					
Total gross segment revenue	33,264,543	1,496,373	(189,162)	–	34,571,754
Inter-segment revenue	<u>(51,206)</u>	<u>(137,956)</u>	<u>189,162</u>	<u>–</u>	<u>–</u>
<b>Revenue (from external customers)</b>	<b><u>33,213,337</u></b>	<b><u>1,358,417</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>34,571,754</u></b>
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	<u>377,869</u>	<u>958,563</u>	<u>–</u>	<u>–</u>	<u>1,336,432</u>
<b>Segment results</b>	(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)	<u>(310,245)</u>
<b>Operating loss</b>					(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	–	–	<u>6,324,526</u>
<b>Profit before income tax</b>					4,222,005
Income tax credit/(expenses)	205,018	(74,118)	–	(98)	<u>130,802</u>
<b>Profit for the period</b>					<b><u>4,352,807</u></b>

The segment assets and liabilities as at 30 June 2022 and 31 December 2021 are as follows:

	<b>Vehicles and related operations RMB'000</b>	<b>Others RMB'000</b>	<b>Eliminations RMB'000</b>	<b>Unallocated RMB'000</b>	<b>Consolidated RMB'000</b>
<b>Total assets</b>					
<b>At 30 June 2022</b>	<b><u>122,216,018</u></b>	<b><u>37,453,210</u></b>	<b><u>(44,337,292)</u></b>	<b><u>42,646,169</u></b>	<b><u>157,978,105</u></b>
At 31 December 2021	<u>119,244,879</u>	<u>37,943,997</u>	<u>(41,986,049)</u>	<u>39,047,762</u>	<u>154,250,589</u>
<b>Total liabilities</b>					
<b>At 30 June 2022</b>	<b><u>65,409,105</u></b>	<b><u>27,276,332</u></b>	<b><u>(42,840,153)</u></b>	<b><u>5,831,167</u></b>	<b><u>55,676,451</u></b>
At 31 December 2021	<u>63,958,745</u>	<u>27,820,500</u>	<u>(40,615,907)</u>	<u>10,438,466</u>	<u>61,601,804</u>

## 5 OPERATING LOSS

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation and amortisation	<b>3,420,621</b>	2,840,150
Impairment charges of intangible assets	<b>32,982</b>	–
Impairment charges of inventories	<b>16,012</b>	15,435
Net impairment losses on financial assets	<b>78,770</b>	534
Staff costs	<b>5,555,600</b>	4,603,895
Gains on disposal of property, plant and equipment and intangible assets	<b>(6,932)</b>	(15,136)
Government grants	<b>(262,099)</b>	(306,024)
Donation	<b>1,070</b>	2,479
Dilution Gain	<b><u>(323,196)</u></b>	<u>–</u>

## 6 FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest expense	122,067	209,461
Others	36,556	(20,368)
	<u>158,623</u>	<u>189,093</u>

## 7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Investments in joint ventures	27,227,607	26,904,507
Investments in associates	9,896,913	10,022,480
	<u>37,124,520</u>	<u>36,926,987</u>

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Share of profit of joint ventures ( <i>Note (i)</i> )	7,715,726	5,697,380
Share of profit of associates ( <i>Note (i)</i> )	701,715	627,146
	<u>8,417,441</u>	<u>6,324,526</u>

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

## 7.1 Investments in joint ventures

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Beginning of the period	26,904,507	24,654,320
Additions ( <i>Note (i)</i> )	537,750	856,931
Capital reduction	(28,302)	(20,716)
Disposal	(123,074)	(18,073)
Share of profit	7,733,729	6,008,091
Dividends declared	(7,797,003)	(5,956,861)
	<u>27,227,607</u>	<u>25,523,692</u>
End of the period		

(i) In the six months ended 30 June 2022, the additions mainly represent the Group's capital contribution of RMB300,000,000 to Guangdong Guangqi Yuexiu Zhiyuan Industrial Investment Fund Partnership (Limited Partnership). In addition, the Group contributed capital of RMB237,750,000 to several newly set-up joint ventures.

(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 2022 RMB'000	Audited 31 December 2021 RMB'000
<b>Assets</b>		
Non-current assets	<u>94,061,648</u>	<u>86,276,133</u>
Current assets		
– Cash and cash equivalents	65,689,745	62,573,891
– Other current assets	<u>36,427,126</u>	<u>47,247,676</u>
	<u>102,116,871</u>	<u>109,821,567</u>
Total assets	<u><u>196,178,519</u></u>	<u><u>196,097,700</u></u>
<b>Liabilities</b>		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	26,424,976	20,315,422
– Other non-current liabilities (including trade and other payables)	<u>9,663,921</u>	<u>6,813,910</u>
	<u>36,088,897</u>	<u>27,129,332</u>
Current liabilities		
– Financial liabilities (excluding trade and other payables)	26,821,228	24,800,831
– Other current liabilities (including trade and other payables)	<u>82,908,578</u>	<u>94,837,688</u>
	<u>109,729,806</u>	<u>119,638,519</u>
Total liabilities	<u><u>145,818,703</u></u>	<u><u>146,767,851</u></u>
<b>Net assets</b>	50,359,816	49,329,849
Less: Non-controlling interests	<u>(23,280)</u>	<u>(22,875)</u>
	<u><u>50,336,536</u></u>	<u><u>49,306,974</u></u>

*Summarised statement of comprehensive income*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>150,718,053</b>	132,594,844
Cost of sales	<b>(122,992,484)</b>	(108,933,788)
Other expenditures	<b>(12,985,468)</b>	(12,983,680)
Profit after tax	<b>14,740,101</b>	10,677,376
Less: profit attributable to non-controlling interests	<b>(405)</b>	(2,931)
	<b>14,739,696</b>	10,674,445
Other comprehensive income	<b>—</b>	—
Total comprehensive income	<b>14,739,696</b>	10,674,445

**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:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax	<b>217,453</b>	171,100
Deferred income tax	<b>(287,769)</b>	(301,902)
	<b>(70,316)</b>	(130,802)

- (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 2022 are 15% or 25% (2021: 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 less restricted shares during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Profit attributable to owners of the Company	<b>6,073,685</b>	4,336,516
Weighted average number of ordinary shares in issue less restricted shares (thousands)	<b><u>10,354,076</u></b>	<u>10,350,942</u>
Basic earnings per share (RMB per share)	<b><u>0.59</u></b>	<u>0.42</u>

### (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 different categories of dilutive potential ordinary shares: convertible bonds, share options and restricted shares. 1) The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense. 2) For the share options and restricted shares, calculations are 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 2022) based on the monetary value of the subscription rights attached to outstanding share options, and at subscription price of restricted shares, respectively. The numbers of shares calculated as above are compared with the numbers of shares that would have been issued assuming the exercise of the share options, and the numbers of restricted shares that would have been unlocked assuming all related conditions fulfilled, respectively.



	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit attributable to owners of the Company	<b>6,073,685</b>	4,336,516
Add: Interest expense on convertible bonds	<b>5,131</b>	47,913
	<u><b>6,078,816</b></u>	<u>4,384,429</u>
Profit used to determine diluted earnings per share		
Weighted average number of ordinary shares in issue less restricted shares (thousands)	<b>10,354,076</b>	10,350,942
Add: weighted average number of ordinary shares assuming conversion of all share options and restricted shares (thousands)	<b>28,457</b>	2,866
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	<b>17,511</b>	182,467
	<u><b>10,400,044</b></u>	<u>10,536,275</u>
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)		
Diluted earnings per share (RMB per share)	<u><b>0.58</b></u>	<u>0.42</u>

## 10 DIVIDEND

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interim dividend declared: RMB0.06 per ordinary share (2021: RMB0.05 per ordinary share)	<b>627,837</b>	517,661
	<u><b>627,837</b></u>	<u>517,661</u>

Dividend paid in six months ended 30 June 2022 was approximately RMB1,778,872,000 (six months ended 30 June 2021: RMB1,552,796,000).

