



广汽集团
GAC GROUP

Guangzhou Automobile Group Company Limited
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





CONTENT

IMPORTANT NOTICE	2
CORPORATE PROFILE	3
CHAIRMAN'S STATEMENT	4
REPORT OF THE BOARD	5
DISCUSSION AND ANALYSIS BY THE BOARD ON OPERATION OF THE COMPANY DURING THE REPORTING PERIOD	10
SIGNIFICANT EVENTS	15
CHANGES IN SHARES AND SHAREHOLDERS	18
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	19
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	21
DEFINITION	44

IMPORTANT NOTICE

- (I) The Board, the supervisory committee and the Directors, supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in or material omissions from this report, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents contained herein.
- (II) The interim financial report of the Company is unaudited. The Audit Committee of the Company has reviewed the unaudited interim results of the Company for the six months ended 30 June 2013 and agreed to submit it to the Board for approval.
- (III) Zhang Fangyou, the Chairman of the Company, Zeng Qinghong, the General Manager of the Company, Wang Dan, the person in charge of finance and Li Canhui, the head of the finance department, warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
- (IV) Interim profit distribution plan: the Board declared the payment of 2013 interim cash dividend of RMB0.06 per share (tax inclusive) to all shareholders.
- (V) There is no non-operational appropriation of the Company's funds by its controlling shareholders and their connected parties.
- (VI) The Company has not provided any third-party guarantees in violation of stipulated decision-making procedures.

CORPORATE PROFILE

(I) CORPORATE INFORMATION

Legal name of the Company in Chinese	廣州汽車集團股份有限公司
Chinese abbreviation	廣汽集團
Legal name of the Company in English	Guangzhou Automobile Group Co., Ltd.
English abbreviation	GAC GROUP
Legal representative	Zhang Fangyou

(II) CONTACT PERSON AND CONTACT METHOD

Name	Lu Sa
Title	Secretary to the Board
Address	20/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Telephone	020-83150886
Facsimile	020-83151081
E-mail	lus@gagc.com.cn

(III) BASIC INFORMATION

Registered address	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Postal code of the registered address	510030
Office address	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Postal code of the office address	510030
International website of the Company	www.gagc.com.cn
E-mail	ir@gagc.com.cn

(IV) INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times
Website designated by the China Securities Regulatory Commission (the "CSRC") for publishing the interim report	www.sse.com.cn
Place of inspection of the interim report of the Company	Office of the Board at 16/F, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou

(V) INFORMATION ON THE COMPANY'S SHARES

Class of shares	Stock Exchange of listing shares	Stock abbreviation	Stock code
A Shares	Shanghai Stock Exchange	GAC GROUP	601238
H Shares	Stock Exchange of Hong Kong	GAC GROUP	02238

CHAIRMAN'S STATEMENT

During the first half of 2013, the overall macroeconomy maintained steady growth, as the nation aimed at improving quality and efficiency of economic development under the general tone of upholding stable growth to accelerate the structural adjustment, enhance economic transformation and achieve continuous improvement in the livelihood of the people in light of the complex domestic and international economic environment.

In the first half of the year, production and sales of vehicles in the PRC both exceeded 10,000,000 units for the first time and reached 10,751,700 units and 10,782,200 units, representing an increase of 12.8% and 12.3%, respectively and the growth rate increased by 8.75 and 9.41 percentage points respectively compared with the corresponding period last year, among which production and sales of passenger vehicles amounted to 8,664,500 units and 8,665,100 units, representing an increase of 14% and 13.8% respectively compared with the corresponding period last year.

In the first half of the year, production and sales of motorcycles amounted to 11,274,500 units and 11,453,600 units, representing a decrease of 3.1% and 2.4%, respectively, among which domestic sales and export amounted to 6,820,000 units and 4,630,000 units, representing a decrease of 6% and an increase of 3% respectively compared to the corresponding period last year.

In the first half of the year, production and sales of vehicles of the Group together with its jointly-controlled entities and associated companies were 435,500 units and 424,400 units, representing an increase of 11.55% and 15.46% respectively compared to the corresponding period last year, among which production and sales of passenger vehicles amounted to 422,400 units and 413,600 units, representing an increase of 14.10% and 18.27% respectively compared to the corresponding period last year; production and sales of commercial vehicles amounted to 13,100 units and 10,800 units, representing a decrease of 35.13% and 39.49% respectively compared to the corresponding period last year; the increase in sales of vehicles (especially passenger vehicles) of the Group was higher than the industry standard.

In the first half of the year, production and sales of motorcycles of Wuyang-Honda, a jointly-controlled entity of the Group, were 455,100 units and 479,100 units, representing an increase of 4.57% and 1.48%, respectively compared to the corresponding period last year; the corresponding increase in production and sales of motorcycles of the Group was higher than the industry standard.

During the reporting period, sales revenue of the Group together with its jointly-controlled entities and associated companies amounted to RMB81,767 million, representing an increase of 3.74% compared to the corresponding period last year.

Sales revenue of the Group in the consolidated financial statements amounted to RMB8,247 million, representing an increase of 50.44% compared to the corresponding period last year; net profit attributable to owners of the Company amounted to RMB1,219 million, representing a decrease of 17.75% compared to the corresponding period last year.

In the first half of the year, as the Board focused on the innovation and reform of management system and mechanism with an aim of improving quality and efficiency of economic development, the production and operation of the Group remained a recovery growth, the strength of proprietary innovation was greatly enhanced, the implementation of a major strategic layout was expedited, capital management systems were continuously enhanced, management infrastructure was constantly solidified, organizational system was further streamlined and comprehensive competitiveness was continuously improved.

In the second half of the year, it is expected the macroeconomic policy will maintain relative continuity and stability, which mean the active fiscal policy and stable monetary policy may be extended while timely fine tuning may be implemented. The growth momentum and downward pressure for domestic macroeconomy will exist simultaneously, but there will be lower chance of economic hard-landing. It is also expected the overall economic performance will maintain a stable growth. For the automobile industry, there will be both development opportunities and challenges, while policies in maintaining the consumption, reform and urbanization trends will provide support for the development of the automobile industry.

In the second half of the year, on the basis of the works performed in the first half, the Group will further deepen innovation and reform and vitalize enterprise development with confidence. Through further strengthening of cost control and establishing a more effective internal control system for the prevention of operating risk, our focus on project management will facilitate the orderly implementation of related works, such that our market-oriented operation will be enhanced with improved performance.

REPORT OF THE BOARD

(1) SUMMARY OF BUSINESS OF THE GROUP

The Group's main business includes researching and developing, manufacturing and sales of passenger vehicles, commercial vehicles, motorcycles, engines and auto parts, as well as car sale and leasing, after-sale services, import and export of automobile-related products, logistics services, automobile finance, automobile insurance and brokerage services.

1. Vehicles

(1) Passenger vehicles

The Group produces a variety of passenger vehicles mainly through JCEs, namely Guangqi Honda, GAC Toyota, GAC Fiat and GAC Mitsubishi, its wholly-owned subsidiary GAMC and the subsidiary GAC Gonow and others. As at 30 June 2013, the Group produced more than ten series of sedans, SUV and MPV, including GAC Toyota Camry, GAC Toyota Highlander, Guangqi Honda Crosstour, Guangqi Honda Accord, Guangqi Honda Odyssey, GAC Honda Crider, GAC Fiat viaggio, GAC Mitsubishi ASX, GAC Trumpchi, GAC Trumpchi GS5 and GAC Gonow Aoxuan G5 etc. The Group also participates in the production of Jazz sedans through its associated company, Honda (China).

(2) Commercial vehicles

The commercial vehicles of the Group are mainly manufactured by its subsidiary, GAC Bus and JCE, GAC Hino. Main products include light and heavy trucks, construction vehicles and large- to medium-sized passenger vehicles (including new energy vehicles purely electrically powered and hybrid).

As at 30 June 2013, production capacity of passenger vehicles and commercial vehicles of the Group together with its JCEs and associated companies was 1,350,000 units.

(3) Motorcycles

The Group manufactures motorcycles mainly through its JCE, Wuyang Honda. Main products include standard motorcycles, sport bikes and scooters. As at 30 June 2013, the production capacity of motorcycles of Wuyang-Honda was 1 million units.

2. Parts and components

The Group's auto-part products include engines, gearboxes, car seats, HVAC systems, auto lamps, shock absorbers and accessories. The Group's research and development and production of engines is mainly carried out through GAC Toyota Engine, Shanghai Hino and a wholly-owned subsidiary, GAMC, that of gearboxes through HAVECO, and that of other vehicles parts and components including car seats, HVAC systems, auto lamps, automation accessories, redirectors and shock absorbers through other subsidiaries, jointly controlled companies and investees of GAC Component, a wholly-owned subsidiary.

3. Automobile-related services and financial business

The Group's business of trading, automobile finance, insurance and brokerage, automobile logistics are mainly carried out through its subsidiaries, GAC Commercial and investees thereof, Urtrust Insurance, Guang Ai Insurance Brokers and the JCE, GAC-SOFINCO and the associated company, Tong Fang Logistics to provide automobile sales, automobile finance, automobile insurance and insurance brokerage, automobile leasing, logistics and import and export and other services.

