Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

广汽集团
GAC GROUP

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

2023 INTERIM RESULTS ANNOUNCEMENT

IMPORTANT NOTICE

(I) The Board, the supervisory committee and the directors, supervisors and senior management of the Company warrant that the contents contained herein are true, accurate and complete. There are no false representations or misleading statements contained in or material omissions from this announcement, and they will jointly and severally accept responsibility.

(II) All directors of the Company have attended the Board meeting, save that Liu Zhijun, non-executive director, has appointed Zeng Qinghong, the Chairman, to attend the Board meeting on his behalf due to other business engagements.

(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 2023 and agreed to submit it to the Board for approval.

(IV) Zeng Qinghong, the person in charge of the Company and Feng Xingya, the General Manager of the Company, Wang Dan, the person in charge of accounting function and Zheng Chao, the manager of the accounting department (Chief Accountant), warrant the truthfulness, accuracy and completeness of the financial statements contained in this announcement.

(V) The Board proposed payment of interim dividend of RMB0.5 (tax inclusive) in cash for every 10 shares to all shareholders.

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

(VII) There is no non-operational appropriation of the Company's funds by its controlling shareholder and its related parties.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*4*	**61,911,005**	48,688,649
Cost of sales		**(59,936,261)**	(46,553,112)
Gross profit		**1,974,744**	2,135,537
Selling and distribution costs		**(2,569,137)**	(2,370,828)
Administrative expenses		**(2,514,906)**	(2,372,835)
Net impairment losses on financial assets		**(222,063)**	(78,770)
Interest income		**51,630**	21,199
Other gains – net		**243,711**	339,286
Operating loss	*5*	**(3,036,021)**	(2,326,411)
Interest income		**305,625**	135,391
Finance costs	*6*	**(200,535)**	(158,623)
Share of profit of joint ventures and associates	*7*	**5,300,499**	8,417,441
Profit before income tax		**2,369,568**	6,067,798
Income tax credit	*8*	**255,749**	70,316
Profit for the period		**2,625,317**	6,138,114
Profit attributable to:			
Owners of the Company		**2,966,171**	6,073,685
Non-controlling interests		**(340,854)**	64,429
		2,625,317	6,138,114

	Note	Unaudited Six months ended 30 June 2023 RMB'000	2022 RMB'000
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translation of foreign operations		**6,543**	1,554
– changes in the fair value of debt instruments at fair value through other comprehensive income		**17,261**	492
– impairment loss on debt instruments at fair value through other comprehensive income		**5,854**	101
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		**(14,975)**	(87,945)
Other comprehensive income/(loss) for the period, net of tax		**14,683**	(85,798)
Total comprehensive income for the period		**2,640,000**	6,052,316
Total comprehensive income attributable to:			
Owners of the Company		**2,979,125**	5,987,887
Non-controlling interests		**(339,125)**	64,429
		2,640,000	6,052,316
Earnings per share for profit attributable to the ordinary equity holders of the Company *(expressed in RMB per share)*			
– basic	*9*	**0.28**	0.59
– diluted	*9*	**0.28**	0.58

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2023** *RMB'000*	Audited 31 December 2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**20,881,994**	20,760,618
Right-of-use assets		**6,977,877**	7,014,484
Investment properties		**1,077,954**	1,019,895
Intangible assets		**15,229,227**	14,471,175
Investments in joint ventures and associates	*7*	**32,075,800**	37,810,779
Deferred income tax assets		**4,152,569**	3,715,494
Financial assets at fair value through other comprehensive income		**3,107,350**	1,713,626
Financial assets at fair value through profit or loss		**2,383,760**	2,169,235
Prepayments and other long-term receivables		**14,691,333**	9,607,293
		100,577,864	98,282,599
Current assets			
Inventories		**12,112,688**	12,361,830
Trade and other receivables	*11*	**34,057,625**	31,596,519
Financial assets at fair value through other comprehensive income		**7,418,168**	4,089,676
Financial assets at fair value through profit or loss		**3,399,955**	4,219,724
Time deposits		**6,418,377**	3,325,724
Restricted cash		**3,394,375**	1,976,589
Cash and cash equivalents		**34,599,171**	34,222,113
		101,400,359	91,792,175
Total assets		**201,978,223**	190,074,774
EQUITY			
Share capital		**10,484,184**	10,487,164
Reserves		**46,865,580**	46,750,366
Retained earnings		**57,130,222**	56,051,176
Capital and reserves attributable to owners of the Company		**114,479,986**	113,288,706
Non-controlling interests		**8,602,221**	9,013,608
Total equity		**123,082,207**	122,302,314

	Note	**Unaudited 30 June 2023** *RMB'000*	Audited 31 December 2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Trade and other payables	*12*	**1,287,122**	1,010,027
Borrowings		**9,248,200**	5,697,283
Lease liabilities		**1,500,616**	1,297,402
Deferred income tax liabilities		**142,680**	132,400
Provisions		**643,371**	682,268
Government grants		**2,106,202**	2,182,978
Contract liabilities		**81,655**	81,724
		15,009,846	11,084,082
Current liabilities			
Trade and other payables	*12*	**44,161,077**	40,125,814
Contract liabilities		**4,000,783**	1,943,158
Current income tax liabilities		**80,847**	184,999
Borrowings		**15,173,509**	13,812,828
Lease liabilities		**138,734**	276,839
Provisions		**331,220**	344,740
		63,886,170	56,688,378
Total liabilities		**78,896,016**	67,772,460
Net assets		**123,082,207**	122,302,314
Total equity and liabilities		**201,978,223**	190,074,774

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 25 August 2023.

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 2023 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 2022, 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 2022, 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 2023.

(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 2023:

Amendments	Subject of Amendments
HKFRS 17	Insurance Contracts
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The Group has changed its accounting policies following the adoption of Amendments to HKAS 12. From the effective date on 1 January 2023, the Group recognised deferred tax assets and deferred income tax liabilities for temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date.

Except for Amendments to HKAS 12, 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 2023 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 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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

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 2023, 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 2023 and other segment items included in the interim condensed consolidated statement of comprehensive income are as follows:

	Vehicles and related operations *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Six months ended 30 June 2023					
Total gross segment revenue	**60,327,675**	**1,915,156**	**(331,826)**	**–**	**61,911,005**
Inter-segment revenue	**(160,204)**	**(171,622)**	**331,826**	**–**	**–**
Revenue (from external customers)	**60,167,471**	**1,743,534**	**–**	**–**	**61,911,005**
Timing of revenue recognition under HKFRS 15					
– At a point in time	**56,484,578**	**–**	**–**	**–**	**56,484,578**
– Over time	**2,438,099**	**289,486**	**–**	**–**	**2,727,585**
Revenue from other sources	**1,244,794**	**1,454,048**	**–**	**–**	**2,698,842**
Segment results	**(3,111,198)**	**151,816**	**(19,119)**	**–**	**(2,978,501)**
Unallocated income – Interest income of headquarters	**–**	**–**	**–**	**12,310**	**12,310**
Unallocated costs – Expenditure of headquarters	**–**	**–**	**–**	**(69,830)**	**(69,830)**
Operating loss					**(3,036,021)**
Interest income	**216,628**	**16,127**	**–**	**72,870**	**305,625**
Finance costs	**(180,450)**	**(3,410)**	**–**	**(16,675)**	**(200,535)**
Share of profit of joint ventures and associates	**5,032,488**	**268,011**	**–**	**–**	**5,300,499**
Profit before income tax					**2,369,568**
Income tax credit/ (expenses)	**289,204**	**(13,309)**	**–**	**(20,146)**	**255,749**
Profit for the period					**2,625,317**

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*
Six months ended 30 June 2022					
Total gross segment revenue	47,071,914	1,915,625	(298,890)	–	48,688,649
Inter-segment revenue	(135,525)	(163,365)	298,890	–	–
Revenue (from external customers)	46,936,389	1,752,260	–	–	48,688,649
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	868,211	1,351,341	–	–	2,219,552
Segment results	(1,865,546)	37,218	(43,562)	–	(1,871,890)
Unallocated income – Interest income of headquarters	–	–	–	7,597	7,597
Unallocated costs – Expenditure of headquarters	–	–	–	(462,118)	(462,118)
Operating loss					(2,326,411)
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	–	–	8,417,441
Profit before income tax					6,067,798
Income tax credit/(expenses)	102,367	(27,371)	–	(4,680)	70,316
Profit for the period					6,138,114

The segment assets and liabilities as at 30 June 2023 and 31 December 2022 are as follows:

	Vehicles and related operations *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Total assets					
At 30 June 2023	**151,532,795**	**43,974,899**	**(45,927,517)**	**52,398,046**	**201,978,223**
At 31 December 2022	143,769,818	56,077,528	(57,994,293)	48,221,721	190,074,774
Total liabilities					
At 30 June 2023	**86,259,287**	**32,129,462**	**(44,459,732)**	**4,966,999**	**78,896,016**
At 31 December 2022	69,235,885	44,963,173	(56,557,123)	10,130,525	67,772,460