In addition, an interim dividend of RMB0.06 per ordinary share (2021: RMB0.05 per ordinary share) was declared by the board of directors on 30 August 2022. This interim dividend, amounting to approximately RMB627,837,000 (2021: RMB517,661,000), 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 2022 and 31 December 2021, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <b>RMB'000</b>	<b>Audited</b> <b>31 December</b> <b>2021</b> <b>RMB'000</b>
<b>Trade receivables</b>		
Within 1 year	<b>6,808,901</b>	6,415,447
Between 1 and 2 years	<b>511,748</b>	341,919
Between 2 and 3 years	<b>697,047</b>	457,165
Between 3 and 4 years	<b>316,569</b>	63,382
Between 4 and 5 years	<b>20,551</b>	75,561
Over 5 years	<b>144,205</b>	161,714
	<b>8,499,021</b>	7,515,188
Less: Provision for impairment	<b>(274,356)</b>	(292,940)
Trade receivables – net	<b>8,224,665</b>	7,222,248

## 12 TRADE AND OTHER PAYABLES

As at 30 June 2022 and 31 December 2021, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <b>RMB'000</b>	<b>Audited</b> <b>31 December</b> <b>2021</b> <b>RMB'000</b>
<b>Trade payables</b>		
Within 1 year	<b>12,047,912</b>	14,670,857
Between 1 and 2 years	<b>850,902</b>	282,607
Between 2 and 3 years	<b>299,216</b>	52,624
Over 3 years	<b>82,539</b>	73,002
	<b>13,280,569</b>	15,079,090

## CHAIRMAN'S STATEMENT

During the first half of the year, various risks and challenges dramatically multiplied in the intricate domestic and foreign environment where the COVID-19 pandemic frequently resurged, the shortfall of supply was aggravated and the downward pressure of market intensified. Confronted with the daunting challenges alongside the ordeals, the Group seized every minute without being distracted and strained every nerve to maintain and stabilise our supply by way of replenishment production and capacity expansion. By virtue of the joint and unremitting efforts of all the staff, the Group's vehicle production and sales volume achieved substantial growth despite unfavourable circumstances, with the product portfolio, brand value, marketing system as well as the ability of operating management, R&D and manufacture remarkably optimised and upgraded. 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.

**Devoted all efforts to maintain and stabilise our supply, while production and operation sustained growth against the unfavourable trend.** Suffering from the pandemic, the supply of certain components once fell into stagnation in April. The Group simultaneously reinforced both its internal comprehensive control and external communication and coordination, making all-out efforts to promote the work and production resumption of the enterprises along the industry chain and the supply chain. Benefiting from the product portfolio optimisation, the adjustment on the frequency of introducing new arrivals, the acceleration of digital transformation as well as the active market exploration, our production and sales volume have been significantly restored since May. Whilst domestic automobile industry experienced a downturn with production and sales volume shrinking 3.7% and 6.6% year-on-year, the production and sales volume of the Group achieved a compelling increase by 15% and 12% against the unfavourable trend, both of which outperformed the industry by an excess of nearly 19 percentage points, and therefore our production and sale scale soared to the fourth place in the industry. The product power, marketing power and brand power of the Group have been further enhanced, among which the sales volume of GAC Trumpchi gradually stabilised and upturned with a year-on-year increase of 14.3%; the sales volume of GAC AION exceeded 100 thousand units with a year-on-year increase of 133.9%, establishing itself firmly in the first quadrant of the domestic new energy vehicles. The Group realised sales revenue of approximately RMB242.782 billion on an aggregate basis, representing an increase of approximately 18.85% as compared with that of the corresponding period of the previous year. The sales revenue of the Group amounted to approximately RMB48.689 billion, representing an increase of approximately 40.83% 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 RMB6.074 billion, representing an increase of approximately 40.05% as compared with that of the corresponding period of the previous year; the basic earnings per share amounted to approximately RMB0.59, representing an increase of approximately 40.48% as compared with that of the corresponding period of the previous year. GAC was included in the Fortune Global 500 List for the tenth consecutive year, ranking the 186<sup>th</sup> in 2022. For the purpose of giving practical returns to shareholders, the Board proposed to distribute to all shareholders an interim dividend of RMB0.6 (tax inclusive) for every 10 shares. The total amount of dividends to be distributed is approximately RMB628 million.

**Focused on the “New Four Modernisations” transformation and accelerated technological substantialisation.** The Group constantly kept abreast of the technological transformation to seek further breakthrough toward the technological orientation characterised by disruptive and ingenious elements, and to forge its exclusive technological capabilities with the characteristics of GAC. During the first half of the year, the Group recorded 564 new patent applications including 262 invention patents, amounting to a total of over 11,000 patent applications including over 4,200 invention patents. In the field of energy conservation and new energy, the Group released the revolutionary compound battery technology described as “new-generation supercharging lithium-iron battery technology empowered by microcrystal technologies”, which have accommodated all-round improvement in battery performance in terms of cell’s mass energy density, volume energy density, capacity at low temperature, fast charge, service life, etc; released the Mega Waves Hybrid Modular Architecture adopting platform-based modular designs, which were available for assembly of the powertrain system self-adaptive to all XEV models (i.e. hybrid models such as HEV and PHEV). In the field of ICV, Psi OS, a vehicle-oriented, cross-domain and standardised operating system underpinned by the X-Soul, was further self-developed, which enabled the organic integration of central computer, intelligent driving computer and infotainment computer at the software level and supported more efficient operation of the electronic and electrical architecture; ADiGO PILOT intelligent driving system constantly explored more functions and scenarios to realise the full-scenario smart mobility services. L2++ advanced driver assistance system was expected to be equipped onto AION LX for mass production within the year. The self-developed L4 Unmanned Robotaxi has commenced normalised demonstration operation subsequent to which the Group has proactively promoted its commercialisation and launch.

**Exerted the guiding role as “supply chain leader” and consummated the industrial ecological layout.** As an enterprise dominating the supply chain of ICV and NEV in Guangzhou and supported by the GAC Zhilian New Energy Automotive Industrial Park, the Group has established the world-class NEV & ICV industry cluster stationed in the Greater Bay Area, with Guangzhou as the bellwether. Focusing on the “New Four Modernisations” transformation, the Group has established a special team for the construction of the medium- and long-term industrial chain system of parts and components, accelerated the industrialisation of self-developed key core components, promoted the localisation of production of chips, and dedicated to the capacity improvement of the industrial chain-to-supply chain system. Adhering to the “Dual Carbon” strategic goals, the Group has founded GAC Energy Technology Co., Ltd., constructed the “photovoltaic, storage, charging and swapping” integrated energy replenishment ecosystem and battery recycling ecosystem, conducted researches on the technologies regarding energy storage system, the technologies for smart charging and swapping services as well as relevant product development and application which reflected the collaborative interaction among “vehicles-battery swap station-networking”; the construction of the pilot line for self-developed batteries progressed steadily, the production line for power battery utilisation by echelon was officially put into operation, and the “2<sup>6</sup> Energy Actions” were implemented successively; the construction of IGBT encapsulation testing project commenced, the independent electric-driven project was officially initiated, and the industrial ecosystem for new energy was refined continuously. The Group gave full play to the function of GAC Capital as an equity investment and financing platform which bridged the cooperation between enterprises, ameliorated the technological constraints occurring in its supply chain. The injection of additional investment into the Yuexin Semiconductor, together with the initiation and establishment of new energy industrial investment fund with RMB1.5 billion raised, have accelerated and guided the development of industry chain layout of ICV and new energy vehicle in Guangzhou.