Meanwhile, the Group conducts businesses such as equity investment management and investment consultancy through its subsidiary, GAC Capital, and creates synergies with related financial segment businesses of the Group, which together further explores and expands a new path for combining manufacturing and financial businesses and a more comprehensive GAC financial investment platform with GAC features is formed.

After strategic and business development in recent years, the Group has established a complete production chain, centering upon manufacture of vehicles and covering research and development and parts and components in the upper stream and trading, finance, insurance, leasing and logistics of automobiles in the lower stream, and become one of the automobile groups having the most integrated production chain in China.

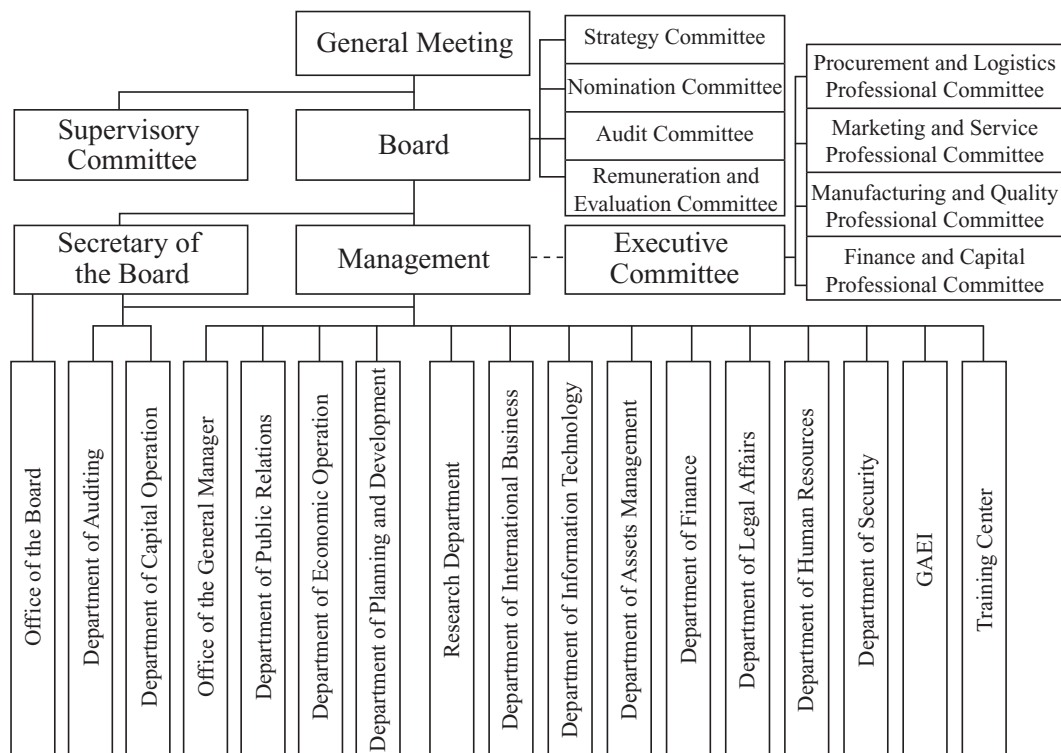
(2) MAJOR PERFORMANCE

Major works performed in the first half of the year are as follows.

1. Facilitate the innovation and reform of management mechanism and system

With a view to adapt to changes in the external environment and respond to the needs of our business development and sustainable development, in the first half of the year, in pursuing the established overall objective of “spurring development by innovation and reform” by the Board, the Group formulated and proceeded with various works in the innovation and reform of management mechanism and system, completed the adjustment of organizational structure of the Group, created an Executive Committee with 4 professional sub-committees to coordinate the development of all business segments and strengthen the Group’s strategic collaboration capabilities; 4 functional departments including research department, international business department, information technology department and training center and 1 branch office were established while better delineation of responsibilities of different departments was achieved in promoting labour cost reduction and efficiency enhancement; communication between shareholders, the Board and the management team was strengthened and the division of responsibilities in operational level and management were more clearly defined and the management model of the Group on its invested enterprises was optimized which enhanced the management efficiency through the deployment of directors, supervisors and chief financial officer to such enterprises to perfect the corporate governance structure which further enhanced the Group’s control and service coordination; the Group also amended systems of investment management and cadre management, decentralized the authority in relation to investment decisions, cadre management and remuneration and appraisal to enable more rapid and flexible response of its enterprises to market movement.

With the implementation of such innovation and reform works, the Company can now break through the bottleneck of the original management mechanism and system, further strengthen the power of execution of the Group and pave a new way for increasing the competitiveness of the Company for sustainable development and breaking new grounds.



2. Gradually advance production capacity/product planning

Based on its strategic planning, the Group has gradually advanced the construction of new production capacity and new product development and manufacturing projects of major invested enterprises.

- (1) The gasoline engine manufacturing project of 240,000 units annual production capacities and production capacity expansion project of Zengcheng plant of Guangqi Honda officially commenced in May.
- (2) The production capacity expansion and new product manufacturing projects of GAC Toyota were approved and land use approval obtained.
- (3) 100,000 to 200,000 units production capacity expansion project of GAC passenger vehicles and new products manufacturing projects of A28 and AD2 were approved and manufacturing commenced.
- (4) New progress in relation to the production capacity expansion and new products planning of GAC Fiat and the cooperation enhancement with Fiat-Chrysler alliance were achieved.

In addition, plant construction and equipment installation of NR engine capacity expansion project of GAC Toyota Engine were completed and trial-production commenced.

At the same time, the Group launched at different stages various new vehicle models in the first half of the year, such as proprietary brands, Trumpchi SUV GS5 1.8T, sedan GA51.8T, self-developed product of new idea S1 and strategic intermediate vehicle model of Guangqi Honda Crider; it is expected the new Ninth generation Guangqi Honda Accord and new economical sedan of GAC Toyota will be launched in the second half of the year.

The implementation of a series of capacity expansion projects and new product advancement and planning will facilitate the optimization of capacity layout of the Group, expand the scale of production, enrich and improve the Group's product mix, lower production cost to enhance its core competitiveness.

3. New progress of proprietary research and development and intellectual property

In the first half of the year, the Group continued to increase investment in research and innovation and capacity building, vigorously expanded the market for its own branded product and achieved new progress in proprietary research and development and building of its own brand.

- (1) Various vehicle projects including A28, AD2 and A68 were approved and entered the phase of design and development and power train development projects and other pilot research projects progressed smoothly. Trumpchi SUV GS5 1.8T and GA3 have been put into production, product line of proprietary brand was further enriched, first model of power train GS platform was commissioned successfully and the mass production of 1.6DCVVT engine was ready.
- (2) 120 new effective patents were granted to GAEL, of which 59 were invention patents, representing an increase of 167% and 321% compared with the corresponding period of last year; it published 115 technical standards, declared 16 technology projects and reported 14 technology progress awards.
- (3) The Group (including major investment companies) applied for 154 new patents and was granted 111 new patents.

4. New achievements in capital operation

In the first half of the year, the Group actively seized the capital market dynamics in accordance with the related development diversification concept, continued to optimize domestic and foreign capital operating platform, strengthen capital market financing and construction of capital operation system.

- (1) In March, the Group captured favourable market opportunity and timely and successfully issued the first batch of RMB4 billion corporate bonds; of which RMB1 billion with maturity of 5 years and interest rate of 4.89%; RMB3 billion with maturity of 10 years and interest rate of 5.09%; the issuance of RMB4 billion corporate bonds optimized the financial structure of the Group, lowered its finance costs and effectively supported the development of the Group's operation.
- (2) The Group contributed RMB1 billion in the incorporation of GAC Capital on 28 April in an attempt to enter the financial business (including equity investment); accelerate the cultivation of upstream and downstream industries including innovative industries, advanced manufacturing industries and high-end service industry through venture capital investment and capital operation; further perfected the product chain and laid a solid foundation in achieving effective combination of organic growth and external expansion.

5. Strengthen internal control and risk management

In order to further improve the Company's internal control and corporate governance standards, the Group continued to refine its internal control management system by combining innovation and reform on management mechanism and system, organizational restructuring of headquarter and regulatory requirements and formulated 11 new systems including the "Accountability System for Material Errors in Information Disclosure in the Annual Report" and amended 8 systems including the "articles of association" and "Management System of deployed Directors and Supervisors" to optimize the Company's internal control system.

Meanwhile, under the requirements of the Basic Principles for Internal Control of Enterprises and the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange, the Group consistently implemented internal control and risk management work, formulated the internal control and risk management plan for 2013, pursuant to which the Group updated the internal control documents of the Company's headquarter and investee companies, systemized the internal control procedures and developed the list of risks. On 20 March and 27 April 2013, the Company engaged Ernst & Young (China) Advisory Limited to provide practical training on internal control to internal control personnel of investee companies within the Group and carry out evaluation on internal control and risk assessment as planned, thereby further strengthening our internal control and risk prevention.