5 OPERATING LOSS

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

	Unaudited Six months ended 30 June	
	2023 *RMB'000*	2022 *RMB'000*
Depreciation and amortisation	**3,631,604**	3,420,621
Impairment charges of property, plant and equipment	**28,862**	–
Impairment charges of intangible assets	**–**	32,982
Impairment charges of inventories	**64,266**	16,012
Net impairment losses on financial assets	**222,063**	78,770
Staff costs	**6,156,325**	5,555,600
Gains on disposal of property, plant and equipment and intangible assets	**(36,480)**	(6,932)
Government grants	**(246,758)**	(262,099)
Donation	**950**	1,070
Dilution Gain	**–**	(323,196)

6 FINANCE COSTS

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest expense	**142,652**	122,067
Others	**57,883**	36,556
	200,535	158,623

7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
Investments in joint ventures	**22,866,739**	28,095,173
Investments in associates	**9,209,061**	9,715,606
	32,075,800	37,810,779

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

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Share of profit of joint ventures *(Note (i))*	**4,929,981**	7,715,726
Share of profit of associates *(Note (i))*	**370,518**	701,715
	5,300,499	8,417,441

(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	
	2023	2022
	RMB'000	*RMB'000*
Beginning of the period	**28,095,173**	26,904,507
Additions *(Note (i))*	**348,236**	537,750
Capital reduction	**(42,224)**	(28,302)
Disposal	**–**	(123,074)
Share of profit	**4,859,155**	7,733,729
Dividends declared	**(10,393,601)**	(7,797,003)
End of the period	**22,866,739**	27,227,607

(i) In the six months ended 30 June 2023, the additions mainly represent the Group's capital contribution of RMB187,436,000 and RMB76,500,000 to Futian Nikkon Logistics (Guangzhou) Co., Ltd and Guangzhou Qinglan Semiconductor Co., Ltd. In addition, the Group contributed capital of RMB84,300,000 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 five 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 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Assets		
Non-current assets	**102,688,181**	90,548,547
Current assets		
– Cash and cash equivalents	**54,481,536**	56,897,368
– Other current assets	**44,067,265**	47,789,045
	98,548,801	104,686,413
Total assets	**201,236,982**	195,234,960
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**35,678,792**	23,621,472
– Other non-current liabilities (including trade and other payables)	**10,689,365**	8,931,280
	46,368,157	32,552,752
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**24,244,103**	28,251,359
– Other current liabilities (including trade and other payables)	**86,127,981**	85,147,625
	110,372,084	113,398,984
Total liabilities	**156,740,241**	145,951,736
Net assets	**44,496,741**	49,283,224
Less: Non-controlling interests	**(9,154)**	(9,570)
	44,487,587	49,273,654

Summarised statement of comprehensive income

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**128,399,989**	150,718,053
Cost of sales	**(108,726,419)**	(122,992,484)
Other expenditures	**(10,100,553)**	(12,985,468)
Profit after tax	**9,573,017**	14,740,101
Less: profit attributable to non-controlling interests	**(373)**	(405)
	9,572,644	14,739,696
Other comprehensive loss	**(1,861)**	–
Total comprehensive income	**9,570,783**	14,739,696

8 INCOME TAX CREDIT

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

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

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current income tax	**171,046**	217,453
Deferred income tax	**(426,795)**	(287,769)
	(255,749)	(70,316)

(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 2023 are 15% or 25% (2022: 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.

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**2,966,171**	6,073,685
Weighted average number of ordinary shares in issue less restricted shares (thousands)	**10,426,565**	10,354,076
Basic earnings per share (RMB per share)	**0.28**	0.59

(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. The convertible bonds were converted into shares of the Company by certain convertible bond holders and fully redeemed by the Company as at 24 January 2022. 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 2023) 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.

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**2,966,171**	6,073,685
Add: Interest expense on convertible bonds	**–**	5,131
Profit used to determine diluted earnings per share	**2,966,171**	6,078,816
Weighted average number of ordinary shares in issue less restricted shares (thousands)	**10,426,565**	10,354,076
Add: weighted average number of ordinary shares assuming conversion of all share options and restricted shares (thousands)	**13,096**	28,457
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	**–**	17,511
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**10,439,661**	10,400,044
Diluted earnings per share (RMB per share)	**0.28**	0.58

10 DIVIDEND

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interim dividend declared: RMB0.05 per ordinary share (2022: RMB0.06 per ordinary share)	**524,253**	627,837

Dividend paid in six months ended 30 June 2023 was approximately RMB1,887,125,000 (six months ended 30 June 2022: RMB1,778,872,000).

In addition, an interim dividend of RMB0.05 per ordinary share (2022: RMB0.06 per ordinary share) was declared by the board of directors on 25 August 2023. This interim dividend, amounting to approximately RMB524,253,000 (2022: RMB627,837,000), 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 2023 and 31 December 2022, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Trade receivables		
Within 1 year	**6,495,637**	6,675,187
Between 1 and 2 years	**1,371,666**	1,400,268
Between 2 and 3 years	**246,489**	251,628
Between 3 and 4 years	**337,973**	345,020
Between 4 and 5 years	**56,964**	58,152
Over 5 years	**224,592**	229,275
	8,733,321	8,959,530
Less: Provision for impairment	**(579,356)**	(551,477)
Trade receivables – net	**8,153,965**	8,408,053

12 TRADE AND OTHER PAYABLES

As at 30 June 2023 and 31 December 2022, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Trade payables		
Within 1 year	**16,698,902**	15,774,374
Between 1 and 2 years	**1,532,310**	953,960
Between 2 and 3 years	**267,435**	62,544
Over 3 years	**97,853**	102,635
	18,596,500	16,893,513

CHAIRMAN'S STATEMENT

The year 2023 marks not only the commencement year of fully implementing the spirit of the 20th National Congress of the Communist Party, but also the beginning for the Group's comprehensive promotion of the grand development blueprint "Trillion GAC". On 12 April 2023, General Secretary Xi Jinping personally visited the GAC Group for an on-site inspection, providing fundamental guidance and injecting strong impetus for the GAC Group's new era of reform and innovation. With morale spreading throughout the Group, the Group bears in mind the entrustment of the General Secretary to advocate the dominant position of the manufacturing industry and pursue high-quality development, while actively responding to the severe and intricate domestic and international environment. Focusing on steady growth, revenue preservation, market expansion, structural adjustment and quality improvement, the Group effectively achieved positive growth in its automobile production and sales volume, fully leveraging the "ballast effect" for steady growth as a state-owned enterprise. 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.

Implemented multiple measures for steady progress in production and operation. In the first half of 2023, the automobile market experienced unprecedented turmoil. The Group actively responded to multiple unfavourable factors, such as sluggish consumer demand, the withdrawal of preferential purchase tax policy for fuel-engined vehicles, and the impact of price competitions. Upon in-depth research on market dynamics and comprehensive strategy implementation, the Group rallied for "joint efforts, expansion of increments, and improvement of quality and efficiency". As a result, the Group achieved vehicle production and sales volume of 1,196,900 units and 1,163,000 units respectively, representing a year-on-year increase of 3.93% and 1.14% respectively. The sales volume of self-developed brands of the Group continued to climb, whose contribution to the Group's sales increased steadily. Among them, the sales volume of GAMC reached 188,000 units, representing a year-on-year increase of nearly 9%, with its MPV sales volume ranking first in the domestic market. GAC AION sold more than 209,000 vehicles, representing a year-on-year increase of nearly 109%, which significantly outperformed the industry growth, ranking among the top three new energy vehicle (NEV) brands in China. Hyper GT, the flagship model of Hyper, a high-end luxury brand under GAC AION, has been launched as the representative model of the 20 millionth NEV rolling off the assembly line in China. With the continuous optimisation of the vehicle model structure, NEVs of the Group contributed to more than 20% of its total vehicles, with self-developed brands contributing up to 54% of the sales volume of NEVs. The Group recorded a revenue of approximately RMB233.532 billion on an aggregated basis, representing a year-on-year decrease of approximately 3.81%. The Group recorded a revenue of approximately RMB61.911 billion, representing a year-on-year increase of approximately 27.16%. The net profit attributable to shareholders of the listed company was approximately RMB2.966 billion, representing a year-on-year decrease of approximately 51.17%. GAC has been on the Fortune Global 500 List for the eleventh consecutive year, soaring up 21 places from its ranking last year to rank 165th which marks the best result in the history of the Group. To give practical returns to shareholders, the Board has proposed to distribute to all shareholders an interim dividend of RMB0.5 (tax inclusive) for every 10 shares. The total amount of dividends to be distributed is approximately RMB524 million.

Revolutionary innovation expedited technological independence. The Group resolutely implemented innovation-driven development strategies and enhanced its innovation capabilities across all dimensions and fields. During the first half of 2023, more than RMB3.1 billion was invested in the Group's research and development (R&D), with the Group recording 1,435 new patent applications including 616 invention patents. The total amount of patent applications exceeded 16,000, including over 6,000 invention patents. On GAC TECH DAY 2023, the Group released the aerocar "GOVE", which would be used to explore and construct three-dimensional travel ecosystem in the future. In the fields of energy conservation and new energy, the Group introduced the magazine battery 2.0 technology, which pioneered the prevention of battery pack from catching fire even after gunshot, achieving maximum battery safety protection. Centering around the two core ideas "high power density" and "low heat loss", the Group developed Quark Electric Drive technology cluster, and released an N-in-one integrated electric drive system to realise the in-depth integration of electric drive, integrated power supply, and thermal management. The Group conducted R&D to explore a variety of flexible fuel engine technologies, achieving a vehicle successfully equipped with a hydrogen-fueled hybrid system for the first time in China, and released the first self-developed ammonia engine for passenger vehicles. In the field of Intelligent Connectivity (ICV), "X-soul", an electrical architecture equipped with vehicle-cloud integration has been installed on Hyper GT for mass production. With a user-centric approach, the Group has also created the ADiGO MAGIC GAC Rubik's Cube scene co-creation platform, allowing users to configure their own travel scenarios.