**Concentrated on eliminating obstacles during transformation and released the gushing vitality into development.** Currently, the Group has fulfilled the three-year action for the reform of state-owned enterprises, as well as the in-depth implementation of “Double-Hundred Reform” tasks ahead of schedule, and accumulated fruitful achievements in motivating the significant but intractable reform tasks including the tenure system and contractual management, the reforms of professional managers, and the reform of three systems. Meanwhile, the Group attended the “Mobilisation Meeting for the Three-year Action of State-owned Enterprise Reform by the State-owned Assets Supervision and Administration Commission of the State Council ” to propagate its examples of case as an outstanding enterprise representative. The Group advocated the principle “symbiosis between breakthrough and revitalisation” while selecting and appointing the executives, according to which 8 professional managers have been engaged through a combination of renewal and open recruitment. In compliance with the principles of rigid reward and market-oriented distribution, the Group revised the administrative measures governing the remuneration appraisal on professional managers, so as to further enhance the level of remuneration marketisation and differentiation. The Group has made new breakthroughs in the mixed ownership reform in investment enterprises, distributed the equity incentives to employees of GAC AION, entitled the GAEI technical personnel to hold the equity of GAC AION in the way that “employees of parent company hold the equity of subsidiaries”, and synchronously attracted strategic investors, which in turn established the risk-bearing and benefit-sharing mechanism among employees and the enterprise. The Group will actively give impetus to the share reform and Series A fund raising for GAC AION, seek policy-induced strategic investors which could impose market influence and industrial synergy to boost its development, and apply for spin-off at the appropriate place in due course when the right opportunities arise.

Affected by the COVID-19 pandemic and the Russia-Ukraine conflict, the international environment witnessed growing complexity and severity in the first half of the year where the deglobalisation trend constantly manifested. Notwithstanding Chinese economy suffered from the adverse impacts, the country promulgated a series of responsive regulatory policies in a timely manner to effectively stabilise consumer sentiment and relieve the enterprises encompassed by pressure, and thereby the economy gained its momentum for continuous recovery. Intertwined with the combined effects of the turbulent situation and the pandemic unprecedented in a century, together with the Russia-Ukraine conflict, the function division of global industrial chain has experienced profound adjustments, and the operation of the global industrial chain has undergone intensive changes. The development of China automobile industry has witnessed the significant strategic adjustments and opportunities unseen in a century. New energy vehicles have entered a new stage of high-speed development from policy-driven to market-oriented, the restructuring of the industry chain and supply chain has expedited, and corporate competition has shifted to cluster competition and ecosystem competition. Whether or not an enterprise possesses own innovative core technologies will serve as the decisive factor for the growth and even its survival. In spite of the sound development momentum of the Group currently, clear minds and strategic willpower are still required to overcome shortcomings, improve weaknesses, lay a solid foundation and foster strengths, so as to consolidate the strengths and empower our transformation.

2022 is the crucial year for the development of the “14<sup>th</sup> Five-Year Plan”. In the first half of the year, we have recorded hard-earned results; in the second half of the year, we will continue to place emphasis on the development and planning of the “14<sup>th</sup> Five-Year Plan” and the goals of the annual operational plan, seize the opportunities along the upward trend and strive for the goal of a 15% year-on-year growth in automobile production and sales volume for the whole year.

**To reinforce our product power, marketing power and brand power by adhering to the market-oriented and customer-centric principles.** Focusing on the two strategic goals of “XEV+ICV” and “EV+ICV”, the Group will implement product strategy of “smart appearance+cost-effective leadership”, continue to complete lifecycle maintenance and dynamic supervision of product competitiveness for models of full series, and optimise its product layout by centralising cutting-edge resources to brand its major models and cultivate more star models. In terms of innovation of marketing and service system, the Group will accelerate transformation from customer service to customer operation, expedite digital transformation, dedicate to the continuing operation customised for users from private sector, deepen the reform of high-value marketing, and reshape the brand and product value in reliance on technological innovation.

**To continually enhance internal innovation in order to secure independent and controllable core technologies.** From the perspective of the Group’s survival and development, the Group will enhance long-term, medium-term and short-term R&D and corresponding planning for core components, particularly prioritising the overall arrangement of technological innovation based on the industry chain “ICV+EV+HEV” as the orientation. By intensifying the R&D and industrialisation of NEV “Three Electric” core technologies, the Group will possess a series of key core technologies of ICV and NEV. By further ramping up R&D planning on and capital injection to the core technologies, the Group will invent more original technologies and source technologies to serve national strategies and enterprise development.

**To perform the sustainable “chain master” function for the purpose of establishing a world-class automotive industry cluster.** The Group will unremittingly pursue the “New Four Modernisations” transformation and upgrade, aiming for driving the construction of the ICV & NEV industry cluster stationed in the Greater Bay Area. The Group will formulate a list of additional nominated enterprises available for the medium- and long-term industry chain and supply chain of the Group, pursuant to which independent R&D, JV cooperation and M&A investment shall be vigorously pushed forward subject to the differentiated conditions of components. Leveraging on GAC Capital’s role as the platform to guarantee the security and stability of corporate supply chain and improve the pre-investment financing and post-investment empowerment in the key projects which could strengthen the product competitiveness of the Group, the Group will unceasingly consummate the layout of its ICV & NEV industry chain along the upstream and downstream. Taking the GAC Zhilian New Energy Automotive Industrial Park as the cornerstone, the Group will deepen the strategic cooperation with partners including Huawei, Tencent and iFLYTEK to co-construct the ecosphere of automotive industry and an unprecedented industry chain-to-supply chain ecosystem, which shall characterise Guangzhou as a tera-scale “City for Intelligent Vehicle” with international competitive strengths.

**To make persistent efforts to facilitate reform and trigger enterprise vitality.** Comprehensive summary of experience from the three-year action for reform of state-owned enterprises will be conducted, especially for the “three system” reforms. The demonstration effect of typical cases will drive the in-depth reform, which will in turn promote more mature and stereotyped institutional system in all aspects. By adhering to the principle of “being capable of promoting and demoting officers, engaging and dismissing employees, and raising and reducing income”, the Group will implement tenure system and contractual management among the cadres of subordinate enterprises comprehensively, and orderly execute the performance-based appointment mechanism for administrative staff. The Group will strengthen the incentive mechanism for vital talents, proactively and properly deepen the mixed ownership reform by hierarchies and categories, attach emphasis to the transformation mechanism of mixed-reform enterprises, and stimulate the vitality of various elements during the mixed-ownership reform where core talents thrive. The Group will make adequate and appropriate utilisation of the share incentive schemes of listed company to explore diversified motivators in the mid- and long-term, which is conducive to the retention and attraction of key core talents.

This year marks the 25<sup>th</sup> anniversary of GAC Group. Over the past 25 years, through the dedication of all the staff and the support from shareholders, customers and partners, GAC Group has overcome various obstacles and forged ahead, constantly improving its comprehensive strength and realising a leapfrog development. “Perseverance for a promising future.” At a new starting point with the country’s top priorities in mind, GAC Group will shoulder the mission of promoting the national automotive industry in respect of market position and consumer perception. In order to assume GAC’s responsibilities and demonstrate GAC’s earnest on this new journey, the Group will forge ahead with vigour and determination, and embark on a new era of high-quality development.