6. Standardize information disclosure to strengthen investor relations management

In compliance with regulatory requirements of the Chinese and overseas listing rules and the principle of strict information disclosure, the Group further standardized the information disclosure system and registered insider information and made relevant announcements in a timely manner when dealing with sensitive materials.

In the first half of the year, the Group uploaded a total of 46 regular reports and ad hoc announcements to the Hong Kong Stock Exchange and a total of 54 regular reports and ad hoc announcements to the SSE, which ensured a timely, fair, accurate and complete information disclosure of the Company's operation.

The Group insists on working out the principle of "transparency, openness and truthfulness" and established various communication channels while ensuring the quality of information disclosure, actively conducted various type of investor relations activities and communicated with investors.

During the reporting period, the Group has organized 1 large scale domestic and overseas roadshow, 1 investor open day; arranged about 52 telephone conferences for institutional investors and global analysts and 1 automobile show; attended 3 domestic and overseas investor forums; receptions of about 30 visits by investors and analysts from investment institutions in its ordinary course of business and receptions for more than 300 persons through various ways.

7. Strengthen building of corporate culture and fulfill social responsibility

Adhering to its corporate philosophy of “people as foundation, integrity as principle, innovation as priority”, the Group cares for its employees and the society, actively fulfills its social responsibilities, supports social welfare activities and promotes social harmony.

- (1) The Group continues to advance the construction of education training system and put up a management, curriculum and teacher system for training; implemented a diversified internal and external on-the-job training for management staff and production workers, while it supported and encouraged employees to use their spare time to learn and improve, the Group and its investing companies have completed the training for 144,800 staff.
- (2) The Group and its major investee companies actively participated in social welfare activities in relation to environmental protection, traffic safety and aid and relief programs such as the large environmental protection and social welfare activity “Thanksgiving Dong River” (感恩東江) organized by Guangdong Provincial Environmental Protection Foundation, “Giving a Helping Hand Day Guangdong” (廣東扶貧濟困日), “One-to-one Charity” (對口幫扶工程), and gave donations to the earthquake-stricken area in Sichuan Ya’an and “safety in China”(安全中國行)”. The Group and its investee companies so far invested approximately RMB24.2126 million in aggregate into various social welfare activities.
- (3) In the first half of the year, the Group has been awarded the “Guangdong Poverty Alleviation Hongmian Copper Cup” by the Leading Group of Poverty Alleviation Development of Guangdong Province; GAC Toyota, the major investee of the Group, and GAMC have been awarded environmental protection and social responsibilities related prizes of the “2013 Exemplary low-carbon Chinese Company” and “Outstanding contributions to Environmental Protection Activities” respectively.

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

During the reporting period, sales revenue of the Group together with its JCEs and associated companies amounted to RMB81,767 million, representing an increase of RMB2,951 million or 3.74% as compared to the corresponding period last year.

During the reporting period, sales revenue of the Group amounted to RMB8,247 million, representing an increase of 50.44% as compared to the corresponding period last year; net profit attributable to owners of the parent company amounted to RMB1,219 million, representing a decrease of 17.75%. Earnings per share amounted to RMB0.19, representing a decrease of 20.83% compared to the corresponding period last year.

The major factors leading to variation of results during the reporting period included new joint JCEs were at their start-up stage and the production capacity of which was not adequately utilized and efficiency took time to achieve. While at the same time, Trumpchi SUV GS5 of the Group achieved stable growth in sales and significant improvement in results; sales volume of major JCEs of the Group has gradually recovered and results were basically back to the level of the corresponding period of last year; rapid development was seen in new businesses such as automobile finance and automobile insurance and the effect of industry chain resources integration has gradually emerged.

(1) ANALYSIS ON PRINCIPAL BUSINESS

1. Analysis on changes of items in the statement of comprehensive income and the cash flow statement

Unit: RMB100 million

Item	Current period	Corresponding period last year	Change (%)
Sales revenue	82.47	54.82	50.44
Cost of sales	76.15	52.27	45.69
Selling and distribution costs	4.97	3.08	61.36
Administrative expenses	6.61	6.15	7.48
Finance costs	2.95	2.32	27.16
Share of profit of jointly-controlled entities and associates	18.45	21.47	-14.07
Net cash flow arising from operating activities	-4.51	-5.15	12.43
Net cash flow arising from investing activities	-20.38	12.51	-262.91
Net cash flow arising from financing activities	39.32	-1.97	2,095.94

2. Revenue

During the reporting period, sales revenue of the Group amounted to RMB8,247 million, representing an increase of 50.44% compared with the corresponding period last year, mainly due to the Trumpchi SUV GS5 was well-received by the market resulting in sales increase.

3. Cost of sales and gross profit

During the reporting period, the cost of sales of the Group amounted to RMB7,615 million, representing an increase of RMB2,388 million or 45.69% compared with the corresponding period last year; gross profit amounted to RMB632 million, representing an increase of RMB377 million or 147.84% compared with the corresponding period of last year.

Gross profit margin increased by 3.01% from 4.65% of last year to 7.66% of this year, mainly due to the increase in sales of the Group's Trumpchi SUV GS5 and decrease in apportionment of fixed costs.

4. Expense

- (1) Selling and distribution costs increased by RMB189 million compared with the corresponding period last year, mainly due to an increase in advertising and marketing expenses correspondent to the expansion of business scale.
- (2) Administrative expenses increased by RMB46 million compared with the corresponding period last year, mainly due to the increase in operation costs, labor costs and research expenditures due to the expansion of the Group's scale.
- (3) Finance costs increased by RMB63 million compared with the corresponding period last year, mainly due to the increase in finance expenses resulting from the issuance of corporate bonds by the Group during the reporting period.

5. Share of profit of jointly-controlled entities and associates

During the reporting period, share of profit of joint-controlled entities and associates of the Group amounted to RMB1,845 million, representing a decrease of RMB302 million as compared with the corresponding period last year, mainly as a result of new JCEs being at their start-up stage and production capacity of which was not adequately utilized and efficiency took time to emerge. While at the same time, major JCEs of the Group have achieved recovery in sales and results were basically back to the level of the corresponding period of last year.

6. Cash flow

- (1) During the reporting period, net cash outflow used in operating activities amounted to RMB451 million, representing a decreased out flow by RMB64 million as compared with net cash outflow of RMB515 million of the corresponding period last year, mainly due to increased sales in the reporting period which led to an increase in sales proceeds and other cash inflow.
- (2) During the reporting period, net cash outflow used in investing activities amounted to RMB2,038 million, representing an increased outflow of RMB3,289 million as compared with net cash inflow of RMB1,251 million of the corresponding period last year, mainly due to the increase in time deposits; the non-recurrence of long-term investment in last year such as the acquisition of share of GAC Changfeng and the construction of new research and development base of GAEI during the reporting period.
- (3) During the reporting period, net cash inflow generated from financing activities amounted to RMB3,932 million, representing an increased inflow of RMB4,129 million as compared with net cash outflow of RMB197 million of the corresponding period last year, mainly due to the issuance of RMB4 billion corporate bonds during the reporting period.
- (4) As at 30 June 2013, cash and cash equivalent of the Group amounted to RMB10,749 million, representing an increase of RMB1,965 million as compared with RMB8,784 million as at 30 June 2012.

7. Others

Earnings per share amounted to RMB0.19, representing a decrease of 20.83% as compared with RMB0.24 of the corresponding period last year, mainly because the Group's net profit attributable to the owners of the Company was RMB1,219 million, representing a decrease by 17.75% as compared with the corresponding period last year, and because of the increase in weighted average number of shares compared with the corresponding period of last year.

(2) ANALYSIS ON INDUSTRY OR REGIONAL OPERATION**1. Principal businesses by industry***Unit: RMB100 million*

Industry	Sales revenue	Cost of sales	Gross profit margin (%)	Change in sales revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in gross profit margin as compared with last year (%)
Vehicles and related operations	80.02	74.08	7.42	48.38	43.54	3.12
Others	2.45	2.07	15.51	175.28	213.64	-10.33
Total	82.47	76.15	7.66	50.44	45.69	3.01

2. Principal businesses by region*Unit: RMB100 million*

Region	Sales revenue	Change in sales revenue as compared with last year (%)
Mainland China	82.46	50.45
Hong Kong	0.01	0.00
Total	82.47	50.44

(3) ANALYSIS ON ASSETS AND LIABILITIES**1. Table of assets and liabilities analysis***Unit: RMB100 million*

Item	Balance at the end of the current period	Balance at the end of the period to total assets (%)	Balance at the end of previous year	Balance at the end of previous year to total assets (%)	Change (%)
Property, plant and equipment	61.67	11.16	59.27	11.99	4.05
Land use rights	10.57	1.91	10.65	2.15	-0.75
Intangible assets	31.59	5.72	30.76	6.22	2.70
Investment in jointly controlled entities and associates	170.18	30.79	168.82	34.15	0.81
Deferred income tax assets	5.73	1.04	5.68	1.15	0.88
Prepayments	14.65	2.65	13.96	2.82	4.94
Inventories	15.81	2.86	13.97	2.83	13.17
Trade and other receivables	30.73	5.56	33.03	6.68	-6.96
Time deposits	91.10	16.48	55.59	11.25	63.88
Cash and cash equivalents	107.49	19.45	93.16	18.85	15.38
Trade and other payables	75.94	13.74	63.94	12.93	18.77
Borrowings	140.12	25.35	102.91	20.82	36.16

2. Explanation on the changes

- (1) Time deposits and cash and cash equivalents: mainly due to the issuance of RMB4 billion corporate bonds and the decrease in investment expenses during the reporting period;
- (2) Borrowings: mainly due to the issuance of RMB4 billion corporate bonds during the reporting period.