In-depth reforms and continued enhancement in development impetus. The Group has completed specialised reform actions, such as the Three-year Action Plan for State-owned Enterprise Reform, the improvement campaign with an eye to first-class global management and the "Double-Hundred Action", and the Group was honored as a "Benchmark" Double Hundred Enterprise and a "Benchmark" enterprise of the Practitioner in Management Benchmark Establishment by the State-owned Assets Supervision and Administration Commission of the State Council. The Group was also honored as an "Excellent" enterprise of the Improvement Campaign for Benchmarking against Global First-class Management by the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal Government. GAC AION is the only NEV brand which was shortlisted as a "Model Enterprise of Scientific and Technological Reform" by the State-owned Assets Supervision and Administration Commission of the State Council. A number of reform achievements of the Group have been widely applauded across the country, establishing the Group as the "GAC Model" in terms of the State-owned Enterprise Reform. Under the accelerated implementation of the mixed ownership reform, ON TIME (如祺出行) has completed its Series B financing, raising a total fund of RMB842 million, and officially submitted its application for listing of shares on the Main Board of the Stock Exchange. Focusing on international business development, the Group completed a new round of organisational restructuring, adhered to the principle of "close attention to executive leadership", strengthened management and control of international business operations, and further focused on its principal activities to enhance the Group's competitiveness. The Group deepened the tripartite institutional reforms, strictly implemented the tenure system and contractual management of corporate leadership, and strictly assessed the results through individual review and quantitative rankings. The strengthening of staff efficiency management via individual performance objectives has motivated the Group's overall labor productivity to rank second among the six major automobile groups. The implementation of the Fourth Share Option Incentive Scheme continue to enhance the Group's medium-and-long-term incentive mechanisms. The Group has taken the lead in establishing a federation for talents in the ICV and NEV industries in Guangzhou with an aim to attract and strengthen the gathering of innovative talents.

After the Chinese automobile market experienced the impact of promotion policy changes and market price fluctuations in the first quarter of 2023, the market demand has gradually entered into a phase of rejuvenation driven by the central and local policies that boosted consumption. Looking to the second half of 2023, the mild recovery of the macro economy is projected to gradually spread to the automobile market, while with the continuous emergence of policy effects such as the reduction in purchase tax for NEVs, the consumption potential of the automobile market will be further released, and market demand is expected to gradually and steadily recover. However, the automobile industry is currently undergoing a period of accelerated restructuring, whereby product and technology iterations, industry chain restructuring, business models and organisational reforms have surpassed expectations. The Chinese automobile industry has bid farewell to the golden age of rapid growth amidst accelerated elimination in the automobile market, evolving to a critical point of transformation and revolution. Confronted with this new stage of development, the Group will bear in mind the ardent entrustment of the General Secretary, and act prudently in accordance with the "14^{th} Five-Year Plan", "Trillion GAC" and other strategic plans, advocate the dominant position of the manufacturing industry, pursue high-quality development, and gather development momentum through pragmatic and innovative efforts, so as to accelerate industrial transformation and upgrade and continuously create development momentum and new edge.

Focus on transformation and upgrade, and create momentum for five aspects of increment. In the field of manufacture of vehicles, the Group will accelerate the building of core products and brand strength to promote the transformation of GAMC into a new energy technology enterprise, further expand the pioneering advantages of GAC AION in the field of pure electricity to achieve strategic breakthrough among high-end brands. The Group shall step up efforts to promote the electrification of joint ventures and the independent back-feeding support thereto, so as to promote the coordinated transformation and upgrade between self-developed brands and joint venture brands, which will in turn strengthen the Group's products in the NEV segment. **In the fields of parts and components,** through self-research and development, joint capital and acquisitions, the Group will actively explore the key components of new energy ICVs of the "Three Electricity System" (which are power batteries, electric motors and electric control systems) as well as intelligent driving, intelligent cockpit and intelligent chassis, and promote the production of locally manufactured automotive chips to further improve the Group's parts-to-vehicle ratio and ensure the safety and controllability of the industry chain. **In the fields of commercial and mobility transportation services,** the Group will focus on serving and empowering its principal businesses, and promote the intelligent transformation of commercial business through digitalisation. The Group will emphasise on Robotaxi and smart transportation to establish a sustainable development model of mobility transportation services. **In the fields of energy and ecosystem,** the Group will accelerate the implementation of the "2^6 Energy Action" and construct a vertically integrated new energy industry chain of "lithium mine + production of basic lithium battery raw material + battery production + energy storage and battery charging and swap service + battery leasing + battery recycling and gradient utilisation" in order to enhance the convenient charging and swapping network, promote the operation of battery assets and fully utilise the value of batteries throughout their full life cycle. **In the field of internationalisation,** the Group will seize the opportunity of high-growth exports for Chinese brands, centralise resources of the Group to promote the development towards internationalisation, and strive to promote brand internationalisation, product globalisation, production and supply localisation, sales and services integration and ecological diversification, with a view to ranking among the leading enterprises in domestic exports.

Focus on critical procedures and uphold innovation-oriented development. Focus on product enhancement and accelerate the launch of new products. Prioritising both the products and their users, implementing the strategy of “good appearance + PVA (user perceived value) leadership”, the Group will increase investment in product technology innovation, accelerate the transformation of electrification and enhance the launch of high value-added products, so as to create more star products. **Focus on scientific and technological self-reliance and increase our efforts in technological innovation.** The Group will strengthen national strategies, respond to the national and industrial demands and invigorate the breakthrough of original and cutting-edge technologies. The Group will promote “industry chain reinforcement” through independent innovation and leverage on its self-developed “Three Electricity System” (power batteries, electric motors and electric control systems) and core ICV technologies to ensure a sound mastery of key technologies. **Focus on production ecology to enhance the flexibility of the industry chain.** Centering around the philosophy of software-defined automobile, the Group will increase its capital injection into the independent development of software and the coordinated development of software and hardware. This will enable the Group to achieve autonomy and control over the software supply chain, and improve user experience in the three application fields including intelligent cockpit, intelligent driving, and central domain integration and control with the electrical architecture as the core, with a view to constructing an ICV ecosystem for GAC. The Group will strengthen its research and control over key components, accelerate the deployment of autonomous driving, intelligent cockpit and pure electric power system, build the core competitiveness of components, and enhance the competitiveness and safety of the industry chain and supply chain.

Focus on value creation, and continue to deepen reform. Pursuant to the requirements as stipulated in the new round of in-depth upgrading actions for State-owned Enterprise Reform, the Group will focus on improving its core competitiveness and enhancing its core functions, and implement reforms to continuously achieve new breakthroughs and new results. The Group will firmly prioritise the primary task of high-quality development and focus on functions such as strategic security, industrial leadership, national wellbeing and people’s livelihood, as well as public services, while strengthening its strategic supporting role in building a modern industrial system and promoting a high level of technological independence and self-improvement. The Group will vigorously promote the mixed ownership reform to accelerate the listing of enterprises, such as GAC AION and ON TIME, etc., as well as further strengthen the precise assessment and reward regimes under the tenure system and contractual management of members at the managerial level, and innovate the market-oriented assessment and incentive mechanisms. In order to highlight strategic orientation and strengthen long-term value orientation, the Group will continue to improve the assessment and evaluation system to further expand medium-and-long-term incentives with quality improvement. The Group will also establish a long-term and stable employment mechanism and talent echelon and strengthen the industry-university-research cooperation between university and enterprise to cultivate “high-quality, excellent and scarce” talents. The Group will also accelerate digitalisation to promote the centralised accumulation and integrated sharing of business, data, technology and other resource capabilities, which will transform resource capability advantages into development advantages.

Great achievements come from great aspirations and perseverance. Along the new journey of comprehensively building a great country characterised by socialist modernisation, there is vigorous vitality alongside intense competition. Bearing in mind the entrustment of the General Secretary, we advocate Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era as guidance, striving onwards as a pioneer to embrace the challenges on the horizon. The Group will make unremitting efforts in effectively propelling the improvements of enterprise development quality, the enhancement of technological innovation capabilities, the achievements of institutional and mechanism innovation, and the transition and upgrade of the enterprise towards new heights. We are committed to achieving "Trillion GAC" in the earliest course, delivering world-class performance and contributing to modernisation with Chinese characteristics.

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 (vehicles and motorcycles), parts and components, commercial and mobility transportation services, energy and ecosystem, internationalisation as well as investment and finance, which form a complete closed-loop industry chain.

1. Research and development

The Group's R&D is based on GAEI, a directly funded and managed body, which is also a subsidiary of the Company and a 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 and GAC Toyota.