## SUMMARY OF BUSINESS OF THE COMPANY

### (I) Summary of Business

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

#### 1. *Research and development*

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

#### 2. *Manufacture of vehicles*

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

- **Products:** The Group's passenger vehicles include 15 series of sedans, 33 series of SUV and 4 series of MPV. During the reporting period, the Group launched new or facelift models such as GAC AION LX Plus, GAC Toyota Frontlander, Venza (including HEV), GAC Honda e:NP1, GAC Mitsubishi Airtrek, etc.

Fuel-engined vehicle products of the Group mainly include:

- GAC Trumpchi Empow, GS4, GS8, M8, etc.;
- GAC Honda Accord, Integra, Vezel, Fit, Breeze, etc.;
- GAC Toyota Camry, Levin, Wildlander, Yaris L, Frontlander, etc.;
- GAC Mitsubishi Outlander, etc.;



Energy conservation and new energy products of the Group include:

- GAC Trumpchi GS4 • PHEV, GS8 HEV, etc.;
- GAC AION AION S, AION Y, etc.;
- GAC Honda Accord Sport Hybrid, Odyssey Sport Hybrid, etc.;
- GAC Toyota Camry HEV, Highlander HEV, Levin HEV, Sienna, etc.;
- GAC Mitsubishi Airtrek;

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 3,069,000 units/year.
- **Sales channel:** In order to flexibly respond to market changes, 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”. Centering on the customers’ demand for online consumption, the Group focused on the operational management of new media and construction on digitalisation, constantly launched and optimised its order tools for online direct sales, dedicated to improve the operating efficiency of APPs deployed in various OEMs to provide superior purchasing experience for customers. 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 2,665 passenger vehicle 4S sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC.

## (2) *Motorcycles*

The Group manufactures motorcycles mainly through its joint venture Wuyang-Honda. Main products include standard motorcycles, sport bikes and scooters, etc. As at the end of the reporting period, the total production capacity of motorcycles of the Group was 1.25 million units/year.

### **3. *Commercial and mobility transportation services***

Mainly through its subsidiary, GAC Business, its controlling and investee companies, GAC International Automobile Sales & Services Co., Ltd., 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 (exports inclusive), logistics, international trading, second-hand vehicles, end-of-life vehicles disassembling, resources recycling, supporting services, digitalisation and mobility transportation 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. The products were mainly accessories for manufacture of vehicles of the Group.

### **5. *Finance***

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**

The Group persisted in promoting development through innovation and reform, continued to deepen the reform on system and mechanism with increasingly mature governance, took the lead in carrying out the reform of professional managers among state-owned enterprises in Guangzhou, continued to optimise the functions of organisational structures, established and perfected diversified incentive mechanisms, steadily promoted the mixed ownership reform of investment enterprises, actively promoted digital transformation and core competitiveness was continuously enhanced.

### ***1. Industry layouts with complete industry chain and optimised structure***

The Group has formed an industrial 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 mobility service 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 have been emerging and the comprehensive competitiveness of the Group has been constantly enhanced. During the reporting period, the construction of GAC AION intelligent ecological factory capacity expansion project (Phase II) and GAC Toyota's new energy vehicle capacity expansion project (Phase II) were completed and put into operation, and the GAC Energy Technology Co., Ltd. was founded, thereby improving the layout of energy ecosystem industry.

### ***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 consumer demand. It maintained customer loyalty and a widely recognised brand reputation. During the reporting period, the Group launched new or facelift models such as GAC AION LX Plus, GAC Toyota Frontlander, Venza (including HEV), GAC Honda e: NP1, GAC Mitsubishi Airtrek, etc.

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

After years of introduction, digestion, absorption and innovation, the Group accumulated funds, technologies, talents and experience, and formulated a world-class production system. For R&D, through the integration of advantageous global resources and the establishment of a global R&D network, the Group has formed a cross-platform and modular-structured forward development system, and has been equipped with the advantage of integrated innovation, and owns nationally recognised enterprise technology center, overseas high-level talent innovation and entrepreneurship base, national demonstration base for talent introduction, academician workstation, postdoctoral research workstation and other innovation platforms. Overall supervision system of vehicle models and incentive mechanism of model team were comprehensively implemented to form a system and mechanism for the integration of research, production and sale with high efficiency and mutual benefit.

#### ***5. Leading independent R&D abilities of NEV and ICV***

For the new energy field, the Group has the leading exclusive PEV 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 exclusive PEV platform, and introduced a variety of new energy products to the joint ventures successfully. In the ICV sector, ADiGO Smart Driving and Connected Ecosystem, which possesses intelligent driving system, IoT system, cloud platform and big data, and centralised computing electronic and electrical architecture “X-soul” equipped with vehicle-cloud integration were self-developed by the Group. During the reporting period, the Group released the new-generation supercharging lithium-iron battery technology empowered by microcrystal technologies, the updated version of ADiGO Smart Driving and Connected Ecosystem (i.e. ADiGO SPACE and ADiGO PILOT), as well as the Psi OS which was developed based on the X-Soul.

#### ***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

Since 2022, under the circumstances of complex and challenging international landscape, worldwide economic growth saw a significant slowdown. Due to unexpected factors in April, the recurring and sporadic pandemic nationwide has brought severe shocks to stable economic operation, with key indicators dropping significantly. As the overall situation of epidemic prevention and control has improved, the resumption of production and work of enterprises progressed in an orderly manner, and a series of measures stabilising growth have shown effects, the supply chain of the domestic automotive industry has fully recovered, and enterprises have been accelerating the pace of production to strive for making up for the loss. The production and sales volume of vehicles from January to June this year simultaneously exceeded 12 million units, and amounted to 12.117 million units and 12.057 million units respectively, representing a decrease of 3.7% and 6.6% as compared with the same period of 2021, respectively, whereas the decrease amplitude has been narrowed down for 5.9 percentage points and 5.6 percentage points as compared with that recorded in the period from January to May of this year, respectively.

Under the effect of unfavourable factors such as pandemic, chip shortage, supply chain disruptions and price increase of raw materials, the domestic production and sales volume of passenger vehicles in the first half of this year still exceeded 10 million units, and amounted to 10.434 million units and 10.355 million units, respectively, representing an increase of 6.0% and 3.4%, as compared to the same period of 2021, respectively.

Among the chief varieties of passenger vehicles, the sales volume of sedans exceeded SUV again, and amounted to 4.929 million units, representing a year-on-year increase of 6.1%; the sales volume of SUV recorded 4.889 million units, representing a year-on-year increase of 3.3%; the sales volume of MPV recorded 385 thousand units, representing a year-on-year decrease of 15.6%; and the sales volume of cross passenger vehicles recorded 153 thousand units, representing a year-on-year decrease of 13.6%.

Among the passenger vehicles, 4.891 million units of Chinese brands were sold, representing a year-on-year increase of 16.5%, accounting for 47.2% of the total sales volume of passenger vehicles with increased market share of 5.3 percentage points as compared with the same period last year. Among the major foreign brands, except the shares of French series which increased slightly, the shares of German series, Japanese series, and Korean series all declined, while the market shares of American series maintained at a similar level.

The production and sales volume of new energy vehicles achieved an excellent performance. Between January and June 2022, the production and sales volume of new energy vehicles amounted to 2.661 million units and 2.60 million units, respectively, both representing a year-on-year increase of 1.2 times reaching a market share of 21.6%, the half-year sales volume of which already accounted for 74% of the annual sales volume in 2021.