(4) ANALYSIS ON FINANCIAL POSITION**1. Financial indicators**

As at 30 June 2013, the Group's current ratio was 1.52 times, representing a decrease from 2.25 times as at 31 December 2012; quick ratio was 1.37 times, representing a decrease from 2.01 times as at 31 December 2012, mainly due to medium-term notes issued by the Group with nominal value of RMB6,700 million will mature within 1 year and was reclassified to current liabilities.

2. Financial resources and capital structure

As at 30 June 2013, the Group's current assets amounted to RMB25,414 million, current liabilities amounted to RMB16,690 million and current ratio was 1.52 times. As at 30 June 2013, the Group's total borrowings amounted to RMB14,012 million, mainly consisted of medium-term notes issued by the Group with nominal value of RMB6,700 million, corporate bonds issued by the Group with nominal value of RMB600 million, corporate bonds issued by the Group with nominal value of RMB4 billion and loans from bank and financial institutions amounting to RMB2,783 million, which resulted in a gearing ratio of 29.74%. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

3. Foreign exchange risk

As the Group mainly conducts its business in the PRC and the sales and purchases of the Group in the PRC were denominated in RMB. The Group's operating results and cash flow were not exposed to any foreign currency risk during the reporting period.

4. Contingent liabilities

As at 30 June 2013, third-party guarantee committed by the Group amounted to RMB5,666,667, whereas that as at 31 December 2012 was RMB7,366,667; as at 30 June 2013, financial guarantee of the Company for its subsidiaries amounted to RMB0, whereas that as at 31 December 2012 was RMB0.

(5) ANALYSIS ON CORE COMPETITIVENESS

1. Complete production chain

After years of strategic development, the Group has established a complete production chain centering upon manufacture of vehicles and covering research and development and parts and components in the upper stream and trading, finance, insurance, leasing and logistics of automobiles in the lower stream, and has become one of the automobile groups having the most integrated production chain in China. The Group recorded greater profit contribution from businesses related to automobile in the upper and lower stream and is fostering profit growth points.

2. Advanced technology and management

Amid intensified market competition and years of jointly-controlled entities cooperation, the Group accumulated abundant experience in development, production, quality control and marketing services and established modernized process management systems and production operation mechanisms which provided the Group with comprehensive competitive advantages.

3. Domestic and overseas dual capital operation platform

The domestic and foreign financing channels placed the Group in a good position to grow its capital through capital and financial instruments from various channels and maximize capital return while facilitating the development of main operation.

SIGNIFICANT EVENTS

(1) PROFIT DISTRIBUTION

1. Implementation of profit distribution plan during the reporting period

During the reporting period, the Company approved the profit distribution plan for 2012 (i.e. final dividend for the year 2012), a cash dividend of RMB0.02 (tax inclusive) per share will be distributed to all shareholders and the profit distribution was completed before 26 July 2013.

2. Declared half-year profit distribution plan

The Board declared a cash dividend of RMB0.06 per share (tax inclusive) to all shareholders.

(2) PRODUCTION SAFETY

The Group adhered to the guidelines of safety first, focus on prevention, comprehensive control, strictly implemented accountability system for production safety and performed duties of supervising and instructing respective investment enterprises on their safety management. During the first half of the year, no production safety accidents of serious injury or worse occurred among the Group and the respective investment enterprises. In general, the “safe-production” condition remained stable.

(3) ENVIRONMENTAL PROTECTION

Working towards the targets of energy saving, consumption reduction, pollution reduction and efficiency enhancement, the Group carried out a wide range of energy saving and emission reduction activities. During the first half of the year, the Group had no circumstances that fell short of environmental standards.

(4) REMUNERATION POLICY AND LEGAL RIGHTS OF EMPLOYEES

As of 30 June 2013, the number of registered employees of the Group (including its major joint ventures) amounted to 35,175.

The Group has put much emphasis on research and analysis of market remuneration data and strives to offer reasonable and competitive salaries for its employees. The Group always advocated the implementation of performance-linked-remuneration policy and improved incentive and constraint mechanism. By more focusing on the key management and professional technical positions, it is able to attract, encourage and retain the talented personnel, promoting the sustainable growth of our performance; the Group is also concerned about the establishment and improvement of employee benefits system, the Group readjusted and amended the “employee salaries and benefits management system” combining the innovation and reform works in the first half of the year, further reflected and protected the interests of employees; and apart from making timely contributions to social insurance, housing provident funds and other statutory benefit schemes, certain investee companies of the Group have established and improved their benefits systems, including supplementary medical insurance, supplementary pension insurance or enterprise annuity systems.

(5) MATERIAL LITIGATIONS, ARBITRATIONS AND MATTERS GENERALLY QUESTIONED BY THE MEDIA

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

(6) MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring during the reporting period.

(7) TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS

Business Combinations

Merger Project of Guangzhou Auto Group Corporation (please refer to the two overseas regulatory announcements of the Company dated 27 August 2012): Pursuant to the planning, Creditors Notice was published in January 2013 and subsequent works have been carried out in accordance with related laws and regulations, including tax and cancellation of business registration of Guangzhou Auto Group Corporation and foreign investment approval and change of business of Guangqi Honda. Deregistration of Guangzhou Auto Group Corporation was completed in mid-April.

(8) TRANSACTIONS IN RELATION TO PRINCIPAL JCEs

At the time of listing of the Company, the Hong Kong Stock Exchange granted a conditional waiver from strict compliance with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial JCEs. The Company is required to review whether the immaterial JCEs met the conditions in the waiver on a yearly basis. As the size tests calculated in the current year based on the financial statements for the year 2012 exceeded the threshold of 5%, Wuyang-Honda and GAC-SOFINCO will become principal JCEs in the following financial year.

(9) IMPLEMENTATION OF THE SHARE OPTION INCENTIVE SCHEME AND ITS EFFECTS

On 29 February 2012, the “Scheme of H Share Appreciation Rights of Guangzhou Automobile Group Co., Ltd.” was reviewed and approved at the first extraordinary general meeting of the Company in 2012. On the same date, as considered and passed at the 53rd meeting of the second session of the Board, the Company officially implemented the initial grant of the H share appreciation rights.

During the reporting period, there was no change in the said share option incentive scheme.

(10) MATERIAL CONTRACTS AND THEIR PERFORMANCE**1. Trusts, contracts and lease arrangements which contribute 10% or more of the total profit of the Company for the period****(1) Custody**

During the reporting period, the Company had no custody.

(2) Contracting

During the reporting period, the Company had no contracting.

(3) Leases

During the reporting period, the Company had no leases.

2. Guarantee

Unit: RMB

External Guarantee of the Company (excluding those provided to subsidiaries)											
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	The guarantee is fully performed	Overdue	Is counter guarantee available	Guarantee provided to the related parties
GAC Bus	Wholly-owned subsidiaries	韶關市公共汽車公司	10,200,000	20 July 2011	16 February 2012	16 February 2015	Suretyship of joint and several liability	No	No	No	No
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)											0
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)											5,666,667

3. Other material contracts and transactions

During the reporting period, the Company had no other material contracts and transactions.

(11) CORPORATE GOVERNANCE

The Group strictly complied with the requirements relating to corporate governance under the “Company Law”, the “Securities Law”, “Corporate Governance Guidelines of Listed Companies”, “Listing Rules of the Shanghai Stock Exchange”, “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” and its Appendix “Corporate Governance Code”. The Group has established relatively sound governance structure, and to adopt to the need of sustainable development, further enhanced management structure, standardised operations and established new systems and mechanisms through innovation and reform.

During the reporting period, a total of 1 general meeting, 10 Board meetings, 2 meetings of the Supervisory Committee were held, and the procedures of the convening, holding and considering and voting for meetings have been in strict compliance with the Articles of Association and rules of proceedings.

During the operation decision-making process, the special committees of the Board fully played their roles. During the reporting period, a total of 2 Strategy Committee meetings, 2 Audit Committee meetings and 1 Remuneration and Evaluation Committee meeting and 1 Nomination Committee meeting were held, which provided effective decision-making support for the investments in significant projects and personnel nomination and dismissal, and provided active and effective recommendations and advices for the preparation of periodic reports in compliance with applicable regulations and the continuous improvement of internal control mechanism of the Company.

During the reporting period, the Company implemented relevant systems such as the Accountability System for Material Errors in Information Disclosure in the Annual Report of GAC Group, Management System for Dispatched Directors and Supervisors of GAC Group and Chief Executive Officer to be based in GAC Group for management, which further improved the basic management system of the Company and laid a solid foundation for the continuous enhancement in operation efficiency and management standard through corporate governance.