➢ **Products:** The Group's passenger vehicles include 17 series of sedans, 26 series of SUV and 5 series of MPV. During the reporting period, the Group launched new or upgraded models such as GAC Trumpchi E9, GS3 Shadow Speed, GAC AION Hyper GT, GAC Toyota Frontlander (HEV), new generation Levin, new generation GAC Honda Accord, Integra, ZR-V e:HEV, Breeze e:HEV/e:PHEV, etc.

Fuel-engined vehicle products of the Group mainly include:

- GAC Trumpchi Empow, GS4, GS8, M8, Emkoo, etc.;
- GAC Honda Accord, Integra, Vezel, Fit, Breeze, etc.; and
- GAC Toyota Camry, Levin, Wildlander, Frontlander, Venza, etc.

Energy conservation and new energy products of the Group mainly include:

- GAC Trumpchi GS8 Hybrid, M8 Hybrid, E9, Empow Hybrid, Emkoo Hybrid, etc.;
- GAC AION S, AION Y, AION V, AION LX, Hyper GT, etc.;
- GAC Honda Accord e:PHEV, Breeze e:HEV/e:PHEV, Odyssey e:HEV, ZR-V e:HEV/e:PHEV, e:NP1, etc.; and
- GAC Toyota Camry HEV, Highlander HEV, Levin HEV, Sienna, bZ4X, etc.

- ➢ **Production capacity:** As at the end of the reporting period, the total vehicle production capacity of the Group amounted to 3,065,000 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 around 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 improving the operational 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 2,545 passenger vehicle 4S sales outlets covering 31 provinces, autonomous regions and municipalities in the PRC. GAC International has established a total of 125 outlets around the world, with its sales and service business covering 30 countries and regions.

(2) Motorcycles

The Group manufactures motorcycles through its joint venture Wuyang-Honda. Main products include standard motorcycles, sport bikes, scooters, electric bicycles and electric motorcycles, 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. Parts and components

The Group's production of parts and components of vehicles was mainly carried out through the controlling, jointly controlled, investee companies of its subsidiary, GAC Component, Ruipai Energy, a holding subsidiary under the Group, and GAC Toyota Engine and Shanghai Hino, the Group's associated companies. The parts and components of vehicles include engines, gearboxes, car seats, micro motors, shifter, electric drive, electric controller, interior and exterior decorations, etc. The products were mainly accessories for manufacture of vehicles of the Group.

4. Commercial and mobility transportation services

The Group carried on businesses in vehicle sales, logistics, international trading, second-hand vehicles, end-of-life vehicles disassembling, supporting services, digitalisation and mobility transportation services, etc., mainly through its subsidiary, GAC Business, its controlling and investee companies, Da Sheng Technology, and joint venture, ON TIME (如祺出行) etc. in the upstream and downstream automobile industry chains.

5. Energy and ecosystem

The Group constructed a vertically integrated new energy industry chain of "lithium mine + production of basic lithium battery raw material + battery production + energy storage and battery charging and swap service + battery leasing + battery recycling and gradient utilisation" through establishing Youpai Energy and its subordinate companies such as GAC Energy and IMPOW Battery.

6. Internationalisation

The Group established GAC International to be responsible for the overseas market operation and sales services of its self-developed brands, and promoting the implementation of various internationalisation measures such as medium-and-long term overseas product planning, overseas factory construction planning and overseas channel operation planning.

7. Investment and 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 Company, China Lounge Investments, GAC Capital, Urtrust Insurance, and joint venture, GAC-SOFINCO Auto Finance, 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. The Group also continued to optimise the functions of organisational structures, established robust diversified incentive mechanisms, steadily promoted the mixed ownership reform of investment enterprises, actively promoted digitalisation transformation and continuously enhanced its core competitiveness.

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 industry chain centering upon manufacture of vehicles, and its business covers seven segments including research and development, manufacture of vehicles, parts and components, energy and ecosystem, commercial and mobility transportation services, internationalisation and investment and finance. The Group is one of the automobile groups in the PRC with the most integrated industry chain and the most optimised industry layout. The synergy in the upstream and downstream of the industry 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 Group reorganised and established Youpai Energy as the main body of the Group's energy segment, accelerating the construction of its energy ecosystem.

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"; and (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, SUVs and MPVs, and in order to adapt to changes in consumer demand, the Group maintained its market competitiveness of its products through continued R&D, introduction of new models and product iterations, so as to maintain customer loyalty and a widely recognised brand reputation. During the reporting period, the Group launched new or upgraded models such as GAC Trumpchi E9, GS3 Shadow Speed, GAC AION Hyper GT, GAC Toyota Frontlander (HEV), new generation Levin, new generation GAC Honda Accord, Integra HATCHBACK, ZR-V e:HEV, Breeze e:HEV/e:PHEV, 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. The Group also 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. Product manager system and incentive mechanism of vehicle model team were comprehensively implemented to form a system and mechanism for the integration of research, production and sales with high efficiency and mutual benefit.

5. *Leading independent R&D abilities of new energy and ICV*

In the field of new energy, the Group has the leading exclusive pure electric platform AEP3.0, being the first to apply the deep-integrated "three-in-one" electric drive system and two-gear dual-motor "four-in-one" integrated electric drive system. The Group deeply engaged in the independent R&D as well as the industrial application of power battery and battery cells, and self-developed power battery technologies such as sponge silicon anode battery technology, ultra-fast charging battery technology and the magazine battery system safety technology. These helped create the AION series and the Hyper series, which are NEV product systems based on the new exclusive platform on pure electricity. The Group has also successfully introduced a variety of new energy products to the joint ventures. In the field of energy conservation, the Group established 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, the Group has self-developed the ADiGO PILOT intelligent driving system (including NDA advanced driver assistance system, super parking, and unmanned driving) and the centralised computing electronic and electrical architecture "X-soul" equipped with vehicle-cloud integration. During the reporting period, the Group released the magazine battery 2.0 technology, Quark Electric Drive technology cluster; completed the installation of Mega Waves Hydrogen Hybrid System on vehicles, and launched the first ammonia engine for passenger vehicle across the world; completed the development of EEA3.0 electrical architecture, and equipped Hyper GT with X-soul for mass production.

6. Connection to worldwide capital operation platforms

The Group successfully built capital operation platforms in both A-share and H-share markets, which are favourable to the Group in adequately leveraging on investment and financing instruments in various forms from domestic and overseas capital markets to achieve effective resource 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. During the reporting period, the implementation of the Fourth Share Option Incentive Scheme by the Group further improved the medium-and-long term incentive mechanism.

DISCUSSION AND ANALYSIS ON OPERATION

(I) ANALYSIS ON INDUSTRY ENVIRONMENT

In the first half of 2023, amidst the overall landscape of coordinated domestic and international development, the national economy continued to positively rebound, while the high-quality development was steadily progressing. The automobile industry continued to meliorate, experiencing a growth in both production and sales volume. The production and sales volume of vehicles from January to June 2023 were 13,248,000 units and 13,239,000 units respectively, representing a year-on-year increase of 9.3% and 9.8% respectively. Among them, domestic sales volume of automobiles was 11,099,000 units, representing a year-on-year increase of 2.4%; export sales volume of automobiles was 2,140,000 units, representing a year-on-year increase of 75.7%.

Driven by multiple factors such as the advocacy of consumer policies in various regions, diversified marketing activities, and the mass availability of new models released by enterprises, the production and sales volume of passenger vehicles in the first half of 2023 were 11,281,000 units and 11,268,000 units respectively which both exceeded 11,000,000 units, representing a year-on-year increase of 8.1% and 8.8% respectively. Among them, domestic sales volume of passenger vehicles in the first half of 2023 was 9,488,000 units, representing a year-on-year increase of 0.8%; export sales volume was 1,780,000 units, representing a year-on-year increase of 88.4%.

Among the main types of passenger vehicles, except for the significant decline in the production and sales volume of cross passenger vehicles, the same of other major passenger models have increased: the sales volume of sedans was 5,005,000 units, representing a year-on-year increase of 1.5%; the sales volume of SUVs was 5,654,000 units, representing a year-on-year increase of 15.7%; the sales volume of MPVs was 484,000 units, representing a year-on-year increase of 25.7%; and the sales volume of cross passenger vehicles was 125,000 units, representing a year-on-year decrease of 18.3%.

Among which, 5,986,000 units of passenger vehicles under Chinese brands were sold, representing a year-on-year increase of 22.4%, and accounting for 53.1% of the total sales volume of passenger vehicles which signified that its market share increased year on year by 5.9 percentage points. Among the major foreign brands, except for Japanese series bearing a slight increase in its market share, German series and American series were all on a declining curve while Korean series remained basically flat.

The Group delivered a conspicuous performance in terms of production and sales volume of NEVs. From January to June 2023, the production and sales volume of NEVs reached 3,788,000 units and 3,747,000 units respectively, representing a year-on-year increase of 42.4% and 44.1% respectively, and accounting for a market share of 28.3%.

(II) ANALYSIS ON OPERATION OF THE COMPANY

1. Production and operations sought progress while maintaining stability

During the reporting period, the Group effectively overcame the pressures caused by various factors, such as the sub-par consumption recovery, the withdrawal of preferential purchase tax policy for fuel-engined vehicles, the transition to China VI B Real-Driving Emission (RDE) regulations, and price competitions, where its production and operations gradually stabilised and recovered. In the first half of 2023, the Group's production and sales volume of vehicles amounted to 1,196,900 units and 1,163,000 units respectively, representing a year-on-year increase of 3.93% and 1.14% respectively. In terms of production and sales volume, with a market share of approximately 8.8%, the Group ranked 5th among domestic automobile enterprise groups.

