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

Annual Report **2013**

Important Notice

1. **The Board, Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant the authenticity, accuracy and completeness of the information contained in the annual report and there are no misrepresentations, misleading statements contained in or material omissions from the annual report for which they shall assume joint and several responsibility.**

2. **Zhang Fangyou, the Chairman of the Company, Zeng Qinghong, the General Manager, Wang Dan, the person in charge of accounting function and Li Canhui, the manager of the accounting department (Accounting Chief), represent that they warrant the truthfulness and completeness of the financial statement contained in this annual report.**

3. **The plan for profit distribution or conversion of capital reserve fund into share capital for the year 2013 considered by the board of directors:**

   The Board proposed payment of cash dividend of RMB1.00 per 10 shares (tax inclusive), and together with the cash dividend paid of RMB0.6 per 10 shares (including tax) during the interim period, the ratio of total cash dividend payment for the year to net profit attributable to the shareholders' equity of listed company for the year was approximately 38.81%.

4. **Risks relating to forward-looking statements**

   The forward-looking statements contained in this annual report regarding the Company's future plans and development strategies do not constitute any substantive commitment to investors and investors are reminded of investment risks and to exercise caution in their investment.

5. **No appropriation of funds of the Company by the Controlling Shareholder or its related parties for non-operational activities.**

6. **There is no guarantees granted to external parties by the Company without complying with the prescribed decision-making procedures.**

Contents

Chapter 1 Definitions and Notice of Material Risks

I DEFINITIONS

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

"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
"Board"	the board of directors of the Company
"China Lounge Investments"	China Lounge Investments Limited (中隆投資有限公司), a company incorporated in Hong Kong
"Company" or "GAC"	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)
"Company Law"	Company Law of the PRC
"CSRC"	China Securities Regulatory Commission
"Denway Motors"	Denway Motors Limited (駿威汽車有限公司), a wholly-owned subsidiary of the Company incorporated on 23 June 1992 in Hong Kong
"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 wholly-owned subsidiary incorporated on 18 January 1993 under PRC law by the Group
"GAC Capital"	GAC Capital Co., Ltd (廣汽資本有限公司), a wholly-owned subsidiary incorporated in April 2013 under PRC law by the Company
"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 wholly-owned subsidiary incorporated on 21 March 2000 under PRC law by the Group
"GAC Component"	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), wholly-owned subsidiary incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiary

"GAC Fiat"	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a JV incorporated on 9 March 2010 under PRC law by the Company and Fiat Group Automobiles S.P.A.
"GAC Gonow"	GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a subsidiary 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 JV incorporated on 28 November 2007 under PRC law by the Company and Hino
"GAC Mitsubishi"	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a JV incorporated on 25 September 2012 under PRC law by the Company and Mitsubishi
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a JV incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
"GAC Toyota"	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a JV incorporated on 1 September 2004 under PRC law by the Company and 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 under PRC law by the Group and Honda Motor Co., Ltd., in which the Company holds 30% equity interest
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technologies in which the 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 wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
"Group"	the Company and its subsidiaries

"Guang Ai Insurance"	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a non-wholly-owned subsidiary incorporated on 7 June 2006 under PRC law, 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 JV incorporated on 13 May 1998 under PRC law 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 JV incorporated on 26 September 1996 under PRC Law, which is a sino-foreign joint venture equally held by Hangzhou Advance Gearbox Group Co., Ltd., GAC Components and IVECO Ltd
"Honda (China)"	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), an associated company incorporated on 8 September 2003 under PRC law by the Company, Honda Motor Co., Ltd. and Dongfeng Motor Corporation
"Independent Director"	independent director under the Listing Rules of SSE and the Articles of Association, and independent non-executive director under the Listing Rules of the Stock Exchange
"Joint venture" or "JV"	a company which is subject to direct or indirect joint control such that none of the participating parties has unilateral control over the economic activity of the joint venture
"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
"Mitsubishi"	Mitsubishi Motors Corporation, a company incorporated in Japan
"MPV"	multi-purpose passenger vehicle
"PRC" or "China"	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, 30% by the Company and 20% by Shanghai Electric (Group) Corporation
"SSE"	the Shanghai Stock Exchange

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUV"	sports utility vehicle
"Toyota"	Toyota Motor Company, a company incorporated in Japan, being our Company's joint venture partner in GAC Toyota
"Urtrust Insurance"	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a subsidiary incorporated on 8 June 2011 under PRC law by the Company, and in which the Group holds 60% equity interest
"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd., a JV 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

II NOTICE OF MATERIAL RISKS

The Company has described in detail the existing risk factors in this report, please refer to the contents of "Discussion and Analysis by the Board on Future Development of the Company" in the section headed "Report of the Board" of the Annual Report.

Chapter 2 Chairman's Statement

Zhang Fangyou
Chairman

China's economy steadily developed in 2013. After slight increase and adjustments for two consecutive years, the automobile industry in China experienced a rebound and revived the trend of high growth. The production and sales of vehicles in the PRC during the year were 22,116,800 units and 21,984,100 units, representing an increase of 14.76% and 13.87%, respectively compared to the corresponding period last year, among which, the production and sales of passenger vehicles amounted to 18,085,200 units and 17,928,900 units, representing an increase of 16.50% and 15.71% respectively compared to the corresponding period last year; the production and sales of commercial vehicles amounted to 4,031,600 units and 4,055,200 units, representing an increase of 7.56% and 6.40% respectively compared to the corresponding period last year. In 2013, the motorcycle market encountered consecutive declines. The production and sales of motorcycles of the year were 22,891,700 units and 23,045,000 units respectively, representing a decrease of 3.12% and 2.56% respectively compared to last year, being the lowest since 2007, among which domestic sales and export of motorcycles amounted to 13,876,700 units and 9,168,100 units, representing a decrease of 5.73% and an increase of 2.60% respectively compared to the corresponding period last year.

In 2013, in face of intense marketing competition and complicated operation environment, the Group captured the favourable moments of the rebound in the domestic automobile market and accelerated the release of newly built production capacity and introduction of new products to achieve rapid growth of the overall operation. The corresponding increase in production and sales of automobiles and motorcycles were higher than the industry standard in the year. The production and sales of the Group together with its joint ventures and associated companies amounted to 1,007,500 units and 1,004,600 units respectively, representing an increase of 43.25% and 41.05% respectively compared to the corresponding period last year; among which, the production and sales of passenger vehicles were 984,900 units and 981,200 units respectively, representing an increase of 46.68% and 44.25% respectively compared to the corresponding period last year; the production and sales of commercial vehicles were 22,500 units and 23,400 units respectively, representing a decrease of 29.26% and 26.84% compared to the corresponding period last year; the production and sales of motorcycles were 996,600 units and 1,000,100 units respectively, representing an increase of 2.43% and 5.16% respectively compared to the corresponding period last year.

Chapter 2 Chairman's Statement

During the reporting period, the total gross sales of the Group together with its joint ventures and associated companies amounted to approximately RMB201,373 million, representing an increase of approximately RMB45,854 million or approximately 29.48 % compared to the corresponding period last year.

During the reporting period, operating income of the Group amounted to RMB18,824 million, representing an increase of approximately 45.21% compared to the corresponding period last year. Net profit attributable to owners of the parent company amounted to approximately RMB2,653 million, representing an increase of approximately 133.95%. Earnings per share amounted to RMB0.41, representing an increase of 127.78% compared to the corresponding period last year.

In the reporting period, the Group centred upon enhancing quality and efficiency of economic growth. Innovative reform of management system and mechanism was promoted. Capability building and cost control were vigorously promoted. The Group also promoted the research and development of new energy and technology. The development of joint ventures and proprietary business was accelerated. The Group made the record-breaking breakthrough of exceeding 1 million units in the sales of both automobiles and motorcycles. The overall production and operation of the Group showed a more rapid trend of development with the strengthening of industrial synergy effect, the enrichment of product system.

Looking forward to 2014, the global economy will enter the period of structural adjustment. Institutions governing the economy will enter the phase of reform. Innovation and industry transition will be in cultivation. Macroeconomic policies of the PRC will remain prudent and the development of the overall economy is expected to remain steady. In view of the acceleration of urbanization and the more sophisticated structure of consumers' needs, the development of the domestic automobile market is expected to develop steadily. The growth rate of sales of the year is expected to be approximately 10%. The continuous promotion of energy saving policy will bring new opportunities for the development of new energy vehicles and energy-saving vehicles.

In 2014, the Group will continue to deepen its innovative reform, optimize its system and mechanism and promote improvement of management. It will also continue to accelerate the development of joint venture business, strengthen the setup of proprietary brands, enhance synergy effect of the industry and raise the capital operation level. Product quality and brand value will be improved with persistence of "quality growth" to facilitate rapid and favourable development of the Group.

Chapter 3 Corporate Information

I. CORPORATE INFORMATION

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

II. CONTACT PERSON AND CONTACT METHOD

	Secretary to the Board
Name	Lu Sa
Address	Guang Qi Building, No. 23 Zhu Jiang Xin Cheng Xing Guo Road, Tianhe District, Guangzhou
Telephone	020-83150886
Facsimile	020-83150319
E-mail	lus@gagc.com.cn

III. BASIC INFORMATION

Registered office of the Company	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong
Postal code of the Company's registered office address	510030
Office address of the Company	Guang Qi Building, No. 23 Zhu Jiang Xin Cheng Xing Guo Road, Tianhe District, Guangzhou
Postal code of the Company's office address	510623
Company's website	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 Times and Securities Daily
Designated website for publishing the annual report	www.sse.com.cn/www.hkex.com.hk
Place of inspection of the annual report of the Company	22/F Guang Qi Building, No. 23 Zhu Jiang Xin Cheng Xing Guo Road, Tianhe District, Guangzhou

V. INFORMATION ON THE COMPANY'S SHARES

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

VI. REGISTRATION ALTERATION OF THE COMPANY DURING THE REPORTING PERIOD

(i) Basic Profile

There was no registration alternation of the Company during the reporting period.

(ii) Inspection index to the initial business registration of the Company

Details of the initial business registration of the Company are set out in the "Chapter 3 Corporate Information" in annual report of 2012.

VII. OTHER RELEVANT INFORMATION

Auditors (Domestic)	Name:	BDO China Shu Lun Pan Certified Public Accountants LLP
	Business address :	4th Floor, 61 Nanjing East Road, Huangpu District, Shanghai
	Name of signatory Accountants:	Wang Yichu Xu Dan
Auditors (Hong Kong)	Name:	PricewaterhouseCoopers
	Business address:	22/F, Prince's Building, Central, Hong Kong
	Name of signatory Accountants	Ho Kwok Fai
Sponsor performing the continuous supervisions duties during the reporting period	Name:	China International Capital Corporation Limited
	Business address:	28th Floor, World Tower 2, 1 Jian Guo Men Wai Avenue, Beijing
	Name of signatory representative of Sponsor:	Zhang Lu, Xu Lei
	Period of continuous supervisions:	from 29 March 2012 to 31 December 2014

VIII.OTHER

Principal place of business in Hong Kong	: Room 808, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
H share registrar of the Company	: Tricor Investor Services Limited
H share registrar of the Company's address	: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Chapter 4 Summary of Accounting Data and Financial Indicators

I. DIFFERENCE IN ACCOUNTING DATA UNDER DIFFERENT ACCOUNTING STANDARDS

The differences in net profits and net assets in accordance with foreign accounting standards and PRC accounting standards are details as follow:

Unit: RMB'000

	Net profits		Net assets	
	Current period	Last period	End of period	Beginning of period
In accordance with PRC Accounting Standards	2,544,938	1,064,623	34,062,813	32,011,614
(1) Amortization of equity investment difference	1,438	2,210	44,045	42,607
(2) Difference in accounting treatment of the reversal of impairment of non-current assets	-272	-792	9,338	9,610
(3) Staff and workers' Bonus and Welfare Fund included in profit or loss restored to profit distribution	-17,596	-1,281	0	0
In accordance with Hong Kong Financial Reporting Standards	2,528,508	1,064,760	34,116,196	32,063,831


传祺
Trumpchi

BUSINESS OVERVIEW

I. SUMMARY OF BUSINESS

The Group's main business consists of 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 and automobile insurance and brokerage services.

(1) Automobile

The Group produces a variety of passenger vehicles mainly through JVs, namely Guangqi Honda, GAC Toyota, GAC Fiat and GAC Mitsubishi, and a wholly-owned subsidiary, GAMC, a subsidiary, GAC Gonow and others. As at 31 December 2013, passenger vehicle products of the Company mainly consist of more than ten series of sedans, SUV and MPV, including GAC Toyota Camry, GAC Toyota Highlander, GAC Toyota Yaris L, Guangqi Honda Accord, Guangqi Honda Crider, Guangqi Honda Odyssey, GAC Fiat viaggio, GAC Mitsubishi ASX, GAC Mitsubishi Pajero Sport, GAC Trumpchi, GAC Trumpchi GS5, GAC Gonow Aoxuan G5 and GAC Gonow Xinlang etc. The Group also participates in the production of Jazz sedans through its associated company, Honda (China).

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

As at 31 December 2013, production capacity of passenger vehicles and commercial vehicles of the Group together with its JVs and associated companies was 1,370,000 units.

(2) Motorcycles

The Group manufactures motorcycles mainly through Wuyang Honda. Main products include standard motorcycles, sport bikes and scooters.

For the year ended 31 December 2013, the production capacity of motorcycles of Wuyang-Honda was 1 million units.

(3) 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 are mainly carried out through GAC Toyota Engine, Shanghai Hino, in each of which the Group holds 30% interest and the controlling 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, joint ventures and investees of GAC Component.

(4) Automobile-related services

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 and the JV, GAC-SOFINCO and the associated company Tong Fang Global (Tianjin) Logistics Co., Ltd. to provide automobile sales, automobile finance, automobile insurance, automobile leasing, logistics and import and export and other services.

After strategic and business development in recent years, the Group has established a complete production chain, centring 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.

II. PERFORMANCE OF THE BOARD

In 2013, making use of the foundation in previous capacity building and development of vehicle model and seizing the favourable moment of a rebound in the automobile market, the Group made the historical breakthrough of reaching over a million units in the sales of both automobile and motorcycles. Meanwhile, the Group gained positive results in innovating management system and mechanism, promoting the business development of proprietary brands and joint venture cooperation, continuously strengthening the synergy effect of industry chain, enhancing the capability of capital operation and improving the corporate governance structure. The overall operation of the Group has made rapid growth.

In the reporting period, the major works performed by the Board are as follows:

1. Coordinate and seize the opportunity, making history by achieving "double million"

At the beginning of 2013, under the uncertainties brought by the macro economy and the Diaoyu Island Incident, the Board set the challenging goal of "double million" after extensive research and discussion. It provided a clear goal and direction for the Group in the year.

During the year, the entire Group was united, seizing the opportunities of the less tense Sino-Japanese relations, faster transformation of partners' China strategy, rapid development of the SUV market and reform of official vehicles. Acting in accordance with the trend, the Group overcame various difficulties such as the supply of parts and compartments, the bottleneck in the early stage of releasing staff and production capacity. The sales of passenger vehicles significantly increased with measures including reasonable arrangement of production and operation, launches of new vehicle models and strengthening sales capability. The commercial vehicle segment strived to implement key projects to lower costs and raise efficiency and to promote reorganization and co-operation. The motorcycle segment overcame the continuous downturn of the market and increased costs and achieved positive growth in both production and sales compared to the corresponding period last year. While the parts and components segment vigorously implemented activities to reduce costs and secure quality, it also actively explored external markets. In the automobile service segment, business such as finance and insurance developed rapidly, motivating the collaboration among industries and securing the achievement of the goal of the year.

2. ***Innovative reform, breakthrough of bottlenecks, paving the way for new achievement***

In June 2013, the innovative reform moved forward in organizational structure, approach of control and management system and mechanism was strengthened. The functions of the Group's headquarter including strategic management risk monitoring, capital operation and human resources were strengthened. The officer management system was reformed. The flexibility and autonomy in responding to market changes of investment enterprises was enhanced.

Through innovative reform, the obstacles in the system and mechanism that affected the Group's development were further removed. The existing bottlenecks in the management system and mechanism were broken and paved the way for the Group's sustainable development and new achievements.

It was proven that a large-scale innovative change stimulated the passion of the whole group and mobilized the enthusiasm of different parties. This became a new source of motivation for the Group's development, provided the necessary foundation for the Group to achieve record-breaking results and also a secured system for future development.

3. ***Grew steadily from a solid foundation, improving proprietary brand***

2013 was a fruitful year for the Group's strategy of proprietary brand. Currently, the Group has initially formed the new setup where the three series, namely Japanese, European and American and proprietary brand develop in coordination.

In the business of proprietary brand passenger vehicles, since Trumpchi's first model entered the market and gained a foothold in the market under extremely difficult conditions, its sales grew steadily and achieved export for the first time in 2013. The capacity expansion project involving 0.2 million vehicles commenced in August. After the development and contemplation, the brand of Trumpchi already had various sedans and SUV models including GA5, GS5 and GA3, with significant improvement in the product quality and performance. According to 2013 China New Vehicle IQS Report published by J.D.POWER, Trumpchi as a whole was awarded 97 points. It ranked the 15th among all automobile brands entering the Chinese market and the first among proprietary brands. Trumpchi GS5 surpassed numerous joint venture brands with 99 points, proving that its quality was comparable to outstanding joint venture brands.

In the domain of proprietary research, the GAEI Hualong base was completed and accepted in 2013. Facilities for research and development improved. The Group's proprietary research system with GAEI as its core obtained an outstanding results of 91.8 points from the State-Accredited Enterprise Technology Center, listed as the 17th among the 883 state-accredited enterprise technology centers all over the nation and the 4th in the automobile industry. GAEI was approved to become a work station for post-doctorate scientific research and fellows. The state-supported "Research on key technology supporting demonstration of energy saving and new energy vehicle in Guangzhou" passed the inspection and became the first project to have passed the inspection in the transport domain under the National Science and Technology Support Programme in the 12th five-year plan.

The capability in obtaining patent increased rapidly. Throughout the year, the proprietary brand made 270 valid patent applications, among which invention patent reached 42%. 177 patents were granted in the year. The project of the development and application of the group's intelligent vehicle electronic appliances platform was awarded the Second Prize of the 2013 China Automotive Industry Science and Technology Award.

4. ***Adopted two measures to accelerate and enrich the development of product system***

For the development of new proprietary products, GAEI and GAMC had constructive interaction in research and development and production. GA3 was launched in 2013 based on the ideas of global research and development, global support and global sales and on the development of a brand new middle-class vehicle platform. At the same time, the development and introduction of new products of joint ventures had been accelerating. In 2013, Guangqi Honda Yaris L, GAC Mitsubishi Pajero Sport, Guangqi Honda Everus S1, the strategic middle-class vehicle Crider and the 9th generation of Accord were introduced. The gradual introduction of new vehicle models furthering enriched the product line up of the Group and facilitated the historical breakthrough of annual sales of the Group.

5. ***Strengthened synergy effect of industry chain by collaboration***

In 2013, the Group stood tall in the modern service industry, especially with the advantage of the platform of automobile finance segment. It continuously intensified coordination and integration of resources, promoted the collaborative development of high-end service industry and advanced manufacturing industry. GAC Commercial was approved as the first pilot enterprise of domestic finance leasing in Guangzhou. The balance of loans of GAC-SOFINCO increased 103.4% as compared to the corresponding period last year. Premium income of Urtrust Insurance increased 141.95% as compared to the corresponding period last year. Guang Ai Insurance's distribution channels were further developed.

The Group's synergy effect is becoming more visible and is gradually forming a unique competitive edge.

6. ***Utilized advantage, optimized allocation and continued to boost capital operation capability***

In the year of 2013, the Company proactively expanded its financing channels, seizing the right timing and successfully issued corporate bonds of RMB4 billion, 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%, lowering the costs of financing over the duration by 20%, providing security of capital for the development of all kinds of businesses. On 28 April 2013, GAC Capital was incorporated. A platform for capital operation of the Group was set up. It will subsequently seek diversified investment opportunities in the automobile industry and the related domains to promote the development of main business and achieve structural adjustment and transformation and improvement.

7. ***Strengthened development and management of strategic planning to prepare for difficult conditions***

In 2013, the Group vigorously strengthened the management of strategic planning. The research on formulating the management method of strategic planning was initiated to improve management system and mechanism of the Group's strategic planning and to regulate the preparation, implementation and active management of the Group's strategic planning. Combining the changes in both internal and external environment in the early stage of the 12th five-year plan, the Group initiated the adjustments of goal for the 12th five-year plan. Integrated with the adjustments for the 12th five-year plan, preliminary investigation was done for the 13th five-year plan. The formulation of projects including the planning for new energy vehicles, capital operation strategy and information technology and the amendments of human resources planning for 2015 began concurrently. The planning of brand development and international strategy is currently being looked into.

8. ***Innovated service, regulated operation and improved corporate governance***

During the reporting period, the Group continued to promote the establishment of the internal control and risk management system, reinforced the monitoring of the efficiency of key projects, and strengthened and improved the internal control and risk management system. A prevention and control mechanism sustainable in the long run with the characteristics of the Group was built.

In the reporting period, the Group made amendments to 19 control management systems including the articles of association, implementing terms of reference of the nomination committee and audit committee of the Board. 17 control management systems were also newly formulated including the management of trading of shares of the Company by directors, supervisors and senior management and the relevant changes. The above were conducted pursuant to requirements of the "Guiding Opinion on Further Improvement of the Corporate Governance of the Listed Companies within Jurisdiction" issued by the Guangdong Regulatory Authority of China Securities Regulatory Commission (Guangdong Zheng Jian [2012] No.206) and newly effective amendments to the Listing Rules. The corporate governance of the Company was further enhanced together with the innovative reform of the Group.

During the reporting period, the Group acted by the principles of strengthening implementation, coordination and improving professionalism, focusing on strengthening research and management of the Group's strategy, technology support and management, asset management and coordination of shareholders affairs. An executive committee at the operation level was formed and a procurement and logistics professional committee, manufacturing and quality professional committee, sales and services professional committee, finance and capital professional committee were formed thereunder, in order to strengthen the implementation and coordination of the Group's operation plan and various professional business segments.

During the reporting period, the Group completed the recruitment of Independent Directors on schedule according to regulatory requirements, ensuring the standard operation of corporate governance. The Group was selected as a sample stock of SSE Corporate Governance Index in the year.

9. *Cared for staff and society, fulfilled corporate social responsibility*

Adhering to its corporate philosophy of "people as foundation, integrity as principle, innovation as priority" and aiming to "build a public company with social trust", the Group actively supported social welfare activities such as sports, cultural education, environmental protection and charity works. Similarly, it continued to enhance product and service quality in performance of its social responsibility. In 2013, the aggregate amount spent on social welfare by the Group and its investment enterprises was approximately RMB60.38 million.

For staff care, the Group implemented the "Happy GAC in your company" EAP staff assistance scheme to maintain the mental health of staff through seminars, counselor training, promotional mail, mobile messages and consultation hotlines. Seminars were held with the themes such as "You can handle stress – creating a happy workplace" and "Maintaining work-life balance" concerning the work and life of staff. The Group and respective investment enterprises also organized different cultural and sports activities or established staff relief funds for staff assistance and relief and regular visits. A mechanism for feedback from staff was established to collect and resolve problems that concern staff in order to create a pleasant working environment.

During the year, the Group and respective investment enterprises actively participated in the relief of earthquake in Sichuan Ya'an, Giving a Helping Hand Day Guangdong 2013 and first charity projects introduction with the theme "Holding hands, cohesion, care, sharing". The Group also gave back to the society by conducting social welfare activities including preservation of cultural heritage, education and assistance, tree planting and forestation and safe driving.

The Group was awarded the Bronze Cup of Guangdong Poverty Relief Red Cotton Cup. Guangqi Honda, a major investment enterprise of the Group, was awarded "Most Respected Enterprise 2012-2013" by Economic Observer and "2013 Most Social Responsible Corporate" by Xinhua net and the financial sector. GAC Toyota also received awards such as "2013 Social Welfare Contribution of China Automobile Enterprise Gold Award" from Nanfang Daily Media Group and "China CSR Outstanding Company Award" from China Business News.

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

During the reporting period, sales revenue of the Group amounted to approximately RMB18,824 million, representing an increase of approximately 45.21% as compared to the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB2,653 million, representing an increase of approximately 133.95%. Earnings per share amounted to approximately RMB0.41, representing an increase of approximately 127.78% compared to the corresponding period last year.

The major factors of variations of results during the reporting period included: 1. the overall good performance of automobile industry in China and the gradual introduction of new vehicle models of the Group during the year, which promoted the significant increase in the sales volume of the SUV model Trumpchi GS5, and restore of growth in the sales of major joint ventures; 2. strengthened synergy of supporting services and industry, which promoted the development of parts and components, automobile finance, insurance and trading.

(1) ANALYSIS ON PRINCIPAL BUSINESS

1. Analysis of changes for the related items in the consolidated statements of comprehensive income and consolidated cash flow statements

Unit: RMB100 million

Item	Current period	Corresponding period last year	Change (%)
Revenue	188.24	129.64	45.21
Cost of sales	168.30	122.74	37.12
Selling and distribution costs	10.71	8.15	31.41
Administrative expenses	17.13	13.33	28.51
Finance costs	6.45	5.29	21.93
Interest income	4.76	3.36	41.67
Share of profit of joint ventures and associates	40.20	26.37	52.45
Net cash flow generated from operating activities	5.48	4.85	12.99
Net cash flow generated from investing activities	7.08	23.29	-69.60
Net cash flow generated from financing activities	35.12	-17.49	300.80

2. Revenue

During the reporting period, the revenue of the Group amounted to RMB18,824 million, representing an increase of approximately 45.21% compared with the corresponding period last year, mainly due to the persistent improvement of quality of the SUV model GS5 since it was officially launched, increasingly growing sales and service network, it had significant growth in sales in 2013 compared with the corresponding period last year.

Sales to major customers

Unit: RMB100 million

Customers	Sales revenue	Ratio to sales revenue (%)
Total sales to top 5 clients	13.57	7.21

3. Cost of sales and gross profit

(1) Cost of sales and gross profit

During the reporting period, the cost of sales of the Group amounted to approximately RMB16,830 million, representing an increase of approximately RMB4,556 million from RMB12,274 million last year; total gross profit amounted to approximately RMB1,994 million, representing an increase of approximately RMB1,304 million from RMB 690 million last year.

Gross profit margin increased by 5.27% from 5.32% of last year to 10.59% of this year, mainly due to: a. significant increase in sales of medium to high end passenger vehicle which brought a higher marginal profit to the Group; b. lowered unit cost brought by measures such as prudent business policy, reduction in purchasing cost and strengthening internal management; c. due to the economies of scale of fixed cost expenditure, the growth rate of unit cost was lower than that of sales revenue.

(2) Major suppliers

Unit: RMB100 million

Suppliers	Amount of procurement	Ratio to total procurement (%)
Total procurement from the top 5 suppliers	50.64	27.98

4. Expenditures

(1) Selling and distribution costs increased by approximately RMB256 million compared with the corresponding period last year, mainly due to an increase in marketing expenses, logistics expenses and after-sales service expenses corresponding to the increase in sales volume;

(2) Administrative expenses increased by approximately RMB380 million compared with the corresponding period last year, mainly due to the increase in research and development costs and depreciation and amortisation;

(3) Finance costs increased by approximately RMB116 million compared with the corresponding period last year, mainly due to the issue of corporate bonds of the Group during the reporting period resulting in an increase in finance expenses;

(4) Interest income increased by approximately RMB140 million compared with the corresponding period last year, mainly due to the increase of bank deposits of the Group during the reporting period resulting in an increase of interest income.

5. Share of profit of joint ventures and associates

During the reporting period, share of profit and joint ventures and associated companies amounted to approximately RMB4,020 million, representing an increase of approximately RMB1,383 million as compared with the corresponding period last year, mainly as a result of the combined effect of the following factors: a. the overall performance of automobile industry in China was positive in the year and new vehicle models were gradually launched by the Group. The results of major joint ventures have significantly grown compared to last year; b. with the increase in sales volume of vehicles, parts, automobile finance and trading services of upper-stream and lower-stream of the industry also developed rapidly; c. the production capacity of the joint ventures that were at their start-up stage had not been adequately utilized and efficiency would take time to achieve.

6. Research and development expenditure

(1) Amounts of research and development expenditure

Unit: RMB100 million

Current period expensed research and development expenditure	2.63
Current period capitalised research and development expenditure	7.24
Total research and development expenditure	9.87
Total research and development expenditure to net assets (%)	2.90
Total research and development expenditure to sales revenue (%)	5.24

7. Cash flow

(1) During the reporting period, net cash inflow generated from operating activities amounted to approximately RMB548 million, representing an increased inflow by approximately RMB63 million as compared with net cash inflow of approximately RMB485 million of the corresponding period last year, mainly due to the combined effect of increased production and sales in the reporting period which led to an increase in sales receivables, addition in employee benefit expenses and the increase in the payment of trade payables which had not been paid last year during the period;

(2) During the reporting period, net cash inflow generated from investing activities amounted to approximately RMB708 million, representing a decreased inflow of approximately RMB1,621 million as compared with net cash inflow of approximately RMB2,329 million of the corresponding period last year, mainly due to the combined effect of the decrease in purchase of long-term assets including fixed assets, the decrease in dividends from investee companies and the decrease in fixed deposits which lowered the inflow during the reporting period as compared with the corresponding period last year;

(3) During the reporting period, net cash inflow generated from financing activities amounted to approximately RMB3,512 million, representing an increased inflow of approximately RMB5,261 million as compared with net cash outflow of approximately RMB1,749 million of the corresponding period last year, mainly due to the issue of RMB4,000 million corporate bonds and decrease in payment of cash dividend in the reporting period;

As at 31 December 2013, cash and cash equivalent of the Group amounted to approximately RMB14,083 million, representing an increase of approximately RMB4,767 million as compared with approximately RMB9,316 million as at 31 December 2012.

8. **Others**

(1) Income tax amounted to approximately RMB101 million, representing an increase of approximately RMB166 million as compared with the corresponding period last year, mainly due to the increase in profit of subsidiaries in the period.

(2) Earnings per share amounted to approximately RMB0.41, representing an increase of approximately 127.78% as compared with approximately RMB0.18 of the corresponding period last year, mainly because the Group's net profit attributable to the parent company was approximately RMB2,653 million, representing an increase by 133.95% as compared with the corresponding period last year.

(2) ANALYSIS ON INDUSTRY, PRODUCTS OR REGIONAL OPERATION

1. Principal businesses by industry and by product

Unit: RMB100 million

Industry	Revenue	Cost of sales	Gross profit margin (%)	Change in 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 (%)
Automobile and relevant businesses	181.24	163.05	10.04	42.56	35.52	4.67
Others	7.00	5.25	25.00	178.88	116.94	21.41
Total	188.24	168.30	10.59	45.21	37.12	5.27

2. Principal businesses by region

Unit: RMB100 million

Region	Revenue	Change in revenue as compared with last year (%)
Mainland China	188.22	45.21
Hong Kong	0.02	0.00
Total	188.24	45.21

(3) ANALYSIS ON ASSETS AND LIABILITIES

1. Table of assets and liabilities analysis

Unit: RMB100 million

Item	Balance at the end of the year	Amount at the end of the year to total assets (%)	Amount at the end of previous year	Amount at the end of previous year to total assets (%)	Change (%)
Inventories	20.36	3.52	13.97	2.83	45.74
Trade and other receivables	47.25	8.17	33.03	6.68	43.05
Cash and cash equivalents	140.83	24.35	93.16	18.85	51.17
Borrowings	141.72	24.50	102.91	20.82	37.71
Government grants	7.94	1.37	5.08	1.03	56.30
Trade and other payables	86.41	14.94	63.94	12.93	35.14

2. Explanation on the changes

(1) Inventories: Inventories increased mainly due to the corresponding increase in production and sales volume in the reporting period;

(2) Trade and other receivables: correspondingly increased mainly due to the growth in business in the reporting period;

(3) Cash and cash equivalents: mainly due to reasonable arrangements of capital according to different expenditure projects in the reporting period;

(4) Borrowings: mainly due to the issue of corporate bonds with a nominal value of RMB4 billion in the reporting period;

(5) Government grants: mainly due to the increase in government grants related to assets to subsidiaries from local government in the reporting period;

(6) Trade and other payables: correspondingly increased mainly due to the business growth in the reporting period.

(4) ANALYSIS ON FINANCIAL POSITION

1. Financial indicators

As at 31 December 2013, the Group's current ratio was approximately 1.47 times, representing a decrease from approximately 2.25 times as at 31 December 2012; quick ratio was approximately 1.30 times, representing a decrease from approximately 2.01 times as at 31 December 2012, mainly because mid-term notes with a nominal value of RMB 6,700 million which will mature in April 2014 was reclassified into current liabilities from non-current liabilities in the reporting period.