In addition, in accordance with the requirement of Basic Principles for Internal Control of Enterprises and Guidelines of SSE for the Internal Control of Listed Companies, the Company continued to execute work on internal control and risk management during the reporting period. The Company implemented internal control and risk management plan for 2013, and updated the internal control documents for the Company’s headquarter and invested companies according to the plan, which refined the internal control processes and formulated risk list, and engaged Ernst & Young (China) Advisory Limited to provide develop specific training in respect of internal control to each of the invested enterprise.

During the reporting period, the Company has been in full compliance with the Corporate Governance Code under the Listing Rules.

The Company has adopted the Model Code for “Securities Transactions by Directors of Listed Issuers” of the Listing Rules. After making specific enquiries with all Directors by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the reporting period.

CHANGES IN SHARES AND SHAREHOLDERS

(I) STATEMENT OF CHANGES IN SHARE CAPITAL

Statement of changes in shares

During the reporting period, there was no change to the total number of shares and share capital structure of the Company.

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

The Company had not redeemed any of its listed securities during the reporting period. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the reporting period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) CHANGES OF SHAREHOLDING

There was no change in shareholding held by incumbent and resigned directors, supervisors and senior management of the Company during the reporting period.

(II) MOVEMENT IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Due to change in organisational structure, movements in some positions at management level are as follows:

Name	Position	Change
Yuan Zhongrong	Standing Deputy General Manager	Dismissed, and appointed as deputy Chairman of the Company and deputy manager of the executive committee of the Company
Fu Shoujie	Director, Deputy General Manager	Resigned from all duties due to job relocation
Feng Xingya	Standing Deputy General Manager	Appointed as deputy manager of the executive committee of the Company
Zhang Qingsong	Deputy General Manager	Appointed as deputy manager of the executive committee of the Company
Huang Xiangdong	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Wu Sung	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Liu Wei	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Qu Yongjian	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Chen Maoshan	Deputy General Manager	Dismissed, and appointed as deputy manager of the executive committee of the Company
Lai Boyi	Supervisor	Elected in staff representative committee election
Ye Ruiqi	Supervisor	Resigned as not elected in staff representative committee election

Note: Fu Shoujie was the Director of the 3rd session of Board, and was appointed as Deputy General Manager of the Company on 3 June 2013. Due to change in organisational structure, he submitted his resignation on 1 August 2013, and resigned all his duties of the Company (including the invested enterprises). Please refer to the announcement of the Company dated 1 August 2013 for details.

(III) INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES

(a) Interests in shares

As at 30 June 2013, the interests of the directors, supervisors and senior management of the Company in the shares of the Company and its associated corporations (as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") of the Listing Rule, to be notified to the Company and the Hong Kong Stock Exchange, were as follows (unit: share):

Name	Capacity	Number of shares held at the reporting period	Number of shares held at the end of reporting period	Increase/decrease during the reporting period
Gao Fusheng	Supervisor	87	87	0
Yao Yiming	Deputy General Manager	536,597	536,597	0

(b) H Share Appreciation Rights

According to the H share appreciation rights scheme (details of which were set out in the circular of the Company dated 14 January 2012). As at 30 June 2013, the following directors were granted with the number of H share appreciation rights set out below:

Name	Date of grant	Number of units of Share Appreciation Rights granted as at the beginning of the reporting period	Number of units of Share Appreciation Rights granted during the reporting period	Number of units of Share Appreciation Rights granted as at the end of the reporting period	Percentage of issued share capital of the category (%)	Percentage of the total issued share capital (%)
Zhang Fangyou	29 February 2012	740,000	0	740,000	0.03	0.01
Zeng Qinghong	29 February 2012	580,000	0	580,000	0.02	0.00
Yuan Zhongrong	29 February 2012	550,000	0	550,000	0.02	0.00
Liu Huilian	29 February 2012	550,000	0	550,000	0.02	0.00
Lu Sa	29 February 2012	550,000	0	550,000	0.02	0.00
Wei Xiaoqin	29 February 2012	550,000	0	550,000	0.02	0.00
Li Tun	29 February 2012	550,000	0	550,000	0.02	0.00

Save as disclosed above, as at 30 June 2013, none of the directors, supervisors or senior management had any interests or short position in any shares, underlying shares and debentures of the Company and its associated corporations. As at 30 June 2013, the Company had not granted any rights to subscribe for shares or debentures of the Company or any of its associated corporations to any director, supervisor or senior management of the Company or their respective spouses or children under 18 years of age.

(IV) SHARE INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the end of the reporting period, the interests and short positions of the persons (other than directors and supervisors of the Company) interested in 5% or more of the respective classes of issued share capital, as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO are set out below:

Name	Class of shares	Capacity	Number of shares (Note 1)	Percentage in the class of issued share capital (%)	Percentage of the total share capital (%)
GAIG (Note 2)	A shares	Beneficial owner	3,679,503,529 (L)	87.16	58.40
	H shares	Interest of a controlled corporation	79,276,000 (L)	3.58	
Templeton Asset Management Limited	H shares	Investment manager	549,343,208 (L)	24.82	8.54
Massachusetts Financial Services Company	H shares	Investment manager	177,788,000 (L)	8.03	2.76
Sun Life Financial, Inc.	H shares	Investment manager	177,788,000 (L)	8.03	2.76

Notes:

- (L) – Long Position, (S) – Short Position, (P) – Lending Pool
- On 30 June 2013, GAIG held in total 3,705,129,384 shares of the Company's A Shares (of which, 3,617,403,529 were subject to trading moratorium), approximately representing 87.76% of the share capital of the Company's A Shares. Meanwhile, it, through its wholly-owned subsidiary in Hong Kong, Guangzhou Auto Group (Hong Kong) Limited, held 79,276,000 shares of the Company's H Shares, representing approximately 3.58% of the share capital of the Company's H Shares. Hence, it held in aggregate 3,784,405,384 A and H Shares, approximately representing 58.81% of the total share capital of the Company.

Condensed Consolidated Interim Financial Information

INTERIM CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	1,056,799	1,064,581
Property, plant and equipment	7	6,166,596	5,927,416
Investment properties	7	45,277	30,580
Intangible assets	7	3,158,797	3,076,492
Investments in jointly-controlled entities and associates	8	17,018,198	16,881,951
Deferred income tax assets		573,115	567,622
Available-for-sale financial assets		299,558	144,099
Held-to-maturity investments		71,653	71,175
Prepayment		1,464,852	1,395,654
		29,854,845	29,159,570
Current assets			
Inventories		1,580,978	1,397,419
Trade and other receivables	9	3,072,876	3,303,090
Available-for-sale financial assets		465,000	–
Financial assets at fair value through profit or loss		13,190	31,455
Time deposits		9,109,686	5,558,589
Restricted cash		423,480	667,952
Cash and cash equivalents		10,748,855	9,315,874
		25,414,065	20,274,379
Total assets		55,268,910	49,433,949
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	6,435,019	6,435,019
Other reserves		10,189,873	10,190,029
Retained earnings			
– Proposed dividend	17	–	128,700
– Others		15,607,502	14,388,323
		32,232,394	31,142,071
Non-controlling interests		877,610	921,760
Total equity		33,110,004	32,063,831

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	11	18,378	18,530
Borrowings	12	4,926,944	7,776,084
Deferred income tax liabilities		16,075	16,323
Provisions		37,576	21,587
Government grants		469,849	507,786
		5,468,822	8,340,310
Current liabilities			
Trade and other payables	11	7,575,289	6,375,740
Current income tax liabilities		29,701	139,348
Borrowings	12	9,085,094	2,514,720
		16,690,084	9,029,808
Total liabilities		22,158,906	17,370,118
Total equity and liabilities		55,268,910	49,433,949
Net current assets		8,723,981	11,244,571
Total assets less current liabilities		38,578,826	40,404,141

The notes on pages 25 to 42 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Revenue	6	8,247,265	5,481,982
Cost of sales		(7,615,291)	(5,226,906)
Gross profit		631,974	255,076
Selling and distribution costs		(496,794)	(307,647)
Administrative expenses		(660,547)	(614,683)
Interest income		100,560	48,202
Other gains-net		37,466	30,570
Operating loss	13	(387,341)	(588,482)
Finance costs	14	(294,893)	(231,938)
Interest income		31,728	55,609
Share of profit of jointly-controlled entities and associates	8	1,844,554	2,147,445
Profit before income tax		1,194,048	1,382,634
Income tax (expense)/credit	15	(32,048)	66,320
Profit for the period		1,162,000	1,448,954
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss-fair value loss on available-for-sale financial assets, net of tax		(804)	(602)
Total comprehensive income for the period		1,161,196	1,448,352
Profit/(loss) attributable to:			
– Equity holders of the Company		1,219,179	1,481,605
– Non-controlling interests		(57,179)	(32,651)
		1,162,000	1,448,954
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		1,218,697	1,481,244
– Non-controlling interests		(57,501)	(32,892)
		1,161,196	1,448,352
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– basic and diluted	16	0.19	0.24
Dividends	17	386,101	450,451