In the first half of 2023, the production and sales volume of the Group's passenger vehicles were 1,196,800 units and 1,162,800 units respectively, representing a year-on-year increase of 3.94% and 1.14% respectively, while its market share among domestic automobile enterprise groups was approximately 10.32%. Among them, the Group's domestic sales volume of passenger vehicles was 1,139,700 units, representing a year-on-year increase of 0.49%, which was roughly the same as the industry growth; export volume of passenger vehicles was 23,100 units, representing a year-on-year increase of 48.69%. In terms of vehicle categories, the sales volume of SUVs and MPVs increased year on year by 1.33% and 26.45% respectively, whereas the sales volume of sedans experienced a year-on-year decrease of 3.98%. The production and sales volume of NEVs continued to maintain rapid growth in the first half of 2023, amounting to 246,400 units and 236,300 units respectively, representing a year-on-year increase of 118.04% and 108.51% respectively, which significantly outperformed the industry growth. During the reporting period, the proportion of sales volume of the Group's energy-efficient vehicles and NEVs increased to 38.70%, among which the proportion of NEVs amounted to 20.32%, representing a year-on-year increase of more than 10 percentage points.

2. Self-developed brands hit new records

The Group's self-developed brands focused on "XEV+ICV" and "EV+ICV", which further enhanced its product, branding and marketing strength. In the first half of 2023, the production and sales volume of self-developed brands were 398,400 units and 397,400 units respectively, hitting another record high, of which the proportion of NEV sales increased to nearly 54%.

(1) GAMC

GAMC accelerated its transformation into a new energy technology enterprise. In the first half of 2023, its production and sales volume were 181,800 units and 188,100 units respectively, representing a year-on-year increase of 7.27% and 8.97% respectively. In terms of sales volume, the M6 and M8 series both maintained their top 3 ranking in the market segment, while GAMC ranked first in the domestic MPV market. Sales of HEV models continued to perform well, maintaining its ranking as the top-seller in the independent HEV market. GAC Trumpchi's first plug-in hybrid MPV model, "E9", was successfully launched, which marked the first time the new marketing model "direct connection, direct service and direct marketing" was presented to customers. GAC Trumpchi also completed the construction of 35 experience centers, which continued to revitalise the image and services of its sales channels. The sales volume of the newly-launched GS3 Shadow Speed rose rapidly, entering top five in the market segment.

(2) GAC AION

In the first half of 2023, GAC AION achieved production and sales volume of 216,700 units and 209,300 units respectively, representing a year-on-year increase of 117.39% and 108.81%, during which its monthly sales volume maintained at more than 40,000 units for four consecutive months, ranking third among domestic new energy passenger vehicles. The monthly sales of the AION S series exceeded 20,000 units for the first time, with its sales volume in the first half of 2023 exceeding 110,000 units, representing a year-on-year increase of 187%. The AION S series continued to maintain its position as the best-seller among domestic pure electric A-class sedans, soaring up to top five in all categories of domestic A-class sedans. The sales volume of AION Y series in the first half of 2023 exceeded 90,000 units, representing a year-on-year increase of 105%, ranking second among domestic pure electric A-class SUVs. On 3 July 2023, Hyper GT, a model equipped with "X-soul", was launched and delivered as the representative model of the 20 millionth NEV rolling off the assembly line in China, signifying that GAC AION had entered the high-end NEV market. With GAC AION's innovative and revolutionary marketing model, it created a new ecosystem of marketing services that fully integrated online and offline scenarios and focused on the pre-sale of Hyper GT, where 100 Hyper experience centers were already established.

(3) International business

The Group completed its interim adjustment to the “14th Five-Year Plan” for the international sector, and adjusted the organisational structure of the international business sector, further improving the operational efficiency of the integration of research, production, supply and sales among self-developed brands, and affirming the Group’s consensus to achieve internationalisation. In the first half of 2023, the cumulative export from self-developed brands amounted to approximately 20,000 units, representing a year-on-year increase of approximately 29%. The Group accelerated the overseas launch of its new products, where models such as EMPOW, EMKOO, the second-generation GS8 and GS3 Shadow Speed were successively launched in the Middle East and other regions. With accelerated globalisation, GAC International has currently deployed 125 sales and service outlets across the world. In the first half of 2023, the Middle East office of GAC International and the Middle East Transshipment Warehouse for Components were officially put into operation. The subsidiary in Mexico was incorporated. The overall expansion of the European market progressed in an orderly manner, with GAC International officially commencing the export business of its commercial vehicles and second-hand vehicles. Meanwhile, GAC AION has officially entered the Thai market, and will base itself in Thailand, spread its influence across Southeast Asia, and explore the NEV market in Southeast Asia.

3. Joint venture brands accelerated transformation

GAC Toyota continued to deepen its all-round electrification strategy, promoting the brand revitalisation of “Smart HEV”. Grasping the opportunity of the launch of Levin’s first new model equipped with fifth-generation hybrid system, GAC Toyota opened up the Smart HEV revitalisation of its lineup of SUVs and sedans. New models such as Frontlander (Smart HEV) and Levin GT (Smart HEV) were introduced. In the first half of 2023, the sales volume of GAC Toyota reached 452,800 units, ranking third among joint venture automotive enterprises and first among Japanese automobile manufacturers. The first model jointly developed by the Group and Toyota Motor has completed its project approval and has progressed as planned. GAC Honda fully accelerated its transformation towards electrification and intellectualisation, launching the “new energy Gemini”, new Accord e:PHEV and Breeze e:PHEV in the first half of 2023, while implementing the price strategy of “same price for gas and electricity” to deepen the new energy development route of GAC Honda. GAC Honda NEV (production capability of 120,000 units per year) capacity expansion project progressed as planned and is scheduled to be completed and commence operation in 2024. Wuyang-Honda has released four types of new products in the field of electric bicycles for urban commuting, achieving product serialisation and diversification, while accelerating the export of its electric vehicle models.

4. *Four Modernisations accelerated transformation*

In the field of new energy, the Group released the magazine battery 2.0 technology, implementing a series of original safety technologies such as ultra-stable electrode interface, thermal-resistant phase-change material and battery fire suppression system, which could prevent battery packs from catching fire even after gunshot. For the first time, such technologies were able to solve battery safety problems in extreme environments such as multi-cell instantaneous short circuit and explosive damages. Mega Waves Hydrogen Hybrid System was successfully installed on vehicles, which according to experiments, the hydrogen consumption could be lower than 1.4kg per 100 kilometers, while the maximum distance of vehicles could cover nearly 600 kilometers. Furthermore, the Group launched the world's first self-developed ammonia engine for passenger vehicles, which adopts liquid ammonia as fuel to provide a power of up to 120kW through precise control over the phase transition process of liquid ammonia fuel supply, increasing the carbon reduction rate to 90%.

In the field of ICV, the Group completed the development of EEA3.0 electrical architecture, establishing a complete set of forward development process system for the first time underpinned by functional software, while "X-soul", an electrical architecture equipped with vehicle-cloud integration, was installed on vehicles for mass production. The Group completed the development of autonomous parking system technology platform, which was equipped on models such as EMKOO and E9, and launched them in the market. The Group promoted research on the core technology of autonomous driving, which was based on artificial intelligence, realising a fully autonomous driving and parking solution with strong artificial intelligence + vision. Driven by the needs to fulfil future three-dimensional mobility transportation and smart mobility living, while promoting research topics such as smart transportation vehicles and smart mobility terminals, the aerocar, GOVE, made its debut on GAC TECH DAY 2023.

In the field of digitalisation, the Group impelled the GDA2.0 digital action plan, promoted the Group's control over the construction of digital project cluster, fueled the digital planning and design centered around investment management, and planned the digital integration strategy and ancillary system construction across strategic management, investment management and capital operation. The Group also built the APP technological foundation and operational capabilities that supported the new golden triangle marketing model "direct connection, direct service and direct marketing", and comprehensively deepened the private domain operation revolving around APP, establishing an operational route that attracts, gathers, and retains potential customers.

In the field of shared services, focusing on mobility transportation scenarios, ON TIME created the circulatory system encompassing online ride-hailing services, Robotaxi operation solutions and smart driving tool chains. ON TIME was also qualified to carry out the demonstrative operation of ICVs in Guangzhou, while its own Robotaxi fleet commenced operation in Nansha, accelerating the commercialisation of autonomous driving. GAC AION and DIDI Autonomous Driving cooperated and established a joint venture to co-define and mass-produce L4 Unmanned Driving NEVs applicable to shared mobility transportation, which will promote the development of an unmanned driving mobility transportation ecosystem. GAC Toyota, Toyota Motor and Pony.ai have initiated a 3-party cooperation and scheduled to establish a Robotaxi-related joint venture within 2023, so as to promote unmanned, large-scale and commercial applications of L4 autonomous driving.

