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 ANNUAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023 together with the comparative figures of the corresponding period ended 31 December 2022. The result has been reviewed by the audit committee of the Company and the Board.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000 (Restated)
Revenue	3	**129,706,167**	110,271,923
Cost of sales		**(124,178,725)**	(106,507,364)
Gross profit		**5,527,442**	3,764,559
Selling and distribution costs		**(6,195,691)**	(3,922,909)
Administrative expenses		**(5,656,662)**	(5,114,685)
Net impairment losses on financial assets		**(455,902)**	(627,724)
Interest income		**289,366**	160,656
Other gains/(losses) – net	4	**1,649,469**	(935,421)
Operating loss		**(4,841,978)**	(6,675,524)
Interest income		**484,993**	330,520
Finance costs	5	**(467,323)**	(351,781)
Share of net profit of joint ventures and associates accounted for using the equity method	6	**8,349,006**	14,065,159
Profit before income tax		**3,524,698**	7,368,374
Income tax credit	7	**215,463**	535,540
Profit for the year		**3,740,161**	7,903,914
Profit is attributable to:			
Owners of the Company		**4,428,845**	7,978,417
Non-controlling interests		**(688,684)**	(74,503)
		3,740,161	7,903,914

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000 (Restated)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translation of foreign operations		**(3,247)**	6,839
– changes in the fair value of debt instruments at fair value through other comprehensive income		**20,210**	(6,531)
– impairment loss on debt instruments at fair value through other comprehensive income		**–**	1,537
– share of other comprehensive loss of joint ventures and associates accounted for using the equity method		**(2,122)**	(30)
– income tax relating to these items		**(4,483)**	1,024
Items that will not be reclassified subsequently to profit or loss			
– changes in the fair value of equity investments at fair value through other comprehensive income		**153,701**	(140,356)
– share of other comprehensive income of joint ventures and associates accounted for using the equity method		**2,762**	58,554
– remeasurement of post-employment benefit obligations		**(10,320)**	860
– income tax relating to these items		**(35,886)**	35,875
Other comprehensive income/(loss) for the year, net of tax		**120,615**	(42,228)
Total comprehensive income for the year		**3,860,776**	7,861,686
Total comprehensive income attributable to:			
Owners of the Company		**4,546,450**	7,938,142
Non-controlling interests		**(685,674)**	(76,456)
		3,860,776	7,861,686
Earnings per share for profit attributable to ordinary equity holders of the Company *(expressed in RMB per share)*			
– basic earnings per share	*8*	**0.42**	0.77
– diluted earnings per share	*8*	**0.42**	0.77

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2023** *RMB'000*	2022 *RMB'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**24,929,595**	20,760,618
Right-of-use assets		**8,513,148**	7,014,484
Investment properties		**1,061,628**	1,019,895
Intangible assets		**16,469,701**	14,471,175
Investments in joint ventures and associates	*6*	**37,159,868**	37,810,779
Deferred income tax assets		**4,366,130**	3,715,494
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**5,094,366**	1,713,626
Financial assets at fair value through profit or loss ("**FVPL**")		**2,363,512**	2,169,235
Prepayments and other long-term receivables		**17,380,185**	9,607,293
		117,338,133	98,282,599
Current assets			
Inventories		**16,720,313**	12,361,830
Trade and other receivables	*10*	**26,778,700**	31,407,386
Financial assets at fair value through other comprehensive income		**5,634,369**	4,089,676
Financial assets at fair value through profit or loss		**2,790,794**	4,219,724
Time deposits		**6,825,347**	3,325,724
Restricted cash		**2,838,783**	1,976,589
Cash and cash equivalents		**39,522,331**	34,222,113
		101,110,637	91,603,042
Total assets		**218,448,770**	189,885,641

	Note	As at 31 December 2023 RMB'000	2022 RMB'000 (Restated)
EQUITY			
Share capital		**10,490,234**	10,487,164
Reserves		**47,317,286**	46,750,366
Retained earnings		**57,966,657**	56,066,781
Capital and reserves attributable to owners of the Company		**115,774,177**	113,304,311
Non-controlling interests		**8,679,635**	9,027,144
Total equity		**124,453,812**	122,331,455
LIABILITIES			
Non-current liabilities			
Trade and other payables	*11*	**1,424,654**	761,728
Borrowings		**10,384,250**	5,697,283
Lease liabilities		**1,484,772**	1,297,402
Deferred income tax liabilities		**240,007**	132,400
Provisions		**1,030,490**	682,268
Government grants		**2,110,959**	2,182,978
Contract liabilities		**125,606**	81,724
		16,800,738	10,835,783
Current liabilities			
Trade and other payables	*11*	**55,742,477**	40,155,839
Contract liabilities		**2,520,615**	1,943,158
Current income tax liabilities		**203,862**	184,999
Borrowings		**17,731,673**	13,812,828
Lease liabilities		**449,688**	276,839
Provisions		**545,905**	344,740
		77,194,220	56,718,403
Total liabilities		**93,994,958**	67,554,186
Total equity and liabilities		**218,448,770**	189,885,641

1 GENERAL INFORMATION

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

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

The Company was established in June 1997 as a limited liability company in the PRC. In June 2005, the Company underwent a reorganisation and transformed itself into a joint stock company with limited liability under the Company Law of the PRC. The Company's shares have been listed on Hong Kong Stock Exchange (the "**HKSE**") and Shanghai Stock Exchange ("**SSE**") since 30 August 2010 and 29 March 2012, respectively.

These financial statements are presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured at fair value.

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments to existing standards and interpretation for the first time for their annual reporting period commencing 1 January 2023:

Standards/Amendments	**Subject of Standards/Amendments**
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
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The Group adopted HKFRS 17 on 1 January 2023 and the transition date is 1 January 2022, hence the comparative figures have been restated. The adoption of HKFRS 17 results in changes in the accounting policies related to recognition, measurement, presentation and disclosure of insurance contracts. The Group has summarised the impact of the adoption of HKFRS 17 on key financial indicators for the comparative period, as disclosed below:

	As previously reported *RMB'000*	Effect of change in accounting policy *RMB'000*	As restated *RMB'000*
As at 31 December 2022			
Total assets	190,074,774	(189,133)	189,885,641
Total liabilities	67,772,460	(218,274)	67,554,186
Capital and reserves attributable to owners of the Company	113,288,706	15,605	113,304,311
For the year ended 31 December 2022			
Operating loss	(6,667,851)	(7,673)	(6,675,524)
Profit for the year attributable to owners of the Company	7,982,930	(4,513)	7,978,417

Other than the above impact, the standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards/Amendments /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
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKAS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	Applied when an entity applies "HKAS 1 (Amendments)"
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3. 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 segments as follows:

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

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

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

For the year ended 31 December 2023 and 2022, no revenue from transactions with any single external customer counted to 10% or more of the Group's total revenue.

The segment results for the year ended 31 December 2023 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total gross segment revenue	126,825,795	3,620,312	(739,940)	–	129,706,167
Inter-segment revenue	(313,302)	(426,638)	739,940	–	–
Revenue (from external customers)	126,512,493	3,193,674	–	–	129,706,167
Segment results	(4,805,647)	295,903	(150,907)	–	(4,660,651)
Unallocated income – Interest income of headquarters	–	–	–	141,544	141,544
Unallocated costs – Expenditure of headquarters	–	–	–	(322,871)	(322,871)
Operating loss					(4,841,978)
Finance costs	(430,026)	(7,887)	–	(29,410)	(467,323)
Interest income	426,382	21,430	–	37,181	484,993
Share of net profit of joint ventures and associates accounted for using the equity method	7,791,887	557,119	–	–	8,349,006
					3,524,698
Profit before income tax					
Income tax credit/(expense)	253,153	(34,259)	–	(3,431)	215,463
Profit for the year					3,740,161
Other segment information					
Depreciation and amortisation	7,102,119	52,519	–	139,721	7,294,359
Net impairment losses on financial assets	341,270	114,632	–	–	455,902
Impairment charges of inventories	290,868	–	–	–	290,868
Impairment charges of property, plant and equipment	140,430	–	–	–	140,430
Impairment charges of intangible assets	855,047	–	–	72,239	927,286

The segment assets and liabilities as at 31 December 2023 and additions to non-current assets (other than investments in joint ventures and associates, deferred tax assets, FVPL, FVOCI and other long-term receivables) for the year then ended are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total assets					
Total assets include:	**169,042,390**	**62,455,935**	**(64,396,581)**	**51,347,026**	**218,448,770**
Investments in joint ventures and associates	**30,424,304**	**6,735,564**	**–**	**–**	**37,159,868**
Total liabilities	**98,928,387**	**48,469,682**	**(61,044,223)**	**7,641,112**	**93,994,958**
Additions to non-current assets (other than investments in joint ventures and associates, deferred tax assets, FVPL, FVOCI and other long-term receivables)	**18,384,468**	**100,257**	**–**	**–**	**18,484,725**

The segment results for the year ended 31 December 2022 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000* (Restated)	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000* (Restated)
Total gross segment revenue	106,771,696	4,203,146	(702,919)	–	110,271,923
Inter-segment revenue	(336,229)	(366,690)	702,919	–	–
Revenue (from external customers)	106,435,467	3,836,456	–	–	110,271,923
Segment results	(5,895,702)	312,412	(76,523)	–	(5,659,813)
Unallocated income – Interest income of headquarters	–	–	–	35,026	35,026
Unallocated costs – Expenditure of headquarters	–	–	–	(1,050,737)	(1,050,737)
Operating loss					(6,675,524)
Finance costs	(272,553)	(8,309)	–	(70,919)	(351,781)
Interest income	170,236	12,771	–	147,513	330,520
Share of net profit of joint ventures and associates accounted for using the equity method	13,397,583	667,576	–	–	14,065,159
Profit before income tax					7,368,374
Income tax credit/(expense)	588,442	(45,179)	–	(7,723)	535,540
Profit for the year					7,903,914
Other segment information					
Depreciation and amortisation	6,548,644	52,148	–	88,971	6,689,763
Net impairment losses on financial assets	572,080	55,644	–	–	627,724
Impairment charges of investment in a joint venture	1,506,000	–	–	–	1,506,000
Impairment charges of inventories	254,468	–	–	–	254,468
Impairment charges of property, plant and equipment	141,613	–	–	–	141,613
Impairment charges of intangible assets	1,090,605	–	–	–	1,090,605

The segment assets and liabilities as at 31 December 2022 and additions to non-current assets (other than investments in joint ventures and associates, deferred tax assets, FVPL, FVOCI and other long-term receivables) for the year then ended are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000* (Restated)	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000* (Restated)
Total assets	143,769,818	55,888,395	(57,994,293)	48,221,721	189,885,641
Total assets include:					
Investments in joint ventures and associates	33,197,871	4,612,908	–	–	37,810,779
Total liabilities	69,235,885	44,744,899	(56,557,123)	10,130,525	67,554,186
Additions to non-current assets (other than investments in joint ventures and associates, deferred tax assets, FVPL, FVOCI and other long-term receivables)	10,269,205	90,049	–	–	10,359,254

4. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**1,358,072**	671,332
Net investment income related to investment in financial assets	**263,479**	146,710
Gains on acquisition of subsidiaries	**53,274**	35,361
Gains on disposal of property, plant and equipment and intangible assets	**49,480**	5,084
Gains on disposal of investments in joint ventures and associates	**1,517**	10,425
Foreign exchange gains	**1,063**	51,027
Impairment loss of an investment in a joint venture	**–**	(1,506,000)
Donations	**(3,505)**	(1,748)
Net fair value losses on financial assets at FVPL	**(41,131)**	(318,657)
Impairment loss on goodwill in a subsidiary	**(72,239)**	–
Others	**39,459**	(28,955)
	1,649,469	(935,421)

5. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Interest expense	**431,764**	376,852
Interest expense on lease liabilities	**99,840**	73,817
Interest capitalised in qualifying assets	**(64,281)**	(98,888)
	467,323	351,781

6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Investments in joint ventures	**27,521,810**	28,095,173
Investments in associates	**9,638,058**	9,715,606
	37,159,868	37,810,779

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Share of profit of joint ventures *(Note (i))*	**7,959,352**	13,159,561
Share of profit of associates *(Note (i))*	**389,654**	905,598
	8,349,006	14,065,159

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

6.1 Investments in Joint Ventures

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Investment in unlisted shares	**27,521,810**	28,095,173

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Beginning of the year	**28,095,173**	26,904,507
Additions *(Note (i))*	**2,507,622**	1,208,777
Capital reduction	**(48,936)**	(20,646)
Disposals	**(362,815)**	(50,219)
Transfer to subsidiaries *(Note (ii))*	**(41,257)**	(121,555)
Share of profits	**7,935,650**	13,177,733
Impairment provision	**–**	(1,506,000)
Share of other reserves	**3,893**	12,370
Dividends declared	**(10,567,520)**	(11,509,794)
End of the year	**27,521,810**	28,095,173

(i) In 2023, the Group additionally invested an aggregate of approximately RMB1,469,539,000 in GAC Mitsubishi. In addition, the Group contributed RMB550,000,000 to GAC-SOFINCO in proportion to its interest held.

(ii) On 28 December 2023, the Group acquired 50% of GAC Mitsubishi's equity interests at a consideration of RMB2. Upon completion of the acquisition, GAC Mitsubishi became a wholly-owned subsidiary of the Group.

In November 2023, the Group acquired 50% of Guangzhou GAC Youlide Automobile Interior System Research and Development Co., Ltd.'s equity interests at a consideration of approximately RMB86,620,000. Upon completion of the acquisition, Guangzhou GAC Youlide Automobile Interior System Research and Development Co., Ltd. became a wholly-owned subsidiary of the Group.

(b) Set out below are the joint ventures of the Group collectively as "material joint ventures" as at 31 December 2023, which in the opinion of the directors, are material to the Group. The joint ventures as listed below are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Name of joint ventures	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
GAC Honda	Mainland China	50	Note 1	Equity
GAC Toyota	Mainland China	50	Note 1	Equity
GAC-SOFINCO	Mainland China	50	Note 1	Equity
Wuyang-Honda	Mainland China	50	Note 1	Equity

Note 1: GAC Honda and GAC Toyota are companies manufacturing and selling automobiles and automotive parts, GAC-SOFINCO is a company providing automotive financing services, and Wuyang-Honda is a company manufacturing and selling motorcycles and motorcycle parts and components. All of them are unlisted companies.

(c) Summarised financial information for joint ventures

Set out below is the summary of combined financial information for all the joint ventures of the Group (excluding goodwill). As restricted by the confidentiality agreements entered into with other shareholders of certain joint ventures, the Group has not disclosed certain financial data of material joint ventures separately. The aggregate of the financial information of the above four (2022: six) material joint ventures identified by Directors covers over 90% of combined financial information of all the joint ventures of the Group listed below.

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

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

Summarised balance sheet

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Assets		
Non-current assets	**94,119,421**	90,548,547
Current assets		
– Cash and cash equivalents	**57,624,954**	56,897,368
– Other current assets	**43,994,794**	47,789,045
	101,619,748	104,686,413
Total assets	**195,739,169**	195,234,960
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**32,252,756**	23,621,472
– Other non-current liabilities (including trade and other payables)	**7,576,218**	8,931,280
	39,828,974	32,552,752
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**23,520,832**	28,251,359
– Other current liabilities (including trade and other payables)	**76,882,007**	85,147,625
	100,402,839	113,398,984
Total liabilities	**140,231,813**	145,951,736
Net assets	**55,507,356**	49,283,224
Less: Non-controlling interests	**(8,633)**	(9,570)
	55,498,723	49,273,654

Summarised statement of comprehensive income

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**270,326,493**	304,329,946
Cost of sales	**(234,174,673)**	(256,996,217)
Other expenditures	**(16,032,482)**	(27,626,934)
Profit after tax	**20,119,338**	19,706,795
Less: loss/(profit) attributable to non-controlling interests	**149**	(145)
Other comprehensive income	**20,119,487**	19,706,650
Total comprehensive income	**4,280**	13,850
	20,123,767	19,720,500

7. INCOME TAX CREDIT

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax	**376,797**	321,148
Deferred tax	**(592,260)**	(856,688)
	(215,463)	(535,540)

The tax rates applicable to the Company and its major subsidiaries for the year ended 31 December 2023 are 15% or 25% (2022: 15% or 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year ended 31 December 2023.

8. 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 year.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to owners of the Company	**4,428,845**	7,978,417
Weighted average number of ordinary shares in issue less restricted shares (thousands)	**10,429,396**	10,360,533
Basic earnings per share *(RMB per share)*	**0.42**	0.77

(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 the year ended 31 December 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.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to owners of the Company	**4,428,845**	7,978,417
Add: Interest expense on convertible bonds	**–**	5,131
Profit used to determine diluted earnings per share	**4,428,845**	7,983,548
Weighted average number of ordinary shares in issue less restricted shares *(thousands)*	**10,429,396**	10,360,533
Add: weighted average number of ordinary shares assuming conversion of all share-based awards *(thousands)*	**21,298**	54,390
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds *(thousands)*	**–**	8,755
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**10,450,694**	10,423,678
Diluted earnings per share *(RMB per share)*	**0.42**	0.77

9. DIVIDENDS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interim dividend paid of RMB0.05 (2022: RMB0.06) per ordinary share	**524,277**	627,837
Proposed final dividend of RMB0.10 (2022: RMB0.18) per ordinary share	**1,048,690**	1,887,125
	1,572,967	2,514,962

Dividends paid in 2023 and 2022 were approximately RMB2,411,402,000 and RMB2,406,710,000, respectively. A final dividend in respect of the year ended 31 December 2023 of RMB0.10 per ordinary share, amounting to a total dividend of approximately RMB1,048,690,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Trade receivables *(Note (a))*	**5,845,479**	8,639,123
Less: provision for impairment	**(541,526)**	(544,879)
Trade receivables – net	**5,303,953**	8,094,244
Loans receivable	**8,835,710**	10,365,047
Finance lease receivables	**4,315,330**	3,287,887
Value added tax recoverable	**2,896,930**	1,296,989
Prepayments	**2,108,135**	1,238,629
Notes receivable	**451,682**	97,926
Reinsurance contract assets	**221,895**	196,198
Consigned inventories	**187,547**	493,600
Entrusted loans	**106,472**	262,398
Financial assets held under resale agreements	**106,297**	448,677
Dividends receivable	**73,846**	3,674,120
Other receivables	**2,170,903**	1,951,671
	26,778,700	31,407,386

(a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 0 to 365 days. As at 31 December 2023 and 2022, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**2,825,352**	6,354,780
Between 1 and 2 years	**2,480,595**	1,400,268
Between 2 and 3 years	**168,059**	251,628
Between 3 and 4 years	**53,341**	345,020
Between 4 and 5 years	**35,341**	58,152
Over 5 years	**282,791**	229,275
	5,845,479	8,639,123

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Trade payables *(Note (a))*	**20,346,567**	16,781,918
Customer deposits	**8,113,924**	6,473,637
Notes payable	**7,237,278**	964,550
Employee benefits payable	**4,386,085**	3,458,508
Sales rebate	**2,648,626**	1,401,744
Insurance contract liabilities	**2,563,851**	1,932,270
Payable for mould expenses	**1,653,170**	1,274,838
Development cost payables	**1,392,202**	1,587,578
Advertising expense payables	**1,331,177**	599,537
Construction cost payables	**971,783**	616,528
Other taxes	**743,354**	577,752
Taxes related to contract liabilities	**497,909**	292,917
Financial liabilities arising from continuing involvement	**397,160**	195,160
Assets sold under agreements to repurchase	**380,704**	316,556
Deposit payables	**268,272**	327,961
Treasury stock payable	**127,209**	290,432
Government grants	**67,270**	112,280
Other payables	**4,040,590**	3,713,401
	57,167,131	40,917,567
Less: non-current portion of trade and other payables	**(1,424,654)**	(761,728)
Current portion	**55,742,477**	40,155,839

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**20,096,320**	15,672,842
Between 1 and 2 years	**113,500**	951,895
Between 2 and 3 years	**34,250**	62,148
Over 3 years	**102,497**	95,033
	20,346,567	16,781,918

CHAIRMAN'S STATEMENT

Dear shareholders,

The year 2023 marks a milestone year in the history of the Group. On 12 April 2023, General Secretary Xi Jinping visited the Group for an on-site inspection, affirming the achievements of the Group and setting out clear direction for the development of the Group, which provided fundamental guidance and greatly inspired the enthusiasm of the Group towards a new journey. The Group actively responded to the severe and intricate domestic and international environment, tackled challenges, implemented comprehensive strategies, and exhausted all efforts to compete in the market, scramble for orders, explore potentials and expand its increments, thus maintained a steady business development trend. On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers, all employees, partners and people from all walks of life.

Pooling efforts to forge ahead and entering into a new stage of development. Faced with various challenges, such as the sluggish automotive market, insufficient consumption motivations and disorderly price competitions, the Group resolutely rallied for "joint efforts, expansion of increments, and improvement of quality and efficiency" and coordinated seven segments, including research and development, manufacture of vehicles, parts and components, energy and ecosystem, internationalisation, commercial and mobility transportation services as well as investment and finance. The Group accelerated its penetration into new tracks and new markets, and cultivated new momentum and advantages. The Group firmly held its ground in the competition, demonstrating solid development resilience. Throughout the year, the Group achieved vehicle production and sales volume of over 2.5 million units respectively, with sales volume of self-developed brands of the Group reached nearly 890,000 units, both achieving historic highs. GAMC's sales volume exceeded 400,000 units, with its MPV sales volume ranking first in the domestic market. GAC AION's sales volume reached 480,000 units, representing a year-on-year increase of 77%, and its sales volume ranked top 3 among new energy vehicle (NEV) brands in China. With the Group accelerating its transformation towards new energy, NEVs of the Group contributed to nearly 22% of its total vehicles sold, with self-developed brands contributing up to approximately 58% of the sales volume of NEVs. In 2023, the Group recorded a revenue of approximately RMB502.3 billion on an aggregated basis, ranking 165th on the Fortune Global 500 List for the 11th consecutive year, soaring up 21 places from its ranking last year 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 a final dividend of RMB1 (tax inclusive) for every 10 shares. The total amount of dividends to be distributed is approximately RMB1.57 billion.