2. Financial resources and capital structure

As at 31 December 2013, the Group's current assets amounted to approximately RMB26,514 million, current liabilities amounted to approximately RMB18,059 million and current ratio was approximately 1.47 times. As at 31 December 2013, the Group's total borrowings amounted to approximately RMB14,172 million, mainly consisted of mid-term notes issued by the Group with nominal value of RMB6,700 million, corporate bonds with nominal value of RMB4,000 million, corporate bonds with nominal value of RMB600 million and loans from bank and financial institutions amounting to approximately RMB2,922 million, which resulted in a gearing ratio of approximately 29.35%. The above loans and bonds will be payable upon maturity. The Group generally funded 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 conducted its business in the PRC and the sales and purchases of the Group in the PRC are denominated in RMB. The Group's operating results and cash flow were not exposed to any significant foreign currency risk during the reporting period.

4. Contingent liabilities

As at 31 December 2013, third-party guarantee committed by the Group amounted to RMB3,966,667, whereas that as at 31 December 2012 was RMB7,366,667; as at 31 December 2013, financial guarantee of the Company for its subsidiaries was RMB0, whereas that as at 31 December 2012 was RMB0.

(5) ANALYSIS ON CORE COMPETITIVENESS

In the reporting period, there was no significant change in the core competitiveness of the Group. The core competitiveness of the Group is mainly reflected in possessing a complete production chain, advanced management and technology and two capital operation platforms of A shares and H shares. The detailed analysis is as follows:

1. Complete production chain and well-structured strategic development

After years of internal resource integration and industry reorganization, the Group has established a complete production chain centring upon manufacturing of vehicles and covering research and development and parts and components in the upstream and trading, finance, insurance, leasing and logistics of automobiles in the lower stream. With its strategic development in the industry being rooted in South China and expanding to Northern China, Central China, Eastern China and Bohai Rim, the Group became one of the automobile group with the most complete production chain and the most optimized strategic development in China. The synergy effect of the upper stream and the lower stream of the production chain is gradually utilized and new profit growth points gradually evolved. The consolidated competitiveness of the Group continues to strengthen.

2. Advanced manufacturing, workmanship, quality and process management

Amid intensified market competition and years of joint venture cooperation, the Group accumulated abundant experience in production management and quality control techniques and established modernized process management systems and production operation mechanisms. The Group has comprehensive competitive advantages over aspects such as manufacture, workmanship, quality and process management, which mainly included: (1) quality came first, it kept its promise of "integrity as principle" and gave zero tolerance to defects, with the Group's management and quality achieved an advanced level both internationally and domestically; (2) people as foundation, it encouraged all staff to give suggestion to management and production and continuously improved work flow and process through various methods including improving suggestions, quality control, comprehensive quality management and technical innovation to enhance its operational efficiency and competitiveness; (3) cost control, the purchase of raw materials, parts and components and accessories is maintained at a high localization rate, securing high quality standards while gaining cost competitiveness and raising facility utilization and operation efficiency through a flexible production line setting and strict storage management; (4) continued innovation, it applied the philosophy of "innovation as priority" in operational stages of research, production and sales and sought innovation and breakthrough in techniques, operating efficiency and environmental-friendliness and energy saving to achieve green operation and harmonic development.

3. Continuous enrichment of the passenger vehicle product line

The passenger vehicle segment is one of the major sources of revenue and profit for the Group. The number of core passenger vehicle business enterprises under the Group continues to grow. It now consists of GAMC, GAC Gonow, and the joint ventures including Guangqi Honda, GAC Toyota, GAC Fiat and GAC Mitsubishi, with various products including different class of sedans, SUV and MPV. In recent years, these investment enterprises kept on introducing upgraded version and new generations of existing products and new products to enrich their product lines according to changes in the market and consumers' needs. This will benefit the Company in maintaining a widely-recognized brand awareness and higher customer loyalty under keen competition, setting a good foundation for the long-term and steady development of the enterprises.

4. A and H double capital operation platform

The Group is the first large state-owned automobile group that has achieved complete listing of A and H shares. With two capital operation platforms, the Group can appreciate its capital through combination of various channels and expand and snowball through capital operation to maximize capital return.

IV. DISCUSSION AND ANALYSIS BY THE BOARD ON FUTURE DEVELOPMENT OF THE COMPANY

(1) Industrial competition and development trend

1. Competition in the industry

Being the largest automobile market, China has an important strategic position for multinational automobile enterprises. To further develop their business in China, various international automobile enterprises are accelerating introduction of strategic models into joint ventures, launching proprietary brands, increasing localization, testing the lower bound of price range, paying more attention to low-emission vehicles, accelerating sales and import of high-end models and increasing investment in research and development of new energy vehicles to expand market share. In 2013, in the sales volume in China's passenger vehicle market, German, Japanese, American, Korean and French passenger vehicles took up 18.81%, 16.35%, 12.39%, 8.80% and 3.08% respectively.

The passenger vehicles of proprietary brands in China still face tough challenges. Major automobile manufacturers in China endeavored to expand their production capacity and launching new products, thereby increasing their technological innovation and cost control ability. In future, automobile enterprises will face greater challenges in aspects including technology, quality and quantity, service, price, equipment and design. In 2013, passenger vehicles of proprietary brands accounted for 40.28% of sales, representing a drop of 1.57% compared to the previous year.

The concentration of China's automobile industry further increased. In 2013, China's production and sales of automobile reached an encouraging height after experiencing slight increase for two consecutive years. According to the statistics of industry association, the top 10 automobile corporation accounted for a total sale of 19,430,600 vehicles in 2013. The total market share reached 88.38%, representing an increase of 1.4%. The automobile market in China still has a lot to expect from as the accelerated urbanization reform in China and the peak for changing vehicles are gradually approaching.

2. Development trend of the automobile industry

First, the conditions for more rapid growth of the automobile industry still remain. The inelastic demand for automobile is a long-term one; The plans of doubling gross domestic product and income of urban and rural residents proposed in the 18th National Congress and the acceleration of urbanization reform will continue to promote automobile consumption and improvement in consumption.

Besides, the development of proprietary brands receives unprecedented attention and has significant impact on consumption. The coming period may be an opportune moment for the development of proprietary brands. Innovation-driven and independent development will become the trend in the automobile industry in the near future.

Thirdly, China's automobile enterprises speed up in overseas expansion, and strategic development in overseas markets is accelerated.

Fourthly, vehicle intelligence technologies such as efficient power train, lighter models, new energy and intelligent driver assistance and safety shall become the research and development trend of automobile techniques.

Fifthly, exploring after-sale automobile market and innovative sales mode, etc. shall lead the development direction of the automobile service industry.

(2) Development strategy of the Company

The Group aims to become a large-scale market-oriented leading international and the most trusted public company.

Therefore, the Group will realize the transition from a production base to an industry base, the transition of asset operation to capital operation and the transition from production operation to brand operation mainly depending on the capability of various business segments, securing human resources, brand and corporate culture, innovation system, capital operation and strategic research. During the period, emphasis will be given to enhancing joint venture cooperation and innovation of proprietary brands, optimizing the industrial structure and layout, enriching product line and facilitating the collaborative development of business in the Group's industry chain in order to achieve strategic goals.

(3) Operational plan

In 2014, the Group will continue to deepen its innovative reform. It will speed up the structural adjustment and industry improvement and firmly enhance the quality of economic operation and operation efficiency; deepen the capability in independent research and development and build up industrial system, firmly maintain both independent development and joint operation, further enhancing the enterprise's core competitiveness; accelerate the construction of key projects; optimize the allocation and sharing of resources, prepare the foundation for development, striving to achieve the goal of about 25% growth in vehicle sales compared to last year.

The major measures of operations are:

1. Strengthen development planning and vitality. Reinforce benchmarking management, with a focus on raising profitability and overall competitiveness of the Group.

2. Further motivate innovation, speed up and scale up the development of proprietary brand business. Improve the building of the Group's independent innovative system, achieving effective synergy of the Group's research and development resources to prompt the faster development of the independent business of passenger vehicles.

3. Accelerate the development of value-adding business and strengthen the automobile finance segment. Stand tall in the modern service industry, especially with the advantage of the platform of automobile finance segment, to accelerate the development of value-adding business and improve the value chain of automobile finance. Further highlight the characteristics of a comprehensive industry chain and complete strategy of high-end service industry, forming unique core competitiveness.

4. Enhance the level of capital operation and magnify the function and effect of capital. Using capital operation platforms such as the company listed in A+H shares and GAC Capital to continuously reinforce the capital operation capability and increase the economic efficiency of the Group.

5. Deepen the synergy of operation and enhance the advantage of core competitiveness. Strengthen the overall strategy and resources sharing between projects such as vehicles and vehicles, vehicles and parts and components, vehicle and automobile after market, build up synergy and a shared system and mechanism.

6. Deepen innovative reform and promote enhancement in management. Continue to reinforce and perfect the control and the service coordination function of the Group, implement information management in the Group, achieve procedural, institutional, systematic, standardized and information management; promote innovative reform in areas such as talent management mechanism, system, operation, management and technology of the Group.

(4) **Potential risks**

1. *Risks of the industry*

(1) ***Risk of fluctuation in macro economy***

The overall automobile industry significantly depends on level of development of the national economy, where changes in the macro economy and economic growth rate would directly stimulate or suppress consumption in automobile. Moreover, due to globalization of economy, the automobile industry depends on international macro environment and circumstances the same way. In recent years, sustained growth in China's economic scale, steady growth in citizen's disposable income, prompt economic policies promulgated by the Chinese government and relatively favourable international circumstances resulted in an overall growth trend in demand of China's automobile industry. However, with slower macroeconomic growth, the demand for China's automobile industry is currently gradually slowing down. In future, such demand will continue to be influenced by China's macroeconomic policies, industrial structural adjustments and international circumstances. The Group will pay close attention to changes of the macro environment and strengthen research on the automobile market and the needs of consumers to mitigate the impact of changes in the macro environment on the Group as much as possible.

(2) ***Risks of industrial competition and rapid growth in China's vehicle production capacity***

China's automobile industry showed an overall growth trend in the past 10 years. Since 2009, China has become the top in the world in terms of automobile sales. In light of the expanding automobile market, manufacturers are all expanding their production capacity. The competition between joint ventures and local companies, international brands and proprietary brands, among vehicles with similar emission volume and new and old models is relatively intense. The Company is exposed to the risk of intense competition in China's automobile industry.

(3) ***Impact of new energy vehicle products and technological research on conventional vehicle products and risks of technological development***

Under shortage of energy and higher awareness of energy saving and environmental protection, new energy vehicles are the direction of future automobile technological innovation and consumption in conventional vehicles will be suppressed and hindered to a certain extent. Although the Company is currently committed to development and industrialization of new energy vehicles, technology in such aspect is not mature enough to completely replace conventional fuel vehicles, and there is uncertainty in its prospects and direction.

2. Operational risks

(1) Risks of fluctuation in price of major raw materials

Major raw materials of car manufacture includes steel, aluminum, rubber, plastics and paints, thinners and other chemical products, and those of manufacturing automobile parts and components includes metallic components, chemical components and electronic devices. In manufacturing passenger and commercial vehicles and products such as engines and parts and components, the Group has to purchase a large amount of raw materials from upstream companies. If bulk raw material price is volatile, the production cost of those companies will significantly increase. They may raise their prices, which may have impact on profit of the Company if the prices rise abruptly to an overly high level, despite the fact that the Group may offset the rise through measures such as launching new products, resetting its product prices, passing the cost, optimizing work flow and reducing consumption.

(2) Risks of continuous ability to launch popular products

The continuous ability to launch popular products directly affects product sales and operating results of the Group. The Company must continue to improve existing products and develop and introduce new products promptly based on market demand in order to consolidate its market position and gain market share in targeted sub-markets. There is no warrant that the Company can continue to develop and produce competitive products by virtue of its existing technology research and development, raw material supply and production capability. Furthermore, it takes substantial initial investment to launch new products, which, if unsuccessful in gaining market acceptance, may have an impact on expected investment gain of the Group.

(3) Risks of change in Sino-Japanese relationship to product sales of joint ventures of the Group

The Group has established joint ventures and associated enterprises with renowned Japanese automobile enterprises including Honda, Toyota, Hino and Mitsubishi for a closer cooperation. Among which, the two joint ventures of Guangqi Honda and GAC Toyota have made greater contribution to the sales of vehicles and net profit of the Group. If there are unfavourable changes in the Sino-Japanese relations in the future, it may bring certain impact on the Group's operating results. The Group, in accordance with the Chinese government's policy of automobile industry development and its own proprietary brand developing strategy, commenced development and establishment of proprietary brands before 2010 which is bearing fruit. After the Diaoyu Island incident in 2012, the Group further strengthened production and sales arrangements with non-Japanese joint ventures such as GAMC, GAC Gonow and GAC Fiat and technological cooperation with non-Japanese syndicates to accelerate development of proprietary brands and to lower its dependence on Japanese products.

3. Risks of policies

(1) Risks of product recall and quality

In recent years, China has been stricter to the automobile industry in product quality and quantity regulations and technical standards. The Ordinance for the Administration of the Recall of Defective Automotive Products came into effect on 1 January 2013. The Ordinance amends and supplements the Regulations for the Administration of the Recall of Defective Automotive Products and requires automobile manufacturers to offer repair services and recall. The Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products came into effect on 1 October 2013, which clearly provides the liability of repair, exchange and return of household automotive products. If products of the Group are recalled or have other quality issues, sales and results of the Company may be affected.

(2) Risks of increased corporate cost due to higher safety standards

Safety standards of the automobile industry mainly include those related to car collision safety. In recent years, China has been stricter on regulations in relation to safety standards of the automobile industry and technical standards, and successively promulgated regulations including Side Impact Protection for Automotive Passengers (《汽車側面碰撞的乘員保護》) and Collision Safety Requirements for Fuel System of Passenger Car (《乘用車後碰撞燃油系統安全要求》). If regulatory authorities promulgate stricter safety standards of the automobile industry and technical standards in future, it may increase production cost and expenses of automobile manufacturers and thus affect the operating results of the Company.

(3) Risks of increased corporate cost due to stricter environmental and energy saving standards

As the fog and haze resulted from air pollution become more and more frequent, the environmental awareness of the society as a whole is growing stronger. Environmental problem has substantively undermined the quality of citizens' lives. Therefore, the government may promulgate more stringent environmental and energy saving policies to fulfill its goal of energy saving and consumption and emission reduction. This may increase research and productions cost of the Group and thus affect the operating results of the Company.

(4) Risks of amendments to vehicle consumption policies

Being a pillar industry in the national economy, the automobile industry has a strategic position in China's economic development. Under the backdrop of increasing internal demand and encouraging consumption, the automobile industry has a long industry chain and apparent impact in boosting the economy. However, with increasing traffic pressure in urban areas, certain municipalities put into place policies regulating the number of vehicles, which may negatively affect local consumption in automobile. If there is over-investment in automobile industry or automobile consumption causes increased environmental pollution and worsening of urban traffic congestion, the government may further amend vehicle consumption policies, which may have significant impact on automobile manufacture and consumption market.

V. EXPLANATION FROM THE BOARD FOR THE ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT"

(i) Explanation from the Board and the Supervisory Committee for the accounting firm's "non-standard audit report"

✓ N/A

(ii) Analysis and explanation from the Board for reasons and impact of changes in accounting policy, accounting estimates and accounting methods

✓ N/A

(iii) Analysis and explanation from the Board for reasons and impact of correction of major errors in the previous period

✓ N/A

VI. PROPOSED PROFIT DISTRIBUTION PLAN OR CAPITAL RESERVES-TO-EQUITY

(I) Formulation, Implementation and Adjustments of Cash Dividend Policy

The Company has set out the basic principles of profit distribution in the Articles of Association of the Company, and set out cash dividend ratio of the profit distributed by the Company in cash annually shall not be less than 10% of the realized and distributable profit that year. Meanwhile, the dividend distribution plan for the shareholders (2012-2014) of Guangzhou Automobile Group Co., Ltd. implemented by the Company in November 2012 further set out the "cash dividend ratio shall not be less than 10% of the realized and distributable profit that year".

During the reporting period, the Group has not adjusted the cash dividend policy, and strictly complied with regulations of the Article of Associations and the dividend distribution plan for the shareholders (2012-2014) of Guangzhou Automobile Group Co., Ltd.. During the reporting period, profit distribution for the year 2012 and profit distribution plan for the interim period 2013 were implemented and completed, among which, the standard and proportion of cash dividend were clear, and the related decision-making procedures and mechanisms were complete and in compliance with the regulations. Independent directors performed their duties diligently and displayed their role, fully protecting the legitimate rights and interests of minority shareholders.

(ii) Disclosure should be made in details about the reasons for failure to propose cash dividend distribution plan if profit is made during the reporting period and undistributed profit of the Company is positive as well as the use and usage plan for retained profit

✓ N/A

(iii) Schemes or plans for profit distribution and transfer of capital reserve to share capital in the latest 3 years (including the reporting period)

Unit: RMB

Year		Number of bonus shares issued for every 10 existing shares (share)	Dividends paid for every 10 shares (tax Inclusive)	Number of shares transferred to share capital for every 10 existing shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement (%)
2013	Interim period		0.6		386,101,205.82	–	–
	End of the year		1.00		643,502,009.7	–	–
	Total		1.6		1,029,603,215.52	2,652,838,308	38.81%
2012			0.9		579,151,808.73	1,133,982,302	51.07%
2011			2.00		1,287,004,019.40	4,271,703,081	30.13%

In 2013, the Group's audited net profit attributable to shareholders of the listing Company amounted to RMB2,652,838,308.

The Board proposed that a cash dividend of RMB1.00 per ten Shares (tax inclusive) be paid on the basis of the total share capital of shareholders registered as at the record date (which date shall be announced separately), amounting to RMB643,502,009.7 (the holders of A Shares will be paid in Renminbi, and the holders of H Shares will be paid in Hong Kong dollar). No transfer of capital reserve to share capital is implemented for this profit distribution. This profit distribution plan shall be proposed for consideration in the 2013 annual general meeting.

In view of the payment of an interim cash dividend of RMB0.6 per ten Shares (tax inclusive) to shareholders during the interim period, an accumulated cash dividend of RMB1.6 per ten Shares (tax inclusive) shall therefore be declared in the year of 2013. The cumulative cash dividend of 2013 accounted for 38.81% of the net profit attributable to the shareholders' interests of the Company.

(iv) Distributable Dividend From Joint Ventures of the Company

During the reporting period, the Company's JVs in total declared and distributed dividends of approximately RMB3,077,197,219 to the Company or its relevant subsidiary (being the joint venture partner of the relevant JV). As some of JVs are indirectly held by the Company through its subsidiaries or JVs, the above figures do not represent the actual aggregate amount of dividends directly received by the Company from all JVs.

Pursuant to the joint venture agreements and/or articles of association of the JVs, dividends may be paid out of the profit made by the JVs as determined by the directors or the shareholders of the relevant JVs after payment of relevant taxes in accordance with the relevant PRC law. Before the distribution of dividends, the losses of previous years are required to be offset and statutory reserve funds (including corporate reserve fund, employee bonus and welfare funds and enterprises development fund), as required under the PRC laws and regulations, are required to be deducted from the profit of the relevant JVs.

Pursuant to the joint venture agreements and/or the articles of association of the JVs, dividend distribution is made in accordance with the capital contribution paid by the joint venture partner in the relevant JV as approved by the directors or shareholders of the relevant JV.

Save as disclosed above, none of the JVs has any specific dividend policies. However, if all the joint venture partners agree, the JVs may declare dividends when there are distributable profits. Since dividend distribution is the primary channel for return of the investment to the Company (or its relevant subsidiaries) and the relevant joint venture partners in respect of each JV, in the past the JVs have fully paid out all profits for each year after offsetting losses of previous years and deducting the portion of profit to be allocated for applicable statutory reserve funds as required under the PRC laws and regulations (including corporate reserve fund, enterprise development fund, employee bonus and welfare fund) and making allocations for corporate reserve fund (including but not limited to amounts allocated to cover working capital or to increase capital or expand production). In the future, it is the intention of the Company and the relevant joint venture partners to continue to declare dividends when there are distributable profits for the relevant JV, subject to the agreement between the Company and the relevant joint venture partners on the appropriate dividend distributions based on the circumstances of each JV and pursuant to the provisions of the relevant joint venture agreements and/or the articles of association of each JV and applicable PRC laws and regulations.

VII. FULFILLMENT OF SOCIAL RESPONSIBILITY

The Group adheres to the corporate philosophy of “People as foundation, trust as philosophy, innovation as priority”, actively supporting social welfare activities such as sports, culture education, environmental protection, charity, actively fulfilling its social responsibility. For details of work on social responsibility, please refer to the details of 2013 Social Responsibility Report of Guangzhou Automobile Group Co., Ltd published on the website of the SSE and the overseas regulated announcement published on the Stock Exchange on 26 March 2014.

VIII. PRODUCTION SAFETY

The Group adhered to the guidelines of “safety first, focus on prevention, comprehensive control” and the principles of “people-oriented and safe development”, strictly implemented accountability system for production safety, continued to strengthen the responsibility, target and management of safety production, implemented the standardization of safety production in full, optimized the emergency rescue system for accidents during production and actively provided education and training of safety production and risk control in order to foster the safety culture at enterprise.

During the year, no serious injury and death accidents occurred. The condition of safe production is generally stable.

IX. ENVIRONMENTAL PROTECTION

The Group continued to work 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. The Group also promoted energy-saving car models, continued the green environmental protection ideas and promoting smart intensive green plant ideas during plant construction.

During the reporting period, the Group had no circumstances that fell short of environmental standards.

X. MAJOR AWARDS

(I) Awards won by the Group and its major investees

Serial number	Subject	Awards won by the Group and its major investees	Organizer/theme
1	The Company	China Securities Golden Bauhinia Award -"The Listing Companies with the Most Growth Potential"	Ta Kung Pao
2		"The Listing Companies with the Most Growth Potential 2013 – Most Favored by Institution Award"	Southern Metropolis Daily
3		"Top 50 Leader" of Listed Companies in China – Top 10 Industries in China "Top 50 Good Companies"	www.21cbn.com,21st Century Media
4		Bronze Cup of Guangdong Poverty Relief Red Cotton Cup	the Leading Group of Poverty Alleviation Development of Guangdong Province
5		Guangdong Province Safety Culture Construction Demonstration Enterprise	Bureau of Work Safety of Guangdong Province
6	Guangqi Honda	Most Respected Enterprise 2012-2013	Economic Observer
7		2013 Craft Contribution of China Automobile Enterprise Gold Award	Southern Metropolis Daily and China Fortune Magazine
8		2013 China Corporate Responsibility Outstanding Excellence Practicing Award	China Business News
9		2013 Most Social Responsible Corporate	Xinhua net
10		2013 Most Social Responsible Corporate	Financial Sector
11	GAC Toyota	Exemplary low-carbon Chinese Company	The Economic Observer
12		2013 Social Welfare Contribution of China Automobile Enterprise Gold Award	Nanfang Media Group
13		2013 China Corporate Responsibility Outstanding Cases Excellence Award	China Philanthropy Times
14		China CSR Outstanding Company Award	China Business News
15		2013 Salute to Public Service Entreaties Contribution by the Southern Daily	Southern Daily
16		The most popular car enterprise	Western China's automobile market overall standings Media Awards

(2) Car Models and Other Awards

Name	Award	Awarded by
Trumpchi GA3	The Most Advanced Technology Award	Guangzhou International Car Exhibition Organizing Committee
GAMC GS5	Own-brand SUV of the year	China Business News
GAMC GA3	The 8th Auto Top List of China 2013 – Fashion and economic car model	China Powerful Media Auto Union
GAC Trumpchi	The 10th Automotive Billboard 2013 – the Best Chinese car brand	China Mainstream Media Auto Union
Trumpchi 1.8T engine	Dongli China Engine Power Award 2013	China Auto Economy, Auto Time
GAMC Trumpchi	Xuan Yuan Award	Auto Business Review
GAMC Trumpchi	The 5th CCTV – The Brand of the year award	CCTV
Development and application of intelligent vehicle platform and BIW of commercial vehicles	China Automotive Industry Science and Technology Award 2013 – second prize	Society of Automotive Engineers of China
Research and Application of Specific Technology on Opening and Closing Parts Development	China Automotive Industry Science and Technology Award 2013 – second prize	Society of Automotive Engineers of China
GS5 Vehicle Appearance	The 15th China Patent Excellence Appearance Design Award	State Intellectual Property Office of the PRC
Guangqi Honda Accord	Selection Committee Recommended Award – Car of the year in China	China Mainstream Media Auto Union Billboard
Guangqi Honda Accord	The 8th Auto Top List of China 2013 – Top Car of the year	China Powerful Media Auto Union Billboard
Guangqi Honda Accord	New Technology for the year	Xinhua net
GAC Honda Crider	The 8th Auto Top List of China 2013 – Middle Car	China Powerful Media Auto Union Billboard
GAC Honda Crider	Middle car of the year	Guangzhou Daily
GAC Honda Crider	2013 Super Car – middle car of the year	Beijing News
GAC Honda Crider	Middle car of the year	China Business News
GAC Honda Crider	Best economic compact car model of the year	Tencent
Guangqi Honda Accord	Car of the year (the only award)	ifeng.com

Name	Award	Awarded by
Guangqi Honda Accord	Preferred car of the year	Sohu
Guangqi Honda Accord	Car of the year and Technology of the year award	Phoenix TV Car of the Year
GAC Toyota Yaris L	The most expecting car model of the year	China Mainstream Media Auto Union Billboard
GAC Toyota Yaris L	The most expecting new car of the year	China Powerful Media Auto Union Billboard
GAC Toyota Yaris L	The best small-size car of the year	Western China's automobile market overall standings Media Awards
GAC Toyota Yaris L	The most expecting economic car of the year	Phoenix TV
GAC Toyota Yaris L	Preferred small-size car	Sohu Car of the Year
GAC Toyota Yaris L	Small-size car of the year	"New Car of the Year Award" by NetElise
GAC Toyota Yaris L	The best small-size car 2013	Pacific Car of the Year
GAC Toyota Yaris L	The best new car of the year	Xinhua net
GAC Toyota Camry	The most popular middle car of the year	Western China's automobile market overall standings Media Awards
GAC Toyota Camry Zun Rui	Preferred energy-saving environmental protection car	Sohu Car of the Year
GAC Toyota Camry Zun Rui	The best contribution to environmental protection of the year	Xinhua net
GAC Toyota Highlander	The most popular SUV	Western China's automobile market overall standings Media Awards
GAC Mitsubishi Xin Jing Xuan ASX	The 8th Auto Top List of China – consumers' most popular SUV	China Powerful Media Auto Union Billboard
GAC Mitsubishi Xin Jing Xuan ASX	2013 China Business News Elite Car Selection – compact SUV of the year	China Business News
GAC Mitsubishi Pajero Sport	The most advanced SUV 2013 selected by xgo.com.cn	XGO.com.cn
GAC Fiat's Viaggio	The best middle car	Internet Info Agency
GAC Fiat's Zhi Yue	2013 Xinhua car selection of the year – the most expecting car model	Xinhua net
GAC Hino 700-series trucks	2014 Domestic tractor Award of the year	China Auto News
GAC Gonow Xinlang	Compact MPV of the year	China Auto News

Chapter 6 Report of the Supervisory Committee

During the reporting period, the Supervisory Committee of the Company conducted its work with the spirit of holding itself accountable to all Shareholders, duly performed its various duties and obligations, all members of the Supervisory Committee participated in the discussion in respect of the major operation decisions of the Company, and supervised the financial conditions of the Company, the operation compliance and performance of directors and senior management according to law, through attending supervisory meetings, general meetings and Board meeting, in accordance with the Companies Law, the Securities Law, Listing Rules of Hong Kong and Shanghai Stock Exchange Listing Rules and other laws and regulations and the requirements of the articles of association of the Company, and the internal control of the Company and standardized operation were promoted.

Supervisory Committee was of the view that during the reporting period, the standardized operation of the Company was strictly in compliance with relevant laws and regulations such as the Listing Rules and internal control systems such as the Articles of Association of the Company, while the directors and senior management of the Company were in due diligence when performing their duties and have in compliance with the PRC laws and regulations, Article of Association of the Company and system, which have effectively safeguarded the interests of the Company and shareholders. The work of Supervisory Committee during the year is reported as follows:

I. CHANGE OF SUPERVISORS

On 7 June 2013, the supervisory committee of the Company received from the trade union the Letter in relation to the Change of Staff Representative Supervisor of the Third-Session Supervisory Committee of Guangzhou Automobile Group Co., Ltd. (《關於廣州汽車集團股份有限公司第三屆監事會職工代表監事更換的函》): It was resolved at the meeting of the staff representatives of the Company that Mr. Lai Boyi shall be elected as the staff representative supervisor of the third-session Supervisory Committee of the Company, and that Mr. Ye Ruiqi shall resign as the staff representative supervisor of the Company. The Company issued the announcement on "Change of Staff Representative Supervisor"(Lin Announcement No. 2013-25) on 8 June 2013.

II. BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2013

Supervisory Committee was of the view that the Board of the Company duly performed its operation in strict compliance with the requirements under the laws and regulations including the Companies Law, the articles of association of the Company and Hong Kong and Shanghai Stock Exchange Listing Rules during the reporting period. Facing keen market competition, the Group grasped the favorable conditions of market rebound in domestic market on time and seized the opportunities, and finally a significant breakthrough of sale volume of cars and motor vehicles both over 1million was achieved for the first time, the rapid growth in overall operation business was realized.

In 2013, the major business decisions making procedures of the Company were legitimate and effective. The directors and senior management of the Company duly performed its duties seriously, proactively and normatively conducted its work in accordance with the national laws, regulations, the articles of association of the Company and resolutions of the general meeting and the Board. The Supervisory Committee had not found any acts of Directors and senior management being in breach of laws and regulations and the articles of association of the Company or against the interests of the Company and the Shareholders.

III. MEETINGS CONVENED OF SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company convened four supervisory meetings with the details as follows:

1. The 6th meeting of the 3rd session of the Supervisory Committee was held on 28 March 2013, the following resolutions were considered and approved:

   (1) Resolution in respect of annual report and summary of 2012;

   (2) Resolution in respect of the audited financial report of 2012;

   (3) Resolution in respect of internal control and self-assessment report of 2012;

   (4) Resolution in respect of internal control audited report of 2012;

   (5) Resolution in respect of profit distribution plan of 2012;

   (6) Resolution in respect of Supervisory Committee report of 2012;

   (7) Resolution in respect of appointment of auditing institution for the year 2013;

   (8) Resolution in respect of appointment of internal control auditing institution for the year 2013.

2. The 7th meeting of the 3rd session of the Supervisory Committee was held on 25 April 2013, the resolution in respect of the first quarterly report of 2013 was considered and approved.

3. The 8th meeting of the 3rd session of the Supervisory Committee was held on 29 August 2013, the resolution in respect of interim report of 2013 and the resolution in respect of profit distribution plan for the interim period 2013 were considered and approved.

4. The 9th meeting of the 3rd session of the Supervisory Committee was held on 30 October 2013, the resolution in respect of the third quarterly report of 2013 was considered and approved.

Save as the meetings above, the Supervisory Committee also supervised the convening, holding, resolution, voting procedures and poll results of general meetings and Board meetings through attending general meetings and being present in Board meetings. The Supervisory Committed has made recommendations and supervised on the legitimacy and compliance of national laws, regulations, the Articles of Association of the Company and resolutions of the Board meetings and interests of the Shareholders in respect of the regular reports, profit distribution, connected transactions and internal control.

IV. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON OPERATION OF THE COMPANY

1. Due operation of the Company

During the reporting period, the various work of the Board and senior management of the Company were in compliance with the relevant requirements of the Companies Law, the Securities Law, the Listing Rules of the Stock Exchange and SSE and the articles of association of the Company and Rules of Procedures of the three Committees and the relevant provisions of various internal control systems, decision making process is legitimate and effective. Directors and senior management of the Company performed in a diligent and responsible manner and the resolutions of the general meetings and the Board meetings were implemented faithfully. No acts were in breach of laws and regulations and the articles of association of the Company or against the interests of the Company. Meanwhile, the Company has timely performed its disclosure obligations which were in strict compliance with the requirement of the Listing Rules of the Stock Exchange and SSE.

2. Internal control and risk management

The Company consistently implemented the Basic Principles for Internal Control of Enterprises, the Guidelines for Enterprise Internal Control, the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange and the Securities Regulatory Commission Guangdong Bureau's Notice in relation to Internal Control Practice of Companies in the Jurisdiction Listed on the Main Board, and further improved internal control by establishing, and effectively implementing, a sound internal control system to enhance its operation and management level and risk resistance. It commenced such establishment in September 2010 and engaged Ernst & Young (China) Advisory Limited as an external consultant on such end to assist in establishment and improvement of such system.