The notes on pages 25 to 42 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2013	6,435,019	10,190,029	14,517,023	31,142,071	921,760	32,063,831
Comprehensive income						
Profit/(loss) for the period	-	-	1,219,179	1,219,179	(57,179)	1,162,000
Other comprehensive income/(loss)- Available-for-sale financial assets, net of tax	-	(482)	-	(482)	(322)	(804)
Total comprehensive income/(loss)	-	(482)	1,219,179	1,218,697	(57,501)	1,161,196
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Dividends declared by the Company and subsidiaries	-	-	(128,700)	(128,700)	(17,500)	(146,200)
Others	-	316	-	316	268	584
Total contributions by and distributions to equity holders of the Company	-	316	(128,700)	(128,384)	(17,232)	(145,616)
Contribution from non-controlling shareholders of subsidiaries	-	10	-	10	30,583	30,593
Total transactions with owners	-	326	(128,700)	(128,374)	13,351	(115,023)
Balance at 30 June 2013	6,435,019	10,189,873	15,607,502	32,232,394	877,610	33,110,004
Balance at 1 January 2012	6,148,057	7,869,317	15,192,198	29,209,572	976,052	30,185,624
Comprehensive income						
Profit/(loss) for the period	-	-	1,481,605	1,481,605	(32,651)	1,448,954
Other comprehensive income/(loss)- Available-for-sale financial assets, net of tax	-	(361)	-	(361)	(241)	(602)
Total comprehensive income/(loss), net of tax	-	(361)	1,481,605	1,481,244	(32,892)	1,448,352
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Issue of new shares	286,962	2,246,621	-	2,533,583	-	2,533,583
Appropriation to reserve fund	-	72,135	(72,135)	-	-	-
Dividends declared by the Company and subsidiaries	-	-	(1,287,004)	(1,287,004)	(13,464)	(1,300,468)
Total contributions by and distributions to equity holders of the Company	286,962	2,318,756	(1,359,139)	1,246,579	(13,464)	1,233,115
Disposal of a subsidiary	-	-	-	-	(127)	(127)
Contribution from the non-controlling shareholders of subsidiaries	-	-	-	-	7,900	7,900
Total transactions with owners	286,962	2,318,756	(1,359,139)	1,246,579	5,691	1,240,888
Balance at 30 June 2012	6,435,019	10,187,712	15,314,664	31,937,395	937,469	32,874,864

The notes on pages 25 to 42 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Cash flows from operating activities		
Cash used in operations	(135,861)	(256,950)
Interest received	132,408	137,554
Interest paid	(337,592)	(343,535)
Income tax paid	(109,686)	(52,125)
Net cash flows used in operating activities	(450,731)	(515,056)
Cash flows from investing activities		
Purchases of property, plant and equipment, land use rights, investment properties and intangible assets	(611,986)	(1,820,946)
Proceeds from sales of property, plant and equipment	142,337	16,350
Disposal of a subsidiary	–	2,422
Additional capital injection in jointly-controlled entities	(212,150)	–
Additional capital injection in associates	(115,777)	(33,196)
Acquisition and set-up of associates	(30,646)	(2,424,410)
Acquisition of available-for-sale financial assets and financial assets at fair value through profit or loss	(753,425)	(50,000)
Disposal of available-for-sale financial assets and financial assets at fair value through profit or loss	157,600	–
Issue of entrusted loans	(60,000)	(38,400)
Proceeds from repayment of entrusted loans	21,600	38,400
Receipt of government grant	3,650	40,260
Dividends received from jointly-controlled entities and associates	2,894,336	3,387,735
(Increase)/decrease in time deposits	(3,551,097)	2,133,213
Increase in restricted cash	77,635	–
Net cash flows (used in)/generated from investing activities	(2,037,923)	1,251,428
Cash flows from financing activities		
Contribution from non-controlling shareholders of subsidiaries	30,593	7,900
Other payments for listing-related expenses	–	(38,185)
Distribution to shareholders of the Company and non-controlling shareholders of subsidiaries	(8,212)	(6,715)
Proceeds from borrowings	1,387,982	1,745,570
Repayments of borrowings	(1,435,555)	(1,905,608)
Proceeds from bonds	3,956,840	–
Net cash flows generated from/(used in) financing activities	3,931,648	(197,038)
Net increase in cash and cash equivalents	1,442,994	539,334
Cash and cash equivalents at beginning of the period	9,315,874	8,239,169
Exchange (losses)/gains on cash and cash equivalents	(10,013)	5,261
Cash and cash equivalents at end of the period	10,748,855	8,783,764

The notes on pages 25 to 42 form an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and auto parts.

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 limited liability company under the PRC Company Law by converting its registered share capital and reserve as of 30 June 2004 into 3,499,665,555 shares at RMB 1 each. In 2009, the Company issued additional 435,091,902 shares at par value of RMB 1 each to all its shareholders. After the capital injection and as of 31 December 2009, the Company’s total issued domestic shares were 3,934,757,457 shares.

The Company privatised Denway Motors Limited (“Denway”) by issuance of 2,213,300,218 foreign shares on 27 August 2010. Thereafter, Denway became a wholly-owned subsidiary of the Company. The Company’s 2,213,300,218 newly issued shares were then listed on the HKSE by way of Introduction on 30 August 2010.

The Company previously held 29% interests in GAC Changfeng Motor Co., Ltd. (“GAC Changfeng”, which was listed on the Shanghai Stock Exchange (“SSE”)) and was the largest shareholder of GAC Changfeng. Subsequent to the approval of the Company’s shareholders and China Securities Regulatory Commission, the Company paid cash consideration totalling RMB 2,409,409,738 to the second largest shareholder of GAC Changfeng, Changfeng Group Limited Company, and the third largest shareholder, Mitsubishi Motors Corporation, to acquire 36.57% interests in GAC Changfeng held by these two companies in 2012. On 23 March 2012, the Company issued 286,962,422 RMB ordinary shares in exchange for 34.43% interests in GAC Changfeng held by the remaining shareholders and then GAC Changfeng was delisted from SSE. Upon the above arrangement became effective, GAC Changfeng became a wholly owned subsidiary of the Company. On 29 March 2012, following the issuance of the above 286,962,422 RMB new shares, the Company was listed on the SSE.

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB”) Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 29 August 2013.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those described in the annual financial statements for the year ended 31 December 2012.

Taxes on income in the interim periods have been accrued using the tax rate that would be applicable to the estimated annual earnings.

- (a) The following new standards and amendments, revisions and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2013:

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Investment in associates and jointly-controlled entities	1 January 2013
HKFRS 1 (Amendment)	First time adoption-Government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures-Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 10 and HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements, Disclosures of Interest in Other Entities: Transitional Guidance	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
Annual Improvements	Annual improvements 2009-2011 cycle	1 January 2013

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

HKFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. The Group has included the disclosures for financial assets and non-financial assets.

As a result, the adoption of above new standards and amendments, revisions and interpretation to existing standards does not have material impact on the results and financial position of the Group.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(continued)***3 ACCOUNTING POLICIES** *(continued)*

- (b) The following new standards and amendments, revisions and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 10 HKFRS 12 and HKAS 27 (revised 2011)	Consolidated financial statements, Disclosure of interests in other entities and Separate financial statements	1 January 2014
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
HK(IFRIC) Interpretation 21	Levies	1 January 2014

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 FINANCIAL RISK MANAGEMENT**5.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in risk management policies since year end.

5.2 Liquidity risk

Compared to year end, except for new issuance of RMB4 billion corporate bonds during the period, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Trading debt investments	10,965	–	–	10,965
– Fund investments	2,225	–	–	2,225
Available-for-sale financial assets				
– Bond investments	237,135	–	–	237,135
– Fund investments	62,423	–	–	62,423
– Wealth management products	–	–	465,000	465,000
Total assets	312,748	–	465,000	777,748

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Trading debt investments	29,230	–	–	29,230
– Fund investments	2,225	–	–	2,225
Available-for-sale financial assets				
– Bond investments	144,099	–	–	144,099
Total assets	175,554	–	–	175,554

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

6 SEGMENT INFORMATION

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

The executive directors considered the nature of the Group's business and determined that the Group has one reportable operating segments as follows:

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

Others mainly comprise production and sale of motorcycles, and automobile finance and insurance business 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.