Driven by innovation, nurturing new strengths for development. The Group adheres to the guidance of high-level technological self-reliance and self-improvement to promote technological innovation. Throughout the year, approximately RMB8.22 billion was invested in the Group's research and development (R&D), with the Group recording 3,195 new patent applications including 1,567 invention patents. The accumulative amount of patent applications exceeded 17,000, including over 7,000 invention patents. The State-Certified Enterprise Technology Center of GAC Group was once again rated as "Excellent" with a score of 95.5, ranking first in the automotive industry. GAC Powertrain's independent research and development team was awarded the title of "Team of National Outstanding Engineers" by the CPC Central Committee and State Council. In the fields of energy conservation and new energy, the Group's self-developed batteries and electric drives have been successively mass-produced, achieving independent research and production of the new energy EIC system. Solid-state battery technology made new breakthroughs and is expected to be mass-produced and installed by 2026. The Group actively explored hybridisation and low-carbonisation, successfully applied hydrogen-fueled hybrid system into vehicles, and launched the world's first self-developed ammonia engine for passenger vehicles. In the field of Intelligent Connectivity ("**ICV**"), the EEA3.0 electrical architecture "X-soul" has been successfully installed on vehicles for mass production, such as Hyper GT. The Group has accelerated the development and application of autonomous driving, becoming one of the first companies to obtain a L3 autonomous driving road test license. In the field of prospective technology, the aerocar "GOVE" with land-air decoupling configuration function has been released, exploring a three-dimensional travel ecosystem across the entire chain.

Strategically leading and constructing a new industrial ecosystem. With accelerated advancement and improvement of the industrial layout around the "Trillion GAC 1578 Development Outline", the Group has comprehensively built the supply chain and industry chain ecosystem. With the GAC's ICV & NEV Industrial Park as the core carrier, the Group promoted the gathering of advantageous resources in the upstream and downstream of the industry chain in the Greater Bay Area, and created a world-class intelligent NEV industrial cluster radiating from the Greater Bay Area to the whole country. The smart ecological plant of IMPOW Battery and the Ruipai smart ecological electric drive plant have successively commenced production, achieving the industrialisation of self-developed batteries and electric drives, making core components of the new energy EIC system independently controllable. The Guangzhou Qinglan Semiconductor IGBT (Insulated Gate Bipolar Transistor) project has been put into operation. Together with Luxshare Precision Industry Company Limited, the Group has jointly established Lisheng Technology to further strengthen the integrated capabilities of production and research of power semiconductors and ICV core components. The Group established Youpai Energy through reorganization and completed the integration of resources in the energy segment, actively constructing 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". The Group plans to implement a batch of key projects from "mine to pile", continuously expanding the energy replenishment network, and creating a new ecosystem of energy technology.

Deepening reform and unleashing new development momentum. The Group focuses on enhancing core competitiveness and strengthening core functions, organizes the group system to combine "top-down" and "bottom-up" value creation action, concentrates on the "Five Breakthroughs and One Reinforcement", and continues to carry out the "Double Hundred Action". The Group is accelerating the promotion of mixed-ownership reform by implementing employee share incentive and shareholding adjustment plans for GAC Hino, and advancing the mixed-ownership reform at the Southern Test Field to attract strategic investors. ON TIME (如祺出行) has completed its Series B financing and formally submitted an application for listing on the Main Board of the Stock Exchange. The Group is improving its organisational structure and operation mechanism for international business, integrating international business into the unified coordination of the self-developed brand management committee, achieving strong control over its international business, thus providing strong organisational support and mechanism guarantee for the implementation of the Group's internationalisation strategy. The Group was honored as a benchmark enterprise under the "Double Hundred Action" of the State-owned Assets Supervision and Administration Commission of the State Council, the only "Benchmark" enterprise in the Three-year Action Plan for State-owned Enterprise Reform of the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal People's Government, and GAC AION was shortlisted as a demonstration enterprise in the "Scientific Reform Demonstration Action" of the State-owned Assets Supervision and Administration Commission of the State Council.

The current changes of the world, times and industries are unfolding in unprecedented ways, exerting unprecedented breadth and depth affecting business development. The new round of technological revolution and industrial transformation is deepening, restructuring the automotive industry landscape significantly. The penetration rate of NEVs continues to rise, with smart NEVs becoming the main focus of future development. Independent brands continue to break through, and internationalisation has become a new momentum of growth. The competitions among automotive companies are further accelerating. In 2024, faced with challenges such as slow electrification transformation, limited scale of internationalisation, and slow cultivation of new increment, the Group will comprehensively launch the "in-depth reform, strong management, development promotion, quality and efficiency improvement". The Group will accelerate the expansion of development momentum, expedite the cultivation of new growth points, enhance development quality and efficiency, achieve breakthroughs, and strive for the challenge of achieving a 10% increase in sales volume.

Adhering to strengthening the foundation and achieving steady progress in operations to enhance quality. Accelerating the construction of core product strength, service strength, and brand strength. The Group deeply explores user needs, responds quickly to market changes, promotes comprehensive electrification and ICV of self-developed and joint venture brand products, optimises the product matrix, and ensures the accurate and rapid launch of high-quality products into the market. **Continuously enhancing marketing capabilities.** The Group aligns with the market closely, implements precise strategies, creates distinctive services, enhances terminal market operation capabilities, accelerates the transition to new digital marketing models, strengthens APP operations, and increases customer loyalty to the brand. **Enhancing business synergy.** The Group deepens the integration and coordination of self-developed brands, specialisation of product managers and implements matrix management, streamlining the entire process of research, production, supply, and sales to improve overall operational efficiency. The Group strengthens the integration and coordinated development of business segments and resources along the upstream and downstream of the industry chains, further enhancing risk resistance and profitability.

Persisting in deepening innovation to achieve upgrade in industrial capabilities. Striving upwards to seize the high ground of core technologies. The Group focuses on the forefront of industry technology, strengthens original and disruptive technological innovations, accelerates research and development in technologies such as solid-state batteries, continuously consolidates and expands its advantages in new energy, accelerates the advancement of L3 autonomous driving road tests, enhances self-developed software capabilities and full-stack ICV, and fosters the development of new dynamics as new forces of production. **With renewed vigor, accelerating the implementation of ecosystem.** The Group fully leverages the driving role of "head of the industry chain" engine to form an industrial cluster, promoting the deep integration of innovation chains, industry chains, capital chains and talent chains, accelerating the implementation of the nationalisation plan for core components, further increasing the domestic chip adoption rate. Centered around the goal of building a "electricity + battery" smart energy ecosystem, the Group constructs an integrated energy ecosystem spanning from upstream mineral resources to downstream charging and swapping stations. By continuously expanding the energy replenishment network, the Group targets to add 5,000 fast charging terminals and 30 battery swapping stations within the year. **Expanding overseas and accelerating the development of international business.** The Group integrates resources from various segments such as research, production, supply, sales and services, while collaborating closely and intensively developing efforts to create globally popular vehicle models, thus achieving breakthroughs in key markets and expediting the construction and operation of KD (knock down) factories in Thailand, Malaysia and other locations. The goal is to achieve an annual overseas sales volume of more than 150,000 vehicles.

Persisting in reform and striving for breakthroughs to enhance endogenous development momentum. Creating new momentum through novel mechanisms. The Group implements multiple measures to advance mixed-ownership reforms, improves market-oriented operation and incentive and restraint mechanisms, explores and implements share ownership schemes for core employees by "formulating policies based on actual circumstances of a particular enterprise", stimulating innovation and creativity. The Group implements comprehensive tenure and contractual management systems, strengthens the utilisation of assessment results, vigorously promotes the system of competition-based promotion, end-to-end adjustment and incompetence exit system for management, thereby enhancing market-oriented and modern management levels. **Activating vitality through talent development.** The Group establishes clear direction of talent-driven development, accelerating efforts to attract and cultivate leading talents in the "New Four Modernisations" and in-demand international talents, and fully optimising the talent ecosystem. **Enhancing efficiency through digital transformation.** Leveraging digital transformation, the Group achieves standardisation and automation of management, enhances organisational efficiency, and reduces operational management costs.

2024 is a critical year for sprinting towards the goals of the "14th Five-Year Plan". The Group will focus on "XEV+ICV" and "EV+ICV", comprehensively enhance its independent innovation capabilities, promote high-quality development, strive to realise sales volume under self-developed brands of more than 1 million units, and achieve breakthroughs in electrification, ICV, digitalisation, shared services, and internationalisation.

Looking ahead, the Group will accelerate the implementation of "Trillion GAC" development blueprint, consolidating its seven major segments: research and development, manufacture of vehicles, parts and components, commercial and mobility transportation services, energy and ecosystem, internationalisation as well as investment and finance. It will focus on five major increments, with the manufacture of vehicles as the foundation of revenue and profit, the parts and components segment as the growth pole, commercial and mobility transportation services and energy and ecosystem segments as the transformation engine, and internationalisation as the core source of growth. The aim is to achieve annual production and sales volumes of over 4.75 million vehicles, operating income (consolidated) of RMB1 trillion, and profit tax amounting to RMB100 billion by 2030, and become a world-class technology enterprise with outstanding products, remarkable brands, leading innovation and modern governance.

Those who walk, often arrive. Those who do, often achieve. The new journey is filled with glory and dreams. The Group will unswervingly follow the path of high-quality development, strive to climb up the peak of industrial technology, forge ahead with determination, promote industrial technological innovation, develop new productive forces, and continuously shape new dynamics and advantages through pragmatism and innovation. The Group endeavors to fulfill its responsibilities in the new journey of Chinese-style modernisation and contribute to GAC's mission!

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 of the Company, and 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 18 series of sedans, 25 series of SUV and 6 series of MPV. During the reporting period, the Group launched new or upgraded models such as GAC Trumpchi E9, ES9, E8, GS3 Shadow Speed, Hyper GT, Hyper SSR, Hyper HT, GAC Toyota Frontlander (Smart HEV), new generation Levin, bZ4X, new generation GAC Honda Accord, Integra HATCHBACK, 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, ES9, M8 Hybrid, E8, E9, Empow Hybrid, Emkoo Hybrid, etc.;

- GAC AION AION S, AION Y, AION V, AION LX, Hyper GT, Hyper HT, etc.;

- GAC Honda Accord e:PHEV, Breeze e:HEV/e:PHEV, Odyssey e:HEV, ZR-V e:HEV, e:NP1, etc.;

- 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 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 the consumer demand for online consumption, the Group focused on the operational management of new media and construction on digitalisation, constantly launched and optimised its order tools for online direct sales, dedicated to improve the operational efficiency of APPs deployed in various Original Equipment Manufacturers ("**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 2,645 passenger vehicle 4S sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC. Overseas sales outlets amount to 236, with its sales and service business covering 41 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 GAC Component, a subsidiary of the Company, and Ruipai Power, a holding subsidiary under the Group, and GAC Toyota Engine, Shanghai Hino and Times GAC etc., the Group's associated companies. The parts and components of vehicles include engines, gearboxes, car seats, micro motors, shifter, power battery, 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, supporting services, etc., mainly through its subsidiary, namely GAC Business (as well as its controlling and investee companies) 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. In response to the trend of new energy development, the Group actively expands energy and ecological businesses to build an integrated energy ecosystem, achieving leapfrog development in energy ecology, and innovating breakthroughs in software services (OTA + software value-added services).