During the reporting period, the Company formulated its internal control standard practice proposal in accordance with requirements of regulator authority, and implemented the internal control system according to the proposal and work on internal control was improved. Internal control working team carried out their work based on one-to-one interviews with relevant departmental directors, tests, on-site inspections, sampling and comparison and analysis. It also engaged experts in the field for special training in relation to internal control policy, corporate internal control standards and ancillary guidelines to initiate cultivation of internal control and risk management culture.

Supervisory Committee reviewed "the self-evaluation report on internal control of the Company for 2013" prepared by the Board and the establishment and implementation of internal control policies of the Company, and approved "the self-evaluation report on internal control of the Company for 2013" prepared by the Board.

3. Financial conditions of the Company

The Supervisory Committee examined the financial conditions of the Company seriously and carefully and reviewed the 2012 annual financial report and the first quarterly report, interim report and the third quarterly report of 2013 during the reporting period, and considered the profit distribution plan implanted by the Company during the reporting period.

The Supervisory Committee considered that the financial report of the Company gave a full, true and objective view of the operation results and financial conditions of the Company , persons participating in the preparation and consideration of the Annual Report were not found to have acted in breach of the rules of confidentiality, while the financial report with unqualified opinions issued by the auditing firm was objective and fair.

4. Connected transactions

The Supervisory Committee reviewed and audited the report of connected transactions of the year. The Supervisory Committee considered that the Company had strictly abided by the relevant provisions of the A shares and H shares listing rules and the articles of association of the Company in conducting the connected transactions of the Company in 2013. The Supervisory Committee also considered that the procedures of the connected transactions were legal and price was fair and was not aware of any circumstances which were prejudicial to the interests of the Company and the medium-sized and minority Shareholders.

V. WORKING PLAN

In 2014, the Supervisory Committee will focus on the operation goals , combined with the Company's innovation and reform. It will also perform its supervision responsibilities under the laws and the articles of association, with the supervising focus on financial conditions, continue to pay attention to the promotion of internal control of the Company and to establish a comprehensive risk management system; urging the Company to further improve the corporate governance structure to enhance corporate governance; advancing the implementation of and improving internal control; continuing to strengthen the implementation of supervision functions; attending the Board in accordance with the law; grasping the decision making process and its legitimacy of significant events of the Company; implementing strictly the rules of procedures of the Supervisory Committee and organizing work meetings of the Supervisory Committee on a regular basis, so as to safeguard the legitimate interests of shareholders, staff members and the Company.

In addition, the Supervisory Committee will enhance its own learning and communication. The Supervisory Committee will improve its business level, and raising the performance level and ability, so that the supervisory functions of the Supervisory Committee can be displayed entirely, and to achieve the operation objectives of the Company.

I. 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.

II. OCCUPATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

✓ N/A

III. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring in the year.

IV. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS

(I) Matters undisclosed in the temporary announcements or those with subsequent progress

1. Combination of Business

According to the announcement dated 28 August 2012 in relation to resolution of the Board (Lin 2012-19) and the absorption and merger of the wholly-owned subsidiary, Guangzhou Automobile Group Co., Ltd (Lin 2012-20), as at 18 April 2013, the deregistration of Guangzhou Automobile Group Co., Ltd has been completed and the absorption and merger was completed.

V. IMPLEMENTATION OF THE SHARE OPTION INCENTIVE SCHEME AND ITS EFFECTS

The relevant share option incentive scheme has been disclosed in the temporary announcements and have no change in the subsequent implementation process

Overview of Matters	Query Index
The Group approved grant of H share appreciation rights scheme and its initial grant, relevant incentive recipients include directors, senior management, key technical personnel and managerial personnel.	Announcement of "Poll results of the first extraordinary general meeting of the Company of 2012 held on 29 February 2012 and Grant of H Share Appreciation Rights" disclosed on the website of the Stock Exchange on 29 February 2012 (H Shares announcement).

The Company offered H share appreciation rights scheme (the "Scheme") to the directors, senior management and managerial and key technical personnel and the Scheme is settled in cash. According to the Scheme, each unit of share appreciation rights is notionally linked to one H share and represents the rights conferred to the relevant incentive recipient to receive in cash stipulated earnings from the increase in market share price of the relevant H share. However, no H shares will actually be issued to any incentive recipient.

According to the temporary announcement No. 2014-007 issued by the Company, as at 28 February 2014, due to participants retirement and lapse of the first batch of the Share Appreciation Rights which should have been effective, the total Share Appreciation Rights which are not effective yet is 23,899,981 shares.

VI. MATERIAL CONNECTED TRANSACTIONS

1. Guarantee provided by Guangzhou Automobile Industry Group Co., Ltd. to the Company

According to the resolution considered and approved at the 3rd extraordinary general meeting of 2012 of the Company held on 15 November 2012 in relation to the provision of guarantee by Guangzhou Automobile Industry Group Co., Ltd. for the public issuance of the Domestic Corporate Bonds in the aggregate principal amount of not exceeding RMB6 billion, GAIG agree to provide guarantee for the Company's public issuance of Domestic Corporate Bonds in the aggregate principal amount of not exceeding RMB6 billion. The guarantee is a full amount, unconditional, irrevocable, joint-liability guarantee. The actual issuance amount of the Domestic Corporate Bonds shall be the actual amount of Domestic Corporate Bonds issued by the Company within the scope as approved by CSRC. The scope of guarantee includes the principal, interest, damages, compensation for loss of the Domestic Corporate Bonds and all expenses for realizing the bonds. The term of guarantee shall be from the first day of the issuance of the Domestic Corporate Bonds until two years after the maturity date of the Domestic Corporate Bonds. GAIG shall charge an annual guarantee fee of 1% on the balance of the Domestic Corporate Bonds guaranteed (being the principal and interest which has not been paid on time, damages, etc. (if any)). On 20 March 2013, the Company issued Corporate Bonds (Phase one), totaling RMB4 billion, which was listed on the SSE on 9 April 2013.

For details in relation to the guarantee mentioned above and the listing of Corporate Bonds issued by the Company, please refer to the announcement dated 30 October 2012 issued by the Company on "Connected Transaction in relation to the provision of guarantee by Guangzhou Automobile Industry Group Co., Ltd. to the Company for the issuance of the Domestic Corporate Bonds in the aggregate principal amount of not exceeding RMB6 billion" (Lin 2012-34) and the announcement dated 9 April 2013 issued by the Company "Listing of Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012" (Lin 2013-014).

2. Certain related party transactions as disclosed in note 40 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules. Such transactions between certain connected persons (as defined in the Listing Rules) and the Group which have been entered into and/or are ongoing during the year are shown below for which relevant disclosure, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

3. **Transactions under the Listing Rules**

(A) Transactions in relation to principal JCEs

At the time of listing of the Company, the 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 JVs. The Company is required to review whether the immaterial JVs met the conditions in the waiver on a yearly basis. As the size tests calculated in 2013 based on the financial statements for the year 2012 exceeded the threshold of 5%, Wuyang-Honda and GAC-SOFINCO will become principal JVs in the following financial year.

(B) Continuing connected transactions

During the year ended 31 December 2013, GAC Group and its associates (as defined in the Listing Rules) had entered into the following connected transactions and continuing connected transactions:

1. Provision of transport and logistic services in respect of vehicle products and vehicle parts and components

(a) During the year ended 31 December 2013, the Company, its subsidiaries and the principal JVs (including GAC Toyota and Guangqi Honda) (collectively, the "Group") separately provided transport and logistic services ("Logistic Services") in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal JVs (including Toyota and Honda) and their associates (collectively, the "JV Partner Group") according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

On 21 December 2012:

(i) Guangzhou Guangqi Commercial Logistics Co., Ltd. ("Guangqi Commercial") (廣州廣汽商貿物流有限公司) and Guangqi Toyotsu Logistics Co., Ltd. ("Guangqi Toyotsu Logistics") (廣汽豐通物流有限公司) (as the service provider) of the Group, entered into an agreement in writing ("Supplemental Agreement") with GAC Toyota Logistics Co., Ltd. ("GAC Toyota Logistics") (廣汽豐田物流有限公司) and Tong Fang Global (Tianjin) Logistics Co., Ltd. ("Tong Fang Global") (同方環球(天津)物流有限公司) of the JV Partner Group, respectively, so as to continue the Logistic Services. The validity period for the Supplemental Agreement between Guangqi Commercial and GAC Toyota Logistics is from 1 January 2013 to 31 December 2013, which, unless otherwise agreed, will be extended to the term of not exceeding 3 years in total, and the validity period for the Supplemental Agreement between Guangqi Toyotsu Logistics and Tong Fang Global is from 1 January 2013 to 31 December 2015. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement;

(ii) Guangzhou Automobile Hunan NYK Logistics Co. Ltd. ("GAC Hunan") (湖南廣汽日郵物流有限公司) (as the service provider) of the Group and GAC Toyota Logistics of the JV Partner Group, entered into an agreement in writing ("New Agreement"), so as to proceed with the Logistic Services, with validity period from 1 January 2013 to 31 December 2015. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

Pursuant to the Supplemental Agreement, the payment received by the service provider from the service recipient for the Logistic Services is paid according to the prices in the contract which are determined with reference to the prevailing prices of the same type of services in the market.

Pursuant to the New Agreement, both parties to the agreement have agreed that, they shall enter into Individual Agreement(s) in relation to the provision of the Logistic Services within the validity period of the New Agreement based on the terms, conditions and principles of the New Agreement. The terms of the Individual Agreements (including the terms of calculation and payment of service fees) shall be determined based on normal commercial terms and the respective independent interests, and the transaction terms shall not be more favourable than the corresponding terms for the provision of the same type of services by the Group members to its independent third parties or less favourable than the corresponding terms for the receipt of the same type of services by the Group members from its independent third parties (as the case may be). The payment for the provision of the Logistic Services under the Individual Agreements shall be unanimously determined after thorough communication and discussion between the parties to the agreement with reference to the prevailing prices of the same type of services in the market. In case of any inconsistency between the terms of an Individual Agreement and the New Agreement, the terms of the New Agreement shall prevail. The term of the Individual Agreement shall not exceed the term of the New Agreement, otherwise a new agreement or a supplemental agreement should be entered into in accordance with the then applicable requirements of the Listing Rules.

During the year ended 31 December 2013, the total amount of the Logistic Services provided by the Group to the JV Partner Group was RMB41,167,632.

In relation to the transactions, the Directors consider that the annual cap requirement under Rule 14A.35(2) shall not be imposed. The provisions of the Logistic Services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.

Any growth in demand for vehicle manufactured by the principal JVs or the joint venture partners will necessarily result in increased transaction volumes for the Logistic Services. Such growth is outside the control of the Company and difficult to predict. If the unpredictable growth exceeds the annual caps imposed, the transport and logistic services have to be stopped, which in turn will hold up the manufacturing activities and the delivery of vehicle products, until the requirements of announcement and/or shareholders' approval under Chapter 14A of the Listing Rules are complied with.

The Directors consider that the imposition of annual caps on such transaction is not in the interest of the Group. Therefore, the Company has applied to the Stock Exchange for and was granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions. The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JVs and would not be in the interest of the Company or the relevant JVs.

The foresaid waivers granted by the Stock Exchange at the time of listing in relation to the transactions made expired when the Supplemental Agreements and New Agreement were entered into. The Stock Exchange has approved the Company's application for renewal of the Waivers, exempting the Company from compliance with the annual cap and annual reporting requirements under Rules 14A.35(2) and (3) of the Listing Rules to the extent that only disclosure of the total annual consideration relating to the Transactions needs to be made.

(b) During the year ended 31 December 2013, JV Partner Group provided transport and logistic services ("Logistic Services of JV Partner") in respect of vehicle products and vehicle parts and components to the Group according to the following pricing terms on a regular basis. Our principal JVs purchase raw materials, parts and components from the relevant joint venture partners and also sell some of the products to the relevant joint venture partners. The relevant joint venture partners would provide transport and logistic services to complete the processes. Such service will continue during the term of the joint ventures.

On 21 December 2012:

(i) Tong Fang Global and GAC Honda Logistics Co., Ltd. ("GAC Honda Logistics") (廣汽本田物流有限公司) (as the service provider) of the JV Partner Group, entered into an agreement in writing ("Supplemental Agreement of JV Partner") with GAC Toyota and Guangqi Honda of the Group, respectively, so as to continue the Logistic Services of JV Partner. The validity period for the Supplemental Agreement between Tong Fang Global and GAC Toyota is from 1 January 2013 to 31 December 2015. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement, and the validity period for the Supplemental Agreement between GAC Honda Logistics and Guangqi Honda is from 1 January 2013 to 31 December 2013, which, unless otherwise agreed, will be extended to the term of not exceeding 3 years in total;

(ii) GAC Toyota Logistics (as the service provider) of the JV Partner Group entered into an agreement in writing ("New Agreement of JV Partner") with GAC Hunan and Guangzhou Changning Automobile Sales and Services Co., Ltd. (廣州長寧汽車銷售服務有限公司), so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2013 to 31 December 2015. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

Pursuant to the Supplemental Agreement of JV Partner, the payment received by the service provider from the service recipient for the Logistic Services of JV Partner is paid according to the prices in the contract which are determined with reference to the prevailing prices of the same type of services in the market.

Pursuant to the New Agreement of JV Partner, both parties to the agreement have agreed that, they shall enter into Individual Agreement(s) in relation to the provision of the Logistic Services of JV Partner within the validity period of the New Agreement of JV Partner based on the terms, conditions and principles of the New Agreement of JV Partner. The terms of the Individual Agreements (including the terms of calculation and payment of service fees) shall be determined based on normal commercial terms and the respective independent interests, and the transaction terms shall not be more favourable than the corresponding terms for the provision of the same type of services by the Group members to its independent third parties or less favourable than the corresponding terms for the receipt of the same type of services by the Group members from its independent third parties (as the case may be). The payment for the provision of the Logistic Services of JV Partner under the Individual Agreements shall be unanimously determined after thorough communication and discussion between the parties to the agreement with reference to the prevailing prices of the same type of services in the market. In case of any inconsistency between the terms of an Individual Agreement and the New Agreement, the terms of the New Agreement shall prevail. The term of the Individual Agreement shall not exceed the term of the New Agreement, otherwise a new agreement or a supplemental agreement should be entered into in accordance with the then applicable requirements of the Listing Rules.

During the year ended 31 December 2013, the total consideration paid by the Group in respect of the Logistic Services of JV Partner was RMB37,433.

In relation to the transactions, the Directors consider that the annual cap requirement under Rule 14A.35(2) shall not be imposed. The provisions of the transport and logistic services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.

Any growth in demand for vehicle manufactured by the principal JVs or the joint venture partners will necessarily result in increased transaction volumes for the transport and logistic services. Such growth is outside the control of the Company and difficult to predict. If the unpredictable growth exceeds the annual caps imposed, the transport and logistic services have to be stopped, which in turn will hold up the manufacturing activities and the delivery of vehicle products, until the requirements of announcement and/or shareholders' approval under Chapter 14A of the Listing Rules are complied with.

The Directors consider that the imposition of annual caps on such transaction is not in the interest of the Group. Therefore, the Company has applied to the Stock Exchange for and was granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions. The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JVs and would not be in the interest of the Company or the relevant JVs.

The foresaid waivers granted by the Stock Exchange at the time of listing in relation to the transactions made expired when the Supplemental Agreements of JV Partner and New Agreement of JV Partner were entered into. The Stock Exchange has approved the Company's application for renewal of the Waivers, exempting the Company from compliance with the annual cap and annual reporting requirements under Rules 14A.35(2) and (3) of the Listing Rules to the extent that only disclosure of the total annual consideration relating to the Transactions needs to be made.

2. ***Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sales services)***

(a) During the year ended 31 December 2013, the Group sold raw materials, parts and components and vehicles to the JV Partner Group according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

The Group will take into account market prices of the relevant products and services offered by independent third parties in determining the price of the services to make sure that the price offered to the JV Partner Group are fair and reasonable and on normal commercial terms.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempted from written agreement and annual cap requirements as set out in Rule 14A.35 of the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between the contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JVs and would not be in the interest of the Company or the relevant JVs.

(b) During the year ended 31 December 2013, members of the JV Partner Group provided the sale of raw materials, parts and components and production equipment to the principal JVs according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

In relation to this type of transactions, where there are other local suppliers, members of the Group will obtain quotes for equivalent products or services that may be available from other local PRC suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, the Group would go through a tender process before selecting the supplier for such alternatives. In such a tender process, JV Partner Group is treated no differently from any other third party supplier. Consequently, the purchase of auto parts by Group from the JV Partner Group would not be made if the Group could obtain better terms from any other suppliers. Over time, fewer vehicle products, parts and components will be sourced from the JV Partner Group as cheaper viable alternatives are found in the PRC. Such process of "localisation" is widely regarded as key means of cost reduction in the PRC automotive industry and is also the priority of the principal JVs.

As a business reality, given the additional transportation and tax costs of purchasing vehicle products, parts and components and production equipment from a foreign supplier, it is neither in the Company's nor the joint venture partners' interest to purchase the vehicle products, parts and components and production equipment from the foreign joint venture partners if viable alternatives are available from local suppliers on more favourable terms.

In determining the price for the products and/or service, the Company will also consider the market price for equivalent products or services in order to make sure that the price will remain a reasonable and competitive one. However, unlike normal consumer products, some of the vehicle products, parts and components provided by the JV Partner Group are specific to the car models produced by the principal JVs and there is no alternative but to source the vehicle products, parts and components from the JV Partner Group for the duration of the relevant principal JV and market prices for these vehicle parts are not readily available. Our representatives will rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in determining the price. In order to ensure that the price is fair and reasonable, the Group will also obtain quotes for similar products or services, though not specific to the car models produced by the principal JVs, as reference.

The Group will also determine the price by taking into account the profit margin that could be achieved by the Group to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better taking into account the international and PRC benchmark raw materials costs.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements as set out in Rule 14A.35 of the Listing Rules, and is only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JVs and would not be in the interest of the Company or the relevant JVs.

3. ***Provision of technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software)***

During the year ended 31 December 2013, the JV Partner Group provided technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software) to the Group according to the following pricing terms on a regular basis. Our joint venture partners are the proprietors of the technology involved in the production of vehicle models manufactured by the principal JVs and they are primarily responsible for the research and development of all new models. The provision of technical support by the joint venture partners is to ensure that the latest technology is applied in the manufacturing process of the principal JVs and to ensure that the products remain competitive in the market. Such service will continue during the term of the joint ventures.

Generally, the pricing for technology licence and technical assistance between the principal JVs and the joint venture partners and their associates is that the party providing the technology should be fairly reimbursed for its research and development costs incurred in respect of a particular vehicle model and such research and development costs should be spread evenly over the entire operations of the party providing the technology and the PRC automotive joint venture should only bear its fair share of such costs.

In accordance with normal industry practice, the terms (including the price) of the technology licenses and transactions relating to technical support are fixed with reference to the expected life cycle of vehicle models, which are generally between 5 to 10 years, and also with reference to the industry benchmark for similar technological assistance. Our representatives will also rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in order to determine the price and to make sure that the price remains a reasonable and competitive one. Also the Group (including the principal JVs) will also determine the price by taking into account the profit margin that could be achieved by the Group and to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements as set out in Rule 14A.35 of the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transaction value between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JVs and would not be in the interest of the Company or the relevant JVs.

4. ***Provision of the right to use intellectual property (in relation to production and sales of vehicles)***

During the year ended 31 December 2013, the joint venture partners of the principal JVs provided the use of intellectual property rights (in relation to production and sales of vehicles) to the principal JVs according to the following pricing terms on a regular basis. The right to use intellectual property is key to the long term profitability and competitiveness of the principal JVs and their products. Our Group entered into several technology licence agreements and trademark licence agreements with our joint venture partners during the track record period in the past. Such agreements will continue during the term of the joint ventures.

The joint venture partners and its associates are primarily responsible for the research and development of the new vehicle models and it is therefore essential for the principal JVs to enter into technology licence with its joint venture partners. The relevant intellectual property rights that are specific to the car models produced by the relevant principal JVs and are thus fundamental to the production of the Group. Without them, the businesses of the principal JVs could not have been established and cannot operate. The Group therefore has no alternative but to source the intellectual property rights from the joint venture partners for the duration of the principal JVs. It is therefore standard practice in the PRC automotive industry for sino-foreign automotive manufacturing joint ventures to provide royalties to the proprietor of the relevant technology licence, technological know-how or intellectual property right, which is very often, the joint venture partners.

The purpose of sino-foreign automotive manufacturing joint ventures is that the PRC manufacturer will be able to benefit from the technological expertise and product portfolio of its foreign joint venture partner, whilst the foreign partner is able to participate in the domestic PRC market. The joint venture relationship is therefore founded on the foreign joint venture partner contributing its technological expertise to the JV and the PRC partner contributing its manufacturing capabilities and facilities, labor and local market and regulatory knowledge.

A key reason for the PRC Government's encouragement of sino-foreign automotive manufacturing joint ventures is to rapidly enhance technological and product standards in the PRC automotive industry.

Generally, the pricing principle for technology licence and technical assistance between the principal JVs and the joint venture partners and their associates is that the party providing the technology should be fairly reimbursed for its research and development costs incurred in respect of a particular vehicle model and such research and development costs should be spread evenly over the entire operations of the party providing the technology and the PRC automotive joint venture should only bear its fair share of such costs.

In accordance with normal industry practice, the terms (including the price) of the technology licences and transactions relating to technical support are fixed with reference to the expected life cycle of vehicle models, which are generally between 5 to 10 years, and also with reference to the industry benchmark for similar technological assistance. Our representatives will also rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in order to determine the price and to make sure that the price remains a reasonable and competitive one. Also the Group (including the principal JVs) will also determine the price taking into account of the profit margin that could be achieved by the Group and to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better.

The Company also believes that the primary purpose of international automotive manufacturers in entering into joint ventures with the Company is the establishment of a strong presence in the PRC automotive industry, the gaining of market share for their brand of vehicles and long term investment returns from the principal JVs, rather than any short term gains from technology licences, intellectual property rights and technical support services carried out on terms which may be prejudicial to the principal JVs' long term profitability and competitiveness. Such short term gains would be eclipsed by the potential losses to the joint venture partners if the principal JVs were to prove unsuccessful.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements set out in Rule 14A.35 of the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JVs and would not be in the interest of the Company or the relevant JVs.

(C) Control Mechanism

In relation to the connected transactions between the Company and its subsidiaries on the one hand and the joint venture partners and their associates on the other hand as described in paragraphs 2 to 4 above, negotiations will be conducted by the Company and/or the relevant subsidiary directly on an arm's length basis and our Company is able to control the negotiations between the subsidiaries and the joint venture partners and/or their associates. The joint venture partners and/or their associates will not be in a position to influence the Company and/or its subsidiaries to agree to terms which may not be in its and the Company's interest.

In relation to the connected transactions between the principal JVs on the one hand and the joint venture partners and their associates on the other hand as described in paragraphs 2 to 4 above, it is provided under the respective joint venture agreements, articles of association and memoranda of the principal JVs that negotiations between the principal JV and the joint venture partner and its associates should always be conducted directly by the relevant principal JV's senior management nominated by the Company on behalf of the Company or by representative of the Company as a joint venture partner and will thus be conducted on an arm's length basis. No joint venture partners or their associates is in a position to influence the principal JVs to agree to terms which may not be in the principal JVs' and therefore the Company's interest. The Company also confirms that negotiations of transactions between the principal JVs and the relevant joint venture partners were all conducted by the relevant principal JV's senior management nominated by the Company.

Also, the principal JVs have implemented internal control and reporting mechanisms which enable business developments and transactions that may be subject to applicable continuing obligations under Chapter 14A of the Listing Rules to be reported to their respective boards and/or designated persons enabling both the Company and its relevant joint venture partners, through representatives on the board of the relevant principal JV and/or designated persons to decide whether to consent to and approve the relevant transactions.

Further, there are also established procedures under the respective joint venture agreements, articles of association and memoranda of the principal JVs that the entering into of any contract of material importance/material transaction with a joint venture partner and its associates shall either be approved by a majority of the directors present at the board meeting or be mutually agreed/signed off by the general manager and the vice general manager of the relevant principal JV (as the case may be). It is provided under the respective joint venture agreements, articles of association and memoranda of the principal JVs that the Group and the joint venture partner will be entitled to nominate the general manager and vice general manager respectively in turn and when the general manager is nominated by the Group, the vice general manager will be nominated by the joint venture partner and vice versa.

(D) Confirmation by the Independent Non-executive Directors

The independent non-executive Directors confirm that during the year ended 31 December 2013, the above continuing connected transactions entered into by the Company as one of the parties are:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(4) have not exceeded their respective annual cap (if an annual cap was set for the continuing connected transaction).

(E) Auditor's Letter

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A,38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(1) Trusts, contracts and lease arrangements

✓ N/A

(2) Guarantee

Unit: Yuan Currency: RMB

External Guarantee of the Company (excluding those provided to subsidiaries)

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of guarantee	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	3,966,667	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)	3,966,667
Total guarantee provided by the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	3,966,667
Total guarantee as a percentage of the Company's net assets (%)	0.01

(3) Other material contracts

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

VIII. PERFORMANCE OF UNDERTAKINGS

The undertakings by the Company, shareholders holding over 5% of equity interest, controlling shareholders and ultimate controller during the reporting period or subsisting to the reporting period

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	GAIG	It undertakes that, within 36 months from the listing and trading of 3,617,403,529 A shares held by it, it will not transfer or entrust others into management the shares of the Company in issue before this round of issue which were, directly or indirectly, held by it, nor repurchase such shares from the Company.	Up to 28 March 2015	Yes	Yes
	Shares subject to trading moratorium	Wanxiang Group Corporation (萬向集團公司), China National Machinery Industry Corporation Limited (中國機械工業集團有限公司), Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司) and Guangzhou Chime-Long Group Co., Ltd. (廣州長隆集團有限公司)	It is undertaken that, within 12 months from the listing and trading of A shares held by them, they will not transfer or entrust others into management of the shares of the Company in issue before this round of issue which were, directly or indirectly, respectively held by them, nor repurchase such shares from the Company.	Up to 28 March 2013	Yes	Yes
Other commitments	Cash dividends	The Group	Provided that the profit and cash of the Company is sufficient for the continuous operation and long term development, the profit distributed in cash in each of the year between 2012 to 2014 shall be no less than 10% of the distributable profit realized in such year, whereas the cumulative profit distributed in cash for the three consecutive years shall be no less than 30% of the average distributable profits realized in such three years.	2012-2014	Yes	Yes
			Article of Association: Profit distributed in cash in shall be no less than 10% of the distributable profit realized in such year.	Long-term	No	Yes
Other commitments	Non-Competition	GAIG	(1) Directly or indirectly do or participate in (or assist in doing or participating in) any business or activities which compete or may compete with the principal business of the Company in any manner (including but not limited to investment, merger and acquisition, forming associates, joint venture, cooperation, partnership, trust, underwriting, operating lease, acquisition of equity or joint stock), whether solely or jointly with other parties, in the PRC or overseas; (2) support any person other than promoters of the Company or subsidiaries of the promoters to do or participate in any business which competes or may compete with the principal business of the Company in any manner in the PRC or overseas; (3) intervene in any business or activities which compete or may compete with the principal business of the Company by other means (whether directly or indirectly), provided that the above undertaking shall not be applicable where GAIG or its subsidiaries (other than the Company and its subsidiaries) acquire or hold for investment purpose not more than 5% interest in other company listed on an internationally recognized stock exchange whose	Long-term	No	Yes

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
			principal business competes or may compete with the principal business of the Company; or where GAIG or its subsidiaries or investee company hold not more than 5% interest in a third party whose principal business competes or may compete with the principal business of the Company as a result of the debt restructuring of third parties; (4) if GAIG or its subsidiaries (other than the Company and its subsidiaries) come across any new business opportunity which competes or may compete with the principal business of the Company, it shall immediately inform the Company in writing, and shall use its best endeavours to procure such business opportunity be first offered to the Company or its subsidiaries on fair and reasonable terms and conditions. The Company shall, within 30 days from receiving the aforesaid notification, notify GAIG or its subsidiaries (other than the Company and its subsidiaries) in writing whether or not the Company or its subsidiaries intend to take up the aforesaid business opportunity. Upon receiving notification from the Company that it intends to take up such opportunity, GAIG or its subsidiaries shall refer such business opportunity to the Company or its subsidiaries; (5) if the Company or its subsidiaries decide not to take up such business opportunities for any reason, upon receiving notification from the Company of such intention or the Company fails to respond in writing to GAIG or its subsidiaries within the said 30-day period, GAIG or its subsidiaries (other than the Company and its subsidiaries) may operate such new business on its own; (6) in the future, when GAIG or its subsidiaries (other than the Company and its subsidiaries) operate such new business which competes or may compete with the principal business of the Company pursuant to paragraph (5) above, or due to adjustments in national policies or other force majeure or unexpected events, such that competition in the same business occurs or becomes inevitable, GAIG or its subsidiaries (other than the Company and its subsidiaries) shall offer an option to the Company or its subsidiaries, pursuant to which the Company or its subsidiaries shall have the right to acquire any equity, asset and other interest in the competing business from GAIG or its subsidiaries in accordance with statutory processes in one or multiple tranches, or the Company or its subsidiaries may elect to operate assets or businesses in the competing business by way of entrusted operation, operating lease or underwriting operation in accordance with statutory processes, provided that the relevant laws and regulations of the PRC and the listing rules of the relevant stock exchange then in force are complied with.			

IX. APPOINTMENT OR DISMISSAL OF ACCOUNTANTS

	Currently appointed
Name of domestic auditors	BDO China Shu Lun Pan Certified Public Accountants LLP
Name of overseas auditors	PricewaterhouseCoopers

X. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING OVER 5% OF EQUITY INTEREST, CONTROLLING SHAREHOLDERS AND PURCHASER AND RELEVANT RECTIFICATIONS

During the reporting period, none of the Company, its Directors, supervisors, senior management members, shareholders holding over 5% of equity interest, controlling shareholders or purchaser was subject to any investigation, administrative punishment or public criticism by the CSRC, or publicly censured by any stock exchanges.

XI. OTHER SIGNIFICANT EVENTS

The Company had no other significant events during the reporting period.

Chapter 8 Changes in Share Capital and Information on Shareholders

(I) STATEMENT OF CHANGES IN SHARES

(I) Statement of changes in shares

1. Statement of changes in shares

Unit: share

	Before change		Increase/decrease in this change (+, -)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from contributed capital surplus	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium	3,934,757,457	61.14				-317,353,928	-317,353,928	3,617,403,529	56.21
1. State-owned shares									
2. State-owned legal person shares	3,770,501,007	58.59				-153,097,478	-153,097,478	3,617,403,529	56.21
3. Other domestic shares	164,256,450	2.55				-164,256,450	-164,256,450		
Including: Domestic non-state – owned legal person shares	164,256,450	2.55				-164,256,450	-164,256,450		
Domestic public shares									
4. Foreign shares									
Including: Overseas legal person shares									
Overseas public shares									
II. Circulating shares not subject to trading moratorium	2,500,262,640	38.86				317,353,928	317,353,928	2,817,616,568	43.79
1. Renminbi ordinary shares	286,962,422	4.46				317,353,928	317,353,928	604,316,350	9.39
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	2,213,300,218	34.40						2,213,300,218	34.40
4. Others									
III. Total shares	6,435,020,097	100						6,435,020,097	100

2. About the approval of changes in shareholding

According to undertakings made by the promoters of the Company, Wanxiang Group Corporation (萬向集團公司) ("Wanxiang Group"), China National Machinery Industry Corporation Limited (中國機械工業集團有限公司) ("CNMIC"), Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司) ("GSEG") and Guangzhou Chime-Long Group Co., Ltd. (廣州長隆集團有限公司) ("Chime-Long Group") in relation to the 12-month lock-up upon initial listing of the shares of the Company, the Company issued an announcement, "Announcement in relation to the circulation of restricted shares upon the initial listing" on 26 March 2013, the lock-up period in relation to the 317,353,928 A shares held by the four promoters mentioned above has expired since 29 March 2013.