## **(II) Analysis on Operation of the Company**

### ***1. Production and operations maintained growth against the adversity***

Confronted with the difficulties such as pandemic resurgence and chip shortage, the Group took various measures simultaneously to coordinate the resources, kept abreast of the market trend before implementing comprehensive measures, endeavoured to guarantee and stabilise the supply which in turn achieved substantial growth in operating results despite the adversity. The Group's production and sales volume of vehicles in the first half of 2022 amounted to 1,151.7 thousand units and 1,149.9 thousand units respectively, representing an increase of 15% and 12% year-on-year, respectively prevailing over the industrial average by 19 percentage points. The scale of production and sales soared to the fourth place in the industry, while the domestic market share further increased to 9.54%.

In the first half of 2022, the production and sales volume of the Group's passenger vehicles was 1,151.4 thousand units and 1,149.7 thousand units, respectively, representing a year-on-year increase of 15.16% and 12.21%, respectively, while the domestic market share further increased to 11.10%. In terms of vehicle types, the sales volume of sedans, SUV and MPV increased by 15.33%, 5.78% and 34.60% year-on-year, respectively. The production and sales volume of new energy passenger vehicles continued to maintain rapid growth, and the production and sales volume in the first half of this year was 113.0 thousand units and 113.3 thousand units, respectively, representing a year-on-year increase of 122.30% and 119.86% respectively, while the proportion of energy-saving vehicles further increased, with the production and sales volume in the first half of this year being 226.8 thousand units and 219.6 thousand units respectively, representing a year-on-year increase of 91.37% and 78.99% respectively. During the reporting period, the proportion of sales volume of the Group's energy-saving vehicles and new energy vehicles increased to 28.96%.

## *2. Self-developed brands accelerated the transformation*

**Technical routes of products gained further focus.** To further implement the integration of research, production and sales among self-developed brands and following the strategy of “smart appearance + leading in cost performance ratio”, GAC Trumpchi adhered to the technical route of “XEV+ICV” and launched innovative Hybrid SUV EMKOO, while EMPOW, second-generation GS8 and other newly launched models last year have enjoyed remarkable market recognition, and M8 has been the top-seller for the luxury brand of Chinese MPV for 33 consecutive months. The production and sales volume of GAC Trumpchi in the first half of this year amounted to 169.4 thousand units and 172.6 thousand units respectively, representing a year-on-year increase of 20.57% and 14.31% respectively. By consolidating the resource advantages of “EV+ICV”, GAC AION launched a high-end flagship model AION LX Plus, equipped with technologies of sponge silicone anode battery and two-gear dual-motor “four-in-one” integrated electric-driven technologies of high performance, it being the first PEV model with cruising range of more than 1,000 kilometers. The production and sales volume of GAC AION in the first half of this year amounted to 99.7 thousand units and 100.3 thousand units respectively, representing a year-on-year increase of 134.51% and 133.88% respectively. AION S and AION Y occupied the first place of the PEV market segment.

**Digital transformation facilitated the marketing.** The Group focused on promoting the transformation and upgrade of OEMs’ services, gradually transferring from customer services to customer operations and further strengthening after-sales operations. The Group made efforts to enhance APP operations and improve customer loyalty. GAC AION achieved 100% order rate for sales, repair and maintenance of APP. Meanwhile, the Group focused on marketing reform, promoted the upgrade of showrooms in first- and second-tier cities and separation of B/C-ends services in Guangzhou and Shenzhen, and performed new media operation management and digital construction to enhance high-value marketing capabilities.

**International businesses were constantly promoted.** GAC International Automobile Sales & Service Co., Ltd. has been established to further optimise the Group’s international development system. With sponsorship to popular sports events, we have increased our brand publicity and launched an overseas mobile travel project in Nigeria to enhance our overseas popularity. In the first half of the year, the self-developed brands accumulated an export of 15,500 units, representing a year-on-year increase of 89%.

### **3. *Joint venture brands continued to make growth***

In the first half of the year, the vehicle sales volume under the joint venture brands of the Group amounted to a total of 877.1 thousand units, representing a year-on-year increase of 5.34%. In particular, the sales volume under GAC Toyota was over 500 thousand units in the first half of the year, representing a year-on-year increase of nearly 20%, and its share of the domestic passenger car market rose to a record high of nearly 5%. During the reporting period, the joint venture brands have launched new models including GAC Toyota Frontlander, Venza (including HEV), GAC Honda e:NP1, GAC Mitsubishi Airtrek, GAC Toyota Camry, Highlander, Wildlander, Sienna, GAC Honda Accord, Fit, Vezel, Breeze, Odyssey, etc., which continued to occupy the forefront of the market segment. The joint venture brands continued to accelerate the promotion of hybrid models, resulting in a further proportional increase of energy-efficient cars. GAC Toyota sold 151.6 thousand energy-efficient cars in the first half of the year, representing a year-on-year increase of 121.78%. GAC Honda sold 56.5 thousand energy-efficient cars in the first half of the year, representing a year-on-year increase of 3.87%.

### **4. *Steady progress of project construction***

Passenger vehicle and new energy vehicle capacity expansion project of self-developed brands (intelligent ecological factory of GAC AION) (Phase II) commenced operation in February 2022. The present production capability of GAC AION is 200 thousand units/year. The second factory of GAC AION is steadily progressing in its production capacity construction project, which is scheduled to be completed and put into operation by the end of 2022. The project for manufacturing (pilot line) of self-developed battery cells by GAC AION has commenced construction in March. GAC Toyota new energy vehicle capacity expansion project (Phase II) (200 thousand units/year) has been completed and put into operation in June 2022, with production capability of 1 million units/year by GAC Toyota. Hangzhou factory of GAMC has completed its optimising reformation, realising the flexible co-line production of fuel models of GAMC and new energy models of HYCAN Automobile. GAEI Hualong base (Phase III) was officially put into operation. GAC Honda new energy vehicle capacity expansion project with annual production capability of 120 thousand units has commenced construction in May. The projects are progressing as planned, such as production lines transformation project of Factory I Engine (Phase III) of Qisheng Powertrain, construction project of Times GAC Energy Battery (Phase II), new energy integrated electric-driven system project, construction project of GAC Component (Guangzhou) Industrial Park (Phase II) and IGBT encapsulation testing project.



## 5. *Fruitful independent innovation*

**In the fields of energy preservation and new energy**, the Group published the Mega Waves Hybrid Modular Architecture, which provides strong supports for the comprehensive hybrid transformation of Trumpchi. The development and early mass production of 2.0ATK Engine have been finished, being the industry leader with thermal efficiency certification of 42.1%; “2.0ATK+GMC2.0 (electromechanical coupling system)” power combination plan is scheduled for mass production, carried by hybrid vehicles within this year. GAC’s first hydrogen fuel cell vehicle based on proprietary fuel cell system is currently in demonstration operation; research on flexible fuel engine technology was advanced, and the hydrogen fuel engine realised the first domestic loading test for entire passenger vehicle. In terms of the difficult issue of “performance balance” in lithium battery technology, we released the latest generation of SmLFP based on microcrystal technology, which would guide the new orientation for power battery solutions.