5. *Continue to reinforce industrial synergy*

In the fields of parts and components, GAC Component centered around its core parts and components industry chain and carried out chain strengthening, supplementation and extension, demonstrating the functions and roles of the cascade R&D system for its parts and components, while focusing on the promotion of investment projects such as electrified power systems, electric controllers, ICV electric parts, smart car lights, wire-controlled chassis and other key parts and components. Moreover, GAC Component and Luxshare Precision established Lisheng Technology through joint capital injection, so as to strengthen the Group's manufacturing capabilities and independent control over core parts and components of electrical appliances. The Group also actively promoted the production of homebred chips or the development of substitutes, completing the localisation of 7 types of chips and the development of 2 types of imported substitutes, thereby strengthening the stability and supply of core parts and components.

In the fields of commercial and mobility transportation services, GAC Business stepped up its efforts in sales network expansion and market penetration. In the first half of 2023, a total of 11 first-class sales channel outlets were completed and opened, with the aggregate number of first-class sales channel outlets reaching 134. GAC Business kept up with the pace of its original equipment manufacturer (OEMs) to strengthen digital support and gather resources to promote end-user sales. In the first half of 2023, its end-user sales exceeded 70,000 units, representing a year-on-year increase of 18.8%. In the first half of 2023, ON TIME entered the market of Huizhou, Xiamen and other regions, with its services covering cities including Guangzhou, Foshan, Zhuhai, Shenzhen and Changsha, with registered users reaching 21.61 million, representing a year-on-year increase of 38%.

In the fields of energy and ecosystem, the Group promoted resources integration of the energy sector, reorganising and establishing Youpai Energy as the new primary entity of the Group's energy sector, while accelerating the construction of the vertically integrated new energy industry chain layout of "lithium mine + production of basic lithium battery raw material + battery production + energy storage and battery charging and swap service + battery leasing + battery recycling and gradient utilisation". GAC Energy steadily advanced the construction of battery charging/swap stations, and 524 charging stations were established in the first half of 2023. The battery workshop and office building in the first phase of IMPOW Battery Plant was completed, of which the first 6GWh production line is scheduled to be completed and commence operation by the end of 2023.

In the fields of investment and finance, the Group completed the formulation of a specific plan for the financial sector, which further affirms the strategic positioning of "support the development of principal businesses, advanced integration between industry and finance" of the finance sector. GAC-SOFINCO Auto Finance provided exclusive financial support with a focus on OEMs' strategic vehicle models, and the number of new inventory financing contracts and retail contracts increased year on year by 22% and 13% respectively. GAC Finance Company actively offered loans and discounts for OEMs and their supporting enterprises so as to reduce the financing costs of enterprises. GAC Finance Company also actively introduced financial preferential policies to support distributors to obtain inventory financing. Urtrust Insurance strengthened the categorised construction of professionalised channels, and actively carried out the "complimentary insurance for purchasers" campaign to boost the sales of new cars, through which the premium income in the first half of 2023 increased year on year by 14.4%. GAC Capital continued to increase its investment in three major segments, i.e. automotive chips, ICVs and new energy batteries, while completing its investments in projects such as UNIVISTA, COSPOWERS, ZZ・Tech and TREX.

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

During the reporting period, the Group realised revenue of approximately RMB233.532 billion on an aggregated basis, representing a year-on-year decrease of approximately 3.81%.

During the reporting period, the revenue of the Group amounted to approximately RMB61.911 billion, representing a year-on-year increase of approximately 27.16%. The net profit attributable to shareholders of the listed company amounted to approximately RMB2.966 billion, representing a year-on-year decrease of approximately 51.17%. The basic earnings per share amounted to approximately RMB0.28, representing a year-on-year decrease of approximately 52.54% or approximately RMB0.31.

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

1. Chinese economic operation maintained a stable recovery in the first half of 2023 where major economic indicators continued to improve. After the domestic automotive market experienced the impact of promotional policy switchover and market price fluctuations in the first quarter, the situation improved significantly in the second quarter driven by central and local policies for the purpose of consumptive promotion, achieving relatively high growth as a whole in the first half of 2023. Under such circumstances, the Group closely focused on the "14th Five-Year Plan", and actively responded to the severe and complex internal and external situations. In particular, the Group kept in mind the General Secretary Xi Jinping's entrustment that he brought forward while visiting the GAC Group for an on-site inspection, proposing to insist on independent innovation alongside high-quality development, and to focus on steady growth, revenue preservation, market expansion, structural adjustment and quality improvement. In the first half of 2023, the cumulative sales of automobiles reached 1.163 million, representing a year-on-year increase of 1.14%. Among them, the self-developed brand, GAMC, sold a total of 188,100 vehicles in the first half of 2023, representing a year-on-year increase of 8.97%. Star product portfolios of MPVs and SUVs had continuously enriched, while the launch of smart electric hybrid models had accelerated. GAC AION's NEVs continued to maintain hot-selling, with sales volume exceeding 40,000 units for four consecutive months from March to June 2023. Sales volume in the first half of 2023 exceeded 200,000 units, representing a year-on-year increase of 108.81%, which empowered GAC AION to pioneer amongst the emerging automotive manufacturers.

2. Joint ventures of the Group launched new products and technologies, which continuously accelerated the transformation toward electrification. Among them, while GAC Toyota maintained a relatively stable sales volume, in the first half of 2023, it successively released the new Levin and Frontlander (Smart HEV), and various models such as the Sienna and Camry were also equipped with new generation of intelligent electric-hybrid dual-engine technology to accelerate TNGA electric hybridisation. GAC Honda had been actively deploying multiple technical routes to accelerate the process of electrification. With the theme of “same price for gas and electricity”, it successively released two PHEV models under Accord and Breeze which cooperated with e:NP1 to create an electrification matrix, and has vigorously promoted the capacity expansion project of NEV production.

3. Ancillary businesses in the upstream and downstream of the industry chain such as financial services, vehicle components and commercial services had been further developed pursuant to the Group’s strategy. The synergistic effect among various business segments had continued to emerge, which facilitated the development of the Group’s principal businesses. Among such businesses, the continuous deepening of cooperation between financial enterprises as well as the business expansion and innovation strongly boosted the Group’s automobile sales. The businesses of ON TIME covered ON TIME Express, ON TIME Enterprise, ON TIME Hitch, ON TIME Designated Driver, ON TIME New-taxi and ON TIME Robotaxi, serving cities including Guangzhou, Foshan, Zhuhai, Shenzhen, Changsha, etc., which will accelerate the commercialisation of autonomous driving.

(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

Item	Current period	Corresponding period last year	Change (%)
Revenue	619.11	486.89	27.16
Costs of sales	599.36	465.53	28.75
Selling and distribution costs	25.69	23.71	8.35
Administrative expenses	25.15	23.73	5.98
Finance costs	2.01	1.59	26.42
Interest income	3.57	1.57	127.39
Share of profit of joint ventures and associates	53.00	84.17	-37.03
Net cash flow generated from operating activities	-5.28	-61.85	91.46
Net cash flow generated from investing activities	-32.35	63.42	-151.01
Net cash flow generated from financing activities	41.43	22.83	81.47

2. *Revenue*

During the reporting period, revenue of the Group amounted to approximately RMB61.911 billion, representing a year-on-year increase of approximately 27.16%. This was mainly due to the combined effect of the continuous and stable recovery of the domestic economy, the implementation of policies to boost consumption, the overall stable automobile market with positive growth, and the increasingly enriched vehicle models under self-developed brands of the Group with continuously increasing sales volume, especially the higher increase level in the sales volume of the GAC AION's NEVs.

3. Cost of sales and gross profit

During the reporting period, the Group recorded costs of sales of approximately RMB59.936 billion, representing a year-on-year increase of approximately 28.75%. Total gross profit amounted to approximately RMB1.975 billion, representing a year-on-year decrease of approximately RMB161 million. Gross profit margin decreased year on year by 1.2 percentage points, which was mainly due to the combined effect of the continuous increase in production and sales volume of vehicle models of the Group's self-developed brands, leading to corresponding increases in the production costs and the impact from the continuously increasing prices of raw material and changes in policies that are favourable to NEVs.

4. Expenses

(1) The year-on-year increase of approximately RMB198 million in selling and distribution costs was mainly attributable to the combined effect of the year-on-year increase in advertising expenses during the reporting period;

(2) The year-on-year increase of approximately RMB142 million in administrative expenses was mainly attributable to the combined effect of the year-on-year increase in R&D expense during the reporting period;

(3) The year-on-year increase of approximately RMB42 million in finance costs was mainly attributable to the combined effect of the increase of borrowings which led to a year-on-year increase in interest expenses during the reporting period;

(4) The year-on-year increase of approximately RMB200 million in interest income was mainly attributable to the combined effect of the increase in capital deposits which led to an a year-on-year increase in interest income during the reporting period.