(II) Changes in shares subjects to trading moratorium

Unit: share

Name of Shareholders	Number of shares subject to trading moratorium at the beginning of the year	Number of shares relieved from trading moratorium in the year	Number of additional shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Reason for the trading moratorium	Date of relieving trading moratorium
GAIG	3,617,403,529	0	0	3,617,403,529	Lock-up undertaking by promoter upon initial listing	29 March 2015
Wanxiang Group Corporation (萬向集團公司)	156,996,823	156,996,823	0	0	Lock-up undertaking by promoter upon initial listing	29 March 2013
CNMIC	145,227,963	145,227,963	0	0	Lock-up undertaking by promoter upon initial listing	29 March 2013
GSEG	7,869,515	7,869,515	0	0	Lock-up undertaking by promoter upon initial listing	29 March 2013
Chime Long Group	7,259,627	7,259,627	0	0	Lock-up undertaking by promoter upon initial listing	29 March 2013
Total	3,934,757,457	317,353,928	0	3,617,403,529	/	/

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the last three years as at the end of the reporting period

Unit: Share Currency: RMB

Class of shares and their derivative securities stock	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares traded with listing approval	Expiration date of trading
Class of Shares						
H Shares	25 August 2010		2,213,300,218	30 August 2010	2,213,300,218	
A Shares	29 March 2012	9.09	286,962,422	29 March 2012	4,221,719,879	
Convertible bonds, separably-traded convertible bond, type of corporate bonds						
5-year corporate bonds	20 March 2013	4.89%	1,000,000,000	9 April 2013	1,000,000,000	20 March 2018
10-year corporate bonds	20 March 2013	5.09%	3,000,000,000	9 April 2013	3,000,000,000	20 March 2023

(1) Issue and listing of H shares

In accordance with the approval of CSRC by "Approval of the issue of foreign shares of GAC Changfeng Motor Co., Ltd." (CSRC Approval [2010] No. 1123) and the approval of the Stock Exchange dated 18 August 2010, the Company by the way of share exchange issued initial public offering of 2,213,300,218 H shares to the shareholders of Denway Motors Limited on 25 August 2010. Such shares began to be traded on the main board of the Stock Exchange on 30 August 2010; using stock abbreviation "GAC GROUP" with stock code "2238". After the issue of H shares, the aggregate share capital of the Company was RMB6,148,057,675 with a nominal value of RMB1 each, of which 3,934,757,457 were domestic shares representing approximately 64% of the aggregate share capital, and 2,213,300,218 were H shares representing approximately 36% of the aggregate share capital.

(2) Issue and listing of A shares

By "Approval of the absorption and merger of GAC Changfeng Motor Co., Ltd. by Guangzhou Automobile Group Co., Ltd. by way of initial public offering of 286,962,422 shares" (CSRC Approval [2012] No. 137) dated 30 January 2012 and "Notification of A share listing of Guangzhou Automobile Group Co., Ltd." (SSE Fazi [2012] No. 6) dated 23 March 2012, CSRC and the SSE respectively approved that the share capital of A shares of the Company is 4,221,710,879 shares, 286,962,422 shares of which began to be traded on SSE on 29 March 2012; using stock abbreviation "GAC GROUP" with stock code "601238".

After the issue of A shares, the total number of shares of the Company was 6,435,020,097 Shares with a nominal value of RMB1 each, of which 3,934,757,457 shares, representing 61.15% of the total share capital, were held by the promoter, and 286,962,422 shares, representing 4.46% of the total share capital were held by domestic public shareholders, and 2,213,300,218 shares, representing approximately 34.39% of the total share capital were held by H Shares shareholders.

(3) Issue and listing of corporate bonds

According to the "Reply relating to Approval of the Issuance of Domestic Corporate Bonds by Guangzhou Automobile Group Co., Ltd."(《關於核准廣州汽車集團股份有限公司公開發行公司債券的批復》) (Zheng Jian Xu Ke [2013] No. 42) issued by the CSRC dated 16 January 2013, the Company was approved to publicly issue corporate bonds of not exceeding RMB6 billion. The Company issued corporate bonds (phase one) on 20 March 2013, with a total amount of RMB4 billion, among which 5-year corporate bonds were of RMB1 billion, interest rate was of 4.89% per annum, with a term from 20 March 2013 to 20 March 2018; 10-year corporate bonds were of RMB3 billion, interest rates of 5.09% per annum, with a term from 20 March 2013 to 20 March 2023. The corporate bonds (phase one) issued by the Company was listed on SSE on 9 April 2013, the stock code of the 5-year corporate bonds is 122242, short-name is 12 Guangqi 01; the stock code of the 10-year corporate bonds is 122243, its short-name is 12 Guangqi 02.

II. Change of the total number of shares and the share capital structures of the Company and structure of the Company's assets and liabilities

There is no change in the total number of shares and the share capital structure arising from bonus issue and share placement during the reporting period.

III. Existing internal employee shares

As at the end of the reporting period, there were no internal employee shares of the Company.

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Number of shareholders and their shareholding

Unit: Share

Total number of shareholders as at the end of the reporting period:	A shares: 21,660 H shares: 290	Total number of shareholders as at the end of the 5th trading day prior to the disclosure of the annual report:			A shares: 29,712 H shares: 292	
Particulars of top ten shareholders						
Name of shareholder	Nature of shareholder	Percentage in share capital (%)	Total number of shares held	Increase/decrease during the reporting period	Number of shareholdings subject to trading moratorium	Number of shares pledged or frozen
Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司) *(Note 1)*	State-owned legal person	57.58	3,705,129,384	0	3,617,403,529	Nil 0
HKSCC Nominees Limited *(Note 2)*	Others	34.30	2,207,023,538	-1,618,322	0	unknown
Wanxiang Group Corporation (萬向集團公司)	Domestic non-state-owned legal person	2.44	156,996,823	0	0	Nil 0
China National Machinery Industry Corporation Limited (中國機械工業集團有限公司)	State-owned legal person	1.64	105,434,463	–39,793,500	0	Nil 0
Industrial and Commercial Bank of China – Bo Shi Well-selected Equity Securities Investment Fund	Others	0.44	28,000,412	28,000,412	0	Nil 0
Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司)	State-owned legal person	0.12		0	0	Pledged: 7,869,515
Guangzhou Chime-Long Group Co., Ltd. (廣州長隆集團有限公司)	Domestic non-state-owned legal person	0.11	7,259,627	0	0	Nil 0
National Social Fund	Others	0.11	7,147,836	7,147,836	0	Nil 0
Industrial and Commercial Bank of China — Jianxin Exellence Selection Growth Share Securities Investment Fund	Others	0.10	6,599,787	6,599,787	0	Nil 0
Jingfu Securities Investment Fund	Others	0.10	6,353,525	6,353,525	0	Nil 0

Particulars of top ten holders of shares not subject to trading moratorium

Name of shareholder	Number of tradable shares not subject to trading moratorium	Class/Number of shares
HKSCC Nominees Limited	2,207,023,538	Foreign shares listed overseas 2,207,023,538
Wanxiang Group Corporation	156,996,823	Renminbi ordinary shares 156,996,823
China National Machinery Industry Corporation Limited	105,434,463	Renminbi ordinary shares 105,434,463
Guangzhou Automobile Industry Group Co., Ltd.	87,725,855	Renminbi ordinary shares 87,725,855
Industrial and Commercial Bank of China – Bo Shi Well-selected Equity Securities Investment Fund	28,000,412	Renminbi ordinary shares 28,000,412
Guangzhou Iron & Steel Enterprises Group	7,869,515	Renminbi ordinary shares 7,869,515
Guangzhou Chime-Long Group Co., Ltd.	7,259,627	Renminbi ordinary shares 7,259,627
National Social Fund	7,147,836	Renminbi ordinary shares 7,147,836
Industrial and Commercial Bank of China – Jianxin Exellence Selection Growth Share Securities Investment Fund	6,599,787	Renminbi ordinary shares 6,599,787
Jingfu Securities Investment Fund	6,353,525	Renminbi ordinary shares 6,353,525
Remarks on any connected relationship or acting in concert among the above shareholders		

Number of shares held by the top ten shareholders subject to trading moratorium and particulars of such trading moratorium

Unit: Share

No.	Name of shareholder subject to trading moratorium	Number of shares held subject to trading moratorium	Particulars of tradable shares subject to trading moratorium: Time for listing and trading	Particulars of tradable shares subject to trading moratorium: Number of additional shares available for listing and trading	Trading moratorium
1	Guangzhou Automobile Industry Group Co., Ltd.	3,617,403,529	29 March 2015	0	36 months lock-up undertaking by promoter upon initial listing

Note 1: GAIG held a total of 3,705,129,384 A shares of the Company (of which 3,617,403,529 shares were subject to trading moratorium) representing approximately 87.76% of the share capital of A shares of the Company. Meanwhile, GAIG held 79,276,000 H shares of the Company through its wholly owned subsidiary, Guangzhou Automobile Group (Hong Kong) Co., Ltd., representing approximately 3.58% of the share capital of H shares of the Company. Hence GAIG holds a total of 3,784,405,384 A and H shares, representing approximately 58.81% of the total share capital of the Company.

Note 2: H shares held by HKSCC Nominees Limited, i.e. 香港中央結算（代理人）有限公司, were held on behalf of a number of clients.

IV. STATUS OF CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(I) Controlling Shareholder

1. *Legal person*

Unit: 100 million Currency: RMB

Name	:	Guangzhou Automobile Industry Group Co., Ltd.
Responsible person of the institution or legal representative	:	Zhang Fangyou
Date of establishment	:	18 October 2000
Organization code	:	72502048-X
Registered capital	:	25.713
Principal business	:	Manufacturing, processing, motor vehicles, automobile and its spare parts; property management; operation and management of the state-owned assets within the scope of mandate; investment and financing consultation; wholesale and retailing (other than state-controlled goods); business of exporting products and technologies produced by this enterprise itself and business of importing raw and auxiliary materials, instruments, machinery and equipment, spare parts and technologies required by this enterprise (other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State); and the operation of imported material processing and three categories of processing and one category of compensation trade
Operating results	:	As at 31 December 2013, the consolidated unaudited operating income was RMB202,004 million
Financial condition	:	Good
Cash flow and future development strategies	:	Making innovation, quality production and adhering to proprietary brands and continuing with joint venture cooperation, so as to achieve four leaps (leap of production base to production properties, leap of asset management to capital operations, leap of products to proprietary brands and leap of making profits to enhancing value) as the major development. Reinforcing five sectors including passenger cars, commercial vehicles, motorcycles, automotive parts and related services operations as the basis of production, to develop the Group into a large-scale, market-oriented and international enterprise
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	:	Nil

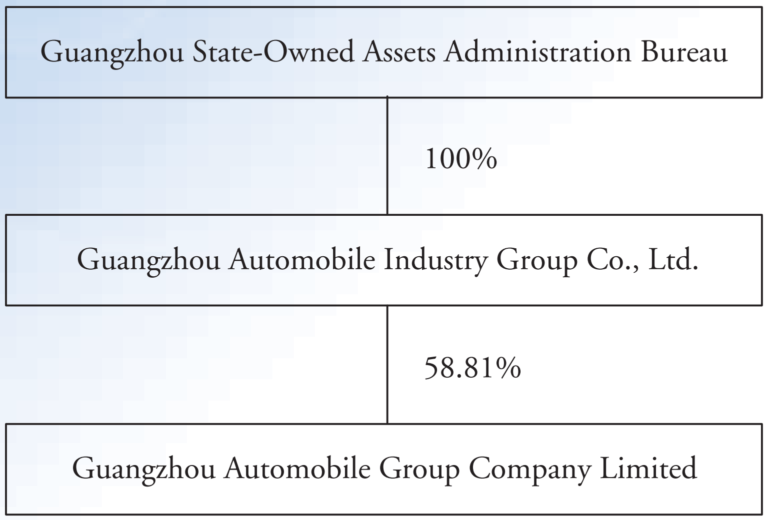
(II) Ultimate Controller

1. *Legal Person*

Unit: 100 million Currency: RMB

Name	:	Guangzhou Automobile Industry Group Co., Ltd.
Legal representative	:	Zhang Fangyou
Date of establishment	:	18 October 2000
Organization code	:	72502048-X
Registered capital	:	25.713
Principal business	:	As at 31 December 2013, the consolidated unaudited operating income was RMB202,004 million
Operating results	:	Manufacturing, processing, motor vehicles, automobile and its spare parts; property management; operation and management of the state-owned assets within the scope of mandate; investment and financing consultation; wholesale and retailing (other than state-controlled goods); business of exporting products and technologies produced by this enterprise itself and business of importing raw and auxiliary materials, instruments, machinery and equipment, spare parts and technologies required by this enterprise (other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State); and the operation of imported material processing and three categories of processing and one category of compensation trade
Financial conditions	:	Good
cash flow and future development strategies	:	Making innovation, quality production and adhering to proprietary brands and continuing with joint venture cooperation, so as to achieve four leaps (leap of production base to production properties, leap of asset management to capital operations, leap of products to proprietary brands and leap of making profits to enhancing value) as the major development. Reinforcing five sectors including passenger car, commercial vehicles, motorcycles, automotive parts and related services operations as the basis of production, to develop the Group into a large-scale, market-oriented and international enterprise
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	:	Nil

2. *Chart showing the property rights and controlling relationship between the Company and the ultimate controllers*



V. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% SHARES OF THE COMPANY

As at the end of the reporting period, there was no other legal person holding more than 10% shares of the Company.

VI. INTERESTS REQUIRED TO BE DISCLOSED UNDER THE SECURITIES AND FUTURES ORDINANCE OF HONG KONG

As at 31 December 2013, the names of the persons (other than Directors and Supervisors) entitled to exercise 5% or more of the voting rights at any general meeting of the Company and the number of underlying Shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are set out below:

Name	Class of Shares	Capacity	Number of shares held *(Note 1)*	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
GAIG *(Note 2)*	A Shares	Beneficial owner	3,679,503,529 (L)	87.16	58.81
	H Shares	Interest of a controlled corporation	79,276,000 (L)	3.58	
Templeton Asset Management Limited	H Shares	Investment manager	507,033,208 (L)	22.91	7.88
Massachusetts Financial Services Company	H Shares	Investment manager	200,110,362 (L)	9.04	3.11
Sun Life Financial, Inc.	H Shares	Investment manager	200,110,362 (L)	9.04	3.11
BlackRock, Inc.	H Shares	Investment manager	131,041,166 (L)	5.92	2.04
			2,006,000 (S)	0.09	0.03

Note 1: (L) – Long Position, (S) – Short Position, (P) – Lending Pool

Note 2: The number of shares reflects the number of A shares of the Company held by GAIG on 24 March 2012, the date of listing of A shares of the Company, of which 3,617,403,529 shares were subject to trading moratorium and 62,100,000 were not subject to trading moratorium. As at 31 December 2013, GAIG held a total of 3,705,129,384 A shares of the Company (of which 3,617,403,529 shares were subject to trading moratorium), representing approximately 87.76% of the share capital of A shares of the Company. Meanwhile, it, through its wholly-owned subsidiary, Guangzhou Auto Group (Hong Kong) Limited, held 79,276,000 H shares of the Company, representing approximately 3.58% of the share capital of H shares of the Company. 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.

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company during the year.

VIII. PRE-EMPTIVE RIGHTS AND PUBLIC FLOAT

There is no provision for pre-emptive rights of the Shareholders in the articles of association of the Company and the relevant laws, and they are not entitled to ask the Company to issue shares to them pre-emptively in proportion to their shareholding.

Based on the information publicly available and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Company has met the minimum requirement on public float under the Listing Rules.

I. CHANGES IN SHAREHOLDING AND REMUNERATION

1. Particulars about changes in the shareholding and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period

Unit: Share

Name	Position	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year Note 2	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration obtained payable by the Company during the reporting period (RMB'0,000) (before tax) Note 4	Including variable deferred income of 2011-2013 (RMB0'000) (before tax) Note 3	Total remuneration payable as obtained from shareholders during the reporting period (RMB'0000)
Zhang Fangyou	Chairman and Party Secretary	Male	57	21 June 2012	20 June 2015	0	0	0	No	/	/	note 1
Zeng Qinghong	Vice Chairman and General Manager	Male	53	21 June 2012	20 June 2015	0	0	0	No	217.94	68.04	/
Yuan Zhongrong	Vice Chairman	Male	56	21 June 2012	20 June 2015	0	0	0	No	196.24	62.68	/
Fu Yuwu	Independent Director	Male	69	16 December 2013	20 June 2015	0	0	0	No	0	/	/
Lan Hailin	Independent Director	Male	55	16 December 2013	20 June 2015	0	0	0	No	0	/	/
Li Fangjin	Independent Director	Male	53	16 December 2013	20 June 2015	0	0	0	No	0	/	/
Leung Lincheong	Independent Director	Male	60	16 December 2013	20 June 2015	0	0	0	No	0	/	/
Wang Susheng	Independent Director	Male	45	16 December 2013	20 June 2015	0	0	0	No	0	/	/
Liu Huilian	Non-executive Director, chairman of the labor union	Male	59	21 June 2012	20 June 2015	0	0	0	No	191.19	60.60	/
Lu Sa	Executive Director, Secretary of the Board and Company Secretary	Female	49	21 June 2012	20 June 2015	0	0	0	No	191.29	60.66	/
Wei Xiaoqin	Non-executive Director, and Deputy Party Secretary	Male	59	21 June 2012	20 June 2015	0	0	0	No	176.73	46.14	/
Li Tun	Non-executive Director	Male	54	21 June 2012	20 June 2015	0	0	0	No	174.44	/	50
Li Pingyi	Non-executive Director	Male	46	21 June 2012	20 June 2015	0	0	0	No	/	/	48
Ding Hongxiang	Non-executive Director	Male	47	21 June 2012	20 June 2015	0	0	0	No	/	/	/
Wu Gaogui	Independent Director	Male	72	21 June 2012	16 December 2013	0	0	0	No	10	/	/
Ma Guohua	Independent Director	Male	54	21 June 2012	16 December 2013	0	0	0	No	10	/	/
Xiang Bing	Independent Director	Male	52	21 June 2012	16 December 2013	0	0	0	No	10	/	/
Law Albert Yu Kwan	Independent Director	Male	65	21 June 2012	16 December 2013	0	0	0	No	10	/	/
Li Zhengxi	Independent Director	Male	50	21 June 2012	16 December 2013	0	0	0	No	10	/	/
Gao Fusheng	Chairman of the Supervisory Committee	Female	56	21 June 2012	20 June 2015	87	87 (Note 5)	0	No	/	/	/
Huang Zhiyong	Supervisor	Male	49	21 June 2012	20 June 2015	0	0	0	No	/	/	39
He Yuan	Supervisor	Female	52	21 June 2012	20 June 2015	0	0	0	No	/	/	70
Lai Boyi	Supervisor representing the staff and workers	Male	48	7 June 2013	20 June 2015	0	0	0	No	42.38	/	/

Unit: Share

Name	Position	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year [Note 2]	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration obtained payable by the Company during the reporting period (RMB'0,000) (before tax) [Note 4]	Including variable deferred income of 2011-2013 (RMB0'000) (before tax) [Note 3]	Total remuneration payable as obtained from shareholders during the reporting period (RMB'0000)
He Jinpei	Supervisor representing the staff and workers	Male	50	21 June 2012	20 June 2015	0	0	0	No	73.27	/	/
Feng Xingya	Standing Deputy General Manager	Male	45	21 June 2012	20 June 2015	0	0	0	No	191.16	60.60	/
Zhang Qingsong	Deputy General Manager	Male	55	3 June 2013	20 June 2015	0	0	0	No	113.92	32.11	/
Li Shao	Deputy General Manager	Male	50	21 June 2012	20 June 2015	0	0	0	No	179.19	55.97	/
Wang Dan	Chief Financial Officer	Female	43	21 June 2012	20 June 2015	0	0	0	No	179.16	55.95	/
Jiang Ping	Deputy General Manager	Male	58	21 June 2012	20 June 2015	0	0	0	No	179.01	55.90	/
Yao Yiming	Deputy General Manager	Male	56	21 June 2012	20 June 2015	536,597	536,597 (Note 5)	0	No	186.29	58.55	/
Fu Shoujie	Non-executive Director	Male	50	21 June 2012	1 August 2013	0	0	0	No	86.90	29.97	/
Huang Xiangdong	Deputy General Manager	Male	57	21 June 2012	3 June 2013	0	0	0	No	58.90	21.22	/
Wu Song	Deputy General Manager	Male	50	21 June 2012	3 June 2013	0	0	0	No	58.87	21.19	/
Liu Wei	Deputy General Manager	Male	51	21 June 2012	3 June 2013	0	0	0	No	58.86	21.18	/
Qu Yongjian	Deputy General Manager	Male	54	21 June 2012	3 June 2013	0	0	0	No	58.86	21.18	/
Chen Maoshan	Deputy General Manager	Male	50	21 June 2012	3 June 2013	9,481	9,481 (Note 5)	0	No	58.89	21.21	/
Ye Ruiqi	Supervisor representing the staff and workers	Male	52	21 June 2012	7 June 2013	0	0	0	No	28.38	/	/

Notes:

1. Pursuant to the "Operating Performance Appraisal and Remuneration Management Measures of Legal Representatives of Enterprises Governed by State-owned Assets and Administration Commission of Guangzhou Municipal Government" (廣州市國資委監管企業負責人經營業績考核和薪酬管理辦法), the State-owned Assets and Administration Commission of Guangzhou Municipal Government assesses legal representatives according to the audited enterprise financial report and audited statistics. According to "Remuneration and Performance Appraisal Management Approach of Senior Management of GAIG", individual performance appraisal process of senior management will be carried out after the issue of the Company's annual audited report. Since the annual audited report of GAIG has not been completed, the remuneration of 2013 payable to the Chairman of the Board, Zhang Fangyou, and Gao Fusheng, the chairman of the Supervisory Committee is subject to confirmation.

2. Directors, Supervisors and senior management of the Company do not hold any A shares of the Company. The shares held by the staff above are H shares.

3. According to the "Salary and Performance Management Plan for the Senior Management of Guangzhou Automobile Group Co., Ltd.," total salary payable received from the Company during the reporting period shall include its variable deferred income for the year 2011 to 2013.

4. During the reporting period, the total salary of any newly-appointed or retired Directors, Supervisors or senior management was the salary payable during their terms of services (including variable deferred income).

5. The interests or short positions are 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) as at 31 December 2013, which were required to be notified to the Company and the 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 Rules, to be notified to the Company and the Stock Exchange.

2. Personal Profile

Zhang Fangyou (張房有) is the chairman and party secretary of the Company. He joined the Company in 1997, served as the chairman of GAIG since 2000 and has been the chairman of the Company since June 2005. Currently, Mr. Zhang is the chairman, managing director and party secretary of GAIG and the chairman of Denway, China Lounge, GAC (HK), Guangzhou Auto and Guangqi Honda. He is also an independent director of Guangzhou Department Store Enterprises Group Co., Ltd.(廣州百貨企業集團有限公司). He is also a member of the 6th, 8th, 9th and 10th Guangzhou Municipal Party Committee, the representative of the 8th, 10th, and 11th Party Congress of Guangdong Province and Deputy to the 11th and 12th People's Congress of Guangdong Province. He served such positions as director of GAC Changfeng from 2009 to June 2013, Chairman of GAC Mitsubishi from September 2012 to June 2013, Prior to this, he acted as secretary of Guangdong Zengcheng Town (City) Government, deputy secretary-general of Guangzhou Municipal Government and an office director of Automotive Industry Office of Guangzhou Municipal Government. Mr. Zhang graduated from South China Normal University with a college diploma in political theory in December 1987, Party School of the Central Committee of C.P.C. with a graduate degree in January 1997 and Zhongshan University with a master's degree in business administration in December 2006.

Mr. Zeng Qinghong (曾慶洪) is the vice chairman, general manager, supervisor of Executive Committee of the Company. He first joined the Company in 1997. He has served the deputy chairman and general manager of the Company since June 2005. Currently, Mr. Zeng is the chairman of GAC Toyota, and deputy chairman of Denway, China Lounge, GAC (HK) and GAC Toyota Engine, Prior to this, he acted as a chairman of GAMC from August 2008 to June 2013, chairman of GAC Gonow from January 2011 to June 2013 and chairman of GAC Fiat from 2010 to June 2013. Prior to this, he held positions as chairman of GAC Commercial, GAC Component and GAC Hino, director and deputy executive general manager of Guangqi Honda and deputy general manager of GAIG. Mr. Zeng was elected as the chairman of the 5th Automobile Industry Association of Guangdong Province(廣東省汽車工業協會)in December 2010 and is a delegate of the 10th and 11th National People's Congress, and a member of the 11th Guangdong Provincial Committee of Political Consultative Conference. Mr. Zeng graduated from South China University of Technology with a Ph.D. in management science and engineering in 2009.

Mr. Yuan Zhongrong (袁仲榮) is a deputy general manager and vice-chairman of Executive Committee of the Company. He joined the Company in 1997 and has served as a Director and deputy general manager of the Company since 2005. Currently, Mr. Yuan is a director of GAIG, chairman of GAMC, Urtrust Insurance and GAC Gonow. He acted as a chairman of GAC Toyota and deputy chairman of GAC Toyota Engine from August 2008 to June 2013, chairman of GAC Hino and a director of GAMC, deputy chairman of Tong Fang Global and Shanghai Hino from 2008 to June 2013. Prior to this, he worked at the engineering manufacture unit of Dongfeng Motor Corporation (東風汽車公司), held positions as deputy head and head of the engineering unit of Dongfeng Motor Corporation (東風汽車公司), head of engineering unit of Automobile Industry Office of Guangzhou Municipal Government, deputy general manager of Guangzhou Sedan Co., Ltd. (廣州轎車有限公司), deputy manager of Guangqi Honda and director and deputy executive general manager of GAC Toyota. Mr. Yuan graduated from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Science and Technology College (華中工學院) in July 1982 with a bachelor's degree in mechanical manufacture and from Asia International Open University (Macau) with a master's degree in business administration in September 2001.

Ms. Lu Sa (盧颯) is an executive Director, a company secretary and secretary of the Board. She joined the Group in March 2000 as secretary to the chairman, has served as the secretary to the Board and office director of the Board since June 2005 and became an executive Director and secretary to the Board in August 2008. Currently, Ms. Lu is also a chairman of GAC Toyota, GAC Changfeng, GAC Commercial and GAC Capital, and a director of China Lounge and Denway. She acted as a director of Guangqi Honda from October 2009 to June 2013, and acted as a director of GAC(HK) from May 2011 to May 2012. Prior to this, she held the positions as office secretary and translator of the board of Guangzhou Peugeot Automobile Company (廣州標緻汽車公司) and secretary to the executive deputy general manager. Ms. Lu graduated from the Central South University Xiangya School of Medicine with a bachelor's degree in medical English in July 1990 and the School of Business of Zhongshan University with an executive master's degree in business administration in December 2005.

Mr. Fu Yuwu (付于武) is the independent non-executive Director of the Company, president of Society of Automotive Engineers of China (中國汽車工程學會), the chairman of China Automobile Talents Society (中國汽車人才會) and the vice-chairman of China Association of Automobile Manufacturers (中國汽車工業協會). From 1970 to 1999, Mr. Fu served the Harbin Transmission Factory of FAW Group as an executive vice director and chief engineer, and worked at the Harbin Automotive Industry Corporation as vice president and president. Since 1999, he has been working in the Society of Automotive Engineers of China and serving as an independent director in Henan Province Xixia Automobile Water Pump Co., Ltd. (Shenzhen Stock Exchange "(SZSE") stock code: 002536), Zhejiang Asia-Pacific Mechanical & Electronic Co., Ltd. (SZSE stock code: 002284), Geely Automobile Holdings Limited (stock code on the Stock Exchange: 0175) and Shandong Gold Phoenix Co., Ltd.. In 1969, he obtained a bachelor's degree from Beijing Institute of Machinery and became a senior engineer of professional level.

Mr. Lan Hailin (藍海林) is the independent non-executive Director of the Company, professor and PhD supervisor of the School of Business Administration of South China University of Technology and the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology. From 1997 to 2007, he was the Associate Dean and Dean of the School of Business Administration of South China University of Technology. He currently serves as an independent director of Keda Industrial Co., Ltd (SSE stock code: 600499), Zhongshan Vatti Gas Appliance Stock Co., Ltd. (SZSE stock code: 002035) and Guangdong Sky Dragon Printing Ink Group Co., Ltd. (SZSE stock code: 300063). He obtained a master's degree in business administration from the School of Business Administration of GANNON University in the U.S. and a doctoral degree in Industrial Economics from Jinan University in 1990 and2004, respectively.

Li Fangjin (李舫金) is an independent non-executive Director of the Company. He has been the vice-chairman and general manager of Guangzhou International Holding Group Co., Ltd. since July 2013. He is also director of Guangzhou Guangyong State-Owned Assets Management Co., Ltd., Wanlian Securities Co., Ltd., Guangzhou Equity Trading Centre, Guangzhou Ligen Finance Leasing Co., Ltd. and Ligen Small Credit Refinancing Co., Ltd., and chairman of Bank of Guangzhou. From 1997 to 2004, he held various positions including head of the international division of the China Securities Regulatory Commission Guangdong Bureau and director of the first institutional regulatory division of the Guangzhou City Securities Administration Office of the China Securities Regulatory Commission.

Leung Lincheong (梁年昌) is an independent non-executive Director of the Company and an independent director of Casablanca Group Limited (stock code on the Stock Exchange: 2223). From 1996 to 2013, he is the chief legal officer of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chief legal officer and company secretary of Shanghai Industrial Holdings Limited (stock code of Hong Kong Stock Exchange: 0363). He obtained a master's degree in business administration from Brunel University and a master's degree in Laws from University of London in 1995 and 2006, respectively. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Chartered Institute of Management Accountants, The Institute of Chartered Secretaries and The Hong Kong Institute of Chartered Secretaries.

Mr. Wang Susheng (王蘇生) is an independent non-executive Director of the Company, the professor of Harbin Institute of Technology Shenzhen Graduate School and vice-chairman of Shenzhen Overseas Chinese Association(深圳僑聯). From 1993 to 2001, he served as a project manager in Junan Securities Co., Ltd., manager of special region securities department and general manager of Yingda Securities(英大證券). From 2001 to 2002, he was the general manager of 中瑞基金公司. Since 2004, he has worked in the Harbin Institute of Technology Shenzhen Graduate School, and served as an independent director in Shenzhen Pellet Technology Co., Ltd. (SZSE stock code: 002577) and Shenzhen Terca Technology Co., Ltd. (SZSE stock code: 002213). He obtained a master's degree in Economics from Renmin University of China and a doctoral degree in Law from Peking University in 1994 and 2000, respectively. He also obtained a master's degree in business administration from Chicago University in 2004. He is qualified as a solicitor, certified public accountant and chartered financial analyst.

Liu Huilian (劉輝聯) is a non-executive Director and chairman of the labor union of the Company. He joined the Company in 2001 and has been a Director since 2005. Currently, Mr. Liu is a director of GAIG. Prior to this, he held positions asdirector of the general manager office of Guangzhou Peugeot Automobile Company(廣州標緻汽車公司), deputy general manager of Guangzhou Sedan Co., Ltd.(廣州轎車有限公司) and chairman of the labor union of Guangqi Honda. Mr. Liu was also the member of the 11th and 12th national committee of Guangzhou. Mr. Liu graduated from the South China Normal University with a college diploma in politics and was qualified as senior political engineer in June 1986.

Wei Xiaoqin (魏筱琴) is a non-executive Director and the deputy party secretary of the Company. Mr. Wei joined the Company in 2000. Prior to this, Mr. Wei served as the division chief of the division of personnel, director of the department of personnel, director of the department of human resources, assistant to the general manager and director of the department of human resources, deputy general manager of the Company from March 2000 to August 2008. Prior to this, he served as deputy head of the Organization Department of Zengcheng City, party secretary of Sanjiang Town, chairman of the NPC Presidium of Sanjiang Town, director and head party secretary of the Bureau of Water Resources of Zengcheng City and deputy director and deputy party secretary of Agriculture Office from July 1990 to August 1998, director of the Bureau of Water Resources of Guangzhou from September to November 1998 and director and deputy general manager of Guangzhou Anxun Investment Co., Ltd. (廣州安迅投資有限公司) from December 1998 to February 2000. Mr. Wei was elected as a delegate of the 10th National People's Congress of Zengcheng City. Mr. Wei currently is a delegate of the 15th National People's Congress of Yuexiu District, Guangzhou. Mr. Wei graduated from the South China Normal University with a college diploma in politics and was qualified as senior political engineer in June 1988.

Li Tun (黎暾) is a non-executive Director of the Company and is also a director and general manager of China Lounge, director and general manager of Denway and director and general manager of GAC Capital, a director of Guangqi Honda and director of GAC Component. He joined the Company since 1999 except for the period from 2001 to 2007 during which he was the deputy general manager of the Sales Division of Guangqi Honda. He was the deputy general manager of China Lounge in 2007. He graduated from Murdoch University of Australia (澳大利亞梅鐸大學) with a diploma in business administration in March 2000.