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, 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 digital 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, internationalisation, commercial and mobility transportation services, 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 to complete the resource integration of the energy segment. IMPOW Battery Smart Ecological Plant has been completed and put into operation, accelerating the construction of the 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: the world's leading quality advantage; and innovative advantage brought by "continuous improvement".

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, ES9, E8, GS3 Shadow Speed, Hyper GT, Hyper SSR, Hyper HT, GAC Toyota Frontlander (Smart HEV), new generation Levin, bZ4X, 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 State-Certified 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. During the reporting period, the State-Certified Enterprise Technology Center of GAC Group was rated as "excellent" once again with a score of 95.5, ranking among the best in the automotive industry. GAC Group's independent research and development team for powertrain was awarded the title of "National Outstanding Engineering Team".

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, battery cells and electric drive, 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 Hybrid Electric Vehicle (HEV) and Plug-In Hybrid Electric Vehicle (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 successfully launched the self-developed P58 microcrystalline super-energy battery for mass production; 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 and Trumpchi E8 with X-soul for mass production.

DISCUSSION AND ANALYSIS ON OPERATION

(I) ANALYSIS ON INDUSTRY ENVIRONMENT

In 2023, under the guidance of a series of national industrial policies, the automobile industry continued to stabilise the automobile market, continuously promoted automobile consumption, and insisted on propelling technological innovation, so as to maintain the high-quality development trend of the industry. The annual domestic production and sales volume of vehicle industry in 2023 hit a record high and amounted to 30,161,000 units and 30,094,000 units respectively, representing a year-on-year increase of 11.6% and 12% respectively.

In terms of segment market, in 2023, the production and sales volume of passenger vehicles were 26,124,000 units and 26,063,000 units respectively, representing a year-on-year increase of 9.6% and 10.6% respectively. Among them, the sales volume of high-end brand passenger vehicles experienced significant growth with a year-on-year increase of 15.4%, which was 4.8 percentage points higher than that of passenger vehicles. Among the main varieties of passenger vehicles, the scale of annual production and sales volume of SUV still surpassed that of sedans and ranked the first place, with production and sales volume reaching 13,242,000 units and 13,206,000 units respectively, representing a year-on-year increase of 16.4% and 18% respectively; sedans still maintained a growth trend in 2023, with production and sales volume reaching 11,508,000 units and 11,490,000 units respectively, representing a year-on-year increase of 2.9% and 3.4% respectively; MPV was back on the track of one million units, whereas the production and sales volume of cross passenger vehicles suffered from constant decline. Among them, the production and sales volume of MPV amounted to 1,112,000 units and 1,102,000 units respectively, representing a year-on-year increase of 16.8% and 17.7% respectively; the production and sales volume of cross passenger vehicles stood at 262,000 units and 265,000 units respectively, representing a year-on-year decrease of 17.2% and 18.1% respectively.

Among which, 14,596,000 units of passenger vehicles of Chinese brands were sold, representing a year-on-year increase of 24.1% and accounting for 56.5% of the total sales volume of passenger vehicles, the proportion of which increased year on year by 6 percentage points. Except for Korean series, the market share of passenger vehicles of other countries has declined in varying degrees.

The cardinal number of production and sales volume of commercial vehicles in the previous year was at a low level. As the macroeconomic upswing in 2023 revived industries such as logistics and tourism, the production and sales volume of commercial vehicles rebounded accordingly to 4,037,000 units and 4,031,000 units respectively, representing a year-on-year increase of 26.8% and 22.1% respectively.

The tremendous growth momentum of NEVs remained unabated, with both monthly and annual production and sales volume hitting record highs in succession by virtue of the market share of 31.6%. In 2023, the production and sales volume of NEVs amounted to 9,587,000 units and 9,495,000 units respectively, representing a year-on-year increase of 35.8% and 37.9% respectively.

In 2023, automobile exports reached another new high, becoming a crucial strength in driving the growth of automobile production and sales volume. Automobile exports totaled 4,910,000 units, representing a year-on-year increase of 57.9%, and such exports contributed 55.7% to the aggregate increment of vehicle sales. In terms of vehicle types, 4,140,000 passenger vehicles were exported, representing a year-on-year increase of 63.7%; 770,000 commercial vehicles were exported, representing a year-on-year increase of 32.2%.

(II) ANALYSIS ON OPERATION OF THE COMPANY

1. Operation and production achieved progress against difficulties

Faced with the multiple pressure brought by the outbreak of price wars and other factors in the domestic automobile market, the Group rallied for "joint efforts, expansion of increments, and improvement of quality and efficiency". Throughout the year, the Group's production and sales volume of vehicles amounted to 2,528,800 units and 2,505,000 units respectively, representing a year-on-year increase of 1.97% and 2.92% respectively. In terms of production and sales volume, with a market share of approximately 8.32%, the Group ranked 5th among domestic automobile enterprise groups.[1]

In 2023, the production and sales volume of the Group's passenger vehicles were 2,528,700 units and 2,504,400 units respectively, representing a year-on-year increase of 1.99% and 2.93% respectively, while its market share among domestic automobile enterprise groups was approximately 9.61%. In terms of vehicle categories, the sales volume of SUVs and MPVs increased year on year by 10.41% and 30.52% respectively, whereas the sales volume of sedans experienced a year-on-year decrease of 9.74%.

Throughout the year, the production and sales volume of the Group's NEVs continued to maintain rapid growth, amounting to 572,900 units and 549,600 units respectively, representing a year-on-year increase of 81.36% and 77.55% respectively, the growth of which significantly outperformed the industry average. Among them, the sales volume of Pure Electric Vehicles ("**PEVs**") was 507,000 units, representing a year-on-year increase of 68%, while the sales volume of PHEVs was 42,600 units, representing a year-on-year increase of 446%. During the reporting period, the proportion of sales volume of the Group's energy-efficient vehicles and NEVs increased to 39.90%, among which the proportion of NEVs amounted to 21.95%, representing a year-on-year increase of more than 9 percentage points.

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[1] In this announcement, the source of relevant data of the industry derived from China Association of Automobile Manufacturers.

2. Self-developed brands hit new records

The Group's self-developed brands focused on "XEV+ICV " and "EV+ICV", with its production and sales volume hitting record highs, amounting to 904,400 units and 886,500 units respectively in 2023, representing a year-on-year increase of nearly 40%, of which the proportion of NEV sales increased to nearly 58%.

(1) GAMC

Throughout the year, GAMC's production and sales volume were 404,300 units and 406,500 units respectively, representing a year-on-year increase of 8.24% and 12.12% respectively, which outperformed the industry average, and the proportion of high-value vehicle models steadily increased. Among them, the sales volume of MPVs in 2023 exceeded 160,000 units, representing a year-on-year increase of 59%, ranking first among domestic MPV manufacturers, where M8, M6 and other model series ranked at the forefront in the market segment; the sales volume of the Group's HEVs exceeded 45,000 units, maintaining its ranking as the top-seller[2] in the independent HEV market. In this year, GAMC released a new technology brand "i-GTEC (傳祺智電科技)", and launched three highly competitive PHEV models, including smart electric new energy flagship MPV – E9, B-class plug-in hybrid SUV – ES9 and B-class plug-in hybrid MPV – E8, to forge the i-GTEC new energy products matrix. In December 2023, the sales volume of the Group's new energy E-series exceeded 10,000 units.

GAMC continued to consolidate and expand the marketing of its "Golden Triangle" digital sales service system, introduced a smart store system and implemented "companion" service, while a dedicated new energy team was formed, which created a new NEV sales model for GAC Trumpchi, with 140 NEV experience centres now completed. GAC Trumpchi was recognised as the No. 1 among China's self-developed brands listed in the Customer Satisfaction Index (CSI) and Sales Satisfaction Index (SSI) of J.D. Power in 2023.

2 The source of statistics was derived from China Automotive Technology and Research Center Co., Ltd.

(2) GAC AION

Throughout the year, GAC AION's production and sales volume amounted to 500,000 units and 480,000 units respectively, representing a year-on-year increase of 82.84% and 77.02% respectively, during which its monthly sales volume maintained at more than 40,000 units for ten consecutive months, ranking third among domestic new energy passenger vehicles. Throughout the year, the sales volume of the AION S series amounted to 221,000 units, representing a year-on-year increase of 91.3%, ranking first among domestic pure electric A-class sedan, and the annual sales volume of AION Y series amounted to 228,000 units, representing a year-on-year increase of 91%, ranking second among domestic pure electric A-class SUVs. Hyper brand was progressing to operate independently, and the dual-brand matrix of "AION + Hyper" was launched to enter into the high-end NEV market. During the reporting period, three new vehicle models were launched: pure-electric supercar Hyper SSR, the first pure-electric B-class sedan Hyper GT and pure-electric B-class SUV Hyper HT. In December 2023, four years and eight months after its establishment, GAC AION had achieved a cumulative production and sales volume of one million, rendering itself to reach the one million mark in terms of production and sales volume in the shortest time among the pure electric vehicle brands globally. In Virtue of GAC AION's innovative and revolutionary marketing model, it created a new ecosystem of marketing services that fully integrated online and offline scenarios, continued to improve its one-click premium service system, and promoted the reform on APP value, for which the scale of GAC AION APP users exceeded 4 million, and the number of Hyper APP registered users exceeded 1 million. GAC AION's Smart Ecological Plant was selected in the latest batch of global "Lighthouse Plant" released by the World Economic Forum (WEF), becoming the only NEV "Lighthouse Plant" in the world.

(3) International business

The Company completed its interim adjustment to the "14th Five-Year Plan" for the international segment, formulated the "1551" internationalisation strategic blueprint, clarified the target of exporting 500,000 units by 2030, and specified the global market layout planning, division of work among various fields and organisational mechanism safeguards at the strategic level, so as to vigorously promote the internationalisation of brands, globalisation of products, localisation of production, integration of sales and services, and diversification of ecosystems. The Group further improved the international business system and mechanism, set up an overseas business liaison mechanism for the Group's leaders, strengthened the deliberation mechanism of the international business leading group, reorganised and set up a headquarter for manufacture of vehicles and overseas business, coordinated international business by the self-developed brand management committee, and established an additional internationalisation professional committee to strengthen the coordination of the international business of its independent system.