5. Cash flows

(1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB528 million, representing a year-on-year decrease in net outflow of approximately RMB5.657 billion as compared with the net cash outflow of approximately RMB6.185 billion in the corresponding period last year, which was mainly attributable to the combined effect of the increase in cash received from the sales of goods due to increased sales, and the year-on-year increase in net deposit of non-consolidated companies in GAC Finance Company during the reporting period;

(2) During the reporting period, net cash outflow generated from investing activities amounted to approximately RMB3.235 billion, representing a year-on-year increase of net outflow of approximately RMB9.577 billion as compared with net cash inflow of approximately RMB6.342 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, the increase of purchased and constructed assets due to the Company's development, the increase of shareholder loans to joint ventures and the increase in certificates of deposit of high value during the reporting period;

(3) During the reporting period, net cash inflow generated from financing activities amounted to approximately RMB4.143 billion, representing a year-on-year increase of net inflow of approximately RMB1.860 billion as compared with the net cash inflow of approximately RMB2.283 billion in the corresponding period last year, which was mainly attributable to the combined effect of the repayment of matured corporate bonds and increase in borrowings for corporate business development, and the issuance of asset-backed securities by financial enterprises during the reporting period;

(4) As at 30 June 2023, cash and cash equivalent of the Group amounted to approximately RMB34.599 billion, representing an increase of approximately RMB14.898 billion as compared with approximately RMB19.701 billion as at 30 June 2022.

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 RMB5.300 billion, representing a year-on-year decrease of approximately RMB3.117 billion, which was mainly attributable to the combined effect of the year-on-year decrease in profit of Japanese series joint ventures during the reporting period.

7. Others

During the reporting period, income tax amounted to approximately RMB-256 million, representing a year-on-year decrease of approximately RMB186 million, 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 RMB2.966 billion, representing a year-on-year decrease of approximately 51.17%; basic earnings per share amounted to approximately RMB0.28, representing a year-on-year decrease of approximately RMB0.31.

(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	459.89	455.20	1.02	38.72	41.20	-62.91
Parts and components manufacturing industry	21.85	20.69	5.31	4.25	1.97	65.94
Commercial services	119.93	114.90	4.19	2.60	2.42	4.23
Financial services and others	17.44	8.57	50.86	-0.46	-19.61	29.88
Total	619.11	599.36	3.19	27.16	28.75	-27.33

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	459.89	455.20	1.02	38.72	41.20	-62.91
Vehicles-related trades	141.78	135.59	4.37	2.85	2.35	12.05
Financial services and others	17.44	8.57	50.86	-0.46	-19.61	29.88
Total	619.11	599.36	3.19	27.16	28.75	-27.33

3. *Principal business by region*

Unit: 100 million Currency: RMB

By region	Revenue	Changes in revenue compared with last year *(%)*
Mainland China	597.55	26.35
Overseas	21.56	54.55
Total	619.11	27.16

4. *Principal business by sales model*

Unit: 100 million Currency: RMB

By sales model	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 *(%)*
Distributor sales model	459.89	455.20	1.02	38.72	41.20	-62.91
Others	159.22	144.16	9.46	2.48	0.71	20.20
Total	619.11	599.36	3.19	27.16	28.75	-27.33

(VI) ANALYSIS OF ASSETS AND LIABILITIES

1. *Analysis table of assets and liabilities*

Unit: 100 million Currency: RMB

Item	Balance at the end of current period	Balance at the end of current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change (%)
Time deposits	64.18	3.18	33.26	1.75	92.96
Prepayments and other long-term receivables	146.91	7.27	96.07	5.05	52.92
Financial assets at fair value through other comprehensive income – non-current	31.07	1.54	17.14	0.90	81.27
Contract liabilities	40.82	2.02	20.25	1.07	101.58
Borrowings – non-current	92.48	4.58	56.97	3.00	62.33

2. *Analysis on change of items*

(1) Time deposits increased by 92.96% as compared with the balance at the end of the previous period, mainly due to the combined effect of the structural adjustment of inter-bank deposits and the increase of time deposits during the reporting period;

(2) Prepayments and other long-term receivables increased by 52.92% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increase of shareholder loans to financial joint ventures and the increase of the finance leasing business during the reporting period;

(3) Financial assets at fair value through other comprehensive income – non-current increased by 81.27% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increase of negotiable large-denomination certificates of deposit during the reporting period;

(4) Contract liabilities increased by 101.58% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increase in advances received resulting from the increase in vehicle sales volume during the reporting period;

(5) Borrowings – non-current increased by 62.33% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increased demand for funds for the development of certain enterprise businesses during the reporting period.

(VII) ANALYSIS OF FINANCIAL POSITION

1. Financial indicators

As at 30 June 2023, the Group's current ratio was approximately 1.59 times, representing a decrease compared to approximately 1.62 times as at 31 December 2022; the Group's quick ratio was approximately1.40 times, maintaining at the same level compared to approximately 1.40 times as at 31 December 2022, which was at normal level.

2. Financial resources and capital structure

As at 30 June 2023, the Group's current assets amounted to approximately RMB101.400 billion, current liabilities amounted to approximately RMB63.886 billion and current ratio was approximately 1.59 times.

As at 30 June 2023, total borrowings amounted to approximately RMB24.422 billion, mainly consisting of receivables targeted asset-backed notes with closing balance of approximately RMB569 million, asset-backed securities with closing balance of approximately RMB232 million, and borrowings from bank and financial institutions with closing balance of approximately RMB23.593 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 2023, the Group's gearing ratio was approximately 16.56% (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

3. Foreign exchange risk

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

4. *Contingent liabilities*

As of 30 June 2023, financial guarantee given by the Company to controlled and wholly-owned subsidiaries of the Group amounted to RMB0 (31 December 2022: RMB0).

As of 30 June 2023, independent third-party financial guarantee given by the Company amounted to RMB0 (31 December 2022: RMB0).

As of 30 June 2023, financial guarantee given by the Group to related parties outside the consolidation scope amounted to RMB151,500,000 (31 December 2022: RMB16,600,000), which was mainly due to the advance payment guarantee and tariff guarantee provided by GAC Finance Company, a wholly-owned subsidiary, to the Company's participating enterprises in accordance with the scope of business of the financial license authorised by the regulation.

(VIII) ANALYSIS OF MAJOR CONTROLLING AND INVESTEE COMPANIES

GAC Honda, GAC Toyota, GAMC and GAC AION are the key joint ventures and subsidiaries of the Group. During the reporting period, the Company has proactively responded to the impact of multiple unfavorable factors, such as reduction in consumption demand, withdrawal of the preferential purchase tax policy for fuel-engined vehicles and price war, and made every effort in steady growth, revenue preservation, market expansion, structural adjustment and quality improvement which achieved stable development. Among which:

The production and sales volume of GAC Honda were 318,528 units and 289,928 units respectively, representing a year-on-year decrease of 12.97% and 18.89% respectively; revenue was RMB42.804 billion, representing a year-on-year decrease of approximately 21.48%;

The production and sales volume of GAC Toyota were 461,241 units and 452,800 units respectively, representing a year-on-year decrease of 6.97% and 9.48% respectively; revenue was RMB74.055 billion, representing a year-on-year decrease of approximately 12.32%;

The production and sales volume of GAMC were 181,768 units and 188,059 units respectively, representing a year-on-year increase of 7.27% and 8.97% respectively; revenue was RMB28.731 billion, representing a year-on-year increase of approximately 24.52%;

The production and sales volume of GAC AION were 216,664 units and 209,336 units respectively, representing a year-on-year increase of 117.39% and 108.81% respectively; revenue was RMB22.387 billion, representing a year-on-year increase of approximately 51.40%.

OTHER DISCLOSURES

1. Possible risks

Macroeconomic cyclical fluctuation risk

In the first half of 2023, China's economy and society have fully restored to normal operation, and the macroeconomic policies provided synergetic support to partially relieve the triple pressures of shrinking demands, supply disruption, and weakened expectations of growth, in which case the economic growth was better than expected with the economic development manifested positive signs of a resurging trend. However, the current improvement in economic operation is still in the recovery stage. Faced with a more complicated and severe external environment such as insufficient momentum for the recovery of the world economy and commodity prices fluctuation at high level, as well as a series of resistances such as weak endogenous momentum of the domestic economy and insufficient market demand, the macro-economy may have a certain impact on the automobile industry and the overall business operation situation of the Group in the course of its undulating and zigzagging development.

Risk of supply chain

The global chips supply will remain tight. At present, domestic automobile enterprises are exposed to greater supply chain risks since the local replacement process in chips has been slow. The chip shortage issue has not been fundamentally relieved, and the supply of chips with high processing and high computing force is still relatively tight. Although various semiconductor companies have increased their investment in automotive-grade chip production capacity and the Group has also reduced losses caused by shortage in chips supply through strengthening cooperation with chips manufacturers and optimising the production schedule of vehicle models, if the shortage in supply of chips continues, it will have a relatively significant impact on the Company's production and operation. Meanwhile, the external international environment remains complicated and fluid, and the risk of supplying parts and components such as high-end chips, which are highly dependent on imports, still exists.

Risk of fluctuation in the raw material costs

In the first half of 2023, the prices of raw materials represented by battery-grade lithium carbonate fluctuated significantly, and although the prices in the second quarter were lower than the high level at the beginning of the year, greater cost pressures had been exerted on automobile enterprises, and more uncertainties had been brought about in terms of product pricing and changes in business strategies. The Group has actively taken cost control measures to accelerate the establishment of a vertically integrated new energy industry layout chain, but the trend of raw material prices will have certain impact on the achievement of the profit target.