Li Pingyi (李平一) is a non-executive Director of the Company. He is currently general manager of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司) an executive director of Wanxiang Automobile Co., Ltd (萬向電動汽車有限公司), chairman of Zhejiang Wanxiang Power Batteries Co., Ltd (浙江萬向億能動力電池有限公司), chairman of Jiangsu Senwei Precision Forging Co., Ltd (江蘇森威精鍛有限公司) and executive director of Jilin New Rucker Parts Co., Ltd. (吉林新立德部件有限公司). Prior to this, he served as deputy general manager of Wangxiang Group Enterprise Development Corporation (萬向集團企業發展總公司), general manager of Land Divison of Wanxiang Group, general manager of Wanxiang Lide Co.. Ltd. (萬向納德股份有限公司), deputy manager of Development Division of Wanxiang Group Corporation Ltd. (萬向集團公司), deputy general manager of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司). Mr. Li graduated from Jilin Industry University with a bachelor's degree in agricultural machinery engineering in December 1988 and obtained a postgraduate degree in business management from Zhejiang University in July 2002.

Ding Hongxiang (丁宏祥) is currently a non-executive Director of the Company and deputy general manager of China National Machinery Industry Corporation Limited (中國機械工業集團有限公司), chairman of Sinomach Automobile Co., Ltd (國機汽車股份有限公司) (a company listed on the SSE with stock code: 600335), the chairman of China Imported Automobile Trading Co. Ltd. (中國進口汽車貿易有限公司), and vice president of China Automobile Dealers Association (中國汽車流通協會), a member of the Standing Committee of and chief member and secretary general in Economic Sector of the Chinese Youth Association and vice secretary general of the State Enterprise Youth Federation. Mr. Ding graduated from Huazhong University of Science and Technology in 1982, and graduated from Western Economics (master postgraduate) of Huazhong Institute of Technology in 1989.

Gao Fusheng (高符生) is currently the chairman of the Supervisory Committee of the Company and general manager of GAC(HK). She first joined the Company in March 1998 and is currently the chief accountant of GAIG and an independent director of Guangzhou Radio Group Co., Ltd.. Prior to this, she served as head of the department of financial and auditing department of the Company and deputy general manager and financial controller of Denway. Ms. Gao graduated from Murdoch University, Australia with a master's degree in Business Administration in March 2001, and is a senior accountant.

Huang Zhiyong (黃志勇) is currently a Supervisor of the Supervisory Committee of the Company and deputy general manager of Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司). Prior to this, he has been the chairman of Guangzhou JFE Steel Sheet Co., Ltd.(廣州JFE 鋼板有限公司), served as an assistant to manager, deputy manager, head of the planning department and assistant to the general manager of Guangzhou Iron & Steel Continuous Rolling Plant (廣州鋼鐵連軋廠). Mr. Huang graduated from Jiangxi Yejing University (江西冶金學院) with a master's degree in engineering in July 1991 and was recognised as a senior engineer by Guangzhou Personnel Bureau (廣州市人事局) in November 1998.

He Yuan (何源) is a Supervisor of the Company. She is currently the deputy general manager of finance department of Guangzhou Chime – Long Group Co., Ltd (廣州長隆集團有限公司). She has also been the director of Urtrust Insurance since August 2011. Prior to this, she served as an assistant engineer of Guangzhou Huanan Computer Company (廣州華南計算機公司), deputy manager of the computer department of Hotel Landmark Canton (廣州華厦大酒店), manager of the IT department, chief accountant and deputy financial controller of Ramada Pearl Hotel Guangzhou (廣州凱旋華美達 大酒店), deputy financial controller of Holiday Inn City Centre Guangzhou (廣州文化假日酒店) and financial controller of Rosedale Hotel and Suites Guangzhou (廣州珀麗酒店).

Lai Boyi (賴博軼先生) is currently the staff representative supervisor of the Company, the head of the discipline supervision department of the Company, Supervisor of GAC Commercial and GAC Mitsubishi. He served as secretary of Guangzhou Motorcycle Engine Plant(廣州摩托車發動機廠) from June 1989 to August 1992; from August 1992 to September 2003, he held positions as head of department, secretary and assistant to the head of Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊－本田摩托(廣州)有限公司), and deputy general manager and secretary of party general branch of Guangzhou Motorcycle Group Co., Ltd. Wuyang Motorcycle branch (廣州摩托集團公司五羊摩托車分公司). Since 2004, he has been the head of the department of comprehensive management of GAC Toyota Engine Co., Ltd. and the head of the department of comprehensive management of GAC Toyota Motor Co. Ltd. and the head of the department of general affairs of Guangqi Honda Automobile Co., Ltd.

He Jinpei (何錦培) is currently the staff representative supervisor of the Company, first joined the Company in 2007. He is currently the deputy chairman of labour union of the Company. Prior to this, he served as head of working unit of Party Committee, chairman of labour union and secretary to disciplinary committee of GAC Bus, and director of labour union office and head of human resources department of GAIG. Mr. He graduated from Guangzhou Workers Vocational College (廣州市職工業餘大學) with a college diploma in manufacturing of machinery in July 1990, and College of Administration and Management of Correspondence Institute of the Party School of C.C. of C.P.C. in December 2001, with a qualification of senior administration engineer.

Feng Xingya (馮興亞) is a standing deputy general manager of the Company and deputy director of the Executive Committee. He is also chairman of GAC Fiat, Guang Ai Insurance and GAC Mitsubishi. Mr. Feng joined the Group in 2004, he held positions as a deputy head of Sales Department, deputy chairman, executive deputy general manager and a director of GAC Toyota. He has been the deputy general manager of the Company since 2008. Prior to this, Mr. Feng served as a deputy managing director in Zhengzhou Nissan Automobile Company Limited (鄭州日產汽車有限公司) from June 1998 to December 2004. Mr. Feng graduated from Xi'an Jiaotong University with a bachelor's degree in engineering in July 1988 and a master's degree in business administration in April 2001.

Zhang Qingsong (張青松) is currently the deputy general manager of the Company and deputy director of the Executive Committee. From 1998 to 2012, he held positions as the deputy director, director and director of disciplinary office of the administrative office of the Commission for Economy and Trade of Guangzhou, Chairman of Supervisory Committee of Guangzhou Municipal State-owned Assets Management Committee stationed in Guangzhou Automobile Industry Group Co., Ltd.(廣州市國有資產管理委員會派駐廣州汽車工業集團有限公司), Guangzhou Iron & Steel Enterprises Group and Guangzhou Pearl River Piano Group Co., Ltd. (廣州珠江鋼琴集團股份有限公司). He has been deputy general manager of Guangzhou Automobile Industry Group Co., Ltd. since May 2012. He has a master's degree in Business Administration.

Li Shao (**李少**) is currently a deputy general manager of our Company and deputy general manager of Executive Committee. He is also chairman of Wuyang-Honda and GAC Zhongxing (Yichang) Automobile Co., Ltd., and a director of GAC Changfeng. He joined GAC Group in June 1997 and became the deputy general manager of our Company in 2007. Prior to this, Prior to this, Mr. Li had served as head of investment department and foreign economics, office director, assistant of general manager and deputy general manager of Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司), party secretary and director of GAC Bus, assistant of general manager and deputy general manager of GAIG, director of GAC Toyota, a director and an executive deputy general manager of GAC Hino and a director of Shanghai Hino and director of Guangqi Honda. Mr. Li graduated from South China University of Technology and obtained a bachelor's degree of Engineering in metal material and heat treatment in July 1985 and he also obtained a master's degree of business administration from the Open University of Hong Kong in December 2002.

Wang Dan (**王丹**) is currently the chief financial officer of the Company and deputy director of Executive Committee. She is also chairman of GAC-SOFINCO. Ms. Wang joined the GAIG in March 1999, and has been the Company's chief financial officer and financial controller since 2005. Prior to this, Ms. Wang served in the financial audit department of Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) and was the deputy head of the financial audit division of the Group. Ms. Wang graduated from the Sun Yat-Sen University with a bachelor's degree in July 1992 and the School of Management of Zhongshan University with a senior executive master's degree in business administration in December 2005.

Jiang Ping (**蔣平**) is currently a deputy general manager of the Company and deputy director of Executive Committee. Mr. Jiang also serves as a director of GAC Hino, GAC Bus, Shanghai Hino and GAC Fiat. He has been the deputy general manager of the Company since April 2007. Prior to this, Mr. Jiang served as general manager of Guangzhou Peugeot Automobile Sales Company (廣州標緻銷售公司), chairman of GAC Commercial, vice chairman and general manager of GAC Component and deputy general manager of Guangqi Honda and executive deputy general manager of GAC Fiat. Mr. Jiang graduated from Hunan University with a bachelor's degree in engineering in July 1982 and a master's degree in engineering in December
1985.

Yao Yiming (**姚一鳴**) is currently the deputy general manager of the Company and deputy director of Executive Committee. He also serves as chairman of GAC Components, a director of China Lounge and Guangqi Honda. Mr. Yao joined the Company in 1996, and became the deputy general manager of the Company in July 2008. Prior to this, Mr. Yao also acted as a director and general manager of GAC Commercial, a director and executive deputy general manager of Guangqi Honda. Mr. Yao graduated from Xinghai Conservatory of Music in management in July 1988 and Wuhan University with a master's degree in information technology in December 1997.

II. TERMS OF OFFICE OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Term of office in shareholders' units

Name of Staff	Name of shareholders' unit	Position held in shareholders' unit	Commencement date of term	Expiry date of term
Zhang Fangyou	GAIG	chairman	May 2007	
Zhang Fangyou	GAIG	general manager	August 2008	July 2013
Zhang Fangyou	GAC (HK)	chairman	June 2000	
Zeng Qinghong	GAIG	deputy chairman	May 2007	
Zeng Qinghong	GAIG	general manager	July 2013	
Zeng Qinghong	GAC (HK)	deputy chairman	July 2008	
Yuan Zhongrong	GAIG	director	May 2007	
Fu Shoujie	GAIG	director	May 2007	July 2013
Liu Huilian	GAIG	director	May 2007	
Wei Xiaoqin	GAIG	deputy party secretary	October 2008	
Ding Hongxiang	China National Machinery Industry Corporation Limited	deputy president	January 2012	
Ding Hongxiang	國機汽車股份有限公司	chairman	25 October 2011	24 October 2014
Li Pingyi	Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司)	General Manager	26 August 2013	31 December 2015
Li Pingyi	Wanxiang Electronic Automobiles Co., Ltd (萬向電動汽車有限公司)	executive director	March 2010	
Li Pingyi	Zhejiang Power Battery Co., Ltd. (浙江億能動力電池有限公司)	chairman	March 2011	
Li Pingyi	Jiangsu Senwei Precision Forging Co., Ltd (江蘇森威精鍛有限公司)	chairman	April 2006	
Li Pingyi	Jilin New Rucker Parts Co., Ltd (吉林新立德部件有限公司)	executive director	December 2008	
Gao Fusheng	GAIG	chief accountant	May 2007	
Gao Fusheng	GAC (HK)	director, general manager	May 2012	
Huang Zhiyong	Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司)	deputy general manager	April 2007	
He Yuan	Chime-Long Group Co., Ltd (廣州長隆集團有限公司)	deputy general manager of finance department	October 2010	

Note: Those without a specific date for the expiry date of term means their appointments will continue, and the expiry dates of their terms are unknown.

(II) Term of office of in other units

Name of Staff	Name of shareholders' unit	Position held in shareholders' unit	Commencement date of term	Expiry date of term
Zhang Fangyou	Guangzhou Department Store Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司)	independent director	April 2007	
Zeng Qinghong	Automobile Industry Association of Guangdong Province (廣東省汽車工業協會會長)	chairman	December 2010	
Ding Hongxiang	China Automobile Dealers Association (中國汽車流通協會)	vice president	December 2005	
Ding Hongxiang	Chinese Youth Association	member of standing committee	August 2010	2015
Ding Hongxiang	Enterprise Youth Federation	Vice-chairman	March 2012	2016
Wu Gaogui	CIPE Braking System (Guangzhou) Co., Ltd.	independent director	December 2007	
Ma Guohua	Wuxi Double Elephant Micro Fibre Material Ltd. (無錫雙象超纖材料股份有限公司)	independent director	10 December 2010	9 December 2013
Ma Guohua	Shandong Sanwei Shihua Engineering Company Limited (山東三維石化工程股份有限公司)	independent director	22 December 2010	17 January 2014
Ma Guohua	Hengtong Logistics Co., Ltd (恒通物流股份有限公司)	independent director	March 2012	
Ma Guohua	Hasen Commerce And Trade (China) Co., Ltd	independent director	November 2011	
Xiang Bing	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)	independent director	24 April 2012	24 April 2015
Xiang Bing	Shanxi Qinchuan Machinery Development Co., Ltd (陝西秦川機械發展股份有限公司)	independent director	April 2011	April 2014
Xiang Bing	EHouse (China) Holdings Limited (易居(中國)控股有限公司)	independent director	August 2007	
Xiang Bing	Enerchina Holdings Limited (威華達控股有限公司)	independent director	December 2008	
Xiang Bing	China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司)	independent director	May 2007	
Xiang Bing	HC International, Inc. (慧聰網有限公司)	independent director	March 2002	
Xiang Bing	Longfor Properties Co. Ltd. (龍湖地產有限公司)	independent director	November 2009	
Xiang Bing	Peak Sport Products Co., Limited (匹克體育用品有限公司)	independent director	September 2009	
Xiang Bing	Dan Form Holdings Co., Ltd. (丹楓控股有限公司)	independent director	May 1995	
Xiang Bing	Perfect World Co., Ltd. (完美時空有限公司)	independent director	August 2007	

Name of Staff	Name of shareholders' unit	Position held in shareholders' unit	Commencement date of term	Expiry date of term
Xiang Bing	Sinolink Worldwide Holdings Limited (百仕達控股有限公司)	independent director	December 2008	
Law Albert Yu Kwan	South China (China) Limited	chief financial officer, company secretary and executive director	1 December 2012	
Law Albert Yu Kwan	South China Group	chief financial officer	January 2012	
Law Albert Yu Kwan	South China Land Co., Ltd	executive director	March 2013	
Li Zhengxi	Guangzhou International Holding Group Co. Ltd. (廣州國際控股集團有限公司)	director and deputy general manager	September 2007	
Li Zhengxi	Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所)	managing director and legal representative	June 1999	
Li Zhengxi	Guangzhou Exchange Group Co., Ltd	chairman and legal representative	October 2010	
Gao Fusheng	Guangzhou Radio Group Co., Ltd.	independent director	12 January 2012	11 January 2015
Fu Yuwu	Henan Province Xixia Automobile Water Pump Co., Ltd.	independent director	11 August 2008	10 August 2014
Fu Yuwu	Zhejiang Asia-Pacific Mechanical & Electronic Co., Ltd.	independent director	8 May 2013	7 May 2016
Fu Yuwu	Geely Automobile Holdings Limited	independent director	January 2012	January 2015
Fu Yuwu	Shandong Gold Phoenix Co., Ltd.	independent director	December 2013	December 2016
Fu Yuwu	Society of Automotive Engineers of China	president	December 1999	December 2017
Fu Yuwu	China Association of Automobile Manufacturers	vice-chairman	April 2008	April 2016
Fu Yuwu	China Automobile Talents Society	chairman	November 2010	November 2015
Lan Hailin	Keda Industrial Co., Ltd	independent director	20 August 2012	19 August 2016
Lan Hailin	Zhongshan Vatti Gas Appliance Stock Co., Ltd.	independent director	7 May 2013	6 May 2016
Lan Hailin	Guangdong Sky Dragon Printing Ink Group Co., Ltd.	independent director	30 July 2013	29 July 2016
Wang Susheng	Shenzhen Pellet Technology Co., Ltd.	independent director	28 March 2010	14 April 2016
Wang Susheng	Shenzhen Terca Technology Co., Ltd.	independent director	30 November 2010	30 November 2013
Leung Lincheong	Casablanca Group Limited	independent director	November 2012	
Li Fangjin	Guangzhou Financial Holding Group Co., Ltd.	Vice-chairman and general manager	July 2013	
Li Fangjin	Guangzhou Guangyong State-Owned Assets Management Co., Limited	chairman	September 2004	
Li Fangjin	Wanlian Securities Co., Ltd.	chairman	September 2005	
Li Fangjin	Bank of Guangzhou	vice-chairman	May 2006	
Li Fangjin	Guangzhou Equity Trading Centre	chairman	August 2012	
Li Fangjin	Guangzhou Ligen Finance Leasing Co., Ltd.	chairman	June 2013	

Note: Those without a specific date for the expiry date of term means their appointments will continue, and the expiry dates of their terms are unknown.

III. REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of the directors, supervisors and senior management	The Remuneration and Evaluation Committee of the Board conducted the evaluation of the remuneration of the senior management of the Company and formulated the incentive program; which shall be implemented after the approval of the Board. The allowance for independent Directors is implemented after the approval of the Board and the general meeting. The remuneration of other Directors and Supervisors is determined in accordance with the related pay system of the Company.
Basis for determination of the remuneration of the Directors, Supervisors and senior management	The remuneration of independent Directors is issued in accordance with the approved plan in the general meeting; the remuneration of other Directors and Supervisors are determined by both the formulated pay system of the Company and the yearly assessment results. The remuneration of senior management is determined in accordance with the assessment program, combined with the annual results of the Company and their individual performance.

IV. INTERESTS OF DIRECTORS OR SUPERVISORS IN CONTRACTS

None of the directors or supervisors has entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

Apart from service contracts in relation to the Company's business, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its substantial shareholders was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

V. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Way of Change	Reason for change
Yuan Zhongrong	Vice-chairman	Appointed	Change of appointment
Fu Yuwu	Independent director	Appointed	Rotation of independent director
Lan Hailin	Independent director	Appointed	Rotation of independent director
Li Fangjin	Independent director	Appointed	Rotation of independent director
Leung Lincheong	Independent director	Appointed	Rotation of independent director
Wang Susheng	Independent director	Appointed	Rotation of independent director
Lai Boyi	Supervisor representing the staff and workers	Appointed	Election of employees' representative
Feng Xingya	Standing deputy general manager	Appointed	Change of appointment
Zhang Qingsong	Deputy General Manager	Appointed	Job redesignation
Wu Gaogui	Independent director	Retired	Expiry of six-year term of office
Ma Guohua	Independent director	Retired	Expiry of six-year term of office
Xiang Bing	Independent director	Retired	Expiry of six-year term of office
Law Albert Yu Kwan	Independent director	Retired	Expiry of six-year term of office
Li Zhengxi	Independent director	Retired	Expiry of six-year term of office
Fu Shoujie	Director and deputy general manager	Retired	Job redesignation
Huang Xiangdong	Deputy general manager	Dismissed	Change of appointment
Wu Song	Deputy general manager	Dismissed	Change of appointment
Liu Wei	Deputy general manager	Dismissed	Change of appointment
Qu Yongjian	Deputy general manager	Dismissed	Change of appointment
Chen Maoshan	Deputy general manager	Dismissed	Change of appointment
Ye Ruiqi	Supervisor representing the staff and workers	Dismissed	Change of appointment

VI. EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR SUBSIDIARIES

(1) Employees

Number of existing employees of the Company	202
Number of existing employees of major subsidiaries (Note)	38,298
Total number of existing employees	38,500
Number of employees resigned or retired the pension of which the Company and major subsidiaries had to be responsible for	906

Specialty composition

Categories of profession	Number of specialty composition
Production	21,109
Sales	2,587
Technical	6,275
Finance	662
Administration	7,867
Total	38,500

Education Level

Category	Number (persons)
Master or above	1,409
Undergraduate (including double major)	9,831
College graduate	7,205
Secondary or below	20,055
Total	38,500

Note: Including the employees of joint ventures of the Group

(2) **Remuneration Policy**

GAC Group emphasizes on maintaining market competitiveness in staff remuneration levels, and formulates incentive and restrictive remuneration policies through research and analysis of market remuneration information.

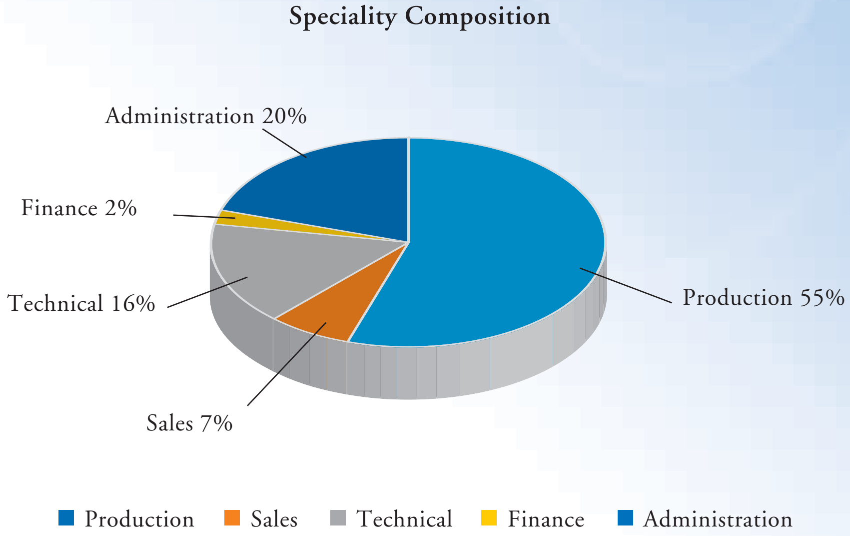
During the reporting period, combined with the adjustment of the Company's structure, the salary management system was revised.

GAC Group is committed to the establishment and improvement of employee benefits system, under which timely and full contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes are made, and regulations on working hours, rest and vacation are complied with, and certain qualified enterprises have established and improved their benefit systems, including supplementary medical insurance, supplementary pension insurance (or enterprise annuity systems).

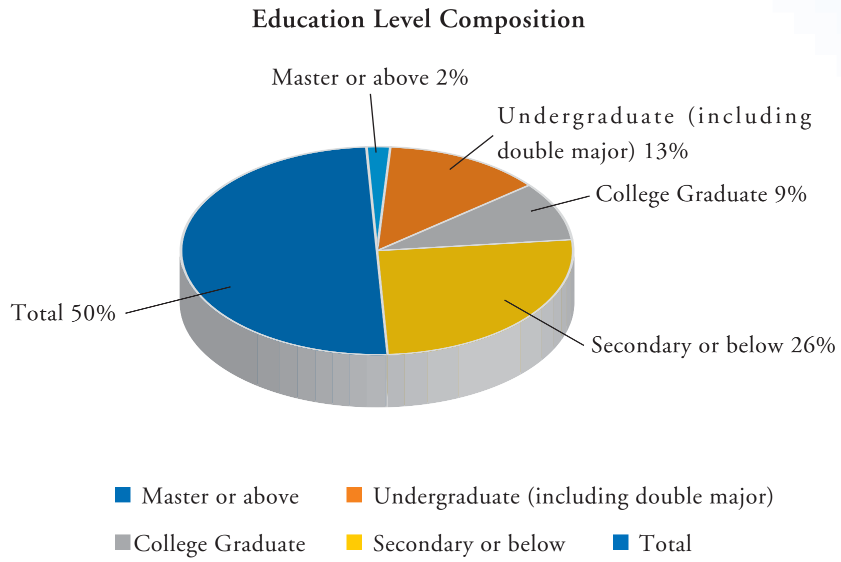
(3) **Training Program**

The Group attached importance to the corporate culture and employees training, actively carried out internal interactive training between each of the investment companies. During the reporting period, following the decision of innovation and changing, the Company set up specific training institutions to organize and coordinate the training work and sharing of training resources. The number of staff trained during the year was 301,100, among which the number of management staff and professional technical staff trained was 96,400, representing 32%, while the number of production staff trained was 204,700, representing 68%. The total training expenses was RMB36.229 million.

(4) **Speciality Composition**



(5) **Education Level**



Chapter 10 Corporate Governance

I. CORPORATE GOVERNANCE AND INSIDER MANAGEMENT SYSTEM

(1) General

The Company has complied with Company Law, Securities Law, the Code of Corporate Governance for Listed Companies and requirements in respect of corporate governance documents issued by CSRC and SSE, and continued to improve the corporate governance structure of the Company and standardized the Company's operations. The Company has implemented Inside Information Management System of Guangzhou Automobile Group Co., Ltd., strengthened the work in relation to inside information management and information disclosure of the Company, protecting the interests of the Company and all shareholders.

During the reporting period, the Company has made internal filing in respect of relevant staff members which are involved in matters of inside information disclosed in regular reports. During the reporting period, no insider was found to have used such inside information and sought profit.

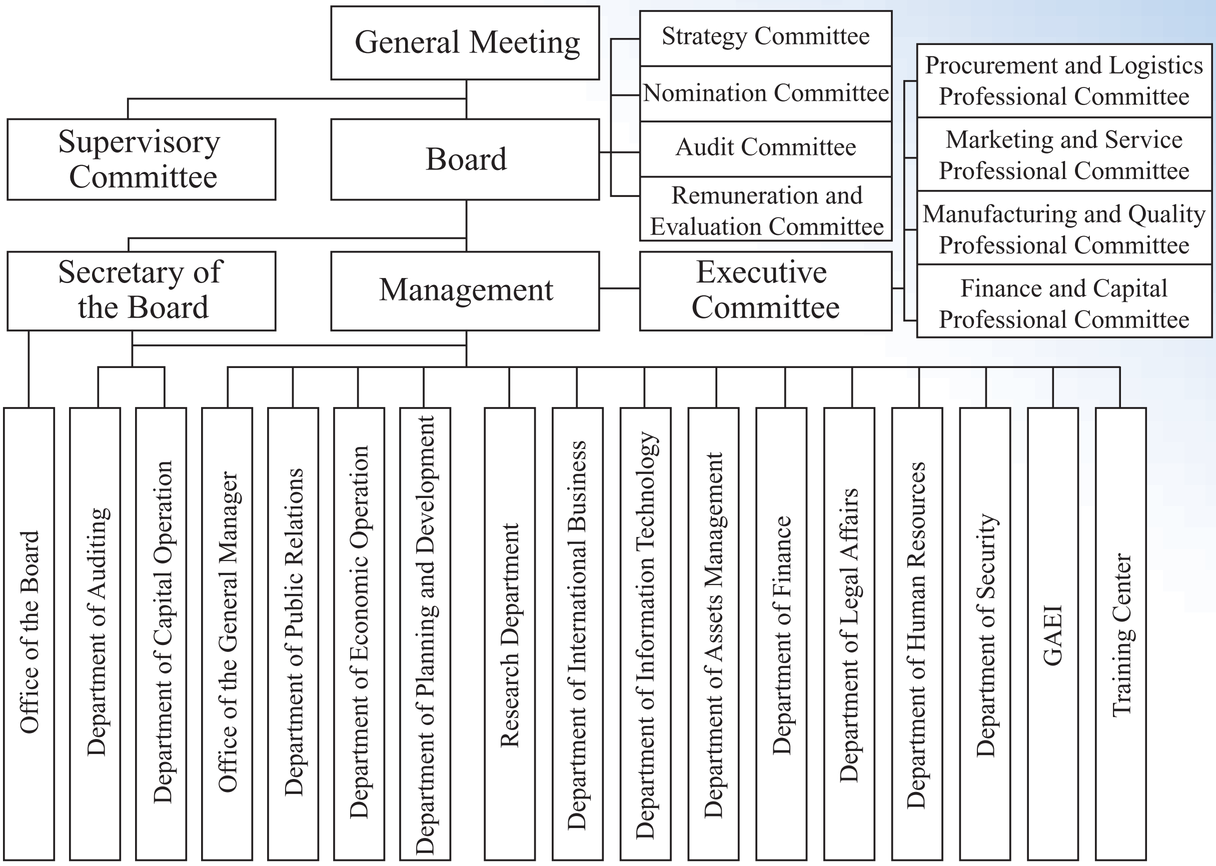
As at the end of the reporting period, the corporate governance system of the Company is in compliance with the requirements of operations requirements of listed companies and in compliance with the relevant requirements of Company Law and by the CSRC.

The Group also adopted and in compliance with the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

In the reporting period, following the principles of management enhancement, improving management control ability and service coordination ability, the Group made amendments to 19 control management systems, the Group further improved its control system, including the articles of association, implementing terms of reference of the nomination committee and audit committee of the Board. 17 control management systems were also newly formulated including the management of trading of shares of the Company by directors, supervisors and senior management and the relevant changes. The above were conducted pursuant to requirements of the "Guiding Opinion on Further Improvement of the Corporate Governance of the Listed Companies within Jurisdiction" issued by the Guangdong Regulatory Authority of China Securities Regulatory Commission (Guangdong Zheng Jian [2012] No.206) and newly effective amendments to the Listing Rules. The corporate governance level of the Company was further enhanced together with the innovative reform of the Group.

(2) **Structure of Corporate Governance**

The Company's structure of corporate governance comprises the general meeting, the Board and special committees, the Supervisory Committee, the management and the employees, each of which plays an important role in the corporate governance of the Company. During the reporting period, the Group further enhanced its corporate governance and service coordination, and adjustments were made to the Company's structure of corporate governance. Executive Committee and four professional committees were added under the management. The structure of corporate governance of the Company is as follows:



(3) Shareholders and the general meeting

The general meeting is the authoritative body of the Company and has legal power to decide on significant matters of the Company. The Company carries out policies of open and honest communication and fair disclosures. The general meeting is an important channel for direct communication between the Board and the Shareholders. Pursuant to article 67 of the articles of association of the Company, if Shareholders individually and jointly holding not less than 10% of the Company's issued shares with voting rights request in writing to hold an extraordinary general meeting, the Board shall hold an extraordinary general meeting within two months after the receipt of the written request.

Pursuant to article 69 of the articles of association of the Company, Shareholders individually and jointly holding over 3% of the shares of the Company are entitled to propose extraordinary motions to the Company and submit them in writing to the convener ten days before the convening of the general meeting. The convener of the general meeting shall issue supplementary notice of the general meeting to announce the content of the extraordinary motions within two days after receiving the proposed motions.

Shareholders may raise enquiries and express their view to the Board in writing (Contact address: The office of the Board of GAC Group at Room 2202 Guang Qi Building, No. 23 Zhu Jiang Xin Cheng Xing Guo Road, Tianhe District, Guangzhou (Postal code: 510623), Telephone: 020-83151683, Fax: 020-83150319, ir@gagc.com.cn.).

During the reporting period, the Company convened three general meetings in strict compliance with Company Law, the articles of association of the Company, rules of procedures of the general meeting, the Listing Rules and other relevant laws and regulations. All Shareholders are encouraged to attend the general meetings. All Directors, Supervisors and members of management of the Company are also requested to try their best to attend the general meetings. Notice of the general meetings are issued 45 days prior to the date of such general meeting. The notice of the general meeting containing an agenda, resolutions proposed and a voting form are announced in a timely manner and sent to all H shares registered Shareholders whose shares are registered in the register of members by post in accordance with the requirements. All registered shareholders are entitled to attend the general meeting. H shares shareholders who are unable to attend the general meeting can appoint their proxies or the chairman of the general meeting as their proxies to attend the general meeting on their behalves. (The proxy form shall be completed and returned to the Company or the Company's share registrar). Results of resolutions or poll results of the general meeting shall be timely announced in such manner as required by the Listing Rules. Lawyer attended each general meeting and issued legal opinion.

The controlling shareholders and ultimate controller of the Company conscientiously fulfill their obligation in good faith. There was no act that interferes with the decisions and operations of the Company directly or indirectly, bypassing the general meeting, nor was there damage of the interest of the Company and other shareholders.

(4) Directors and the Board

1. Directors and composition of the Board

Directors are elected or rotated at the general meeting. During the reporting period, due to the expiry of the 6-year term of appointment, resolutions in respect of appointment of independent directors were considered and approved at the second extraordinary general meeting in 2013 held on 16 December 2013, in which Mr. Fu Yuwu, Lan Hailan, Li Fangjing, Leung Lincheong and Wang Susheng were elected to be the Directors of the 3rd session of the Board of the Company, with a term until the expiry of the current session of the Board. In addition, due to work redesignation, Fu Shoujie, a Director, will no longer be the Director of the Company and all other positions held in the Group, with effect from 1 August 2013.

The Board consists of 14 Directors, including 4 executive Directors, Zhang Fangyou, Zeng Qinghong, Yuan Zhongrong and Lu Sa; 5 non-executive Directors, Liu Huilian, Wei Xiaoqin, Li Tun, Li Pingyi and Ding Hongxiang; and 5 independent non-executive Directors, Fu Yuwu, Lan Hailan, Li Fangjin, Leung Lincheng, Wang Susheng. The members of the Board have different professional background and have extensive expertise and experience in different aspects. The composition of the Board is in compliance with the relevant laws and regulations and the requirements of the articles of association of the Company and the diversity requirements of Board members.