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
For six months ended 30 June 2013					
Total segment revenue	8,015,658	272,295	(40,688)		8,247,265
Inter-segment revenue	(13,428)	(27,260)	40,688		-
Revenue (from external customers)	8,002,230	245,035	-		8,247,265
Segment results	(308,276)	(47,718)	-		(355,994)
Unallocated income-Headquarter interest income				66,333	66,333
Unallocated costs-Headquarter expenditure				(97,680)	(97,680)
Operating losses					(387,341)
Finance costs	(92,569)	(1,143)	-	(201,181)	(294,893)
Interest income	16,090	2,495	-	13,143	31,728
Share of profit of jointly-controlled entities and associates	1,760,475	84,079	-	-	1,844,554
Profit before income tax					1,194,048
Income tax (expense)/credit	(25,374)	4,744	-	(11,418)	(32,048)
Profit for the period					1,162,000

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

6 SEGMENT INFORMATION (continued)

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
For six months ended 30 June 2012					
Total segment revenue	5,400,738	120,997	(39,753)		5,481,982
Inter-segment revenue	(7,794)	(31,959)	39,753		–
Revenue (from external customers)	5,392,944	89,038	–		5,481,982
Segment results	(459,112)	(17,297)	(21,258)		(497,667)
Unallocated income-Headquarter interest income				47,772	47,772
Unallocated costs-Headquarter expenditure				(138,587)	(138,587)
Operating losses					(588,482)
Finance costs	(80,792)	(84)	–	(151,062)	(231,938)
Interest income	10,438	688	–	44,483	55,609
Share of profit of jointly-controlled entities and associates	2,087,322	60,123	–	–	2,147,445
Profit before income tax					1,382,634
Income tax credit/(expense)	69,955	(431)	–	(3,204)	66,320
Profit for the period					1,448,954
	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets					
At 30 June 2013	35,653,336	5,113,841	(1,202,817)	15,704,550	55,268,910
At 31 December 2012	34,135,580	4,375,091	(1,227,708)	12,150,986	49,433,949
Total liabilities					
At 30 June 2013	11,339,589	780,093	(1,190,259)	11,229,483	22,158,906
At 31 December 2012	10,484,526	780,928	(1,166,630)	7,271,294	17,370,118

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

7 LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Land use rights RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2013				
Opening net book amount as at 1 January 2013	1,064,581	5,927,416	30,580	3,076,492
Additions	2,629	539,090	15,870	273,899
Disposals	–	(58,076)	–	(30,415)
Impairment	–	–	–	(5)
Depreciation and amortisation	(10,411)	(241,834)	(1,173)	(161,174)
Closing net book amount as at 30 June 2013	1,056,799	6,166,596	45,277	3,158,797
Six months ended 30 June 2012				
Opening net book amount as at 1 January 2012	983,130	4,308,829	32,057	2,273,409
Additions	–	986,815	–	433,530
Disposals	–	(32,396)	–	–
Depreciation and amortisation	(9,232)	(187,515)	(1,137)	(90,320)
Closing net book amount as at 30 June 2012	973,898	5,075,733	30,920	2,616,619

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

	As at	
	30 June 2013 RMB'000	31 December 2012 RMB'000
Investments in jointly-controlled entities	12,360,832	12,313,895
Investments in associates	4,657,366	4,568,056
	17,018,198	16,881,951
	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Share of profit of jointly-controlled entities	1,400,849	1,720,207
Share of profit of associates	443,705	427,238
	1,844,554	2,147,445

8.1 Investments in jointly-controlled entities

(a) Movements of investments in jointly-controlled entities are set out as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
At beginning of the period	12,313,895	9,284,474
Additions	184,500	3,345,740
Share of profit	1,395,856	1,730,194
Dividend declared	(1,533,419)	(2,178,292)
End of the period	12,360,832	12,182,116

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

8.1 Investments in jointly-controlled entities (continued)

- (b) The following amounts represent the Group's share of the assets and liabilities (exclude goodwill), and income and expenses of the jointly-controlled entities.

	As at	
	30 June 2013 RMB'000	31 December 2012 RMB'000
Assets		
Non-current assets		
– Property, plant and equipment	8,750,280	8,356,861
– Other non-current assets	2,409,989	2,295,694
	11,160,269	10,652,555
Current assets		
– Inventories	2,533,353	2,349,445
– Trade and other receivables	7,258,999	7,125,643
– Other current assets	8,801,560	7,849,310
	18,593,912	17,324,398
Total assets	29,754,181	27,976,953
Liabilities		
Non-current liabilities		
– Borrowings and other non-current liabilities	2,094,295	1,779,423
Current liabilities		
– Trade and other payables	12,121,080	11,773,285
– Borrowings	5,922,469	4,459,333
– Other current liabilities	541,256	532,523
	18,584,805	16,765,141
Total liabilities	20,679,100	18,544,564
Net assets	9,075,081	9,432,389
Less: Non-controlling interests	(11,968)	(13,787)
	9,063,113	9,418,602

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

8.1 Investments in jointly-controlled entities (continued)

- (b) The following amounts represent the Group's share of the assets and liabilities (exclude goodwill), and income and expenses of the jointly-controlled entities. (continued)

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Income	28,315,585	26,912,200
Cost of sales	(23,495,902)	(22,050,208)
Other expenses	(3,425,876)	(3,132,498)
Profit after income tax	1,393,807	1,729,494
Add: Loss shared by non-controlling interests	2,049	700
	1,395,856	1,730,194
Add/(Less): Impact of unrealised profit arising from transactions between the Group and jointly-controlled entities	4,993	(9,987)
Share of profit of jointly-controlled entities	1,400,849	1,720,207

8.2 Investments in associates

- (a) Movements of investments in associates are set out as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Beginning of the year	4,568,056	5,097,755
Additions	142,792	52,965
Disposal	–	(1,040,842)
Share of profits	443,705	427,238
Dividend declared	(497,187)	(573,461)
End of the year	4,657,366	3,963,655

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

8.2 Investments in associates (continued)

(b) The combined results, total assets and liabilities of the Group's associates are as follows:

	As at	
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Total assets	21,440,123	19,802,688
Total liabilities	(8,697,813)	(7,232,150)
Net assets	12,742,310	12,570,538
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Revenue	16,586,731	18,246,852
Profit after income tax	1,290,200	1,406,487

9 TRADE AND OTHER RECEIVABLES

Sales of passenger vehicles were normally made with advance payment. Sales of other products were made on credit terms ranging from 2 to 170 days.

As at 30 June 2013 and 31 December 2012, the ageing analysis of trade receivables is as follows:

	As at	
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Trade receivables		
Within 3 months	689,086	610,317
Between 3 months and 1 year	622,198	402,522
Between 1 and 2 years	21,327	23,325
Between 2 and 3 years	3,489	3,243
Over 3 years	132,698	134,176
	1,468,798	1,173,583
Less: Provision for impairment	(136,301)	(137,655)
Trade receivables-net	1,332,497	1,035,928

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

10 SHARE CAPITAL

	RMB ordinary shares of RMB1 each		Domestic legal person shares of RMB1 each		Foreign H shares listed out of mainland China of RMB1 each		Total	
	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000
As at 1 January 2012	-	-	3,934,757	3,934,757	2,213,300	2,213,300	6,148,057	6,148,057
Issue of new share	286,962	286,962	-	-	-	-	286,962	286,962
As at 30 June 2012, 1 January 2013 and 30 June 2013	286,962	286,962	3,934,757	3,934,757	2,213,300	2,213,300	6,435,019	6,435,019

11 TRADE AND OTHER PAYABLES

As at 30 June 2013 and 31 December 2012, the ageing analysis of the trade payables is as follows:

	As at	
	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade payables		
Within 1 year	3,743,210	2,771,967
Between 1 and 2 years	49,198	37,959
Between 2 and 3 years	957	3,612
Over 3 years	6,279	3,705
	3,799,644	2,817,243

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

12 BORROWINGS

	As at	
	30 June 2013 RMB'000	31 December 2012 RMB'000
Non-current		
Bank borrowings	373,584	504,790
Corporate bonds (a)	4,553,360	595,171
Medium-term notes (b)	–	6,676,123
	4,926,944	7,776,084
Current		
Borrowings from bank and financial institutions	2,408,971	2,514,720
Debentures (b)	6,676,123	–
	9,085,094	2,514,720
Total borrowings	14,012,038	10,290,804

- (a) In December 2007, the Company issued corporate bonds with par value of RMB600,000,000 at an interest rate of 6.02% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in November 2017, and are guaranteed by China Development Bank, a state-owned financial institution.

In March 2013, the Company issued corporate bonds with a face value of RMB4,000,000,000, with maturity of 5 years and 10 years. The bonds include RMB1,000,000,000 with maturity of 5 years and RMB3,000,000,000 with maturity of 10 years which bear interest rate of 4.89% per annum and 5.09% per annum respectively. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in March 2018 and March 2023 respectively, and are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by Guangzhou Automobile Industry Group Co., Ltd. ("GAIGC"), the holding company of the Company.

- (b) On 10 April 2009 and 27 April 2009, the Company issued medium-term notes with principals of RMB3,300,000,000 and RMB3,400,000,000 which bear interest rate of 3.58% per annum and 3.83% per annum respectively. The related interest is payable on an annual basis. These medium-term notes will be fully redeemed at par in April 2014.

13 OPERATING LOSSES

The following items have been charged/(credited) to the operating losses during the period:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Depreciation and amortisation	414,592	288,204
Impairment charge for intangible assets	5	–
Impairment of inventory	40,876	4,198
Reversal of provision for impairment loss for trade and other receivables	(2,193)	(794)
Staff costs	809,844	587,719
Gain on disposal of property, plant and equipment	(3,611)	(613)
Government grants	(41,518)	(51,896)
Donation	10,936	4,582

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 FINANCE COSTS

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interest for borrowings from banks and other financial institutions	284,166	212,201
Others	10,727	19,737
	294,893	231,938

15 INCOME TAX EXPENSE/(CREDIT)

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

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Current income tax		
– PRC enterprise income tax	37,767	38,462
Deferred income tax	(5,719)	(104,782)
	32,048	(66,320)

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

The tax rates applicable to the Company and its major jointly-controlled entities for the period ended 30 June 2013 is 25% (the period ended 30 June 2012: 25%).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

16 EARNINGS PER SHARE

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

During relevant the periods, there were no potential dilutive ordinary shares, diluted earnings per share was equal to the basic earnings per share.