In 2023, the overseas sales volume of the Company's self-developed brands amounted to approximately 55,000 units, which completed its market layout in 41 countries/locations. According to the characteristics of the overseas market, various multi-channel models were formed globally, including standard stores, satellite stores and service centres, and 236 sales and service outlets added. To promote the global development of vehicle models and enrich the product matrix, GAC International completed the introduction of two global vehicle models and three regional vehicle models in 2023. GAC AION's AION Y Plus has been launched in Thailand and officially entered the Cambodian market. In order to promote localised operations, the Company has set up overseas branches in Hong Kong, Russia, the Middle East, Mexico, Thailand and other regions. GAC International has been accelerating the construction of a CKD (Completely Knocked Down) plant in Malaysia, targeting to achieve mass production and launch of its first vehicle model by 2024. GAC AION has set up a manufacturing subsidiary in Thailand to facilitate its Thailand plant project, so as to quickly realise the production capacity of its overseas plants in the form of SKD (Semi Knock Down). The production capacity can be up to 50,000 units per year upon completion and the mass production is expected to be realised in the third quarter of 2024.

3. *Joint venture brands accelerated transformation*

Adhering to promoting end-user sales and stabilising channels, GAC Toyota overcame the downturn in fuel-engined vehicles and other challenges, with its production and sales volume reaching more than 950,000 units for the year, and vehicle models such as Camry and Sienna continuing to rank at the forefront in the market segment. With the deepening of its all-round electrification strategy, during the reporting period, GAC Toyota launched new models such as Frontlander (Smart HEV), Levin (Smart HEV) and Levin GT (Smart HEV), new new energy brand "bZ (鉑智)" and its first model "bZ4X". GAC Toyota also utilised the bilateral resources of its shareholders, accelerated the introduction of competitive pure electric products, set up a joint development system, and established a simultaneous development and operation model. The NEV models jointly developed by the Group and Toyota Motor are progressing as planned.

GAC Honda took proactive measures to stabilise its fundamentals, achieving production and sales volume of 651,200 units and 640,500 units respectively for the year, with cumulative production and sales volume exceeding 10 million units since its establishment. GAC Honda launched its vehicle export business, with over 20,000 units exported for the year and it continued to improve its product and service quality, becoming the first Chinese mainstream automotive brand to be ranked No. 1 in three categories, namely the Sales Satisfaction Index (SSI), Customer Satisfaction Index (CSI) and China Initial Quality Study (IQS) of J.D. Power for three consecutive years. GAC Honda accelerated its transformation towards electrification and intellectualisation, launching the Accord e:PHEV and Breeze e:PHEV, and unveiling the second model of its pure electric brand e:NP – e:NP2. GAC Honda NEV's capacity expansion project (production capacity of 120,000 units per year) progressed as planned, and is scheduled to be completed and commence operation by 2024.

Key progress was made in promoting the restructuring and transformation of loss-making joint ventures. The Company implemented the GAC Mitsubishi restructuring plan, after the completion of which GAC Mitsubishi became a wholly-owned subsidiary of the Company. GAC Mitsubishi's core assets will be fully revitalised and utilised to help GAC AION rapidly expand its production capacity and solve the production capacity constraints. GAC Hino implemented the employee share incentive scheme and promoted shareholding adjustments in order to accelerate the strategic transformation to new energy commercial vehicles.

Wuyang-Honda actively increased the launch of new products in the domestic market, introducing 14 new models and expanding the export of electric bicycles during the year, with a year-on-year increase of 205% in export sales volume of electric bicycles.

4. *Enhancement and breakthroughs of core technologies*

In the field of electrification, the Company has mastered the ability of full stack self-research and self-production of its battery cells. The self-developed P58 microcrystalline super-energy battery cells were launched in the smart ecological plant of IMPOW Battery, with outstanding advantages of high-energy density and high power density and a cycle life over 1.5 million kilometres, and the comprehensive performance indice have reached the advanced level in the industry. The self-developed M25 super electric drive has been mass-produced in the Ruipai smart ecological plant, which possesses advantages of high power density, lightweight and miniaturisation, and will be insalled on the Hyper brand for mass production.

In the field of low-carbonisation, the Company focused on the R&D of XEV technology roadmap such as REEV (Range Extended Electric Vehicle), PHEV and HEV, as well as the development of various flexible fuel engine technologies such as hydrogen and ammonia. GAC's smart electric new energy power system was successfully installed on three PHEV models, including Trumpchi E9, ES9 and E8, and was awarded as one of "The Second World Top 10 Hybrid Powertrain" in the "Lopal Cup" hosted by Automotive Evaluation Research Institute. Mega Wave-Hydrogen Hybrid System was successfully installed on the flagship model of GAC Trumpchi E9, of which according to experiments, the hydrogen consumption could be lower than 1.4kg per 100 kilometers, while vehicles could cover a maximum distance of nearly 600 kilometers. The Company launched the world's first self-developed ammonia engine for passenger vehicles, increasing the carbon reduction rate to 90%.

In the field of ICV, based on the "X-soul", an electrical architecture equipped with vehicle-cloud integration, and focusing on the key and core technologies of ICV, the Company achieved industry-leading breakthroughs in smart driving and smart cockpit technology through the empowerment of cloud platform and big data. "X-soul" was installed on various models such as Hyper GT, Hyper HT and Trumpchi E8 for mass production. With a user-centric approach, the ADiGO MAGIC GAC Rubik's Cube scene co-creation platform allows users and designers to create and configure personalised scenarios, and it has already been launched with new models such as Hyper GT and Trumpchi E8 into mass production. With the focus on mid- to long-term pure vision algorithm technology, GAEI's X Lab team advanced a fully autonomous driving and parking solution with strong artificial intelligence + vision, which won the world's first place on the motion trajectories prediction list in the Argoverse 2 Motion Prediction Challenge in July 2023. In December 2023, the Company took the lead in becoming one of the first batch of companies to obtain L3 autonomous driving road test licences and conducted tests on designated high speed roads in Guangzhou, facilitating the progress of safety and reliability verification of L3 autonomous driving functions.

In terms of the layout of global R&D system, GAEI has made remarkable progress in the "International + Domestic" globalisation layout. In August 2023, GAEI Xiamen Intelligent Connected Studio was opened, marking the official formation of GAC's "Three Countries Five Locations" global R&D system layout (i.e. Milan, Los Angeles, Shanghai, Xiamen and Guangzhou), which promoted the integration and development of innovation chain, industry chain and talent chain of GAC's intelligent driving technology.

In the field of digitalisation, the GDA (GAC Digital Accelerator) 2.0 Three-Year Action Plan (2023-2025) was officially launched to comprehensively promote the Group's digital transformation. The Group deepened its marketing digitalisation and promoted the innovation of the direct-connection, direct marketing and direct-services marketing model, achieving 100% online service for end-users of its Trumpchi E series. The Group improved the technological innovation of the ICV platform, and completed the development and launch of GAC's ICV big data platform, which has been accessed by 74 vehicle models and supports real-time access for a maximum of 3.5 million vehicles, to integrate the full life cycle data of vehicle research, production and sales. The Group strengthened its cost operation and control, and the launched the first phase of the Group's profit and loss platform for vehicle models, which strengthened the sophisticated management by 8 times and raised the level of revenue management for vehicle models of its self-developed brand. The Group enhanced the construction of fundamental platforms, achieving zero major accidents in network security management during the year, and placed GAC Data Centre 1.0 into operation, with an availability rate of 99.99%.

5. ***Continued to optimise industrial ecosystem***

In the fields of parts and components, through "self-research and development + co-development + capital cooperation", the Group established an autonomous and controllable industry chain and supply chain to achieve professional and large-scale development of the fields of parts and components. GAC Component actively revolved around four business segments of chassis and body, interior and exterior decoration and lighting, power systems and ICV, actively facilitating the work of strengthening, supplementing and extending the chain, strengthened the capability of self-research and development of parts and components, and continued to enhance its product industrialisation capabilities, such as cockpits, shifter, electric controller and micro motors. Guangzhou Qinglan IGBT project jointly invested by GAC Component and Zhuzhou CRRC Times Semiconductor Co., Ltd. was successfully put into production, building an autonomous and controllable NEV industry chain.

In the fields of commercial and mobility transportation services, GAC Business stepped up its efforts in sales network expansion by opening 37 new sales channel outlets in 2023, with a total of 156 sales channel outlets in operation. GAC Business accelerated the digital transformation and deepened its overall marketing, achieving end-user sales of 152,000 units during the year, representing a year-on-year increase of 20.3%, which significantly outperformed the market. ON TIME's travelling capacity exceeded 100,000 units and its user base was over 23 million. GAC Business continued to maintain a high level of compliance, and was ranked first in the Ministry of Transport's Information Interactive System for the Supervision of Online Ride-hailing Service for six times in the country in terms of monthly order compliance rate in during the year. It also continuously promoted the commercialisation of Robotaxi, receiving approval for the qualification of commercial demonstration of autonomous driving in Guangzhou and the qualification of Robotaxi manned demonstration in Shenzhen, successively commenced the operation of ON TIME Robotaxi service in Guangzhou and Shenzhen.

In the fields of energy and ecosystem, the Group reorganised and established Youpai Energy, which initially completed the integration of resources in the field of energy. The first phase of the 6GWh production line of the smart ecological plant of IMPOW Battery and Ruipai smart ecological electric drive plant (capacity of the first phase is 200,000 electric drives per year) have been completed and put into production, accelerating the layout of the vertically integrated energy industry chain. In terms of battery charging/swap station construction, the Group built a full-scene energy supply system which is characterised by fast and slow charging combination, charging-swap complementation and V2G interaction, for which 930 charging stations were constructed and in operation with more than 6,855 charging terminals, and 62 switching stations covering 159 cities around the Guangdong-Hong Kong-Macau Greater Bay Area Economic Zone, the Beijing-Tianjin-Hebei Economic Zone, the Yangtze River Delta Economic Zone, the Sichuan-Chongqing Economic Zone, and the Intercity Highway. The Group promoted the implementation of the battery asset management project to provide customers with vehicle-electricity separation and battery leasing services, and gradually expanded to the whole life cycle management of batteries, empowering the development of its principal business.

In the fields of investment and finance, the Group adhered to its principal business of financial services, completed the "14th Five-Year Plan" for the Group's finance field, established and improved the business synergy and joint working mechanism of the finance field, and promoted the construction of the Group's "Big Finance" pattern. The finance enterprises actively responded to the needs of OEMs and dealers by adopting measures such as interest reduction and exemption, repayment extension and margin reduction. Among them, GAC-SOFINCO Auto Finance and the OEMs jointly launched a 0% interest rate vehicle purchase financial scheme for various models to lower the threshold of car purchase for customers; provided a total of 1.3 million loans for the year, representing a year-on-year increase of 8.2%; and issued RMB16 billion of asset-backed securities to optimise its financing structure. Throughout the year, the inventory financing business of GAC Finance Company provided funds amounting to RMB60 billion, effectively alleviating dealers' pressure and boosting vehicle sales. Urtrust Insurance jointly launched the "complimentary insurance for purchasers" campaign with OEMs and formulated flexible insurance promotion schemes, achieving premium income of RMB3.34 billion during the year, representing a year-on-year increase of 17.9%. GAC Capital completed the establishment of the 10-billion-level ICV & NEV industry development fund and continued to invest in the fields of new energy, ICVs and automotive chips through its industry fund, with its total investment amounting to approximately RMB1.3 billion, further strengthening the integration between industry and finance.