Risk of Industry Competition

The domestic automobile market has turned into a stage of stock competition and slight growth. The penetration rate of NEVs continues to increase, further eroding the fuel-engined vehicle market, and traditional fuel-engined vehicles will face more intense market competition; the market share of independent brands has exceeded 50%, and joint venture brands will suffer a greater strike. In addition, Chinese automobile enterprises continue to accelerate to establish its presence in and expand into overseas markets, while the total volume of exports of vehicles has risen simultaneously. Overseas market competition has become increasingly fierce and has become an important profit growth point for automobile enterprises.

The Group will accelerate the comprehensive transformation of electrification, consolidate and develop the leading advantages of self-developed brands in the field of NEVs, promote joint ventures to accelerate the implementation of strategies regarding NEVs, and intensify efforts to promote the transformation of joint ventures and feedback support from independent brands; sort out and improve the internationalisation system and mechanism, enhance overseas product planning capabilities, increase investment in overseas resources, grasp the high-growth opportunities of exports for Chinese brands, vigorously develop international business, and open up a new path for the Group to achieve stable growth and high-quality development.

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 Company and various investee enterprises 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 2023, 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, seize 2023 action work for special investigation and rectification of significant hidden hazards, improve the abilities of meteorological warning and disaster defence, strengthen safety production propaganda education training, enhance safety production informatisation, 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.

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 (RMB) (tax inclusive)	0.5
Number of shares converted for every 10 shares	0
Relevant Explanation on Profit Distribution Plan or Plan to Convert Capital Reserve into Shares	
At the 46th meeting of the 6th session of the Board of the Company, it was considered and approved that a cash interim dividend of RMB0.5 (tax inclusive) per 10 shares shall be distributed to all shareholders of the Company on the record date.	

2. Matters Relating to Insolvency or Restructuring

On account of its insolvency, the joint venture, GAC Fiat Chrysler Automobiles Co., Ltd., filed for winding-up in accordance with relevant requirements of existing laws and regulations. On 29 November 2022, Intermediate People's Court of Changsha, Hunan Province issued the Civil Judgement [(2022) Xiang 01 Po Shen No. 139]((2022) 湘01破申139號) to formally accept its winding-up application; on 6 March 2023, Notice (2022)Xiang 01 Po No.214-1 ((2022) 湘01破214-1號) was issued and Yingke (Changsha) Law Firm was designated to act as the administrator. Currently, the relevant matters are being processed in accordance with the statutory procedures.

3. Material Litigation and Arbitration

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

2020 A Share Option and Restricted Share Incentive Scheme (the "2020 Incentive Scheme")

The first exercise period under the 2020 A Share Option and Restricted Share Incentive Scheme is from 12 December 2022 to 10 December 2023, subject to the restriction period from 28 January 2023 to 27 April 2023, from 6 June 2023 to 15 June 2023 and from 26 July 2023 to 25 August 2023, during which all participants are prohibited to exercise the share options. During the reporting period, 4,347,780 shares were exercised accumulatively. As of 30 June 2023, 27,553,814 shares had been exercised accumulatively.

On 8 June 2023, the 40^{th} meeting of the 6^{th} Session of the Board considered and approved the "Resolution in Respect of Adjusting the Exercise Price of the Share Option and Restricted Share Repurchase Price under Share Option Incentive Scheme of the Company". Pursuant to the profit distribution plan of 2022, since 16 June 2023, as a result of the implementation of the final profit distribution plan for 2022, the exercise price of share options was adjusted to RMB9.37 per A-share accordingly and the repurchase price of restricted share was adjusted to RMB4.38 per A-share accordingly under the 2020 Incentive Scheme. For details, please refer to the "Resolution in Respect of Adjusting the Exercise Price of the Share Option and Restricted Share Repurchase Price under Share Option Incentive Scheme of the Company" (Announcement No.: Lin 2023-050) disclosed on the websites of Shanghai Stock Exchange and the Stock Exchange on 8 June 2023.

2022 Fourth Share Option Incentive Scheme (the "Fourth Share Option Incentive Scheme")

On 12 December 2022, the Board considered and announced the Fourth Share Option Incentive Scheme. On 20 January 2023, this scheme was reviewed and approved at General Meeting and A and H Shareholders' Class Meeting of the Company. On the same day, pursuant to the authorisation of the General Meeting, the Board granted a total of 233,896,200 share options to 3,089 participants, and the exercise price was RMB11.99 per share with two-year vesting period from the date of grant.

On 6 March 2023, upon the completion of registration of the grant of share options under the Fourth Share Option Incentive Scheme, the actual number of persons who completed the registration of the grant was 3,083, as 6 incentive participants voluntarily waived their subscription after grant, and the number of share options granted and registered was 233,455,400 units.

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 2023.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trusts

☐ Applicable ✓ N/A

2. GUARANTEE

☐ Applicable ✓ N/A

CHANGES IN SHARE CAPITAL

During the reporting period, pursuant to the 2020 Incentive Scheme, the Company issued 4,347,780 additional A shares due to the exercise of share options, unlocked 9,040 restricted A shares, which represented an increase of 4,356,820 A shares which are not subject to any trading restrictions in total. At the same time, 7,327,392 restricted A shares were cancelled and repurchased, and 9,040 restricted A shares were unlocked, which represented a decrease of 7,336,432 restricted A 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

With reference to the Company's 2020 Incentive Scheme, the Company has completed the repurchase and cancellation of 7,327,392 restricted A shares that failed to meet the unlocking conditions on 13 March 2023 due to the resignation, retirement, etc. of incentive participants.

Save as disclosed above, 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 during the reporting period.

DEFINITIONS

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

"2020 Incentive Scheme"	2020 A Share Option and Restricted Share Incentive Scheme of the Company
"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)
"COSPOWERS"	Dongying Cospower Technology Co., Ltd. (東營昆宇電源科技有限公司), incorporated in August 2019 under PRC law
"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 85% and 15% equity interests, respectively
"Fourth Share Option Incentive Scheme"	2022 Fourth Share Option Incentive Scheme of the Company
"GAC AION"	GAC AION New Energy Automobile Co., Ltd. (廣汽埃安新能源汽車股份有限公司) (formerly known as Guangzhou Automobile New Energy Automobile Co., Ltd. (廣汽新能源汽車有限公司)), a controlling 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 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 Energy"	GAC Energy Technology Co., Ltd. (廣汽能源科技有限公司), a subsidiary incorporated in July 2022 under PRC law by the Company, in which a wholly-owned subsidiary of the Company, Youpai Energy and a controlling subsidiary of the Company, GAC AION hold 55% and 45% equity interests, respectively
"GAC Finance Company"	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 Honda"	GAC Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co., Ltd. (廣州本田汽車有限公司)), a jointly controlled entity incorporated in May 1998 under PRC law by the Company, Honda Motor Co., Ltd. and Honda Motor (China) Investment Co., Ltd.
"GAC International"	GAC International Automobile Sales & Service Co., Ltd.(廣汽國際汽車銷售服務有限公司), a wholly-owned subsidiary incorporated in May 2022 under PRC law

"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
"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-SOFINCO Auto Finance"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated in May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
"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
"IMPOW Battery"	IMPOW Battery Technology Co., Ltd. (因湃電池科技有限公司), a subsidiary incorporated in October 2022 under PRC law, in which a wholly-owned subsidiary of the Company, Youpai Energy and a controlling subsidiary of the Company, GAC AION hold 49% and 51% equity interests, respectively

"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
"Lisheng Technology"	Lisheng Automotive Technology (Guangzhou) Co., Ltd. (立昇汽車科技(廣州)有限公司), incorporated in June 2023 under PRC law by the Company, GAC Component and Luxshare Precision Industry Company Limited, and in which the Company and its wholly-owned subsidiary, GAC Component collectively hold 45% equity interests
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"MPV"	multi-purpose passenger vehicle
"ON TIME"	a mobile mobility platform established in April 2019 and launched by the Company through Chenqi Technology Limited (including its subsidiaries) established by China Lounge Investments and Tencent, and its controlling company, and is indirectly held 19.89% by the Group
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Ruipai Power"	Ruipai Power Technology Co., Ltd. (鋭湃動力科技有限公司), incorporated in October 2022 under PRC law by the Company, GAC AION and GAMC
"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated in Japan in Octobor 2003 under PRC law by the Company and Hino Motors, Ltd., in which the Company holds 30% equity interests
"Shanghai Stock Exchange"	The Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary"	has the meaning ascribed to "subsidiary" under the Listing Rules
"SUV"	sports utility vehicle
"TREX"	TREX Technologies Co., Ltd. (廣東巨風半導體有限公司), incorporated in August 2019 under PRC law
"UNIVISTA"	Shanghai Hejian Industrial Software Group Co., Ltd. (上海合見工業軟件集團有限公司), incorporated in March 2021 under PRC law
"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.
"Youpai Energy"	Youpai Energy Technology (Guangzhou) Co., Ltd. (formerly known as Guangzhou GAC Business Renewable Resources Co., Ltd. (廣州廣汽商貿再生資源有限公司)), a wholly-owned subsidiary of the Company incorporated in September 2010 under PRC law
"ZZ・Tech"	Zhejiang Zhongze Precision Technology Co., Ltd. (浙江中澤精密科技有限公司), incorporated in February 2016 under PRC law

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

Guangzhou, the PRC, 25 August 2023

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.