**In the field of ICV**, the updated version of ADiGO Smart Driving and Connected Ecosystem (i.e. ADiGO SPACE and ADiGO PILOT) and Psi OS developed on the basis of X-soul were launched on GAC Tech Day 2022. Among them, ADiGO PILOT Advanced Driver Assistance System supports functions including automatically moving up and off the ramp, automatic lane change, automatic overtaking and automatic obstacle avoidance, according to the navigation routes, which currently covers all highways in China and expressways in core cities; the ADiGO PILOT Super Parking supports over 50 complex parking scenarios, focusing on achieving the “last mile” of smart driving; the ADiGO PILOT Self-driving is a solution available for Robotaxi scenarios, which is intended to initiate its commercial operation on ON TIME.

**In the field of digitalisation**, we innovated and established three ecosystems including “ICV”, “user operation” and “network security” to promote the upgrading of “marketing personalisation”, “big supply chain intelligence” and “product development collaboration”. GAC Group’s data centre was officially launched, laying a solid foundation for digital transformation. The Group promoted the big data platform construction of a unified internet of vehicles, based on vehicle-side data, to develop innovations in three areas of application, namely digitalisation of R&D, digitalisation of OEMs and digitalisation of the industrial chain.

## 6. *Outstanding effectiveness of various business segments*

**In the field of parts and components**, GAC Component speeded up the in-depth localisation of production of key components, accelerated the neighborhood supporting of key components, promoted the replacement of chips by localisation of production; steadily advanced the project construction and further optimised and improved the investment layout of key components under the “New Four Modernisations”. GAC Component (Guangzhou) Industrial Park (Phase I) construction project was completed and accepted on schedule, and the construction of the IGBT encapsulation testing project was fully launched. Centering on

the fields of new energy, ICV and automotive chips, GAC Capital completed investments in Yuexin Semiconductor, Sunwoda EVB and EVAS (奕行智能), strengthening the connection between the investee and the industry chain of the Group, and realising the integration of production and financing.

**In the field of business trade services,** GAC Business actively promoted its automobile sales, logistics and production supporting businesses, and vigorously developed after-market services and circular economy.

**In the field of logistics services,** the Group launched the logistics supply chain contingency plan in a timely manner during the epidemic, and urgently coordinated with warehouses and vehicle resources to actively and hastily transport components, so as to ensure the resumption of OEMs' work and production. In terms of new vehicle sales, the Group established a regular marketing mechanism against the epidemic, promoted the online sales business, and utilised the public domain traffic on new media platforms to discover potential online customers, so as to minimise, to the greatest extent, the impact of the epidemic on customer flow and turnover.

**In the field of financial services,** GAC-SOFINCO formulated “one-strategy for one-manufacturer” according to the product characteristics and market needs of different OEMs to assist the sales of OEMs more precisely, with a year-on-year increase of 1.4 and 1.6 percentage points of the inventory penetration rate and retail penetration rate respectively in the first half of the year. GAC Finance launched a special preferential financing plan for chain stabilisation and guarantee, as well as a dealer deposits optimisation policy, etc., to increase the launch of its characteristic credit product “Production and Sales Loan” and to strengthen its financing support for the Group's chain stabilisation and guarantee. Urtrust Insurance provided liability insurance covering NEV product replacement and insurance products such as extended warranty, and driving accident insurance for sales outlets to continuously enhance the customer stickiness of the GAC brand.

**In the field of mobility transportation services,** ON TIME completed a Series A financing, raising proceeds of approximately RMB1 billion. In the first half of the year, ON TIME launched operation services in Changsha and Zhongshan, and its user penetration rate exceeded 30% in the core cities of the Greater Bay Area. It continued to refine its operations with order compliance rate ranking first in China in May and June continuously. In spite of the resurgence of the epidemic and increasing competition, traffic on the platform remained a rapid growth in the first half of the year, with the number of registered users increasing by 181% year-on-year.

### **(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 RMB242.782 billion on an aggregate basis, representing an increase of approximately 18.85% 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 RMB48.689 billion, representing an increase of approximately 40.83% 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 RMB6.074 billion, representing an increase of approximately 40.05% as compared with that of the corresponding period of the previous year; the basic earnings per share amounted to approximately RMB0.59, representing an increase of approximately RMB0.17 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. During the first half, China's economy continued to recover steadily. As a whole, the domestic automobile market remained stable generally, in spite of a series of influential factors comprising the recurrence of pandemic in certain areas of the country, the supply shortage of automotive chips, the stubbornly high price of raw materials, the reduction of NEV subsidies, etc. Under such circumstances, with the "14<sup>th</sup> Five-Year Plan" as development and planning orientation, the Group endeavored to proactively retrieve its operating losses under favourable policies and market opportunities, so as to push forward high-quality development. In the first half of the year, aggregate sales volume of automobile amounted to 1,149.9 thousand units, representing a year-on-year increase of 12.02%. The Group consistently persisted in positive research and development, independent innovation, accelerated the introduction of new products, and continuously enhanced the product power. GAMC unceasingly enriched its star product portfolio, among which, EMPOW and second-generation GS8 (including HEV) recorded impressive sales; GAC AION NEV remained a hot seller with sales volume of the first half of the year exceeding 100 thousand units, representing a year-on-year increase of 133.88%.
2. Joint ventures launched new products and technologies which continuously enhanced overall competitiveness. Among those joint ventures, GAC Toyota continued its upward progress, while the main vehicle models were undersupplied. Frontlander and Venza (including HEV) were newly launched during the reporting period where TNGA vehicle models were continuously enriched and the structural proportion of new energy and energy-saving products continued to increase. GAC Honda's products remained hot-sellers while e:NP1, the first PEV model under its innovative EV brand, was launched. Continuous optimisation of product portfolio steadily improved our competitiveness.

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, facilitating the development of principal businesses. Among such businesses, 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. During the reporting period, the operation of ON TIME expanded in Changsha and Zhongshan successively with its market share steadily increased. It has also raised proceeds of approximately RMB1 billion from Series A financing, accelerating the deployment and demonstration operation of Robotaxi.

#### (IV) Analysis of Principal Business

##### 1. *Analysis of changes of items in the consolidated statement of comprehensive income and the cash flow statement*

*Unit: 100 million Currency: RMB*

<b>Item</b>	<b>Current period</b>	<b>Corresponding period last year</b>	<b>Change (%)</b>
Revenue	486.89	345.72	40.83
Costs of sales	465.53	329.57	41.25
Selling and distribution costs	23.71	19.42	22.09
Administrative expenses	23.73	20.32	16.78
Finance costs	1.59	1.89	-15.87
Interest income	1.57	1.25	25.60
Share of profit of joint ventures and associates	84.17	63.25	33.08
Net cash flow used in operating activities	-61.85	-79.72	22.42
Net cash flow generated from investing activities	63.42	59.22	7.09
Net cash flow generated from financing activities	22.83	1.42	1,507.75

## **2. Revenue**

During the reporting period, revenue of the Group amounted to approximately RMB48.689 billion, representing an increase of approximately 40.83% as compared with the corresponding period last year. This was mainly due to the combined effect of stable and improving domestic economy, the generally stable automotive market, the implementation of a series of policies to stabilise the economy and promote the consumption, and the increasingly enriched vehicle models under self-developed brands of the Group with substantial sales volume increase.

## **3. Cost of sales and gross profit**

During the reporting period, the Group recorded costs of sales of approximately RMB46.553 billion, representing an increase of approximately 41.25% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB2.136 billion, representing an increase of approximately RMB521 million as compared with the corresponding period last year. Gross profit margin decreased by 0.28 percentage point as compared with the corresponding period last year, which was mainly due to the combined effect of the increase in production and sales volume of vehicle models of the Group's self-developed brands leading to corresponding increase in production costs, plus the supply shortage of automotive chips, the stubbornly high prices of raw material as well as the fall-off of fiscal subsidies for NEV.