2. Powers of the Board

The Board is accountable to the general meeting and exercises the following powers:

(1) To convene general meetings and report its work to the general meeting;

(2) To implement the resolutions of the general meetings;

(3) To decide on the business plans and investment plans of the Company;

(4) To formulate the mid-term and long-term development plans of the Company;

(5) To formulate the plans on annual financial budgets and final accounts of the Company;

(6) To formulate the profit distribution plans and plans on making up losses of the Company;

(7) To formulate proposals for increase or reduction of the registered capital of the Company and issue and listing of bonds or other securities of the Company;

(8) To formulate plans for major acquisitions, purchase of shares of the Company or plans for merger, division, dissolution or alteration of corporate form of the Company;

(9) To determine external investments, purchases and sales of assets, pledge of assets, external guarantees, loans, entrusted asset management, disposal of assets and connected transactions of the Company, save the matters that are required to be resolved at the general meeting pursuant to the law, regulations, the articles of association of the Company and other regulatory documents;

(10) To determine the establishment of the Company's internal management structure and manpower deployment;

(11) To appoint or remove the general manager and the secretary to the Board based on the nomination by the Chairman of the Board; to appoint or remove the deputy general manager, chief financial officer and other senior management of the Company based on the nomination by the general manager and to determine their remunerations and rewards and penalies;

(12) To formulate the basic management system of the Company;

(13) To formulate proposals for amendment to the Articles of Association;

(14) To formulate the information disclosure system of the Company and to manage information disclosure of the Company;

(15) To propose the appointment or removal of the Company's auditors at the general meeting;

(16) To receive the work report and inspect the work of the general manager of the Company;

(17) To formulate share incentive schemes;

(18) To review and resolve other matters required to be decided by the Board pursuant to the laws, administrative regulations, departmental rules, the requirements of the place where the Company's shares are listed and the Articles of Association.

The exercise of power by the Board on the aforesaid matters or any transactions or arrangements of the Company shall be proposed for consideration and approval at the general meeting should the listing rules of the place where the shares of the Company are listed so require.

3. ***Responsibilities of directors***

The Directors acknowledge their responsibility for the preparation of annual financial statements and true and fair presentation of the Company's business results and financial conditions. The Directors are of the view that the Company has sufficient resources to continue its business in the foreseeable future; and are not aware of material uncertainties which may materially affect the Company's ability to continue as a going concern.

4. ***Professional Training***

During the reporting period, the Directors of the Company actively participated in the relevant trainings of corporate governance, directors' responsibilities and operations management. The secretary to the Board of the Company and Company Secretaries, Lu Sa and Leung Chong Shun, have complied with the relevant professional training requirement of Rule 3.29 of Hong Kong Listing Rules. All Directors have also provided their relevant training records during the reporting period with details as follows:

Name of Directors			**Training participated**
Zhang Fangyou	(Chairman)		ABC
Zeng Qinghong	(General Manager)		BC
Yuan Zhongrong			BC
Lu Sa			ABC
Fu Yuwu		(appointed on 16 December 2013)	ABC
Lan Hailin		(appointed on 16 December 2013)	BC
Li Fangjin		(appointed on 16 December 2013)	BC
Leung Lincheong		(appointed on 16 December 2013)	ABC
Wang Susheng		(appointed on 16 December 2013)	BC
Liu Huilian			ABC
Wei Xiaoqin			BC
Li Tun			BC
Li Pingyi			BC
Ding Hongxiang			BC
Fu Shoujie		(resigned on 1 August 2013)	BC
Wu Gaogui		(retired on 16 December 2013)	BC
Ma Guohua		(retired on 16 December 2013)	BC
Xiang Bing		(retired on 16 December 2013)	BC
Law Albert Yu Kwan		(retired on 16 December 2013)	BC
Li Zhengxi		(retired on 16 December 2013)	BC

Notes:

A: Trainings on corporate governance of listed companies, directors' duties and the relevant trainings organized by stock exchange or securities regulatory authorities;

B: Special training, seminars and conferences on aspects of economics, finance and corporate management;

C: Reading materials related to corporate governance, directors' duties and regulations of internal risk management; and attending seminars, forums and conferences, etc.

All directors of the Company may timely access the relevant laws, regulations and other information relating to their continuing obligations through the Secretary and the Office of the Board. The Company ensures that all directors keep abreast of business development of the Company, the competitive and regulatory environment, as well as the development of the industry environment through provision of materials and conferences, which help Directors understand their responsibilities and make right decision and conduct effective supervision. The Company has adopted the Model Code as the Code of Conduct for Securities Transactions by Directors.

After the Company's making specific enquiries with all Directors, all Directors have confirmed that they have fully complied with the rules as required by the Model Code throughout the year of 2013.

During the reporting period, the Company convened 19 Board meetings. The convening, holding and resolution procedures of the Board meetings have complied with the Company Law, the Articles of Associations of the Company and Rules of Procedures of the Board.

Individual profiles of directors are set out in the Section of Directors, Supervisors, Senior Management and Employees of this annual report.

5. *Independence of Directors*

The independent non-executive Directors representing one-third of the total number of members of the Board. The Company's independent non-executive directors have knowledge of the rights and obligations of the directors and independent directors of the listed companies. The terms of service of the existing independent non-executive directors will expire upon the expiry of the term of the current session of the Board.

In accordance with Rule 3.13 of the Listing Rules, the Company has received the annual confirmation of independence from each of the independent non-executive Directors. The Company considers that they remain independent.

During the reporting period, the independent non-executive Directors have discharged their duties with good faith, integrity and diligence according to the requirements of relevant laws and regulations. The independent non-executive Directors participated in the discussion and decision on the material issues of the Board and Board committees and gave their views on the compliance and operation of the Company based on their industry expertise and experience. They have duly reviewed and expressed their independent views on the equality and fairness of connected transactions. They have performed their duties independently and are independent of the controlling Shareholders or other units and individuals who have interests in the Company.

The Company has reported to the independent non-executive directors the production and operation situation of the Company and the progress of significant events, submitted the annual reports and audit work schedule in compliance with the relevant provisions of China Securities Regulatory Commission and the Shanghai Stock Exchange concerning annual reports. Independent non-executive Directors have communicated with the Company's auditors in respect of the related issues of the audit process.

During the reporting period, the independent non-executive Directors did not hold dissenting views regarding resolutions of the Board and other resolutions not considered by the Board.

6. *Special Committees of the Board*

The Board set up Strategy Committee, Audit Committee, Remuneration and Evaluation Committee and Nomination Committee. Due to the appointment of independent directors of the Company on 16 December 2013, committee members of each of the committee of the Board also been elected and changed on the Board meeting held on the same date, which involved only change of independent directors. Compositions of each of the committees of the Board are as follows:

(1) Strategy Committee comprises five Directors (Zhang Fangyou, Zeng Qinghong, Yuan Zhongrong, Fu Yuna, Lan Hailin) of which, Fu Yuna and Lan Hailin are independent non-executive Directors and Zhang Fangyou is the Chairman. The Committee is mainly responsible for conducting research and making recommendations on the long term development strategy and major investment decision of the Company. Three meetings of Strategy Committee were held during the year and all members attended the meetings. Each committee member gave their opinions in respect to audited matters.

(2) Audit Committee consists of 3 independent non-executive Directors, namely, Leung Lincheong, Li Fangjing and Wang Susheng, of which, Leung Lincheong is the Chairman. Their primary duties are to supervise and review the annual audit work and internal audit system of the Company, the financial information and disclosure of the Company. During the year, four meetings of the Audit Committee were held and all members attended the meetings. The Audit Committee mainly reviewed the regular report and results, profit distribution, appointment of auditing institution, and also reviewed the internal control system etc.

(3) Remuneration and Evaluation Committee consists of 3 non-executive Directors, namely Li Fangjin, Leung Lincheong and Li Pingyi, two of whom, Li Fangjin and Leung Lincheong are independent non-executive Directors and Li Fangjin is the Chairman. Their primary duties are to formulate and review the remuneration policies and packages of Directors and senior management of the Company. During the year, four meetings of the Remuneration and Evaluation Committee were held in total and all members attended the meetings. The Nomination Committee appraised the performance of senior management, reviewed salary and appraisal planning of Senior management and staff, and also reviewed the remuneration packages of the directors and senior management.

(4) Nomination Committee consists of 3 non-executive Directors, namely Wang Susheng, Li Fangjin and Ding Hongxiang, and two of them, Wang Susheng and Li Fangjin are independent non-executive Directors and Wang Susheng is the Chairman. Their duties are to make recommendations regarding the candidates, the selection standards and procedures of Directors and senior management. The Nomination Committee is responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge.

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The nomination committee is responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge, which include the in-depth understanding in the automotive industry, engineering and mechanical manufacturing ability, enterprise management experience, and the professional qualifications in the fields of law and accounting. Each director has years of experience in his respective professional fields. Whatever backgrounds or experiences the directors have, they all take it as their common goal to promote the industry in order to bring sustainable growth for the Company.

During the year, three meetings of the Nomination Committee were held and all members attended the meeting. The Nomination Committee gave opinions in relation to the appointment and dismissal of Senior management and appointment of independent directors.

(5) Supervisors and Supervisory Committee

The committee strictly performed its supervisory function under requirements of relevant laws and regulations and the articles of association.

During the reporting period, due to change of appointment, after considered and by the meeting of the staff representatives of the Company, Mr. Lai Boyi was elected as the staff representative supervisor of the third-session Supervisory Committee of the Company, and that Mr. Ye Ruiqi was resigned as the staff representative supervisor of the Company.

At present, there are 5 Supervisors of the Company, namely Gao Fusheng, Huang Zhiyong, He Yuan, Lai Boyi and He Jinpei, among which Gao Fusheng is the chairperson of the Supervisory Committee, Lai Boyi and He Jinpei are supervisors representing staff and workers. Constitution of such committee was in compliance with requirements of laws and regulations and the articles of association.

During the reporting period, the committee convened 4 meetings, the convening, holding and procedures of which are in line with relevant requirements under the articles of association and the procedures of supervisory committee. All Supervisors attended the meetings in person or by proxy and performed their duties conscientiously.

(6) The Management

The Company has clearly defined the roles and division of work between the Board and the management as well as the respective responsibilities of the chairman of the Board and the general manager in its Articles of Association, ensuring the independence of the Board in decision-making and the independence of the management in managing the daily operations.

The management of the Company exercises the following powers under authorization of the Board:

1. to be responsible for the Company's production, operation and management, to organize resources to carry out the Board's resolutions, and to report to the Board;

2. to organize the implementation of the Company's annual business plan and investment plan;

3. to draft plans for the establishment of the Company's internal management structure;

4. to formulate the Company's basic management system;

5. to formulate the specific rules and regulations of the Company;

6. to propose the appointment or dismissal of the Company's deputy general manager(s) and chief financial officer;

7. to decide on the appointment or dismissal of management personnel and staff other than those required to be appointed or dismissed by the Board;

8. to propose the convening of extraordinary Board meeting; and

9. to exercise other powers conferred by the Articles of Association and the Board.

(7) Company Secretary

The company secretaries of the Company are Ms. Lu Sa, senior management of the Company, and Mr. Leung Chong Shun, a practicing solicitor in Hong Kong and external service provider. The primary contact person of the Company is Ms. Lu Sa. The company secretaries have received relevant professional training which fulfilled the requirements of Rule 3.29 of the Listing Rules.

(8) Appointment and remuneration of external auditor

The external auditor currently appointed by the Company is PricewaterhouseCoopers. The auditor's remuneration is disclosed in note 28 to the consolidated financial statements.

(9) Investor Relations

The Company attaches importance to effective communication with Shareholders and investors. It actively promoted investor relations and communication through conferences, press conferences, briefings and inspection of the Company.

(10) Amendments to the articles of association

Amendments of the articles of association were proposed and approved at the first extraordinary general meeting of the Company in 2013 held on 29 August 2013. (For details, please refer to the circular of the Company convening the first extraordinary general meeting of 2013.)

II. GENERAL MEETINGS

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
2012 general meeting	28 May 2013	Please refer to details.	All passed	Websites of Shanghai Stock Exchange/ Hong Kong Stock Exchange	28 May 2013
1st extraordinary general meeting in 2013	29 August 2013	Please refer to details.	All passed	Websites of Shanghai Stock Exchange/ Hong Kong Stock Exchange	29 August 2013
2nd extraordinary general meeting in 2013	16 December 2013	Please refer to details.	All passed	Websites of Shanghai Stock Exchange/ Hong Kong Stock Exchange	16 December 2013

Details:

(1) The general meeting 2012 of the Company was held at Company conference room, 23/F, Chengyue Building, No. 448 Dong Feng Zhong Road, Yuexiu District, Guangzhou, PRC on Tuesday, 28 May 2013, the following nine resolutions were considered and approved by way of open ballot:

1. Resolution in relation to the work report of the board of directors for the year 2012;

2. Resolution in relation to the report of the independent directors for the year 2012;

3. Resolution in relation to the work report of the supervisory committee for the year 2012;

4. Resolution in relation to the audited financial report for the year 2012;

5. Resolution in relation to the 2012 annual report and its summary;

6. Resolution in relation to the profit distribution proposal for the year 2012;

7. Resolutions in relation to the appointment of the auditors for the year 2013;

8. Resolutions in relation to the appointment of the internal control auditors for the year 2013;

9. Resolution in relation to the general mandate authorizing the Board to issue H Shares.

(2) The first extraordinary general meeting of 2013 of the Company was held at Conference Room No.102 of Guangzhou Automobile Group Motor Co. Ltd. at Panyu, Guangzhou, the People's Republic of China on 29 August 2013, resolution in relation to the amendments to the Articles of Association of Guangzhou Automobile Group Co., Ltd. was considered and approved.

(3) The second extraordinary general meeting of 2013 of the Company was held at Multi-Function Conference Room, 10/F, Sunrich Plaza, No.988 Middle of Guangzhou Avenue, Guangzhou, Guangdong Province, the PRC at 8:30 a.m. on 16 December 2013, Monday, the following resolutions were considered and approved by way of open ballot:

1. Resolution in relation to the application for issuing short-term financing bonds by the Company;

2. Resolutions regarding the appointment of independent Directors of Guangzhou Automobile Group Co. Ltd.; Fu Yuwu, Lan Hailin, Li Fangjin, Leung Lincheong and Wang Susheng were elected (voting by item by item) on the meeting as independent directors;

The convene of the general meeting of the Company strictly in compliance with the requirements of the Article of Associations and rules of procedures of the general meeting. The propose and voting procedures all in compliance with the relevant requirements of laws and regulations. General meeting held during this reporting period all witnessed by solicitors and legal opinions were released. The Company disclosed the general meeting's resolutions in a timely, complete and accurate manner after the general meeting.

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(1) Directors' attendance in Board meetings and General meetings

Name of directors	Independent non-executive director or not	Attendance in Board meeting(s): Mandatory attendance in Board meetings during the year	Attendance in person	Attendance by telecommu-nication	Attendance by proxy	Absence	Absent in person for two consecutive times or not	Attendance in general meeting(s): Attendance in general meetings
Zhang Fangyou	No	19	19	16	0	0	No	3
Zeng Qinghong	No	19	18	16	1	0	No	2
Yuan Zhongrong	No	19	19	16	0	0	No	3
Fu Shoujie (resigned on 1 August 2013)	No	11	11	10	0	0	No	1
Liu Huilian	No	19	19	16	0	0	No	3
Lu Sa	No	19	19	16	0	0	No	3
Wei Xiaoqin	No	19	19	16	0	0	No	2
Li Tun	No	19	19	16	0	0	No	2
Li Pingyi	No	19	19	18	0	0	No	1
Ding Hongxiang	No	19	17	17	2	0	No	0
Fu Yuwn (appointed on 16 December 2013)	Yes	2	2	1	0	0	No	1
Lan Hailin (appointed on 16 December 2013)	Yes	2	2	1	0	0	No	1
Li Fangjin (appointed on 16 December 2013)	Yes	2	2	1	0	0	No	1
Leung Lincheong (appointed on 16 December 2013)	Yes	2	2	1	0	0	No	1
Wang Susheng (appointed on 16 December 2013)	Yes	2	2	1	0	0	No	1
Wu Gaogui (retired on 16 December 2013)	Yes	17	17	16	0	0	No	3
Ma Guohua (retired on 16 December 2013)	Yes	17	17	16	0	0	No	3
Xiang Bing (retired on 16 December 2013)	Yes	17	17	16	0	0	No	0
Law Albert Yu Kwan (retired on 16 December 2013)	Yes	17	17	16	0	0	No	1
Li Zhengxi (retired on 16 December 2013)	Yes	17	17	16	0	0	No	2

Number of Board meetings held during the year	19
Of which: Number of physical meetings	3
Number of meetings held via communication	16
Number of meetings held by way of combination of both	3

(2) Independent Directors' objections to relevant matters of the Company

During the reporting period, independent Directors of the Company had no objections to proposals of the Board and other proposals.

IV. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company had no objections to the supervisory items during the reporting period.

V. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

During the reporting period, the appraisal mechanism for senior management and the incentive mechanism were implemented. During the reporting period, according to the progress of annual performance contract signed by senior management, the Remuneration Committee of the Board performed appraisal for the senior management, and the resolution in respect of the appraisal program was considered and approved by the Board. Meanwhile, in order to comply with the innovation and reform requirement, the Remuneration and Evaluation Committee of the Board revised the appraisal program of the senior management, strengthened the control of the Group, and while the middle and long-term incentive were improved.

VI. INFORMATION DISCLOSURE AND INVESTORS RELATIONS MANAGEMENT

During the reporting period, in accordance with the information disclosure express services launched by the SSE, the Group actively responded and strengthened the responsibility in respect of the implementation of the information disclosure internal management, and the Accountability System for Material Errors in Information Disclosure was implemented; through system improvement and flow enhancement of information disclosure, the efficiency and quality of work on information system was significantly enhanced. During the reporting period, total announcements and documents disclosed on the SSE were 108, while the total number of announcements and documents disclosed on Stock Exchange were 106. There were no mistakes, delay or corrections in respect of the disclosures.

As for the investor relations, the Company will continue to strengthen the communications between the Company and the investors, and will promote a good communications with the investors, and to improve the understanding and recognition of the investors to the Company, and establish a good image for the Company of honest, loyal and capital market, and create a company culture of serving and respecting investors.

During the reporting period, the Company enhanced the communications with investors and analysts through a number of ways such as receiving daily investors and analysts, organizing investors' open day, conference call, domestic and overseas roadshows, participating investment bank Investment summit, organizing communication activities such as car exhibition. During the year, there were two large-scale roadshows held, both domestic and overseas; one large-scale investors' open day; telephone conference arranged for institutional investors and analysts of approximately 55 times; investment institutions such as daily visiting investors and analysts visited approximately 50 times; two car exhibitions were organized, and total number of people received was 500.

The standardized and timely information disclosure of the Company, together with the active investors relations activities obtained support and feedback from capital market.

Chapter 11 Internal Control

I. INTERNAL CONTROL RESPONSIBILITY STATEMENT AND ESTABLISHMENT OF INTERNAL CONTROL SYSTEM

The Company consistently implemented the Basic Principles for Internal Control of Enterprises, the Guidelines for Enterprise Internal Control, the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange and the GDSRC's Notice in relation to Internal Control Practice of Companies in the Jurisdiction Listed on the Main Board, and further improved internal control by establishing, and effectively implementing, a sound internal control system to enhance its operation and management level and risk resistance. It commenced such establishment in September 2010 and engaged Ernst & Young (China) Advisory Limited as an external consultant on such end to assist in establishment and improvement of such system.

During the reporting period, the Company formulated its internal control standard practice proposal in accordance with requirements of regulator authority, and implemented the internal control system according to the proposal and work on internal control was improved. Internal control working team carried out their work based on one-to-one interviews with relevant departmental directors, tests, on-site inspections, sampling and comparison and analysis. It also engaged experts in the field for special training in relation to internal control policy, corporate internal control standards and ancillary guidelines to initiate cultivation of internal control and risk management culture.

Pursuant to requirements of Rules No.21 for Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public – General Rules of Annual Report on Internal Control Evaluation, issued by the CSRC the Board of the Company evaluated its internal control in 2013 and compiled an internal control self-evaluation report, the full text of which was disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 26 March. The Board of directors was of the view that, as at the benchmark date, being 31 December 2013, internal control of the Company was effective and no significant deficiency in design or implementation of internal control of the Group was found.

II. INTERNAL CONTROL AND AUDIT REPORT

The Company engaged BDO China Shu Lun Pan Certified Public Accountants for independent audit of effectiveness of its internal control in 2013, which issued an opinion that "the internal control over financial report of the Company was in compliance with the Basic Principles for Internal Control of Enterprises and relevant requirements and was effective in all significant aspects as at 31 December 2013. (For full text of the audit report, please refer to the disclosure made on the website of the Shanghai Stock Exchange www.sse.com.cn on 26 March.)

III. ACCOUNTABILITY MECHANISM FOR MAJOR ERRORS IN ANNUAL REPORT AND RELEVANT INFORMATION ON ITS IMPLEMENTATION

Pursuant to the Management Measures on Information Disclosure of the Company and relevant provisions of the Format Guidance for Information Disclosure in Annual Reports, the Company formulated an accountability mechanism for major errors in annual report, under which a detailed provisions in respect of the disclosure responsibility, accountability and form were stipulated.

During the reporting period, there was no material error in the information disclosure of annual report of the Company.

Independent Auditor's Report

羅兵咸永道

To the shareholders of Guangzhou Automobile Group Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 102 to 223, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2014

Consolidated Balance Sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	*7*	**1,150,803**	1,064,581
Property, plant and equipment	*8*	**7,366,265**	5,927,416
Investment properties	*9*	**143,474**	30,580
Intangible assets	*10*	**3,083,630**	3,076,492
Investments in joint ventures and associates	*12*	**18,424,546**	16,881,951
Deferred income tax assets	*14*	**529,587**	567,622
Available-for-sale financial assets	*15*	**152,228**	144,099
Held-to-maturity investments		**49,853**	71,175
Prepayments and long-term receivables	*16*	**429,063**	1,395,654
		31,329,449	29,159,570
Current assets			
Inventories	*17*	**2,036,360**	1,397,419
Trade and other receivables	*18*	**4,724,819**	3,303,090
Available-for-sale financial assets	*15*	**688,183**	–
Held-to-maturity investments		**22,334**	–
Financial assets at fair value through profit or loss		**2,562**	31,455
Time deposits	*19*	**4,665,056**	5,558,589
Restricted cash	*20*	**291,173**	667,952
Cash and cash equivalents	*21*	**14,083,345**	9,315,874
		26,513,832	20,274,379
Total assets		**57,843,281**	49,433,949
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*22*	**6,435,019**	6,435,019
Other reserves	*23*	**10,562,909**	10,190,029
Retained earnings	*23*	**16,313,263**	14,517,023
– Proposed final dividend	*37*	**643,502**	128,700
– Others		**15,669,761**	14,388,323
		33,311,191	31,142,071
Non-controlling interests		**805,005**	921,760
Total equity		**34,116,196**	32,063,831

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*24*	4,134	18,530
Borrowings	*25*	4,775,127	7,776,084
Deferred income tax liabilities	*14*	21,339	16,323
Provisions	*26*	74,221	21,587
Government grants	*27*	793,541	507,786
		5,668,362	8,340,310
Current liabilities			
Trade and other payables	*24*	8,637,253	6,375,740
Borrowings	*25*	9,396,766	2,514,720
Current income tax liabilities		24,704	139,348
		18,058,723	9,029,808
Total liabilities		23,727,085	17,370,118
Total equity and liabilities		57,843,281	49,433,949
Net current assets		8,455,109	11,244,571
Total assets less current liabilities		39,784,558	40,404,141

The notes on pages 111 to 223 are an integral part of these financial statements.

The financial statements on pages 102 to 223 were approved by the Board of Directors on 26 March 2014 and were signed on its behalf:

Zhang Fang You
Director

Lu Sa
Director

Balance Sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	*7*	**121,770**	119,146
Property, plant and equipment	*8*	**2,458,573**	1,297,627
Investment properties	*9*	**462,270**	–
Intangible assets	*10*	**1,855,781**	1,833,061
Investments in subsidiaries	*11*	**26,236,506**	25,331,259
Investments in joint ventures and associates	*12*	**12,229,037**	8,333,956
Prepayments	*16*	**38,068**	1,262,786
		43,402,005	38,177,835
Current assets			
Inventories	*17*	**61,002**	6,923
Trade and other receivables	*18*	**2,878,465**	1,118,059
Time deposits	*19*	**3,630,000**	1,992,858
Restricted cash	*20*	**51,413**	222,953
Cash and cash equivalents	*21*	**6,436,821**	1,116,712
		13,057,701	4,457,505
Total assets		**56,459,706**	42,635,340
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*22*	**6,435,019**	6,435,019
Other reserves	*23*	**17,518,866**	17,177,071
Retained earnings	*23*	**5,599,854**	3,418,186
– Proposed final dividend	*37*	**643,502**	128,700
– Others		**4,956,352**	3,289,486
Total equity		**29,553,739**	27,030,276

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*24*	–	18,299
Borrowings	*25*	4,556,137	7,271,294
Government grants	*27*	230,386	218,926
		4,786,523	7,508,519
Current liabilities			
Trade and other payables	*24*	15,425,056	8,096,545
Borrowings	*25*	6,694,388	–
		22,119,444	8,096,545
Total liabilities		26,905,967	15,605,064
Total equity and liabilities		56,459,706	42,635,340
Net current liabilities		(9,061,743)	(3,639,040)
Total assets less current liabilities		34,340,262	34,538,795

The notes on pages 111 to 223 are an integral part of these financial statements.

The financial statements on pages 102 to 223 were approved by the Board of Directors on 26 March 2014 and were signed on its behalf:

Zhang Fang You
Director

Lu Sa
Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	*6*	**18,824,199**	12,963,860
Cost of sales	*28*	**(16,829,736)**	(12,273,586)
Gross profit		**1,994,463**	690,274
Selling and distribution costs	*28*	**(1,070,813)**	(814,760)
Administrative expenses	*28*	**(1,712,901)**	(1,332,539)
Interest income	*32*	**373,577**	279,795
Other (losses)/gains – net	*30*	**(432,824)**	12,865
Operating loss		**(848,498)**	(1,164,365)
Finance costs	*31*	**(645,305)**	(528,644)
Interest income	*32*	**102,745**	55,891
Share of profit of joint ventures and associates	*12*	**4,020,350**	2,637,092
Profit before income tax		**2,629,292**	999,974
Income tax (expense)/credit	*33*	**(100,784)**	64,786
Profit for the year		**2,528,508**	1,064,760
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss – change in value of available-for-sale financial assets, net of tax	*34*	**437**	1,211
Total comprehensive income for the year		**2,528,945**	1,065,971
Profit/(loss) attributable to:			
Equity holders of the Company		**2,652,837**	1,133,982
Non-controlling interests		**(124,329)**	(69,222)
		2,528,508	1,064,760

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**2,653,949**	1,134,709
Non-controlling interests		**(125,004)**	(68,738)
		2,528,945	1,065,971
Earnings per share attributable to equity holders of the Company (expressed in RMB per share) – basic and diluted	*36*	**0.41**	0.18

The notes on pages 111 to 223 are an integral part of these financial statements.

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Dividends	*37*	**1,029,604**	579,151

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as 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 year	–	–	1,133,982	1,133,982	(69,222)	1,064,760
Other comprehensive income						
Available-for-sale financial assets	–	727	–	727	484	1,211
Total comprehensive income/(loss)	–	727	1,133,982	1,134,709	(68,738)	1,065,971
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Issue of new shares *(Note 1)*	286,962	2,246,621	–	2,533,583	–	2,533,583
Appropriation to reserve fund	–	71,702	(71,702)	–	–	–
Dividend declared by the Company and subsidiaries	–	–	(1,737,455)	(1,737,455)	(19,326)	(1,756,781)
Others	–	1,599	–	1,599	975	2,574
Total contributions by and distributions to equity holders of the Company	286,962	2,319,922	(1,809,157)	797,727	(18,351)	779,376
Disposal of subsidiaries	–	–	–	–	(47,426)	(47,426)
Contribution from non-controlling shareholders of subsidiaries	–	63	–	63	19,091	19,154
Non-controlling interests arising on business combination	–	–	–	–	61,132	61,132
Total transactions with owners	286,962	2,319,985	(1,809,157)	797,790	14,446	812,236
Balance as at 31 December 2012	6,435,019	10,190,029	14,517,023	31,142,071	921,760	32,063,831
Balance as 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 year	**–**	**–**	**2,652,837**	**2,652,837**	**(124,329)**	**2,528,508**
Other comprehensive income – Available-for-sale financial assets, net of tax	**–**	**1,112**	**–**	**1,112**	**(675)**	**437**
Total comprehensive income/(loss)	**–**	**1,112**	**2,652,837**	**2,653,949**	**(125,004)**	**2,528,945**
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Appropriation to reserve fund	**–**	**341,795**	**(341,795)**	**–**	**–**	**–**
Dividend declared by the Company and subsidiaries	**–**	**–**	**(514,802)**	**(514,802)**	**(23,667)**	**(538,469)**
Others	**–**	**407**	**–**	**407**	**544**	**951**
Total contributions by and distributions to equity holders of the Company	**–**	**342,202**	**(856,597)**	**(514,395)**	**(23,123)**	**(537,518)**
Contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**31,372**	**31,372**
Others	**–**	**29,566**	**–**	**29,566**	**–**	**29,566**
Total transactions with owners	**–**	**371,768**	**(856,597)**	**(484,829)**	**8,249**	**(476,580)**
Balance as at 31 December 2013	**6,435,019**	**10,562,909**	**16,313,263**	**33,311,191**	**805,005**	**34,116,196**

The notes on pages 111 to 223 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	*38*	**803,093**	725,412
Interest received		**347,114**	399,582
Interest paid		**(430,770)**	(522,634)
Income tax paid		**(171,816)**	(117,189)
Net cash generated from operating activities		**547,621**	485,171
Cash flows from investing activities			
Purchase of property, plant and equipment, land use rights, investment properties and intangible assets		**(1,903,975)**	(2,948,019)
Proceeds from sales of property, plant and equipment and intangible assets		**256,598**	16,226
Acquisition of subsidiaries, net of cash acquired		**–**	(276,140)
Additional capital injection in joint ventures		**(784,604)**	(400,971)
Additional capital injection in associates		**(190,292)**	(114,402)
Acquisition and set-up of joint ventures		**(70,646)**	(771,530)
Acquisition and set-up of associates		**(287,729)**	(180,000)
Disposal of subsidiaries and associates		**–**	419,406
Acquisition of available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss		**(1,024,449)**	(572,833)
Disposal of available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss		**348,811**	497,827
Issue of entrusted loans		**(83,300)**	(140,110)
Proceeds from repayment of entrusted loans		**47,400**	136,025
Receipt of government grants		**329,784**	187,796
Dividends received		**3,026,361**	3,642,288
Decrease in time deposits		**872,763**	3,045,263
Decrease/(increase) in restricted cash		**171,540**	(211,719)
Net cash generated from investing activities		**708,262**	2,329,107

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from financing activities			
Contribution from non-controlling shareholders of subsidiaries		**31,372**	19,080
Payment of expenses relating to listing and bond issuing		**(22,481)**	(49,725)
Distribution to shareholders of the Company and non-controlling shareholders of subsidiaries		**(538,469)**	(1,756,781)
Proceeds from borrowings		**6,395,228**	4,560,803
Repayments of borrowings		**(2,354,043)**	(4,522,340)
Net cash generated from/(used in) financing activities		**3,511,607**	(1,748,963)
Net increase in cash and cash equivalents		**4,767,490**	1,065,315
Cash and cash equivalents at beginning of the year		**9,315,874**	8,239,169
Exchange (losses)/gains on cash and cash equivalents		**(19)**	11,390
Cash and cash equivalents at end of the year		**14,083,345**	9,315,874

The notes on pages 111 to 223 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Guangzhou Automobile Group Company Limited (The "Company") and its subsidiaries (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 People's Republic of China (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 at 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 its shareholders. After the capital injection and as at 31 December 2009, the Company's total issued domestic shares were 3,934,757,457.

The Company privatised Denway Motors Limited ("Denway"), a subsidiary listed on the Hong Kong Stock Exchange (the "HKSE") on 27 August 2010. Thereafter, Denway has become a wholly-owned subsidiary of the Company. The Company's 2,213,300,218 newly issued shares for privatisation of Denway 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")). Subsequent to the approval by the Company's shareholders and China Securities Regulatory Commission, the Company paid cash and issued 286,962,422 RMB ordinary shares of the Company to acquire the remaining interests of GAC Changfeng. GAC Changfeng was then delisted from SSE and became a wholly-owned subsidiary of the Company. On 29 March 2012, the Company was listed on the SSE.

These financial statements are presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 26 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Going concern

As at 31 December 2013, the current liabilities of the Company exceeded its current assets by approximately RMB 9,061,743,000. Included in the current liabilities of the Company were amounts due to subsidiaries of approximately RMB 14,301,330,000 (Note 24(d)). Since the Company has the power to control the repayment term of intercompany balance mentioned above, the Directors are of the view that there are sufficient financial resources available to the Company at least in the coming twelve months to meet its liabilities due to third parties when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare the Company's financial statements on a going concern basis.