(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 RMB502.303 billion on an aggregated basis, representing a year-on-year decrease of approximately 2.39%.

During the reporting period, the revenue of the Group amounted to approximately RMB129.706 billion, representing a year-on-year increase of approximately 17.62%. The net profit attributable to owners of the parent company amounted to approximately RMB4.429 billion, representing a year-on-year decrease of approximately 44.48%. The basic earnings per share amounted to approximately RMB0.42, representing a year-on-year decrease of approximately 45.45%.

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

1. The year 2023 witnessed a continuous and steady rejuvenation of China's economy. The domestic automobile market as a whole remained stable and achieved positive growth, with automobile production and sales volume reaching a record high, despite a series of impacts such as the termination of subsidies for NEVs, the emergence of price wars in the automobile industry, etc. Under such circumstances, with the "14th Five-Year Plan" as development and planning orientation, the Group actively responded to industry challenges and facilitated high-quality development by leveraging favorable policies and market opportunities from all parties. Throughout the year, the Group achieved an accumulative sales volume of 2,505,000 vehicles, representing a year-on-year increase of 2.92%. The Group is determined in continuing its research and development in positive, independent and innovative ways. It also strives to accelerate the launching of new products, and the upgrading of existing products iteration, so as to enhance the competitiveness of its products continuously. In particular, GAMC has continuously enriched its star product portfolios by launching PHEV models including E8, E9 and ES9, while its MPV models including M6, M8, etc. continued to maintain hot-selling. GAC AION recorded an impressive growth for NEVs with annual sales volume exceeding 480,000 units, representing a year-on-year increase of 77.02%, and continued to further promote the closed-loop layout of the energy ecosystem industry chain.

2. Joint ventures of the Group have accelerated their product transformation, among which, GAC Toyota launched the new generation Levin, bZ4X and a variety of smart HEV models during the reporting period where the structural proportion of new energy and energy-saving products continued to soar up, with annual sales volume exceeding 950,000 units. GAC Honda continued to launch new products, which during the reporting period, it launched new and updated models such as the new generation Accord, Integra HATCHBACK, ZR-V e:HEV, Breeze e:HEV/e:PHEV, etc. Its product portfolio is continuously optimised to enhance product competitiveness hence improving product competitiveness.

3. Ancillary businesses along the upstream and downstream of the industry chain such as financial services, vehicle components and commercial services have been further developed revolving around the Group's strategy. The synergistic effect among various business segments 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 vigorously supported the Group's automobile sales. Automobile components and commercial services actively resonate with the internationalisation strategy of the Group to venture into foreign markets.

4. During the reporting period, in order to cope with the fierce market competition, major OEMs within the Group augmented their commercial and political investment. In addition, the Group reorganised GAC Mitsubishi for one-off settlement of GAC Mitsubishi's long-standing issues.

(IV) ANALYSIS OF PRINCIPAL BUSINESS

Analysis of changes of items in the consolidated statement of comprehensive income and the cash flow statement

Unit: 100 million Currency: RMB

Item	Current period	Corresponding period last year	Change (%)
Revenue	1,297.06	1,102.72	17.62
Costs of sales	1,241.79	1,065.07	16.59
Selling and distribution costs	61.96	39.23	57.94
Administrative expenses	56.57	51.15	10.60
Finance costs	-4.67	-3.52	-32.67
Interest income	7.74	4.91	57.64
Share of profit of joint ventures and associates	83.49	140.65	-40.64
Net cash flow generated from operating activities	46.04	-66.38	169.36
Net cash flow generated from investing activities	-53.33	-15.92	-234.99
Net cash flow generated from financing activities	60.25	251.81	-76.07

1. *Analysis on revenue and cost*

During the reporting period, revenue of the Group amounted to approximately RMB129.706 billion, representing a year on year increase of approximately 17.62%. This was mainly due to the combined effect of the continuous and stable recovery of the domestic economy, the overall stable automobile market with positive growth, the implementation of a series of policies and follow-up measures for economy stability, and the increasingly enriched vehicle models under self-developed brands of the Group with ever-increasing sales volume, especially the significant increase in the sales volume of GAC AION NEVs.

During the reporting period, the Group recorded costs of sales and total taxes of approximately RMB124.179 billion, representing a year-on-year increase of approximately 16.59%. Total gross profit amounted to RMB5.527 billion, representing a year-on-year increase of approximately 46.80%. Gross profit margin increased year-on-year by 0.85 percentage point, which was mainly due to the combined effect of the growth in gross profit of OEMs under its self-developed brands.

Principal business by industry

Unit: 100 million Currency: RMB

By industry	Revenue	Cost of sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Automobile manufacturing industry	940.15	916.16	2.55	19.50	17.75	131.82
Auto-parts manufacturing industry	44.29	41.28	6.80	15.61	16.45	-8.97
Commercial services	269.52	249.64	7.38	12.62	12.81	-1.99
Financial services and others	43.10	34.71	19.47	12.33	14.55	-7.42
Total	1,297.06	1,241.79	4.26	17.62	16.59	24.93

Principal business by product

Unit: 100 million Currency: RMB

By product	Revenue	Cost of sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Passenger vehicles	940.15	916.16	2.55	19.50	17.75	131.82
Vehicles related trades	313.81	290.92	7.29	13.03	13.31	-3.06
Financial services and others	43.10	34.71	19.47	12.33	14.55	-7.42
Total	1,297.06	1,241.79	4.26	17.62	16.59	24.93

Principal business by region

Unit: 100 million Currency: RMB

By region	Revenue	Cost of sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Mainland China	1,241.85	1,194.17	3.84	15.91	15.78	2.93
Overseas	55.21	47.62	13.75	76.45	69.83	32.31
Total	1,297.06	1,241.79	4.26	17.62	16.59	24.93

Principal business by sales model

Unit: 100 million Currency: RMB

By sales model	Revenue	Cost of sales	Gross profit margin (%)	Increase/decrease in revenue over last year (%)	Increase/decrease in cost of sales over last year (%)	Increase/decrease in gross profit margin over last year (%)
Distributor sales model	940.15	916.16	2.55	19.50	17.75	129.73
Others	356.91	325.63	8.76	12.95	13.44	-4.32
Total	1,297.06	1,241.79	4.26	17.62	16.59	24.93

Analysis of sales and production volume

Unit: Vehicle

Major products	Production volume	Sales volume	Inventory	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory over last year (%)
Sedans	282,326	273,740	13,823	66.99	65.00	145.31
SUV	458,741	448,609	24,060	22.14	23.09	60.24
MPV	163,303	164,159	6,903	59.56	58.86	-7.71

Illustration on production and sales volume: mainly the production and sales data of GAMC and GAC AION within the scope of consolidation.

Sales to major customers

Unit: 100 million Currency: RMB

Suppliers	Amount of procurement	Ratio to revenue *(%)*
Total sales to top 5 clients	50.93	3.96

Major Suppliers

Unit: 100 million Currency: RMB

Suppliers	Amount of procurement	Ratio to total procurement *(%)*
Total procurement from the top 5 suppliers	145.08	11.68

Amount of procurement fees paid to the largest supplier of the Group accounted for 3.91% of the total amount of procurement fees of the Group for the year.

During the year, to the directors' knowledge, no directors, supervisors or their close associates or shareholders holding more than 5% of the Company's shares has any interest in the top 5 suppliers.

2. *Expenses*

(1) The year-on-year increase of approximately RMB2.273 billion in selling expenses was mainly attributable to the combined effect of the increase in advertising expenses, and the increase in aftersales service charge resulting from increased sales volume during the reporting period;

(2) The year-on-year increase of approximately RMB542 million in administrative expenses was mainly attributable to the combined effect of the corresponding increase in the compensation, benefits and the routine expenses resulting from the enterprise development, as well as the increase in the expenses arising from depreciation and amortisation during the reporting period;

(3) The year-on-year decrease of approximately RMB115 million in finance expenses was mainly attributable to the combined effect of the decline of average interest rate, and the changes in exchange rate during the reporting period; and

(4) The year-on-year increase of approximately RMB283 million in interest income was mainly attributable to the combined effect of the increase in deposits resulting in increased interest income during the reporting period.

3. *Research and development expenditures*

(1) Table of research and development expenditures

Unit: 100 million Currency: RMB

Expensed research and development expenses for the period	13.61
Capitalised research and development expenses for the period	68.57
Total research and development expenditures	82.18
Percentage of total research and development expenditures over total revenue (%)	6.34
Number of research and development staff	7,182
Number of research and development staff over total number of staff (%)	18.10
Percentage of capitalised research and development expenditures (%)	83.44

(2) During the reporting period, expenditures in research and development amounted to approximately RMB8.218 billion, representing a year-on-year increase of approximately RMB1.721 billion. This was mainly attributable to the continuous enhancement of independent research and development as well as innovation capability for improving the overall quality of the system. It was also attributable to the simultaneous propulsion of the development projects of traditional energy vehicle models and NEV models, as well as the development of core parts and components during the reporting period.

4. *Share of profit of joint ventures and associated companies*

During the reporting period, the Group's share of profit of joint ventures and associated companies amounted to approximately RMB8.349 billion, representing a year-on-year decrease of approximately RMB5.716 billion, which was mainly attributable to the combined effect of the decrease in profit of the joint ventures.

5. *Cash flows*

(1) During the reporting period, net cash inflow generated from operating activities amounted to RMB4.604 billion, representing an increase in net inflow of RMB11.242 billion as compared with the net cash outflow of RMB6.638 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 volume greater than the increase in cash paid for purchasing goods and labor services resulting from increased output during the reporting period;

(2) During the reporting period, net cash outflow generated from investing activities amounted to RMB5.333 billion, representing a increase of net outflow of RMB3.741 billion as compared with net cash outflow of RMB1.592 billion in the corresponding period last year, which was mainly attributable to the combined effect of the increase in return of investment, the year-on-year increase in dividends received from investee companies, and the increase in cash paid for investment as well as the increase in cash paid for purchasing fixed assets, intangible assets and other long-term assets during the reporting period;

(3) During the reporting period, net cash inflow generated from financing activities amounted to RMB6.025 billion, representing a decrease of net inflow of approximately RMB19.156 billion as compared with the net cash inflow of RMB25.181 billion in the corresponding period last year, which was mainly attributable to the year-on-year decrease in cash from external investment absorbed by investee companies during the reporting period;

(4) As at 31 December 2023, cash and cash equivalent of the Group amounted to approximately RMB39.522 billion, representing an increase of approximately RMB5.300 billion as compared with approximately RMB34.222 billion as at 31 December 2022.

6. Others

Income tax amounted to approximately RMB-215 million, representing a year-on-year increase of approximately RMB321 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 RMB4.429 billion, representing a year-on-year decrease of approximately 44.48%. Basic earnings per share amounted to approximately RMB0.42, representing a year-on-year decrease of approximately 45.45%.