## **4. Expense**

- (1) The increase of approximately RMB429 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 advertising and promotion fees, coupled with the corresponding increase in after-sales service fees resulting from increase in sales volume during the reporting period;
- (2) The increase of approximately RMB341 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the combined effect of the corresponding increase in salary and benefit, operation budget as well as depreciation and amortisation charges resulting from the Company's development and increase in personnel during the reporting period;
- (3) The decrease of approximately RMB30 million in finance costs as compared with the corresponding period last year was mainly attributable to the combined effect of the decrease of average interest rate which led to a year-on-year decrease in interest expenses during the reporting period;
- (4) The increase of approximately RMB32 million in interest income as compared with the corresponding period last year was mainly attributable to the combined effect of the increase in bank deposits which led to an increase in interest income during the reporting period as compared with the corresponding period last year.

## 5. *Cash flows*

- (1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB6.185 billion, representing a decrease in net outflow of approximately RMB1.787 billion as compared with the net cash outflow of approximately RMB7.972 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, the year-on-year increase in net deposit of non-consolidated companies in GAC Finance and the year-on-year increase of net loan amount issued by GAC Finance during the reporting period;
- (2) During the reporting period, net cash inflow generated from investing activities amounted to approximately RMB6.342 billion, representing an increase of net inflow of approximately RMB420 million as compared with net cash inflow of approximately RMB5.922 billion in the corresponding period last year, which was mainly due to the combined effect of the year-on-year increase in profits distribution from investment enterprises and the year-on-year decrease in recovery of investment in time deposits during the reporting period;
- (3) During the reporting period, net cash inflow generated from financing activities amounted to approximately RMB2.283 billion, representing an increase of net inflow of approximately RMB2.141 billion as compared with the net cash inflow of approximately RMB142 million in the corresponding period last year, which was mainly attributable to the combined effect of the redemption of matured convertible bonds, the enterprise's absorption of external investment, and the issuance of asset-backed securities by financial enterprises during the reporting period;
- (4) As at 30 June 2022, cash and cash equivalent of the Group amounted to approximately RMB19.701 billion, representing an increase of approximately RMB5.838 billion as compared with approximately RMB13.863 billion as at 30 June 2021.

## **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 RMB8.417 billion, representing an increase of approximately RMB2.092 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 during the reporting period.

## **7. *Others***

During the reporting period, income tax credit amounted to approximately RMB70 million, representing a decrease of approximately RMB61 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 RMB6.074 billion, representing an increase of approximately 40.05% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.59, representing an increase of approximately RMB0.17 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 cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Automobile manufacturing industry	331.52	322.39	2.75	56.69	58.16	-24.86
Parts and components manufacturing industry	20.96	20.29	3.20	38.99	38.40	14.70
Commercial services	116.89	112.19	4.02	10.82	9.96	22.94
Financial services and others	17.52	10.66	39.16	29.01	17.92	17.14
Total	<u>486.89</u>	<u>465.53</u>	<u>4.39</u>	<u>40.83</u>	<u>41.25</u>	<u>-6.00</u>

### 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 cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Passenger vehicles	331.52	322.39	2.75	56.69	58.16	-24.86
Vehicles-related trades	137.85	132.48	3.90	14.34	13.53	21.50
Financial services and others	17.52	10.66	39.16	29.01	17.92	17.14
Total	<u>486.89</u>	<u>465.53</u>	<u>4.39</u>	<u>40.83</u>	<u>41.25</u>	<u>-6.00</u>



### 3. *Principal business by region*

*Unit: 100 million Currency: RMB*

<b>By region</b>	<b>Revenue</b>	<b>Changes in revenue compared with last year (%)</b>
Mainland China	472.94	39.55
Overseas	<u>13.95</u>	<u>104.55</u>
Total	<u><u>486.89</u></u>	<u><u>40.83</u></u>

### 4. *Principal business by sales model*

*Unit: 100 million Currency: RMB*

<b>By sales model</b>	<b>Revenue</b>	<b>Cost of sales</b>	<b>Gross profit margin (%)</b>	<b>Changes in revenue compared with last year (%)</b>	<b>Changes in cost of sales compared with last year (%)</b>	<b>Changes in gross profit margin compared with last year (%)</b>
Distributor sales model	331.52	322.39	2.75	56.69	58.16	-24.86
Others	<u>155.37</u>	<u>143.14</u>	<u>7.87</u>	<u>15.83</u>	<u>13.85</u>	<u>25.52</u>
Total	<u><u>486.89</u></u>	<u><u>465.53</u></u>	<u><u>4.39</u></u>	<u><u>40.83</u></u>	<u><u>41.25</u></u>	<u><u>-6.00</u></u>

## (VI) Analysis on Assets and Liabilities

### 1. Analysis table of assets and liabilities

Unit: 100 million Currency: RMB

Item	Balance at the end of current period	Balance at the end of current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change (%)
Prepayments and other long-term receivables	89.46	5.66	80.09	5.19	11.70
Inventories	94.91	6.01	81.11	5.26	17.01
Borrowings – current	111.53	7.06	98.89	6.41	12.78
Trade and other payables—current	323.13	20.45	358.63	23.25	-9.90
Borrowings – non-current	45.59	2.89	75.27	4.88	-39.43

## 2. *Analysis on change of items*

- (1) Prepayments and other long-term receivables increased by 11.70% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increase of the finance leasing business during the reporting period;
- (2) Inventories increased by 17.01% as compared with the balance at the end of the previous period, mainly due to the combined effect of the supply shortage of automotive chips and the stubbornly high raw material prices during the reporting period;
- (3) Borrowings-current increased by 12.78% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increased capital demand for business development of certain enterprises, the maturity of corporate bonds with nominal value of RMB3 billion within one year and the redemption for the matured convertible bonds during the reporting period;
- (4) Trade and other payables–current decreased by 9.90% as compared with the balance at the end of the previous period, mainly due to the combined effect of the acceleration of payments for goods to suppliers with the increase in production and sales volume during the reporting period;
- (5) Borrowings – non-current decreased by 39.43% as compared with the balance at the end of the previous period, mainly due to the combined effect of the maturity of corporate bonds with nominal value of RMB3 billion within one year during the reporting period.

## **(VII) Analysis of Financial Position**

### **1. *Financial indicators***

As at 30 June 2022, the Group's current ratio was approximately 1.37 times, representing an increase compared with approximately 1.25 times as at 31 December 2021, and quick ratio was approximately 1.16 times, representing an increase compared with approximately 1.08 times as at 31 December 2021, both of which were within normal level.

### **2. *Financial resources and capital structure***

As at 30 June 2022, the Group's current assets amounted to approximately RMB63.251 billion, current liabilities amounted to approximately RMB46.228 billion and current ratio was approximately 1.37 times.