2.1.2 Changes in accounting policy and disclosures

(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	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Financial statement presentation	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 joint ventures	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(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: (continued)

Standards	Subject of amendment	Effective for accounting periods beginning on or after
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 Improvement Project	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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (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/Interpretations	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 (Amendment) and HKAS 27 (Amendment)	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

The Group has already commenced an assessment of the impact of these new or revised standards and amendments to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are 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. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, deducting the accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of joint ventures and associates' in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

The Company adopts the cost method to measure the investment in associates, and recognises the investment income in statement of comprehensive income of separate financial statement when associates declared the dividends.

2.4 Joint ventures

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2013. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Joint ventures (continued)

The Company adopts the cost method to measure the investment in joint ventures, and recognises the investment income in statement of comprehensive income of separate financial statement when joint ventures declared the dividends.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidate statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other (losses)/gains – net'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

2.7 Land use rights

Land use rights represent upfront payments made for the use of land and are amortised over the unexpired terms of the lease on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of leasehold improvements is calculated using the straight-line method to allocate their costs to their residual value over the shorter of their estimated useful lives and the remaining lease term. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Useful lives	**Residual rate**
– Buildings	20-30 years	0%-10%
– Machinery	5-15 years	0%-10%
– Vehicles	4-12 years	0%-10%
– Moulds	3-5 years	0%-10%
– Office and other equipment	3-20 years	0%-12%
– Leasehold improvements	2-20 years	0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains — net" in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.10 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies of the Group, are classified as investment properties. The Group applies cost model for recognition of investment properties.

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 20 to 50 years with residual value of 0% to 10%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Patent and proprietary technology

Purchased patents and proprietary technology are initially recorded at actual cost and are amortised on a straight-line basis over their useful lives of 5 to 10 years.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of 2 to 10 years.

(d) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on the Group's proprietary brands project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project ranging from 5 to 10 years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during a financial period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

2.14.1 Classification (continued)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise `trade and other receivables', 'time deposits', 'restricted cash' and 'cash and cash equivalents' in the balance sheet (notes 2.18 and 2.19).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be tainted and reclassified as available for sale. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to maturity investments are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income within 'other (losses)/gains – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of interest income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of 'other (losses)/gains – net' when the Group's right to receive payments is established.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of items classified as available for sale are recognised in other comprehensive income.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For the funds, the Group uses the criteria referred to in (a) above. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of the financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provision for product warranties granted by the Group for certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

2.26 Employee benefits

(a) Defined contribution employee retirement schemes

The Group participates in the defined contribution employee retirement schemes regarding pension benefits required under existing PRC legislation. The defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS/HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Share-based payment settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the consolidated statement of comprehensive income.

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of products

The Group manufactures and sells a range of passenger vehicles, commercial vehicles, engines and auto parts to its dealers and end customers. Sales of products are recognised when the significant risks and rewards of ownership of the products have been passed to the buyers and the amount of revenue can be measured reliably.

The passenger vehicles are often sold with sales rebates. Sales are recorded based on the price specified in the sales contracts, net of the sales rebates which are calculated periodically.

(b) Rendering of service

Management fee and labour service income are recognised on accrual basis when service is rendered.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

(d) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Revenue recognition (continued)

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Government grants are deducted in reporting the related expenses, when appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's finance department ("Group Finance") under policies approved by the senior management. Group Finance identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group's business mainly operates in the PRC with most of the transactions denominated and settled in RMB, except that certain receivables and payables, cash and cash equivalents and borrowings are denominated in US dollar ("USD"), HK dollar ("HKD"), Japanese yen ("JPY") and European dollar ("EUR") which are exposed to foreign currency translation risk. The Group had not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, post-tax profit would have been approximately RMB 15,232,000 lower/higher (2012: RMB 4,400,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade and other receivables, time deposits, cash and cash equivalents, trade and other payables and borrowings.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against HKD with all other variables held constant, post-tax profit would have been approximately RMB 2,396,000 lower/higher (2012: RMB 7,577,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of HKD-denominated trade and other receivables, cash and cash equivalents and trade and other payables.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, post-tax profit would have been approximately RMB 175,000 lower/higher (2012: RMB 201,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of JPY-denominated cash and cash equivalents.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against EUR with all other variables held constant, post-tax profit would have been approximately RMB 30,000 lower/higher (2012: RMB 389,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of EUR-denominated cash and cash equivalents.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets other than entrusted loans (included in other receivables), time deposits, restricted cash, and cash and cash equivalents. The maturity terms of these assets, together with the Group's current borrowings, are within 12 months so that there would not be significant interest rate risk for these financial assets and liabilities.

The Group's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2013, the Group's borrowings at variable rates were denominated in RMB. If interest rates on bank borrowings had been 100 basis point higher/lower respectively with all other variables held constant, post-tax profit would have been RMB 6,851,000 (2012: RMB 13,567,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2013, approximately RMB 13,258,486,000 (2012: RMB 8,481,847,000) of the Group's borrowings bore interests at fixed rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 25.

The Group had not used any financial instrument to hedge its exposure to interest rate risk.

(b) Credit risk

The carrying amounts of time deposits, cash and cash equivalents, restricted cash, and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial risk.

As at 31 December 2013 and 2012, most of the time deposits, restricted cash, and cash and cash equivalent are deposited in state-owned banks and other financial institutions without significant credit risks. Management does not expect any losses from non-performance by these state-owned banks and financial institutions.

The Group generally requires dealers and customers to pay the full amounts in advance, either in cash or by bank acceptance notes with maturity within 6 months, which is accepted and settled by banks, prior to the delivery of the passenger vehicles. In addition to the requirement for advance payment from customers, the Group has policy in place to ensure credit sales are made to customers with an appropriate credit history. Credit terms are approved after credit evaluations/review. Majority of trade receivables are with customers having an appropriate credit history.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Finance maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the Group's undrawn borrowing facilities (Note 25), time deposits (Note 19) and cash and cash equivalents (Note 21) on the basis of expected cash flow.

The tables below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2013				
Borrowings	**9,989,856**	**276,719**	**2,483,716**	**3,763,500**
Trade and other payables (exclude advances from customers, staff welfare benefits payable, other taxes and government grants)	**7,290,465**	**4,134**	**–**	**–**
At 31 December 2012				
Borrowings	2,828,375	7,086,942	1,176,998	20,134
Trade and other payables (exclude advances from customers, staff welfare benefits payable, other taxes and government grants)	5,360,554	18,530	–	–

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2013				
Borrowings	**7,186,080**	**237,720**	**2,277,040**	**3,763,500**
Trade and other payables (exclude advances from customers, staff welfare benefits payable, other taxes and government grants)	**15,425,056**	**–**	**–**	**–**
At 31 December 2012				
Borrowings	284,480	6,984,480	708,360	–
Trade and other payables (exclude advances from customers, staff welfare benefits payable, other taxes and government grants)	8,003,742	18,299	–	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings, as shown in the consolidated balance sheet. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus total borrowings.

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

The gearing ratios as at 31 December 2013 and 2012 were as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Total borrowings *(Note 25)*	**14,171,893**	10,290,804
Total equity	**34,116,196**	32,063,831
Total capital	**48,288,089**	42,354,635
Gearing ratio	**29%**	24%

3.3 Fair value estimation

The Group's financial instruments recognised in the balance sheet are mainly loans and receivables and financial liabilities carried at amortised cost. The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date, such as estimated discounted cash flows.

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).

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB'000 *Note (a)*	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Fund investments	2,562	–	–	2,562
Available-for-sale financial assets				
– Bond investments	163,567	–	–	163,567
– Fund investments	14,367	–	32,477	46,844
– Financial products	–	–	590,000	590,000
– Trust products	–	–	40,000	40,000
Total assets	180,496	–	662,477	842,973

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(a) The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets included in level 1 held by the Group is the current bid price. Instruments included in level 1 comprise primarily bonds and fund investments classified as trading debt investments or available-for-sale.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current and deferred income taxes

The Group is subject to income taxes and land appreciation taxes ("LAT") over land disposal transactions in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. In addition, interpretation of taxation rules and requirements for whether group entities are able to enjoy an LAT exemption under the restructuring arrangement also give rise to uncertain tax positions. These estimates also include significant management judgments about the eventual outcome of the tax review based on the latest information available about the positions expected to be taken by tax authority. Accordingly, significant judgement is required in determining the amounts of current income tax, deferred income taxes and LAT. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Impairment of property, plant and equipment, intangible assets and land use rights

Property, plant and equipment, intangible assets and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, which is in accordance with the accounting policy stated in note 2.11. The recoverable amounts of cash-generated units have been determined based on fair value less costs to sell estimated using the discounted cash flow method. These calculations require the use of estimates.

(d) Impairment of investments in joint ventures and associates

The Group determines at each reporting date whether there is any objective evidence that the investments in the joint ventures and associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and associates and their carrying value. The recoverable amounts of the joint ventures and associates have been determined based on fair value less costs to sell estimated using the discounted cash flow method. In arriving at fair value less costs to sell, post-tax discount rates of eleven point eight per cent to twelve point two per cent have been applied to the post-tax cash flows expressed in real terms. Fair value less costs to sell was determined by estimating cash flows for a period of five years. The cash flow projections are based on financial budgets approved by management covering a five-year periods. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the fifth year, incorporating an annual real-term growth rate of three per cent. These calculations require the use of estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment of investments in joint ventures and associates (continued)

No impairment charge arose in one joint venture with significant goodwill identified on acquisition during the year 2012 after assessment. If the budgeted revenue used in the fair-value-less-costs-to-sell calculation for this joint venture had been 1% lower than management's estimates at 31 December 2013, the Group would not recognise any impairment of investment. If the estimated post-tax discount rate for the joint venture had been 0.3% higher than management's estimates, the Group would not recognise an impairment against investment.

(e) Warranty provisions

Provisions for product warranties granted by the Group in respect of certain products are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.

(f) Impairment of trade and other receivables

The management of the Group assesses whether the trade and other receivables should be impaired at each reporting date based on the accounting policies stated in Note 2.18. The assessment will be made considering the credibility and financial conditions of the customers, as well as the market situations. Even though the management of the Group has made the best estimate about the impairment loss predicted to occur and provided allowance for impairment, the impairment assessment may still be significantly changed due to the change of customers' financial conditions and market situations.

(g) Impairment of inventory

The management of the Group assesses on the net realisable value of inventory at each reporting date based on the accounting policies stated in Note 2.17. The net realisable value is the estimated selling price in the current course of business, less applicable costs, variable selling expenses and tax charges. Even though the management of the Group has made the best estimate about the inventory impairment loss predicted to occur and provided allowance for impairment, the impairment assessment may still be significantly changed due to the change of market situations.

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2013 particulars of principal subsidiaries, joint ventures and associates are as follows:

Name	Place of incorporation	Principal activities	Particulars of registered capital/ issued share capital	Interest held Direct	Indirect
Subsidiaries					
Guangzhou Automobile Group Auto Bus Co., Ltd. 廣州汽車集團客車有限公司	Mainland China	Manufacture and sale of automobiles	US$ 49,900,000	50%	50%
Guangzhou Automobile Group Motor Co., Ltd. 廣州汽車集團乘用車有限公司	Mainland China	Manufacture and sale of automobiles	RMB 3,200,000,000	100%	–
Guangzhou Automobile Group Component Co., Ltd. ("GAC Component") 廣州汽車集團零部件有限公司	Mainland China	Manufacture and sale of automotive parts	RMB 431,680,000	51%	49%
Guangzhou Automobile Group Business Co., Ltd. 廣州汽車集團商貿有限公司	Mainland China	Trading of automobiles, automotive parts and steel	RMB 849,800,000	100%	–
GAC Gonow Co., Ltd. ("GAC Gonow") 廣汽吉奧汽車有限公司	Mainland China	Manufacture and sale of automobile	RMB 1,260,000,000	51%	–
GAC Capital Co., Ltd. ("GAC Capital") 廣汽資本有限公司	Mainland China	Investment and investment management	RMB 1,000,000,000	100%	–

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

Name	Place of incorporation	Principal activities	Particulars of registered capital/ issued share capital	Interest held Direct	Interest held Indirect
Joint ventures					
Guangqi Honda Automobile Co., Ltd. ("Guangqi Honda") 廣汽本田汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US$ 283,290,000	50%	–
GAC Toyota Motor Co., Ltd. ("GAC Toyota") 廣汽豐田汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US$ 452,200,000	50%	–
GAC Hino Motors Co., Ltd. ("GAC Hino") 廣汽日野汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB 1,500,000,000	50%	–
GAC-SOFINCO Automobile Finance Co., Ltd ("GAC Sofinco") 廣汽匯理汽車金融有限公司	Mainland China	Provide automotive financing services	RMB1,600,000,000	50%	–
GAC FIAT Automobiles Co., Ltd. ("GAC Fiat") 廣汽菲亞特汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB 2,400,000,000	50%	–
Wuyang-Honda Motors (Guangzhou) Co., Ltd. ("Wuyang-Honda") 五羊－本田摩托(廣州)有限公司	Mainland China	Manufacture and sale of motorcycle and motorcycle parts	US$ 49,000,000	50%	–
GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") 廣汽三菱汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB 1,700,000,000	50%	

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

Name	Place of incorporation	Principal activities	Particulars of registered capital/ issued share capital	Interest held Direct	Interest held Indirect
Associates					
GAC Toyota Engine Co., Ltd. 廣汽豐田發動機有限公司	Mainland China	Manufacture and sale of automotive parts	US$ 352,820,000	30%	–
Honda Automobile (China) Co., Ltd. 本田汽車(中國)有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US$82,000,000	25%	–
Shanghai Hino Engine Co., Ltd. 上海日野發動機有限公司	Mainland China	Manufacture and sale of automotive parts	US$29,980,000	30%	–
Guangzhou TS Automotive Interior Systems Co., Ltd. 廣州提愛思汽車內飾系統有限公司	Mainland China	Manufacture and sale of automotive parts	US$3,860,000	–	48%
Guangzhou Intex Automotive Interior Parts Co., Ltd. 廣州櫻泰汽車飾件有限公司	Mainland China	Manufacture and sale of automotive parts	US$22,500,000	–	25%
Guangzhou Stanley Electric Company Limited 廣州斯坦雷電氣有限公司	Mainland China	Manufacture and sale of automotive parts	US$44,700,000	–	30%
Guangzhou Denso Co., Ltd. 廣州電裝有限公司	Mainland China	Manufacture and sale of automotive parts	US$23,022,409	–	40%

6. SEGMENT INFORMATION

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

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

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

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

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

6. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2013 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total gross segment revenue	18,146,617	748,983	(71,401)		18,824,199
Inter-segment revenue	(22,727)	(48,674)	71,401		–
Revenue (from external customers)	18,123,890	700,309	–		18,824,199
Segment results	(783,607)	(73,257)	(57,922)		(914,786)
Unallocated income – Headquarter interest income				343,215	343,215
Unallocated costs – Headquarter expenditure				(276,927)	(276,927)
Operating loss					(848,498)
Finance costs	(193,122)	(5,922)	–	(446,261)	(645,305)
Interest income	34,411	1,737	–	66,597	102,745
Share of profit of joint ventures and associates	3,824,022	196,328	–	–	4,020,350
Profit before income tax					2,629,292
Income tax (expense)/credit	(92,032)	16,363	–	(25,115)	(100,784)
Profit for the year					2,528,508
Other segment items					
Depreciation and amortisation	920,326	8,308	–	22,182	950,816
Provision for/(reversal of) impairment loss of trade and other receivables	34,749	115	–	(2,193)	32,671
Impairment of inventories	44,884	–	–	–	44,884
Impairment charges of property, plant and equipment	2,729	–	–	–	2,729

6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2013 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets	35,022,645	3,512,778	(853,804)	20,161,662	57,843,281
Total assets include:					
Investments in joint ventures and associates	16,607,675	1,816,871	–	–	18,424,546
Total liabilities	11,874,456	551,172	(853,804)	12,155,261	23,727,085
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	1,388,095	783,012	–	–	2,171,107

6. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2012 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total gross segment revenue	12,736,307	305,155	(77,602)		12,963,860
Inter-segment revenue	(23,773)	(53,829)	77,602		–
Revenue (from external customers)	12,712,534	251,326	–		12,963,860
Segment results	(908,320)	(72,630)	(45,699)		(1,026,649)
Unallocated income – Headquarter interest income				274,073	274,073
Unallocated costs – Headquarter expenditure				(411,789)	(411,789)
Operating loss					(1,164,365)
Finance costs	(236,412)	(15,037)	–	(277,195)	(528,644)
Interest income	21,279	10,249	–	24,363	55,891
Share of profit of joint ventures and associates	2,521,383	115,709	–	–	2,637,092
Profit before income tax					999,974
Income tax credit/(expense)	100,738	15,707	(8,502)	(43,157)	64,786
Profit for the year					1,064,760
Other segment items					
Depreciation and amortisation	638,909	12,941	–	15,761	667,611
Provision for/(reversal of) impairment loss of trade and other receivables	6,044	118	–	(17,092)	(10,930)
Impairment of inventories	21,413	–	–	–	21,413

6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2012 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets	34,135,580	4,375,091	(1,227,708)	12,150,986	49,433,949
Total assets include:					
Investments in joint ventures and associates	15,733,069	1,148,882	–	–	16,881,951
Total liabilities	10,484,526	780,928	(1,166,630)	7,271,294	17,370,118
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	4,108,171	1,676,418	–	–	5,784,589

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December 2013 RMB'000	2012 RMB'000
Total segment assets	**37,681,619**	37,282,963
Unallocated assets:		
– Cash and bank balance and other assets of headquarter	**20,161,662**	12,150,986
Total assets	**57,843,281**	49,433,949

6. SEGMENT INFORMATION (continued)

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Total segment liabilities	**11,571,824**	10,098,824
Unallocated liabilities:		
– Borrowings and other liabilities of headquarter	**12,155,261**	7,271,294
Total liabilities	**23,727,085**	17,370,118

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Mainland China	**18,822,022**	12,961,965
Hong Kong	**2,177**	1,895
	18,824,199	12,963,860

6. SEGMENT INFORMATION (continued)

Non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) located by geographical location are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Mainland China	**30,498,430**	28,272,793
Hong Kong	**99,351**	103,881
	30,597,781	28,376,674

Analysis of revenue by category:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Sales of products	**18,313,879**	12,601,049
Rendering of services	**273,617**	230,680
Others	**236,703**	132,131
	18,824,199	12,963,860

7. LAND USE RIGHTS

Land use rights represent the Group's interests in land which are held on leases between 15 to 50 years. Movements of the land use rights for the year are as follows:

The Group

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Beginning of the year		
Cost	**1,169,876**	1,069,381
Accumulated amortisation and impairment	**(105,295)**	(86,251)
Net book amount	**1,064,581**	983,130
For the year ended		
Opening net book amount	**1,064,581**	983,130
Additions	**107,834**	2,826
Acquisition of GAC Changfeng	**–**	45,323
Acquisition of other subsidiaries	**–**	52,346
Amortisation charge *(Note 28)*	**(21,612)**	(19,044)
Closing net book amount	**1,150,803**	1,064,581
End of the year		
Cost	**1,277,710**	1,169,876
Accumulated amortisation and impairment	**(126,907)**	(105,295)
Net book amount	**1,150,803**	1,064,581

7. LAND USE RIGHTS (continued)

The Company

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Beginning of the year		
Cost	**119,146**	119,146
Accumulated amortisation	**–**	–
Net book amount	**119,146**	119,146
For the year ended		
Opening net book amount	**119,146**	119,146
Additions	**3,704**	–
Amortisation charge	**(1,080)**	–
Closing net book amount	**121,770**	119,146
End of the year		
Cost	**122,850**	119,146
Accumulated amortisation	**(1,080)**	–
Net book amount	**121,770**	119,146

(a) The amount of amortisation of the Group was primarily charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.

(b) Certain bank borrowings were secured by the Group's land use rights with an aggregate carrying value of approximately RMB 202,729,000 (2012: RMB 143,456,000) (Note 25(a)).

7. LAND USE RIGHTS (continued)

(c) The Group's interests in land use rights at their net book values are analysed as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
In Mainland China, held on:		
Leases of between 10 and 50 years	**1,125,048**	1,038,786
In Hong Kong, held on:		
Leases of between 10 and 50 years	**25,755**	25,795
	1,150,803	1,064,581

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
In Mainland China, held on:		
Leases of between 10 and 50 years	**121,770**	119,146

8. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Moulds RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2012								
Opening net book amount	1,474,708	1,258,472	231,724	236,373	76,178	156,244	875,130	4,308,829
Additions	23,103	75,507	112,083	29,737	21,567	49,878	1,183,432	1,495,307
Acquisition of GAC Changfeng	51,520	16,418	1,290	–	1,636	–	411,377	482,241
Acquisition of subsidiaries	66,242	603	1,036	–	1,377	8,403	1,140	78,801
Disposals	(743)	(170)	(30,465)	(12)	(1,125)	–	–	(32,515)
Transfers	698,151	240,015	82	96,536	4,553	–	(1,039,337)	–
Depreciation charge *(Note 28)*	(75,741)	(157,788)	(67,957)	(60,846)	(23,498)	(19,417)	–	(405,247)
Closing net book amount	2,237,240	1,433,057	247,793	301,788	80,688	195,108	1,431,742	5,927,416
At 31 December 2012								
Cost	2,495,654	1,838,108	449,252	391,514	174,405	264,980	1,431,742	7,045,655
Accumulated depreciation and impairment	(258,414)	(405,051)	(201,459)	(89,726)	(93,717)	(69,872)	–	(1,118,239)
Net book amount	2,237,240	1,433,057	247,793	301,788	80,688	195,108	1,431,742	5,927,416
Year ended 31 December 2013								
Opening net book amount	2,237,240	1,433,057	247,793	301,788	80,688	195,108	1,431,742	5,927,416
Additions	1,427,558	111,635	145,383	90,867	34,131	146,967	834,110	2,790,651
Disposals	(10,942)	(14,196)	(41,286)	(210)	(1,756)	–	(20,510)	(88,900)
Disposal of a project *(Note 30(a))*	–	(20,621)	–	–	–	–	(596,579)	(617,200)
Transfer to investment properties *(Note 9)*	(17,375)	–	–	–	–	–	(99,260)	(116,635)
Transfers	852,378	61,755	118	151,408	11,397	–	(1,077,056)	–
Depreciation charge *(Note 28)*	(122,627)	(181,178)	(74,651)	(86,711)	(25,411)	(35,760)	–	(526,338)
Impairment charge	(97)	(1,542)	(875)	–	(215)	–	–	(2,729)
Closing net book amount	4,366,135	1,388,910	276,482	457,142	98,834	306,315	472,447	7,366,265
At 31 December 2013								
Cost	4,739,080	1,964,541	495,723	633,579	212,131	411,947	472,447	8,929,448
Accumulated depreciation and impairment	(372,945)	(575,631)	(219,241)	(176,437)	(113,297)	(105,632)	–	(1,563,183)
Net book amount	4,366,135	1,388,910	276,482	457,142	98,834	306,315	472,447	7,366,265

8. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2012						
Opening net book amount	1,466	48,040	13,046	12,503	387,071	462,126
Additions	–	19,515	456	5,653	825,729	851,353
Disposals	–	(36)	(123)	(54)	–	(213)
Transfers	399,729	4,469	307	1,894	(406,399)	–
Depreciation charge	(75)	(6,174)	(5,249)	(4,141)	–	(15,639)
Closing net book amount	401,120	65,814	8,437	15,855	806,401	1,297,627
At 31 December 2012						
Cost	402,025	80,518	31,012	33,928	806,401	1,353,884
Accumulated depreciation	(905)	(14,704)	(22,575)	(18,073)	–	(56,257)
Net book amount	401,120	65,814	8,437	15,855	806,401	1,297,627
Year ended 31 December 2013						
Opening net book amount	401,120	65,814	8,437	15,855	806,401	1,297,627
Additions	1,398,519	44,882	389	10,948	224,517	1,679,255
Disposals	–	(2,227)	(118)	(57)	–	(2,402)
Transfer to investment properties *(Note 9)*	–	–	–	–	(467,790)	(467,790)
Transfers	440,916	32,052	–	–	(472,968)	–
Depreciation charge	(28,598)	(10,363)	(3,710)	(5,446)	–	(48,117)
Closing net book amount	2,211,957	130,158	4,998	21,300	90,160	2,458,573
At 31 December 2013						
Cost	2,241,460	155,188	30,912	43,953	90,160	2,561,673
Accumulated depreciation	(29,503)	(25,030)	(25,914)	(22,653)	–	(103,100)
Net book amount	2,211,957	130,158	4,998	21,300	90,160	2,458,573

8. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Depreciation expenses of the Group have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Cost of sales	**433,951**	323,653
Selling and distribution costs	**11,007**	9,423
Administrative expenses	**81,380**	72,171
	526,338	405,247

(b) As at 31 December 2013, certain bank borrowings were secured by the Group's property, plant and equipment with an aggregate carrying value of approximately RMB 124,524,000 (2012: RMB 134,280,000) (Note 25(a)).

(c) As at 31 December 2013, the Group is in the process of applying for the title certificates of certain of its properties with an aggregate carrying value of approximately RMB 1,299,257,000 (2012: RMB 27,640,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

(d) During the year, the Group capitalised borrowing costs amounting to RMB 22,760,000 (2012: RMB 19,280,000) on qualifying assets (construction in progress). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.61% (2012: 4.06%).

9. INVESTMENT PROPERTIES

The Group

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Beginning of the year		
Cost	**48,845**	46,887
Accumulated depreciation	**(18,265)**	(14,830)
Net book amount	**30,580**	32,057
For the year ended		
Opening net book amount	**30,580**	32,057
Additions	**–**	1,958
Transfer from property, plant and equipment *(Note 8)*	**116,635**	–
Depreciation charge *(Note 28)*	**(3,741)**	(3,435)
Closing net book amount	**143,474**	30,580
End of the year		
Cost	**170,492**	48,845
Accumulated depreciation	**(27,018)**	(18,265)
Net book amount	**143,474**	30,580

9. INVESTMENT PROPERTIES (continued)

The Company

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Beginning of the year		
Cost	–	–
Accumulated depreciation	–	–
Net book amount	–	–
For the year ended		
Opening net book amount	–	–
Transfer from property, plant and equipment *(Note 8)*	467,790	–
Depreciation charge	(5,520)	–
Closing net book amount	462,270	–
End of the year		
Cost	467,790	–
Accumulated depreciation	(5,520)	–
Net book amount	462,270	–

(a) The Group's investment properties at their net book values are analysed as follows:

The Group

	As at 31 December 2013 RMB'000	2012 RMB'000
Mainland China	127,103	29,783
Hong Kong	16,371	797
	143,474	30,580

The Company's investment properties were all located in Mainland China.

10. INTANGIBLE ASSETS

The Group

	Patent and proprietary technology RMB'000	Computer software RMB'000	Goodwill RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2012					
Opening net book amount	854,585	51,831	327,112	1,039,881	2,273,409
Additions	1,225	25,644	–	699,995	726,864
Additions of GAC Changfeng	5,422	–	–	309,599	315,021
Additions of other subsidiaries	–	38	1,324	–	1,362
Amortisation charge *(Note 28)*	(87,103)	(12,982)	–	(139,800)	(239,885)
Disposal	–	(279)	–	–	(279)
Closing net book amount	774,129	64,252	328,436	1,909,675	3,076,492
At 31 December 2012					
Cost	946,733	97,823	328,436	2,144,494	3,517,486
Accumulated amortisation	(172,604)	(33,571)	–	(234,819)	(440,994)
Net book amount	774,129	64,252	328,436	1,909,675	3,076,492
Year ended 31 December 2013					
Opening net book amount	774,129	64,252	328,436	1,909,675	3,076,492
Additions	542	19,258	–	723,977	743,777
Amortisation charge *(Note 28)*	(75,628)	(14,781)	–	(308,716)	(399,125)
Disposal of a project *(Note 30(a))*	–	–	–	(337,514)	(337,514)
Closing net book amount	699,043	68,729	328,436	1,987,422	3,083,630
At 31 December 2013					
Cost	947,275	117,081	328,436	2,525,157	3,917,949
Accumulated amortisation	(248,232)	(48,352)	–	(537,735)	(834,319)
Net book amount	699,043	68,729	328,436	1,987,422	3,083,630

10. INTANGIBLE ASSETS (continued)

The Company

	Patent and proprietary technology RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2012				
Opening net book amount	704,451	16,675	856,795	1,577,921
Additions	–	13,140	444,430	457,570
Amortisation charge	(64,202)	(7,408)	(130,820)	(202,430)
Closing net book amount	640,249	22,407	1,170,405	1,833,061
At 31 December 2012				
Cost	764,745	45,031	1,396,244	2,206,020
Accumulated amortisation	(124,496)	(22,624)	(225,839)	(372,959)
Net book amount	640,249	22,407	1,170,405	1,833,061
Year ended 31 December 2013				
Opening net book amount	**640,249**	**22,407**	**1,170,405**	**1,833,061**
Additions	**–**	**7,038**	**430,003**	**437,041**
Amortisation charge	**(56,289)**	**(8,000)**	**(229,427)**	**(293,716)**
Decrease due to other reasons	**–**	**–**	**(54,098)**	**(54,098)**
Disposals	**(33,910)**	**–**	**(32,597)**	**(66,507)**
Closing net book amount	**550,050**	**21,445**	**1,284,286**	**1,855,781**
At 31 December 2013				
Cost	**730,835**	**52,069**	**1,739,551**	**2,522,455**
Accumulated amortisation	**(180,785)**	**(30,624)**	**(455,265)**	**(666,674)**
Net book amount	**550,050**	**21,445**	**1,284,286**	**1,855,781**

(a) Amortisation of the Group's intangible assets has been charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.

10. INTANGIBLE ASSETS (continued)

(b) Goodwill arose from acquisition of businesses:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Business acquired by GAC Gonow *(i)*	**201,337**	201,337
Denway	**90,299**	90,299
Others	**36,800**	36,800
	328,436	328,436

Goodwill is allocated to the passenger vehicles and related operations and auto parts segment, which is operated in Mainland China. Impairment testing is performed at each year end, and there was no material impairment for goodwill as at year end.

(i) The recoverable amount of GAC Gonow has been assessed by reference to fair value less costs to sell, using discounted cash flows, in line with the policy in note 2.11(a).

In arriving at fair value less costs to sell, a post-tax discount rate of twelve per cent has been applied to the post-tax cash flows expressed in real terms. Fair value less costs to sell was determined by estimating cash flows for a period of 5 years. The cash flow projections are based on financial budgets approved by management covering a five-year periods. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the fifth year, incorporating an annual real-term growth rate of three per cent.

11. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Unlisted investment, at cost *(Note (a))*	**26,859,918**	25,484,717
Less: provision for impairment	**(623,412)**	(153,458)
	26,236,506	25,331,259

(a) Additions in investments in subsidiaries mainly represent incorporation of GAC Capital by RMB 1,000,000,000 and additional injection in certain subsidiaries.

(b) Particulars of the Group's principal subsidiaries are set out in Note 5.

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Investments in joint ventures	**13,200,531**	12,313,895
Investments in associates	**5,224,015**	4,568,056
	18,424,546	16,881,951

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Share of profit of joint ventures	**3,100,223**	2,014,701
Share of profit of associates	**920,127**	622,391
	4,020,350	2,637,092

The Company

The amounts recognised in the balance sheet are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Share of profit of joint ventures	**11,143,873**	7,366,568
Share of profit of associates	**1,085,164**	967,388
	12,229,037	8,333,956

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINT VENTURES

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Investment in unlisted shares	**13,200,531**	12,313,895

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Investment in unlisted shares	**11,690,368**	7,913,063
Less: provision for impairment	**(546,495)**	(546,495)
	11,143,873	7,366,568

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINT VENTURES (continued)

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

The Group

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
At beginning of the year	**12,313,895**	9,284,474
Additions	**827,600**	4,175,888
Share of profits	**3,136,213**	2,017,247
Dividends received	**(3,077,177)**	(3,129,244)
Disposals	**–**	(34,470)
End of the year	**13,200,531**	12,313,895

The Company

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
At beginning of the year	**7,366,568**	3,885,739
Additions *(Note (i))*	**3,777,305**	4,027,324
Impairment charge	**–**	(546,495)
End of the year	**11,143,873**	7,366,568

(i) During the year, additions to investments in joint ventures mainly represented the Company's merger by absorption of a wholly-owned subsidiary. After the merger, all the equity interests held by the subsidiary in a joint venture are directly held by the Company.