(V) 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 *(%)*
Financial assets at fair value through other comprehensive income – non-current	50.94	2.33	17.14	0.90	197.20
Prepayments and other long-term receivables	173.80	7.96	96.07	5.06	80.91
Inventories	167.20	7.65	123.62	6.51	35.25
Financial assets at fair value through other comprehensive income – current	56.34	2.58	40.90	2.15	37.75
Time deposits	68.25	3.12	33.26	1.75	105.20
Trade payables and other receivables – non-current	14.25	0.65	7.62	0.40	87.01
Borrowings – non-current	103.84	4.75	56.97	3.00	82.27

2. *Analysis on change*

(1) Financial assets at fair value through other comprehensive income – non-current increased by 197.20% as compared with the balance at the end of the previous period, mainly attributable to the combined effect of the increase in bank acceptance bills and commercial acceptance bills held during the reporting period;

(2) Prepayments and other long-term receivables increased by 80.91% as compared with the balance at the end of the previous period, mainly attributable to the increase in bills to be discounted during the reporting period;

(3) Inventories increased by 35.25% as compared with the balance at the end of the previous period, mainly attributable to the combined effect of the increase in raw material inventories and finished vehicles due to the increase in automobile production and sales volume during the reporting period;

(4) Financial assets at fair value through other comprehensive income – current increased by 37.75% as compared with the balance at the end of the previous period, mainly attributable to the combined effect of the increase in large value certificates of deposit held during the reporting period;

(5) Time deposits increased by 105.20% as compared with the balance at the end of the previous period, mainly attributable to the combined effect of the structural adjustment of inter-bank deposits and the increase in time deposits during the reporting period.

(6) Trade payables and other receivables – non-current increased by 87.01% as compared with the balance at the end of the previous period, mainly attributable to the combined effect of the increase in short-term borrowings due to the business development of certain enterprises during the reporting period; and

(7) Borrowings – non-current increased by 82.27% as compared with the balance at the end of the previous period, mainly attributable to the combined effect of the increased demand for long-term funds due to the businesses development of certain enterprises during the reporting period.

(VI) ANALYSIS OF FINANCIAL POSITION

1. *Financial indicators*

As at 31 December 2023, the Group's current ratio was approximately 1.31 times, representing a decrease from approximately 1.62 times as at 31 December 2022. The Group's quick ratio was approximately 1.09 times, representing a decrease from approximately 1.40 times as at 31 December 2022, which were within reasonable range.

2. *Financial resources and capital structure*

As at 31 December 2023, the Group's current assets amounted to approximately RMB101.111 billion, current liabilities amounted to approximately RMB77.194 billion and current ratio was approximately 1.31 times.

As at 31 December 2023, total borrowings amounted to approximately RMB28.116 billion, mainly consisting of the Group's borrowings from bank and financial institutions with closing balance of approximately RMB26.707 billion, etc. The above borrowings are payable upon maturity. The Group generally funds its business and operational capital needs with its own operating cash flow.

As at 31 December 2023, the Group's gearing ratio was approximately 18.43% (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 at 31 December 2023, financial guarantee given by the Company to controlled and whole-owned subsidiaries of the Group amounted to RMB0 (31 December 2022: RMB0).

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

As at 31 December 2023, financial guarantee given by the Group to related parties outside the consolidation scope amounted to RMB0 (31 December 2022: RMB16,600,000).

(VII) ANALYSIS OF AUTOMOBILE MANUFACTURING INDUSTRY OPERATION

1. Production capacity

Existing production capacity

Names of major factories	Designed production capacity (ten thousand units)	Production volume during the reporting period (ten thousand units)	Production capacity utilisation rate (%)
GAC Honda	77	65.12	84.57
GAC Toyota	100	95.00	95.00
GAMC (including GAC AION)	108	90.44	83.74

Notes:

1. Production capacity during the reporting period refers to the actual production volume during the reporting period, and the production capacity unit is ten thousand units.

2. Production capacity utilisation rate during the reporting period has been converted according to the actual production time.

Production capacity in construction

Unit: '0,000 Currency: RMB

Names of the factories in construction	Planned investment amount	Investment amount during the reporting period	Total investment amount	Expected commencement date of production	Expected production capacity
GAC Honda new energy vehicle production capacity expansion project	349,510	116,819	198,979	2024	120,000 units/year

Production capacity calculation standards

Calculated based on standard production capacity and two production shifts.

2. *Sales and production volume of whole vehicles*

By vehicle model

	Sales volume (units)			Production volume (units)		
Vehicle types	Total number for the year	Total number for last year	Changes in total sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in total production volume compared with the corresponding period last year (%)
Passenger vehicle	2,504,415	2,433,201	2.93	2,528,652	2,479,435	1.99
Sedans	1,016,050	1,125,733	-9.74	1,022,387	1,145,921	–10.78
SUV	1,198,042	1,085,039	10.41	1,213,383	1,103,918	9.92
MPV	290,323	222,429	30.52	292,882	229,596	27.56
Commercial vehicle	560	600	-6.67	170	476	–64.29
Total	2,504,975	2,433,801	2.92	2,528,822	2,479,911	1.97

By regions

Vehicle types	Domestic sales (units) Total number for the year	Total number for last year	Changes in total sales volume compared with the corresponding period last year (%)	Overseas sales (units) Total number for the year	Total number for last year	Changes in total production volume compared with the corresponding period last year (%)
Passenger vehicle	2,428,619	2,400,233	1.18	75,796	32,968	129.91
Sedans	1,010,340	1,125,282	-10.21	5,710	451	1,166.08
SUV	1,132,954	1,053,282	7.56	65,088	31,757	104.96
MPV	285,325	221,669	28.72	4,998	760	557.63
Commercial vehicle	560	600	-6.67	–	–	–
Total	2,429,179	2,400,833	1.18	75,796	32,968	129.91

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

3. *New energy vehicle business*

Production capacity of new energy vehicles

Name of major factory	**Designed production capacity (units)**	**Production capacity during the reporting period (units)**	**Production capacity utilisation rate (%)**
GAC AION Smart Ecological Plant	360,000	500,088	138.91

Note: Production capacity during the reporting period refers to the actual production volume during the reporting period.

Sales and production volume of new energy vehicles

Vehicle types	Sales volume (units) Total number for the year	Total number for last year	Changes in total sales volume compared with the corresponding period last year (%)	Production volume (units) Total number for the year	Total number for last year	Changes in total sales volume compared with the corresponding period last year (%)
Sedans	227,023	115,655	96.29	236,660	116,947	102.37
SUV	259,120	155,794	66.32	271,254	156,953	72.82
MPV	24,320	–	–	26,461	–	–
Total	510,463	271,449	88.05	534,375	273,900	95.10

Income and subsidies for new energy vehicles

Unit: 100 million Currency: RMB

Vehicle types	Income	Subsidy for new energy vehicle	Ratio of subsidy (%)
Passenger vehicle	580.03	0.02	0.00

(VIII) MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

Nil.

(IX) ANALYSIS OF MAJOR SUBSIDIARIES AND ASSOCIATES

Company name	Production volume during the reporting period (units)	Changes compared with the corresponding period last year	Sales volume during the reporting period (units)	Changes compared with the corresponding period last year	Revenue (RMB100 million)	Changes compared with the corresponding period last year
GAC Honda	651,191	-15.19%	640,466	-13.66%	935.28	-18.75
GAC Toyota	950,025	-5.87%	950,008	-5.47%	1,528.69	-6.52
GAMC	404,282	8.24%	406,505	12.12%	574.46	20.16
GAC AION	500,088	82.84%	480,003	77.02%	532.34	37.54

(X) STRUCTURED ENTITIES UNDER THE CONTROL OF THE COMPANY

Not applicable.

(XI) DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

1. Industry layout and trend

In 2024, along with the continuous advancement of national policies to promote consumption and stabilise growth, the implementation of a series of policies to facilitate high-quality development of the NEV industry, and the sustained efforts of multiple measures including the prolonged purchase tax exemption for vehicles, in-depth advancement of NEVs and infrastructure construction in rural areas, the market vitality and consumption potential will be further stimulated to improve domestic automobile consumption. China Association of Automobile Manufacturers predicts that the domestic automobile market will continue to show a steady and positive development trend, with a growth rate of above 3%.

On the other hand, the structural revolution in the domestic automobile industry is accelerating and evolving, presenting three conspicuous trends. Firstly, it is the recurring disruptive transformation in the market landscape. From the perspective of market segments, the domestic NEV market has gradually entered into a market-driven phase, where the growth of NEVs remains resilient. The sales volume of NEVs is expected to reach 11 million to 12 million units. In particular, the growth rate of extended-range electric vehicle (E-REV) and PHEV models is going to exceed the overall level of the NEV sector, serving as an important substitute of traditional fuel-engined vehicles, which will squeeze the market share of fuel-engined vehicles. From the perspective of brand proportion, the market share of joint venture brands will further decline, while the market share of independent brands will further ramp up to stand at over 50% and become the market dominator. Secondly, it is the accelerated differentiation of automobile enterprises. Exposed to the market under the principle of "survival of the fittest", superior self-developed brands and joint ventures acclimatised to rapid electrification transformation are expected to occupy greater market shares, whereas vulnerable brands and traditional vehicle enterprises bearing sluggish transformation will face greater pressure to survive. Thirdly, it is the expedited overseas expansion. Exports have become the main driving force for sales growth of the industry. In 2024, China's automobile exports are expected to exceed 5.50 million units, positioning the country as the largest automobile exporter in the world.

2. Development strategy of the Company

During the period of the "14th Five-Year Plan", the Group will adhere to the development principle of "internal collaborative innovation and external open cooperation" to implement the "1615" development strategy, consolidate six major segments, which include R&D, manufacture of vehicle, parts and components, commercial services, financial services and mobility transportation services, fully improve independent innovation capabilities, and to achieve five major improvements in electrification, intelligent networking, digitalisation, shareability and internationalisation to achieve the high-quality development of the Group.

Looking forward, the Group will spare no effort to propel the "1578 Development Outline for Trillion GAC". By 2030, the Group will endeavor to achieve one goal: annual production and sales volume exceeding 4.75 million vehicles, annual revenue (on a combined basis) amounting to RMB1 trillion, and profits tax amounting to RMB100 billion. The Group aims at becoming a world-class high-tech enterprise characterised by excellent products, distinguished brand image, cutting-edge innovation and modernised governance. The Group also aims to create momentum for five increment aspects, including transformative upgrading of whole vehicles, enhancement and extension of components industry chain, intellectualisation of commerce and mobility transportation, energy and ecological empowerment, and courageous international expansion. The Group will consolidate seven segments, including research and development, manufacture of vehicles, parts and components, commercial services and mobility transportation, energy and ecology, internationalisation as well as investment and finance. The Group will implement eight initiatives, including deepening the reform of the system and mechanism, paying balanced attention to self-development and capital injection regarding technological innovation, executing all-out upgrading of self-developed brands, reinforcing and extending the industry chain for structural optimisation, comprehensively developing energy ecology, arranging in-depth deployment of software business, seeking key breakthroughs in overseas markets, and exploring innovation in smart transportation models.

To support the implementation of the national "Dual Carbon" target, the Group will implement the "GLASS Plan" to achieve full life-cycle carbon neutrality of its products by 2050 (and strive to achieve the target by 2045).