17 DIVIDEND

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interim dividend declared: RMB0.06 (2012: RMB0.07)	386,101	450,451

No dividend was paid in six months ended 30 June 2013 (2012: RMB 6,715,000).

In addition, an interim dividend of RMB0.06 per share (2012: RMB0.07) was declared by the board of directors on 29 August 2013. This interim dividend, amounting to approximately RMB386,101,000 (2012: RMB450,451,000), has not been recognised as a liability in this interim financial information.

18 CAPITAL COMMITMENTS

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2013 RMB'000	31 December 2012 RMB'000
Property, plant and equipment		
– Contracted but not provided for	235,990	177,102
– Authorised but not contracted for	1,421,861	204,601
	1,657,851	381,703
Investments		
– Contracted but not provided for	47,497	81,997
	1,705,348	463,700

19 CONTINGENT LIABILITIES

As at 30 June 2013, the Group had provided financial guarantees to third parties for an amount of RMB 5,667,000 (31 December 2012: RMB 7,367,000).

It is not anticipated that any material liabilities will arise from the financial guarantees given by the Company.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 RELATED-PARTY TRANSACTIONS

Guangzhou Automobile Group Co., Ltd's parent company is GAIGC, a state-owned enterprise established in the PRC and is controlled by the PRC Government.

In accordance with HKAS 24 (Revised) "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government ("State-owned Enterprises") are defined as related parties of the Group. On that basis, related parties include GAIGC and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and GAIGC as well as their close family members.

During the period, the Group had the following significant transactions with related parties.

These transactions were conducted in the ordinary and usual course of business in accordance with terms agreed between the Group and their related parties.

(a) Significant related party transactions

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Sales of goods		
Sales of auto parts and materials		
– Jointly-controlled entities	343,529	14,384
– Associates	121,907	248,417
	465,436	262,801
Sales of passenger vehicles		
– Jointly-controlled entities	7,344	3,616
– Associates	164	632
	7,508	4,248
	472,944	267,049
Rendering of services		
– Jointly-controlled entities	245,668	141,987
– Associates	173,775	175,833
	419,443	317,820
Purchases of goods		
Purchases of auto parts and materials		
– Jointly-controlled entities	176,209	153,139
– Associates	220,683	70,668
	396,892	223,807

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 RELATED-PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Purchases of passenger vehicles		
– Jointly-controlled entities	1,732,434	1,440,893
	2,129,326	1,664,700
Purchases of services		
– Jointly-controlled entities	8,807	21,293
– Associates	12,131	1,592
	20,938	22,885
Provision of entrusted loans to related parties		
– Jointly-controlled entities	60,000	14,400
– Associates	–	24,000
	60,000	38,400
Repayment of entrusted loans from related parties		
– Jointly-controlled entities	–	24,000
– Associates	21,600	14,400
	21,600	38,400
Entrusted loans provided by related parties		
– Jointly-controlled entities	20,000	–
– Associates	50,000	–
	70,000	–
Borrowings provided by related parties		
– Jointly-controlled entities	683,449	170,703
Repayment of borrowings from related parties		
– Jointly-controlled entities	645,908	144,189
Guarantees given by related party		
– parent company (Note 12(a))	4,000,000	–

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 RELATED-PARTY TRANSACTIONS (continued)

(b) Key management compensation

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Salaries and other short-term employee benefits	10,914	9,324

(c) Transactions with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by State-owned Enterprises. During the Relevant Periods, the Group had transactions with State-owned Enterprises including, but not limited to, sales of automobiles and other automotive components and purchases of raw materials and automotive parts and components.

For the purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are State-owned Enterprises. However, many State-owned Enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs.

Nevertheless, the Directors consider that transactions with other State-owned Enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other State-owned Enterprises are ultimately controlled or owned by the PRC Government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the Directors are of the opinion that except for the disclosure of transactions with state-owner financial institutions as follows, none of these transactions are material related party transactions that require separate disclosure.

(i) Balances with state-owned financial institutions

As at 30 June 2013 and 31 December 2012, majority part of the Group's bank balances and borrowings were deposited in or financed from various state-owned financial institutions.

(ii) Guarantees given by State-owned Enterprises

As at 30 June 2013, information of borrowings secured by guarantees given by a state-owned financial institution is presented in note 12(a).

DEFINITION

In this report, unless the context otherwise requires, all terms used shall have the following meaning:

“Company” or “GAC Group”	Guangzhou Automobile Group Co., Ltd.(廣州汽車集團股份有限公司)
“Board”	the board of Directors
“associated companies”	all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
“Company Law”	Company Law of the PRC
“GAC Bus”	Guangzhou Automobile Group Autobus Co., Ltd (廣州汽車集團客車有限公司) (formerly known as Guangzhou Denway Bus Co., Ltd (廣州駿威客車有限公司)), a company incorporated on 18 January 1993 under PRC law and a wholly-owned subsidiary of the Company
“GAC Capital”	GAC Capital Co., Ltd.(廣汽資本有限公司), a subsidiary incorporated in March 2013, in which the Company holds 100% equity interest
“GAC Changfeng”	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co. Ltd. (湖南長豐汽車製造股份有限公司)), a company incorporated in November 1996 under PRC Law, in which the Company currently holds 100% equity interest
“GAC Commercial”	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a company incorporated on 21 March 2000 under PRC law and a wholly-owned subsidiary of the Company
“GAC Component”	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), which was incorporated on 29 August 2000 under PRC law and which is directly owned as to 51% by the Company and is a subsidiary of the Company
“GAC Fiat”	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a JCE incorporated on 9 March 2010 under PRC law by Fiat Group Automobiles S.P.A. and the Company, in which the Company holds 50% equity interest
“GAC Gonow”	GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a company incorporated on 8 December 2010 under PRC Law, in which the Company holds 51% of its equity interest
“GAC Hino”	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a JCE incorporated on 28 November 2007 under PRC law by the Company and Hino Motors Ltd., in which the Company holds 50% equity interest
“GAC Mitsubishi”	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a JCE incorporated on 25 September 2012 under PRC law held by the Company, Mitsubishi Motors Corporation and Mitsubishi Corporation. The Company holds 50% equity interest in it
“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a JCE incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO), in which the Company holds 50% equity interest

“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 company incorporated on 1 September 2004 under PRC law, which is a JCE held by the Company and Toyota Motor Corporation. The Company holds 50% equity interest in GAC Toyota
“GAC Toyota Engine”	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004, in which the Company holds 30% equity interest
“GAEI”	Guangzhou Automobile Group Company Automotive Engineering Institute, an affiliate of our Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which our Company has proprietary right
“GAIG”	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), a state-owned enterprise incorporated on 18 October 2000 under PRC law, a controlling shareholder of the Company
“GAMC”	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a company incorporated on 21 July 2008 under PRC law and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guang Ai Insurance Brokers”	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a company incorporated on 7 June 2006, in which the Company directly and indirectly holds 75.1% equity interest in aggregate
“Guangqi Honda”	Guangqi 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 company incorporated on 13 May 1998 under PRC law, which is a JCE held by the Company and Honda Motor Co., Ltd.
“HAVECO”	Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司), a JCE incorporated on 26 September 1996 under PRC Law, which is held by GAC Components, Hangzhou Advance Gearbox Group Co., Ltd., and IVECO Ltd; in which GAC Components holds 33.3% equity interest
“Honda (China)”	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), a company incorporated on 8 September 2003 under PRC law, of which the Company holds 25% of its equity interest, and which is one of the Company’s associated companies
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent director”	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
“jointly-controlled entities” or “JCE”	a jointly-controlled entities company which is subject to direct or indirect joint control (shareholding ratio: 50%:50%), such that none of the participating parties has unilateral control over the economic activity of the jointly-controlled entities
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Shares on the SSE, as amended from time to time

DEFINITION

“MPV”	multi-purpose passenger vehicle
“PRC”	the People’s Republic of China
“Securities Law”	Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shanghai Hino”	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), a company incorporated on 8 October 2003 under PRC law. Shanghai Hino was held as to 50% by Hino Motors Ltd., 30% by the Company and 20% by Shanghai Electric (Group) Corporation
“SSE”	the Shanghai Stock Exchange
“SUV”	sports utility vehicle
“Tong Fang Logistics”	Tong Fang Global (Tianjin) Logistics Co., Ltd. (同方環球(天津)物流有限公司), a company incorporated on 16 July 2007 under the laws of the PRC, in which the Company own 25% equity interests
“Urtrust Insurance”	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), which was incorporated on 8 June 2011 and in which the Company holds 60% equity interest
“Wuyang-Honda”	Wuyang-Honda Motors (Guangzhou) Co., Ltd. a JCE jointly established in 1992 by the Company, Honda Motor Co., Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which the Company holds 50% equity interest