As at 30 June 2022, total borrowings amounted to approximately RMB15.712 billion, mainly consisting of corporate bonds issued by the Group with nominal value of RMB3 billion, receivables targeted asset-backed notes with closing balance of approximately RMB1.528 billion, asset-backed securities with closing balance of approximately RMB613 million and borrowings from bank and financial institutions with closing balance of approximately RMB10.530 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 2022, the Group's gearing ratio was approximately 13.31% (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 2022, third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2021 was RMB0; as at 30 June 2022, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2021 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. In the face of the complex epidemic and economic environment during the reporting period, the Group made every effort to accelerate the resumption of industry chain and supply chain, strengthen comprehensive control, coordinate resources through multiple measures and take comprehensive measures based on the market tendency, and achieved steady growth in production and sales volume; meanwhile, through measures such as product structure adjustment, steady improvement in operating efficiency was achieved. Among which:

The production and sales volume of GAC Honda were 365,990 units and 357,447 units respectively, representing year-on-year decreases of 0.73% and 3.80% respectively; sales revenue was RMB54,515.95 million, representing a year-on-year decrease of approximately 4.16%;

The production and sales volume of GAC Toyota were 495,820 units and 500,200 units respectively, representing year-on-year increases of 21.05% and 19.89% respectively; sales revenue was RMB84,458.63 million, representing a year-on-year increase of approximately 38.70%;

The production and sales volume of GAMC were 169,445 units and 172,581 units respectively, representing year-on-year increases of 20.57% and 14.31% respectively; sales revenue was RMB23,073.49 million, representing a year-on-year decrease of approximately 0.91%;

The production and sales volume of GAC AION were 99,666 units and 100,251 units respectively, representing year-on-year increases of 134.51% and 133.88% respectively; sales revenue was RMB14,787.31 million, representing a year-on-year increase of approximately 194.67%.

## **OTHER DISCLOSURES**

### **1. Possible risks**

#### **Risk of supply chain**

Due to the severe situation of the COVID-19 pandemic worldwide, the chips supply is expected to remain tight during the second half of the year. Affected by the epidemic and the surging market demand, chip prices remain high and supply is seriously inadequate. As a high-investment and long-term industry, the chip industry has a rather great difficulty to reverse the existing shortfall in the short-run. Although the Group has implemented a series of measures to stabilise, strengthen and supplement the supply chain to enhance its resilience, the risk of supply chain caused by chips and other components may still have certain impact on the Group's normal operations.

#### **Risk of COVID-19 pandemic**

Despite the generally good control of COVID-19 pandemic in China, its continuous recurrence in various regions of the country will still affect multiple aspects in the community such as production and operation, logistics and transportation, and consumer confidence, which will in turn influence the Group's annual production and sales.

#### **Risk of high raw material prices**

In the face of the downturn of global economic environment, with the further stimulation by unfavourable conditions such as the epidemic and geopolitics, the prices of raw material commodities related to the automotive industry continue to rise and remain stubbornly high, resulting in rising production costs for automotive enterprises and a certain weakening of their profitability.

## **2. Production safety**

The Group upheld the idea of “to address problems on both symptoms and root causes by giving priority to people and safety, and to achieve a scientific development”. In accordance with the control indicator plan for annual production safety target approved by the Board, the Group closely focused on the work emphases on production safety and promoted the strict implementation of the main responsibility of production safety by all enterprises. During the reporting period, the Group had experienced no major (or above) production safety accidents, and its production remained generally stable and was in an orderly manner.

In the second half of 2022, the Group will continue to pay close and serious attention to safety in accordance with procedures of “supervision, guidance and service”, supervise and urge investee enterprises to implement the responsibility system of production safety for all employees and 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 earnestly perform the main responsibility for enterprise 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 of 30 June 2022, there are 96,856 registered employees in the Group (including its investee enterprises).

In terms of remuneration policy, the Group, on one hand, analysed remuneration information 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 sufficient 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 physical and mental health 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 their staff welfare systems.



## SIGNIFICANT EVENTS

### 1. Proposed Profit Distribution Plan or Conversion of Capital Reserves

*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 ( <i>RMB</i> ) (tax inclusive)	0.6
Number of shares converted for every 10 shares	0
<b>Relevant Explanation on Profit Distribution Plan or Plan to Convert Capital Reserve into Shares</b>	
At the 22 <sup>nd</sup> meeting of the 6 <sup>th</sup> session of the Board of the Company held on 30 August 2022, it was considered and resolved that a cash interim dividend of RMB0.6 (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

The Company had no matters relating to insolvency or restructuring during the reporting period.

### 3. Material Litigations and Arbitrations

The Company had no material litigation and arbitration during the reporting period.

### 4. Share Option Incentive Scheme, Employee Stock Ownership Scheme or Other Staff Incentives of the Company and the Impacts thereof

During the reporting period, the Company had no follow-up progress or changes in relevant equity incentive plans and other matters during the reporting period.

### 5. Events after the Reporting Period

There were no important events affecting the Company and its subsidiaries which have occurred since the end of the six months ended 30 June 2022.

## MATERIAL CONTRACTS AND THEIR PERFORMANCE

### 1. Trusts

Applicable  N/A

### 2. Guarantee

*Unit: Yuan Currency: RMB*

<b>External Guarantee of the Company (excluding those provided to subsidiaries)</b>	
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	80,000,000
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)	255,000,000
Total guarantee of the Company (including those provided to subsidiaries)	
Total guarantee (A+B)	255,000,000
Proportion of total guarantee in the net assets of the Company (%)	0.26
Including:	
Amount of guarantees provided to shareholders, beneficial controllers and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided for guaranteed parties with the gearing ratio exceeding 70% (D)	0
Amount of the total guarantees exceeding 50% of net assets (E)	0
Total amount of above three guarantees (C+D+E)	0
Description on unexpired guarantees that may be subject to joint liability	N/A
Description of guarantee	Guarantee provided to subsidiaries during the reporting period mainly represented the guarantee for customs duty issued by GAC Finance (a wholly-owned subsidiary) to GAMC.

## **INFORMATION ON A SHARE CONVERTIBLE BONDS**

### **Issuance of Convertible Bonds**

On 22 January 2016, the Company completed the issue of A share convertible bonds amounting to RMB4,105.58 million. According to the relevant terms of the plan of issuance of convertible bonds, the conversion period started on 22 July 2016. As of 21 January 2022 (Due date), a total of RMB3,033,860,000 A share convertible bonds converted into shares of the Company. The aggregate number of shares converted is 178,207,257 shares; the principal amount of the redemption for the matured bonds is RMB1,071,717,000 and the total amount of the redemption for the matured bonds is RMB1,136,020,020 (tax inclusive), the payment of which has been completed on 24 January 2022.

### **CHANGES IN SHARE CAPITAL**

On 21 January 2022, the A share convertible bonds issued by the Company expired. During the reporting period, 93,364,832 shares have been converted. Total share capital of the Company increased from 10,370,592,825 shares to 10,463,957,657 shares.

### **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, all terms used shall have the following meaning:

“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 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, and 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 Finance”	Guangzhou Automobile Group Finance Co., Ltd. (廣州汽車集團財務有限公司), a wholly-owned subsidiary incorporated in January 2017 under PRC law by the Company
“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 and Honda Motor Co., Ltd.
“GAC Mitsubishi”	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a jointly controlled entity incorporated in September 2012 under PRC law by the Company, Mitsubishi Motors Corporation and Mitsubishi Corporation
“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽匯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, and 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 established in April 2018 under PRC law, in which 25% of its equity interests are jointly held by the Company and its subsidiaries
“joint venture(s)” or “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
“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 23.6% 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 in October 2003 under PRC law by the Company and Hino Motors, Ltd., in which the Company holds 30% equity interests
“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 in June 2011 under PRC law by the Company, and 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 in July 1992 under PRC law by the Company, Honda Motor Co., Ltd. and Honda Motor (China) Investment Co., Ltd.

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

Guangzhou, the PRC, 30 August 2022

*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, DING Hongxiang, GUAN Dayuan and LIU Zhijun, and the independent non-executive directors of the Company are ZHAO Fuquan, XIAO Shengfang, WONG Hakkun and SONG Tiebo.*