3. *Operational plan*

In 2024, oriented by the "Trillion GAC 1578 Development Outline" alongside the Group's development program under the "14th Five-Year Plan", the Group will adhere to pursuing progress while ensuring stability, promote stability through advancement and making breakthrough beneath existing achievement, with a focus on accelerating structural adjustment, propelling technological innovation, carrying out in-depth reforms, and making every effort to satisfy the annual objectives, so as to achieve steady growth in operating performance and endeavour to explore the new horizon of high-quality development. The Group will also challenge the target of a year-on-year growth of 10% in terms of annual vehicle sales volume.

The major operational measures are as follows:

(1) The Group will carry forward structural adjustment actions, with a view to cultivating emerging development momentum. It will expedite the structural adjustments to product, industry and market, facilitate comprehensive transformation towards new energy products, and vigorously nurture new incremental industries such as energy ecosystem, internationalisation, and Software as a Service (SaaS). The Group will also reinforce technological innovation, accelerate the research and development of solid-state batteries and other technologies, and raise its self-developed software capabilities.

(2) The Group will facilitate actions to improve its quality and efficiency, so as to maintain robust growth in operating performance. It will also vigorously increase terminal sales, reduce inventories and consummate the linkage between production and sales; accelerate product renewal and promptly launch products that satisfy consumers' ever-changing needs for innovation; promote marketing innovation and continue to optimise APP design and operation.

(3) The Group will carry forward its three-year growth actions to stimulate the overall profitability of self-developed brands. It will also strengthen the integration of research, production, supply and marketing, further improve and implement the matrix management of the product manager system, and join forces to forge more flagship products. In 2024, it is scheduled that self-developed brands will launch brand new and facelift models, including GAC Trumpchi's new A-class SUV, A-class plug-in hybrid SUV, and seven-seater MPV, GAC AION's five-seater pure-electric SUV, A-class pure-electric sedan, and Hyper's new six-seater pure-electric SUV, further enhancing their product competitiveness.

(4) The Group will boost its brand rejuvenation operation and promote the transformation of joint ventures. It will also vigorously implement cost reduction and efficiency improvement, and launch new models such as the ninth-generation Camry under GAC Toyota to consolidate the role of fuel-engined vehicles as its principal business. Through the intensification of bilateral strategic consensus of shareholders, product introduction, upgrade and replacement rhythm, coupled with accelerated electrification and intellectualisation transformation, GAC Honda intends to launch NEV models such as the e:NP2 and the new A-class pure-electric sedan under the Everus brand, while GAC Toyota is accelerating the in-depth joint development of NEV model projects.

(5) The Group will promote coordinated overseas expansion and propel rapid breakthroughs in international business. It will also strengthen the role of operation management committees under self-developed brands with respect to overall management and coordinated promotion in international businesses, so as to accelerate the establishment of robust international business operation mechanisms; gather resources to promote the rapid scale-up of international businesses, deepen the differentiated management of "One Country, One Policy", and achieve breakthroughs in key markets; improve channel construction, explore potential markets, accelerate the construction of KD (knockdown) assembly projects, and perfect the spare parts service system.

(6) The Group will impel chain replenishment and reinforcement to drive the parts segment to expand its presence. It will also exert more efforts to achieve independent breakthrough on key core parts and components to further increase the adoption rate of domestic chips; strengthen the optimisation, integration and collaboration of resources to accelerate the construction of key projects such as Lisheng Technology; give full play to the leveraging role of industrial investment funds and lay out forward-looking and key technology projects around the upstream and downstream of ICV and NEV industry chain.

(7) The Group will facilitate innovation-oriented actions to accelerate upgrading the service industry. It will also deepen the reform of digital marketing and logistics services to promote high-quality development of commerce; speed up the technological transformation of mobility transportation ecosystem, prioritise the creation of full-process solutions for autonomous driving testing and operation; deepen the integration of industry and finance and the synergy among financial businesses to support the development of its main business.

(8) The Group will propel layout optimisation and occupy the highland for the development of the energy ecosystem. Focusing on the goal of building an "electricity + battery" smart energy ecosystem, it will also establish an integrated full-chain energy ecological layout from upstream mineral resources to downstream charging and swapping stations, which promotes the production capacity of IMPOW Battery, and continues to expand the energy replenishment network.

(9) The Group will advance reforms to stimulate the vitality of its systems and mechanisms. It will also initiated a new round of state-owned enterprise reform and deepened efforts to enhance its implementation, vigorously promote capital operations, proactively implement mixed-ownership reforms and employee share ownership, and promote corporate governance to a new level.

4. *Potential risks*

(1) Macroeconomic environment

At present, the global economy is recovering with slow progress. Factors such as the in-depth influence of international political rivalry and geopolitical conflicts will intensify external uncertainties. The Economic Work Conference of the Central Government pointed out that the basic trend of domestic economic recovery and long-term upswing has not changed. It is necessary to pursue progress while ensuring stability, promote stability through advancement and establish new mechanisms and rules before eliminating old ones, and consolidate and enhance the upward trend of economic recovery. However, to further promote the economy to rebound, there is still a need to overcome difficulties and challenges, such as insufficient effective demand and overcapacity in some industries.

(2) Risk of supply chain

Although the global chip supply tension has eased to some extent, the current process of domestic replacement of chips is slow-moving. Coupled with the complicated and volatile international environment, supply risks of parts and components such as high-end chips that are highly dependent on imports still exist. Although domestic semiconductor companies have increased their investment in automotive-grade chips and the Company has also accelerated the construction of an independent and controllable supply chain through strengthening cooperation with chips manufacturers, if the domestic replacement process of chips does not go as expected, it will still have a certain impact on the Company's production and operation.

(3) Accelerated structural adjustments to the automobile industry

The domestic NEV market has gradually entered a market-driven stage, with the penetration rate of NEVs continuing to increase and the market share of traditional fuel-engined vehicles continuing to be squeezed. The market share of self-developed brands continues to ramp up, while joint venture brands are confronted with transformation pressure. The domestic automobile market has turned to inventory competition, with automobile enterprises accelerating the differentiation and the competition for market share becoming increasingly fierce. With accelerated overseas expansion, the competition in foreign markets is increasingly intensifying and has become an important profit growth point for automobile enterprises.

The Group currently faces the following main issues and challenges:

Firstly, electrification transformation needs to be accelerated. At present, the proportion of PEV models of the Group's joint venture brands underperforms compared with the average of the industry and the Group. It is essential to accelerate the presence of its electric vehicle models, and launch competitive NEV models to achieve breakthroughs in volume.

Secondly, there is a disparity in international development. The scale of nationalisation of the Group is still relatively small. Its international presence remains at the initial stage anchoring at the export of vehicles, and its localised operation capabilities in foreign regions still require bolstering.

Thirdly, the cultivation of emerging increments has not yet formulated sufficient support. Although our operational planning and structure such as parts and components and energy ecosystem have begun to take shape, certain key projects remain at the stage of investment, construction or incubation, where the effects of synergetic development mechanism among various segments deserve further enhancement.

OTHER DISCLOSURES

(I) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In accordance with the Company's 2020 A share option and restricted share incentive scheme, on 13 March 2023, the Company completed the repurchase and cancellation of 7,327,392 restricted A shares that failed to meet the unlocking conditions 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 year.

In addition, with reference to the unusual changes in the participants of the Company's 2020 A share option and restricted share incentive scheme such as retirement, resignation, assessment, etc., the Company has completed the repurchase and cancellation of the restricted A shares granted to ineligible participants on 29 February 2024. A total of 3,330,156 restricted A shares have been cancelled.

(II) CORPORATE GOVERNANCE

During the year, the Company has complied with the code provisions under the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

(III) AUDIT COMMITTEE

The audit committee of the Company comprised three independent non-executive directors, namely Mr. Wong Hakkun (Chairman), Mr. Xiao Shengfang and Mr. Song Tiebo. Their main responsibilities include supervising annual audit and internal audit system, financial information and disclosure thereof of the Company. The audit committee has mainly reviewed the quarterly, interim and final results and evaluated the internal control system during the reporting period. The audit committee has also reviewed the results and financial statements of the Group for the year ended 31 December 2023.

(IV) SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Nil.

(V) DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2023 of RMB0.1 per share (Total dividend for 2023: RMB0.15 per share) (Total dividend for 2022: RMB0.24 per share). The proposed final dividend for the year is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. Details of the annual general meeting, the arrangement for closure of register of members and dividend payment date will be announced later.

DEFINITIONS

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

"associate(s)", "associated company(ies)" or "associated enterprise(s)"	all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
"Board"	the board of directors of the Company
"China Lounge Investments"	China Lounge Investments Limited (中隆投資有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong
"Company" or "GAC"	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)

"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, in which Youpai Energy, a wholly-owned subsidiary of the Company, and GAC AION, a controlling subsidiary of the Company, holds 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 Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a jointly controlled entity incorporated in November 2007 under PRC law by the Company and Hino Motors, Ltd.
"GAC Honda"	GAC Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co., Ltd. (廣州本田汽車有限公司)), a jointly controlled entity incorporated in May 1998 under PRC law by the Company, Honda Motor Co., Ltd. and Honda Motor (China) Investment Co., Ltd.
"GAC 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 by the Company

"GAC Mitsubishi"	Hunan Zhixiang Motor Management Services Limited (湖南智享汽車管理有限公司), previously known as GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a limited liability company incorporated in the PRC
"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"	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
"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 Co., Ltd., 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.
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated in Japan in Octobor 2003 under PRC law by the Company and Hino Motors, Ltd., in which the Company holds 30% equity interests
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to "subsidiary" under the Listing Rules
"SUV"	sports utility vehicle
"Times GAC"	Times GAC Energy Battery System Co., Ltd. (時代廣汽動力電池有限公司), an associated company jointly funded and established by the Company, GAC AION and Contemporary Amperex Technology Co., Ltd. in December 2018 under PRC law, in which the Company and GAC AION hold 49% equity interests in total
"Urtrust Insurance"	Urtrust Insurance Co., Ltd. (眾誠汽車保險股份有限公司), a subsidiary incorporated in June 2011 under PRC law by the Company, and in which the Company directly and indirectly holds a total of 53.55% equity interests
"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊－本田摩托(廣州)有限公司), a jointly controlled entity incorporated in July 1992 under PRC law by the Company, Honda Motor Co., Ltd. and Honda Motor (China) Investment Co., Ltd.

"Youpai Energy"	Youpai Energy Technology (Guangzhou) Co., Ltd. (優湃能源科技(廣州)有限公司) (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
"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 Youpai Energy, a wholly-owned subsidiary of the Company, and GAC AION, a controlling subsidiary of the Company, hold 49% and 51% equity interests, respectively
"Ruipai Power"	Ruipai Power Technology Co., Ltd. (銳湃動力科技有限公司), a subsidiary incorporated in October 2022 under PRC law, in which the Company, GAMC and GAC AION holds 23%, 26% and 51% equity interests, respectively

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

Guangzhou, the PRC, 28 March 2024

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, DING Hongxiang, GUAN Dayuan, DENG Lei and WANG Yiwei, and the independent non-executive directors of the Company are ZHAO Fuquan, XIAO Shengfang, WONG Hakkun and SONG Tiebo.