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINT VENTURES (continued)

(b) Set out below are the joint ventures of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

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

Note1: Guangqi Honda, GAC Toyota, GAC Fiat, GAC Mitsubishi, GAC Hino are companies manufacturing and selling of automobiles and automotive parts, GAC Sofinco is a company providing automotive financing services, and Wuyang-Honda is a company manufacturing and selling of motorcycles and motorcycle parts. All of them are unlisted companies.

(c) Summarised financial information for joint ventures

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

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

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINT VENTURES (continued)

(c) Summarised financial information for joint ventures (continued)

Summarised balance sheet

	As at 31 December 2013 RMB'000	2012 RMB'000
Assets		
Non-current assets	24,756,458	21,404,008
Current assets		
– Cash and cash equivalents	17,203,187	15,033,174
– Other current assets	37,482,874	19,386,133
	54,686,061	34,419,307
Total assets	79,442,519	55,823,315
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	3,541,434	2,326,205
– Other non-current liabilities (including trade and other payables)	1,674,395	1,243,772
	5,215,829	3,569,977
Current liabilities		
– Financial liabilities (excluding trade and other payables)	16,038,930	9,095,520
– Other current liabilities (including trade and other payables)	37,437,090	24,217,391
	53,476,020	33,312,911
Total liabilities	58,691,849	36,882,888
Net assets	20,750,670	18,940,427
Less: Non-controlling interests	(18,569)	(28,689)
	20,732,101	18,911,738

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINT VENTURES (continued)

(c) Summarised financial information for joint ventures (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	**132,531,944**	102,408,592
Cost of sales	**(112,466,741)**	(88,222,884)
Other expenditures	**(13,811,180)**	(10,146,400)
Profit after tax	**6,254,023**	4,039,308
Add: losses shared by non-controlling interests	**11,082**	628
	6,265,105	4,039,936
Other comprehensive income	**–**	–
Total comprehensive income	**6,265,105**	4,039,936

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

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINT VENTURES (continued)

(c) Summarised financial information for joint ventures (continued)

Set out below are the assets, liabilities, revenue and dividends of the material joint ventures of the Group:

Name of joint ventures	Assets As at 31 December		Liabilities As at 31 December		Revenue Year ended 31 December		Dividends received Year ended 31 December	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Guangqi Honda	**24,537,171**	16,656,219	**17,772,569**	10,105,465	**58,437,275**	43,306,124	**1,588,798**	875,409
GAC Toyota	**18,016,291**	13,345,313	**11,004,725**	7,351,873	**52,386,212**	45,324,212	**1,373,544**	2,155,583
GAC Fiat	**6,694,592**	6,118,827	**5,471,290**	4,750,499	**5,051,751**	1,969,733	**–**	–
GAC Mitsubishi	**5,305,280**	4,455,017	**4,139,548**	3,231,909	**5,909,444**	826,111	**–**	–
GAC Hino	**1,829,243**	2,341,829	**1,679,640**	1,922,354	**1,477,074**	1,928,872	**–**	–
GAC Sofinco	**16,296,426**	7,992,002	**14,544,224**	7,029,046	**1,032,554**	532,606	**–**	–
Wuyang-Honda	**2,719,306**	2,580,055	**1,522,626**	1,361,503	**5,527,654**	5,432,999	**112,830**	95,251
Total	**75,398,309**	53,489,262	**56,134,622**	35,752,649	**129,821,964**	99,320,657	**3,075,172**	3,126,243

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINT VENTURES (continued)

(c) Summarised financial information for joint ventures (continued)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in the joint ventures:

	As at 31 December 2013			
	Net assets excluding non-controlling interests RMB'000	Interests in joint venture@50% RMB'000	Goodwill RMB'000	Carrying amount of investments in joint ventures RMB'000
Guangqi Honda	6,747,682	3,373,841	–	3,373,841
GAC Toyota	7,011,566	3,505,783	–	3,505,783
GAC Fiat	1,223,302	611,651	–	611,651
GAC Mitsubishi	1,165,732	582,866	2,895,293	3,478,159
GAC Hino	149,996	74,998	–	74,998
GAC Sofinco	1,752,202	876,101	–	876,101
Wuyang-Honda	1,196,680	598,340	21,259	619,599
Total	19,247,160	9,623,580	2,916,552	12,540,132

	As at 31 December 2012			
	Net assets excluding non-controlling interests RMB'000	Interests in joint venture@50% RMB'000	Goodwill RMB'000	Carrying amount of investments in joint ventures RMB'000
Guagnqi Honda	6,535,524	3,267,762	–	3,267,762
GAC Toyota	5,993,440	2,996,720	–	2,996,720
GAC Fiat	1,368,328	684,164	–	684,164
GAC Mitsubishi	1,223,108	611,554	2,895,293	3,506,847
GAC Hino	407,010	203,505	–	203,505
GAC Sofinco	962,956	481,478	–	481,478
Wuyang-Honda	1,218,552	609,276	21,259	630,535
Total	17,708,918	8,854,459	2,916,552	11,771,011

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.2 INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Unlisted companies	**5,224,015**	4,568,056

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Unlisted companies	**1,085,164**	967,388

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

The Group

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Beginning of the year	**4,568,056**	5,097,755
Additions	**507,587**	623,042
Disposal of GAC Changfeng	**–**	(1,004,816)
Disposal of other associates	**(216,664)**	(149,034)
Share of profits	**920,127**	622,391
Dividends received	**(555,091)**	(621,282)
End of the year	**5,224,015**	4,568,056

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

12.2 INVESTMENTS IN ASSOCIATES (continued)

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

The Company

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Beginning of the year	**967,388**	1,929,954
Additions	**117,776**	95,306
Disposal of GAC Changfeng	**–**	(1,057,872)
End of the year	**1,085,164**	967,388

(b) In the opinion of the board, there are no associates individually material to the Group. Set out below is the Group's share of associates' results:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Associates		
Profit from continuing operations	**920,127**	622,391
Other comprehensive income	**–**	–
Total comprehensive income	**920,127**	622,391

(c) Particulars of the Group's principal associates are set out in Note 5.

13. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Loans and receivables		
– Trade and other receivables (exclude prepayments and VAT recoverable) *(Note 18 and Note 16)*	**4,168,711**	2,730,038
– Time deposits *(Note 19)*	**4,665,056**	5,558,589
– Restricted cash *(Note 20)*	**291,173**	667,952
– Cash and cash equivalents *(Note 21)*	**14,083,345**	9,315,874
Financial assets at fair value through the profit and loss	**2,562**	31,455
Held-to-maturity investments	**72,187**	71,175
Available-for-sale financial assets *(Note 15)*	**840,411**	144,099
	24,123,445	18,519,182

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Financial liabilities at amortised cost		
– Trade and other payables (exclude advances from customers, employee benefits payable, other taxes and government grants) *(Note 24)*	**7,294,599**	5,379,084
– Borrowings *(Note 25)*	**14,171,893**	10,290,804
Total	**21,466,492**	15,669,888

13. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Loans and receivables		
– Trade and other receivables (exclude prepayments) *(Note 18)*	**2,874,851**	1,117,969
– Time deposits *(Note 19)*	**3,630,000**	1,992,858
– Restricted cash *(Note 20)*	**51,413**	222,953
– Cash and cash equivalents *(Note 21)*	**6,436,821**	1,116,712
Total	**12,993,085**	4,450,492

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Financial liabilities at amortised cost		
– Trade and other payables (exclude employee benefits payable, other taxes and government grants) *(Note 24)*	**15,230,700**	8,022,041
– Borrowings *(Note 25)*	**11,250,525**	7,271,294
Total	**26,481,225**	15,293,335

14. DEFERRED INCOME TAX

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**230,249**	407,033
– to be recovered within 12 months	**299,338**	160,589
	529,587	567,622
Deferred tax liabilities:		
– to be settled after more than 12 months	**(3,066)**	(2,887)
– to be settled within 12 months	**(18,273)**	(13,436)
	(21,339)	(16,323)
Deferred tax assets-net	**508,248**	551,299

(b) The net movements on the deferred income tax account are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Beginning of the year	**551,299**	300,233
Tax recognised in consolidated statement of comprehensive income *(Note 33)*	**(43,612)**	287,550
Acquisition of GAC Changfeng	**–**	(35,248)
Acquisition of other subsidiaries	**–**	(1,215)
Tax charge relating to components of other comprehensive income	**561**	(21)
End of the year	**508,248**	551,299

14. DEFERRED INCOME TAX (continued)

(c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Impairment provision RMB'000	Amortisation of pre-operating expenses RMB'000	Accrued expenses and provisions RMB'000	Tax losses RMB'000	Unrealised profits RMB'000	Revaluation of available-for-sale financial assets RMB'000	Total RMB'000
Year ended 31 December 2012							
Opening book amount	19,511	–	135,583	175,539	8,501	–	339,134
Acquisition of GAC Changfeng	–	–	–	32,163	–	–	32,163
Recognised in the consolidated statement of comprehensive income	(449)	5,047	26,840	173,388	(8,501)	–	196,325
Closing book amount	19,062	5,047	162,423	381,090	–	–	567,622
Year ended 31 December 2013							
Opening book amount	**19,062**	**5,047**	**162,423**	**381,090**	–	–	**567,622**
Recognised in the consolidated statement of comprehensive income	**2,633**	(769)	143,793	**(184,232)**	–	–	**(38,575)**
Tax charge relating to components of other comprehensive income	–	–	–	–	–	**540**	**540**
Closing book amount	**21,695**	**4,278**	**306,216**	**196,858**	–	**540**	**529,587**

14. DEFERRED INCOME TAX (continued)

(c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows: (continued)

Deferred tax liabilities	Accrued bank interest income RMB'000	Revaluation of available-for-sale financial assets RMB'000	Fair value gains RMB'000	Total RMB'000
Year ended 31 December 2012				
Opening book amount	(37,479)	–	(1,422)	(38,901)
Acquisition fo GAC Changfeng	–	–	(67,411)	(67,411)
Acquisition of other subsidiaries	–	–	(1,215)	(1,215)
Recognised in the consolidated statement of comprehensive income	24,043	–	67,182	91,225
Tax charge relating to components of other comprehensive income	–	(21)	–	(21)
Closing book amount	(13,436)	(21)	(2,866)	(16,323)
Year ended 31 December 2013				
Opening book amount	**(13,436)**	**(21)**	**(2,866)**	**(16,323)**
Recognised in the consolidated statement of comprehensive income	**(4,837)**	**–**	**(200)**	**(5,037)**
Tax charge relating to components of other comprehensive income	**–**	**21**	**–**	**21**
Closing book amount	**(18,273)**	**–**	**(3,066)**	**(21,339)**

(d) In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2013, the Group did not recognise deferred tax assets in respect of losses amounting to RMB 2,784,082,000 (2012: RMB 2,949,718,000), as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. These tax losses will expire between 2014 and 2018.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Available-for-sale investments	**840,411**	144,099
Less: non-current portion	**(152,228)**	(144,099)
Current portion	**688,183**	–

Available-for-sale financial assets are a group of bonds, funds, trust products and financial products in which the Group invested. All available-for- sale financial assets are denominated in RMB.

The maximum exposure to credit risk at the reporting date is the carrying value of the bonds, funds, trust products and financial products classified as available-for-sale.

None of these financial assets is either past due or impaired.

16. PREPAYMENTS AND LONG-TERM RECEIVABLES

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Prepayments for purchase of properties *(Note(a))*	**–**	1,262,786
Consideration receivable for transfer of equity investment	**165,046**	–
Other prepayments	**214,017**	132,868
Other receivables	**50,000**	–
	429,063	1,395,654

16. PREPAYMENTS AND LONG-TERM RECEIVABLES (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Prepayments for purchase of properties *(Note(a))*	**–**	1,262,786
Others	**38,068**	–
	38,068	1,262,786

(a) The amount as at 31 December 2012 represents prepayments for the purchase of an office building. As at 31 December 2013, the office building has been put into use.

17. INVENTORIES

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Raw materials and consumables	**516,118**	449,904
Work-in-progress	**55,323**	66,163
Finished goods and merchandise	**1,542,432**	926,714
	2,113,873	1,442,781
Less: provision for impairment	**(77,513)**	(45,362)
	2,036,360	1,397,419

17. INVENTORIES (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Raw materials and consumables	**5,526**	6,923
Work-in-progress	**55,476**	–
	61,002	6,923

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB 14,331,612,000 (2012: RMB 10,713,898,000).

As at 31 December 2013, inventories with the carrying value of RMB 189,541,000 (2012: RMB 117,068,000) is pledged for bank borrowings, which is set out in Note 25.

18. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade receivables	**1,167,049**	1,173,583
Less: provision for impairment	**(142,431)**	(137,655)
Trade receivables – net	**1,024,618**	1,035,928
Notes receivable	**262,071**	58,972
Interest receivable	**183,953**	88,334
Entrusted loans to related parties *(Note (f) and Note 40(b))*	**112,500**	76,600
Value added tax recoverable	**286,903**	208,306
Prepayments	**484,251**	364,746
Dividends receivable *(Note 40(b))*	**1,588,237**	982,330
Other receivables	**782,286**	487,874
	4,724,819	3,303,090

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade receivables	**156,942**	70,322
Less: provision for impairment	**(70,322)**	(70,322)
Trade receivables – net	**86,620**	–
Prepayments	**3,614**	90
Dividends receivable*(Note 40(b))*	**1,821,533**	269,425
Other receivables	**127,588**	39,611
Entrusted loans to related parties *(Note(f) and Note40(b))*	**832,500**	755,000
Receivables from subsidiaries *(Note(g) and Note40(b))*	**6,610**	53,933
	2,878,465	1,118,059

18. TRADE AND OTHER RECEIVABLES (continued)

(a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 2 to 170 days. As at 31 December 2013 and 2012, ageing analysis of trade receivables at respective balance sheet dates is as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 3 months	**783,626**	610,317
Between 3 months and 1 year	**176,372**	402,522
Between 1 and 2 years	**58,743**	23,325
Between 2 and 3 years	**17,914**	3,243
Over 3 years	**130,394**	134,176
	1,167,049	1,173,583

As at 31 December 2013, most of the trade receivables overdue by more than 1 year were impaired and provided for. The individually impaired receivables were mainly related to customers of the Group with long outstanding balances which arose prior to the conversion of the Company into a joint stock limited liability company.

(b) As at 31 December 2013, trade receivables of RMB 2,473,000 (2012: RMB 817,000) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**2,473**	817

18. TRADE AND OTHER RECEIVABLES (continued)

(c) As at 31 December 2013, trade receivables of RMB 389,904,000 (2012: RMB 469,955,000) were impaired and provided for. The amount of the provision was RMB 142,431,000 (2012: RMB 137,655,000). The individually impaired receivables were mainly related to customers, with unexpected difficult economic situations. It was assessed that only a portion of these receivables is expected to be recovered. The ageing of these trade receivables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**182,853**	309,211
Between 1 and 2 years	**58,743**	23,325
Between 2 and 3 years	**17,914**	3,243
Over 3 years	**130,394**	134,176
	389,904	469,955

Movements of the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Beginning of the year	**137,655**	135,321
Impairment loss for trade receivables	**4,900**	2,334
Receivables written off	**(124)**	–
End of the year	**142,431**	137,655

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated statement of comprehensive income (Note 28). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

18. TRADE AND OTHER RECEIVABLES (continued)

(d) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
RMB	**4,515,366**	3,217,034
USD	**205,946**	82,331
HKD	**3,502**	3,725
Others	**5**	–
	4,724,819	3,303,090

The carrying amounts of the Company's trade and other receivables are denominated in RMB.

(e) The Group was not aware of any major credit risk on notes receivables, deposits, entrusted loans, dividend receivables and other receivables as the counterparties are either state-owned banks or other financial institutions without significant credit risk, or entities without financial difficulties.

(f) The entrusted loans are mainly lent to related parties through financial institutions, which will be mature in 2014. The effective interest rate as at 31 December 2013 is 5.35% (2012: 5.35%).

(g) The amounts due from subsidiaries are unsecured, interest free, denominated in RMB and repayable on demand.

19. TIME DEPOSITS

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Denominated in:		
– RMB	**4,616,281**	5,308,000
– HKD	**–**	24,356
– USD	**48,775**	226,233
Total	**4,665,056**	5,558,589

The initial term of time deposits was over three months, and the weighted average effective interest rates were from 3% to 4% per annum for the years ended 31 December 2013 and 2012.

The Company

As at 31 December 2013, no time deposits of the Company are denominated in USD (2012: RMB 226,233,000), and the remaining are denominated in RMB.

20. RESTRICTED CASH

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Deposits for letters of credit and bank notes	**119,218**	338,976
Security and other deposits	**71,955**	223,976
Capital guarantee deposits for a subsidiary operating insurance business	**100,000**	105,000
	291,173	667,952

The Company

As at 31 December 2013, the Company's restricted cash represents security deposits of RMB 51,413,000 (2012: RMB 222,953,000).

21. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Denominated in:		
– RMB	**13,395,263**	8,774,811
– HKD	**104,567**	280,489
– USD	**577,734**	253,981
– JPY	**4,677**	5,470
– Others	**1,104**	1,123
	14,083,345	9,315,874

The Company

The Company's cash and cash equivalents denominated in USD amounted to approximately RMB 370,465,000 (2012: RMB 63,936,000), and the remaining are denominated in RMB.

21. CASH AND CASH EQUIVALENTS (continued)

(a) As at 31 December 2013 and 2012, the Group's cash and cash equivalents, restricted cash (Note 20) and time deposits (Note 19) are deposited in financial institutions without significant credit risk. Detail ratings of these financial institutions, as published by Standard & Poor's, are set out as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
A+	**149,478**	311,896
A–	**5,800,236**	3,548,141
BBB	**3,608,732**	3,300,402
BBB–	**7,716,157**	7,255,870
Others and cash on hand	**1,764,971**	1,126,106
Total	**19,039,574**	15,542,415
Representing:		
– Time deposits	**4,665,056**	5,558,589
– Restricted cash	**291,173**	667,952
– Cash and cash equivalents	**14,083,345**	9,315,874
	19,039,574	15,542,415

22. SHARE CAPITAL

	RMB ordinary shares of RMB 1 each		Domestic legal person shares of RMB 1 each		Foreign shares listed outside of mainland China of RMB 1 each		Total	
	Number of shares (thousands)	Ordinary shares RMB'000	Number of shares (thousands)	Ordinary shares RMB'000	Number of shares (thousands)	Ordinary shares RMB'000	Number of shares (thousands)	Ordinary shares 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 shares	286,962	286,962	–	–	–	–	286,962	286,962
As at 31 December 2012 and 2013	286,962	286,962	3,934,757	3,934,757	2,213,300	2,213,300	6,435,019	6,435,019

23. RESERVES

The Group

	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Available-for-sale investments reserve RMB'000	Statutory surplus reserve fund RMB'000 *Note (a)*	Total other reserves RMB'000	Retained earnings RMB'000 *Note (c)*	Total reserves RMB'000
As at 1 January 2012	15,257,170	(8,603,796)	–	(687)	1,216,630	7,869,317	15,192,198	23,061,515
Issue of new shares *(Note (1))*	2,246,621	–	–	–	–	2,246,621	–	2,246,621
Profit for the year	–	–	–	–	–	–	1,133,982	1,133,982
Appropriation to reserve fund	–	–	–	–	71,702	71,702	(71,702)	–
Distributions	–	–	–	–	–	–	(1,737,455)	(1,737,455)
Available-for-sale assets	–	–	–	727	–	727	–	727
Others	–	63	1,599	–	–	1,662	–	1,662
As at 31 December 2012	17,503,791	(8,603,733)	1,599	40	1,288,332	10,190,029	14,517,023	24,707,052
Profit for the year	–	–	–	–	–	–	2,652,837	2,652,837
Appropriation to reserve fund	–	–	–	–	341,795	341,795	(341,795)	–
Distributions	–	–	–	–	–	–	(514,802)	(514,802)
Available-for-sale assets	–	–	–	1,112	–	1,112	–	1,112
Others	–	29,566	407	–	–	29,973	–	29,973
As at 31 December 2013	17,503,791	(8,574,167)	2,006	1,152	1,630,127	10,562,909	16,313,263	26,876,172

23. RESERVES (continued)

The Company

	Share premium RMB'000	Deficit on reorganisation RMB'000 *Note (b)*	Other capital reserve RMB'000	Statutory surplus reserve fund RMB'000 *Note (a)*	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2012	15,257,170	(1,617,558)	2,506	1,216,630	14,858,748	3,861,576	18,720,324
Issue of new shares *(Note 1)*	2,246,621	–	–	–	2,246,621	–	2,246,621
Profit for the year	–	–	–	–	–	1,365,767	1,365,767
Appropriation to reserve fund	–	–	–	71,702	71,702	(71,702)	–
Distributions	–	–	–	–	–	(1,737,455)	(1,737,455)
As at 31 December 2012	17,503,791	(1,617,558)	2,506	1,288,332	17,177,071	3,418,186	20,595,257
Profit for the year	–	–	–	–	–	3,038,265	3,038,265
Appropriation to reserve fund	–	–	–	341,795	341,795	(341,795)	–
Distributions	–	–	–	–	–	(514,802)	(514,802)
As at 31 December 2013	17,503,791	(1,617,558)	2,506	1,630,127	17,518,866	5,599,854	23,118,720

(a) In accordance with the relevant rules and regulations in the PRC, except for Sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory surplus reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory surplus reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

(b) As at the date of reorganisation and formation of the joint stock holding company, retained earnings of the company-only financial statements prepared under generally accepted accounting principles in the PRC ("PRC GAAP") amounted to approximately RMB 1.6 billion, which mainly resulted from the Company's share of results from its subsidiaries, associates and joint ventures using equity method. On the conversion of the Company to a joint stock holding company, retained earnings of RMB 1.6 billion under PRC GAAP were converted into share capital. Under HKFRS, the results of these investee companies were accounted for using cost method in the company-only financial statements and there were no such retained earnings in the company-only financial statements available to be utilised. Such amount was therefore charged to the capital reserve account of the Company. Considering the nature of this deficit balance, the Company will transfer dividends declared by the investees which relate to the profits generated before the reorganisation and formation of the joint stock holding company, to capital reserve, to the extent that the deficit balance becomes zero.

(c) As at 31 December 2013, consolidated retained earnings included subsidiaries' statutory surplus reserve fund attributable to the Company, which amounted to RMB 889,917,000 (2012: RMB 789,190,000).

24. TRADE AND OTHER PAYABLES

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade payables *(Note (a))*	**3,624,095**	2,817,243
Notes payable	**944,122**	1,110,902
Advances from customers	**408,946**	398,296
Employee benefits payable	**568,656**	335,440
Other taxes *(Note (c))*	**359,516**	119,166
Interest payable	**361,091**	192,105
Government grants	**9,670**	162,284
Other payables	**2,365,291**	1,258,834
	8,641,387	6,394,270
Less: non-current portion of trade and other payables	**(4,134)**	(18,530)
Current portion	**8,637,253**	6,375,740

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade payables	**15,097**	20,961
Employee benefits payable	**194,356**	80,002
Other taxes *(Note(c))*	**–**	6,201
Commission fee payable	**–**	18,038
Interest payable	**333,772**	175,254
Other payables	**580,501**	432,334
Amounts due to subsidiaries*(Note (d) and Note 40(b))*	**14,301,330**	7,382,054
	15,425,056	8,114,844
Less: non-current portion of trade and other payables	**–**	(18,299)
Current portion	**15,425,056**	8,096,545

24. TRADE AND OTHER PAYABLES (continued)

(a) As at 31 December 2013 and 2012, the ageing analysis of the Group's trade payables is as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**3,572,843**	2,771,967
Between 1 and 2 years	**35,449**	37,959
Between 2 and 3 years	**9,763**	3,612
Over 3 years	**6,040**	3,705
	3,624,095	2,817,243

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**4,489**	9,784
Between 1 and 2 years	**1,864**	11,177
Over 2 years	**8,744**	–
	15,097	20,961

24. TRADE AND OTHER PAYABLES (continued)

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
RMB	**8,575,263**	6,300,219
HKD	**44,176**	93,785
USD	**21,948**	266
	8,641,387	6,394,270

All the Company's trade and other payables are denominated in RMB.

(c) Balances of other taxes include value-added tax payables, business tax payables, consumption tax payables and other taxes payable.

(d) The amounts due to subsidiaries are denominated in RMB, unsecured and interest free.

25. BORROWINGS

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Non-current		
Borrowings from banks and other financial institutions		
– secured *(Note (a))*	**130,000**	142,735
– unsecured	**88,990**	362,055
	218,990	504,790
Corporate bonds- unsecured *(Notes (a), (g) and (h))*	**4,556,137**	595,171
Debentures- unsecured *(Note (i))*	**–**	6,676,123
Total non-current borrowings	**4,775,127**	7,776,084
Current		
Borrowings from banks and other financial institutions		
– secured *(Note (a))*	**592,689**	341,068
– unsecured	**2,034,289**	2,118,252
Debentures- secured *(Note (i))*	**6,694,388**	–
Entrusted loans from related parties	**75,400**	55,400
Total current borrowings	**9,396,766**	2,514,720
Total borrowings	**14,171,893**	10,290,804

25. BORROWINGS (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Non-current		
Corporate bonds- secured *(Notes (a), (g) and (h))*	**4,556,137**	595,171
Debentures – unsecured *(Note (i))*	**–**	6,676,123
	4,556,137	7,271,294
Current		
Debentures – unsecured *(Note (i))*	**6,694,388**	–
Total borrowings	**11,250,525**	7,271,294

(a) Details of the securities of the Group's and the Company's borrowings are as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Secured by certain assets of the Group	**698,262**	483,803
Guarantees given by a state-owned financial institution	**596,024**	595,171
Corporate bonds guaranteed by Guangzhou Automobile Industry Group Co., Ltd.	**3,960,113**	–
Guarantees given by subsidiaries within the Group	**24,427**	–
Total borrowings	**5,278,826**	1,078,974

25. BORROWINGS (continued)

(a) Details of the securities of the Group's and the Company's borrowings are as follows: (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Guarantees given by a state-owned financial institution	**596,024**	595,171
Corporate bonds guaranteed by Guangzhou Automobile Industry Group Co., Ltd.	**3,960,113**	–
Total borrowings	**4,556,137**	595,171

(b) The exposure of the Group's and the Company's borrowings to interest rate changes and the contractual repricing dates or maturity dates whichever is earlier at the balance sheet dates are as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**9,615,756**	3,019,510
Between 1 and 5 years	**1,586,704**	7,271,294
Over 5 years	**2,969,433**	–
	14,171,893	10,290,804

25. BORROWINGS (continued)

(b) The exposure of the Group's and the Company's borrowings to interest rate changes and the contractual repricing dates or maturity dates whichever is earlier at the balance sheet dates are as follows: (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**6,694,388**	–
Between 1 and 5 years	**1,586,704**	7,271,294
Over 5 years	**2,969,433**	–
	11,250,525	7,271,294

(c) The maturities of the Group's and the Company's total borrowings at respective balance sheet dates are set out as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**9,396,766**	2,514,720
Between 1 and 2 years	**24,957**	6,676,122
Between 2 and 5 years	**1,780,737**	1,087,227
Over 5 years	**2,969,433**	12,735
	14,171,893	10,290,804

25. BORROWINGS (continued)

(c) The maturities of the Group's and the Company's total borrowings at respective balance sheet dates are set out as follows: (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**6,694,388**	–
Between 1 and 2 years	**–**	6,676,123
Between 2 and 5 years	**1,586,704**	595,171
Over 5 years	**2,969,433**	–
	11,250,525	7,271,294

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
RMB	**13,767,585**	9,904,261
USD	**404,308**	362,622
HKD	**–**	12,735
EUR	**–**	11,186
	14,171,893	10,290,804

All the Company's borrowings are denominated in RMB.

25. BORROWINGS (continued)

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

The Group

	As at 31 December	
	2013	2012
Borrowings from banks and other financial institutions		
– RMB	**5.61%**	5.76%
– USD	**2.78%**	6.00%
– HKD	**–**	2.23%
– EUR	**–**	2.90%
Corporate bonds (RMB)	**5.37%**	6.21%
Debentures (RMB)	**4.02%**	4.02%
Entrusted loans	**4.10%**	4.90%

The Company

	As at 31 December	
	2013	2012
Corporate bonds (RMB)	**5.37%**	6.21%
Debentures (RMB)	**4.02%**	4.02%

25. BORROWINGS (continued)

(f) The carrying amounts of current borrowings approximate their fair values. The carrying value and fair value of non-current borrowings are set out as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Carrying amount	**4,775,127**	7,776,084
Fair value	**4,804,498**	7,777,609

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Carrying amount	**4,556,137**	7,271,294
Fair value	**4,576,832**	7,276,338

The fair values of current borrowings equal their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.0% (2012: 6.4%).

(g) In December 2007, the Company issued corporate bonds with par value of RMB 600,000,000 at the weighted average effective interest rate of 6.21% 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, and will be used to finance projects related to passenger vehicles. The guarantee provided by China Development Bank will not be released until the full redemption of corporate bonds.

(h) In March 2013, the Company issued five-year period corporate bonds with par value of RMB 1,000,000,000 and ten-year period RMB 3,000,000,000 at the weighted average effective interest rate of 5.21% per annum. 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.

25. BORROWINGS (continued)

(i) On 10 April 2009 and 27 April 2009, the Company issued debentures with principals of RMB 3,300,000,000 and RMB 3,400,000,000 which bore weighted average effective interest rate of 4.02% respectively. The related interest is payable on an annual basis. These debentures will be fully redeemed at par in April 2014.

26. PROVISIONS

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Warranty	**74,221**	21,587

The carrying amounts the provisions approximate to their fair values.

Provision for product warranties granted by the Group for certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

27. GOVERNMENT GRANTS

The Group

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening book amount	**507,786**	353,083
Additions	**329,784**	187,796
Amortisation	**(44,029)**	(33,093)
End of the year	**793,541**	507,786

27. GOVERNMENT GRANTS (continued)

The Company

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Beginning of the year	**218,926**	192,008
Additions	**30,740**	43,402
Amortisation	**(19,280)**	(16,484)
End of the year	**230,386**	218,926

28. EXPENSES BY NATURE

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Auditors' remuneration	**6,668**	6,443
Depreciation and amortisation *(Notes 7, 8, 9 and 10)*	**950,816**	667,611
Impairment charges of property, plant and equipment *(Note 8)*	**2,729**	–
Impairment of inventories	**44,884**	21,413
Provision for/(reversal of) impairment loss of trade and other receivables	**32,671**	(10,930)
Employee benefit expenses *(Note 29)*	**2,165,669**	1,609,486
Changes in inventories of finished goods, merchandise and work-in-progress	**(604,878)**	286,719
Raw materials, goods and consumables used	**14,936,490**	10,427,179
Sales tax and levies	**740,659**	411,510
Transportation	**129,982**	85,227
Advertising and promotion	**580,832**	524,852
Warranty expenses	**97,237**	43,252
Research costs	**262,887**	138,816
Amortisation of government grants	**(44,029)**	(33,093)
Operating lease expenses	**78,083**	50,348
Other expenses	**232,750**	192,052
Total cost of sales, selling and distribution costs and administrative expenses	**19,613,450**	14,420,885

29. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Wages and salaries	**1,651,360**	1,225,238
Pension scheme and other social security costs *(Note (a))*	**213,511**	174,088
Housing benefits *(Note (b))*	**94,545**	82,391
Welfare, medical and other expenses	**206,253**	127,769
	2,165,669	1,609,486

(**a**) The Group's employees in the PRC are covered by certain defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC, pursuant to which the municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and retired employees. The contributions to the scheme are expensed as incurred.

(**b**) The Group's contributions to the defined contribution housing fund scheme administered by a government agency are determined at a certain percentage of the salaries of the employees. The contributions to the scheme are expensed as incurred.

29. EMPLOYEE BENEFIT EXPENSES (continued)

(c) Directors' and senior management's emoluments

The remuneration of every Director and Supervisor for the year ended 31 December 2013 is set out below:

Name	Fees	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director:					
Zhang Fangyou (Chairman)	–	–	–	–	–
Zeng Qinghong	–	584	173	1,422	2,179
Yuan Zhongrong	–	495	162	1,305	1,962
Fu shoujie	–	222	129	518	869
Liu Huilian	–	504	153	1,255	1,912
Lu Sa	–	498	159	1,256	1,913
Wei Xiaoqin	–	438	219	1,110	1,767
Li Tun	–	1,118	75	551	1,744
Li Pingyi	–	–	–	–	–
Ding Hongxiang	–	–	–	–	–
Wu Gaogui*	100	–	–	–	100
Ma Guohua*	100	–	–	–	100
Xiang Bing*	100	–	–	–	100
Luo Yuqun*	100	–	–	–	100
Li Zhengxi*	100	–	–	–	100
Name of supervisor:					
Gao Fusheng	–	–	–	–	–
Huang Zhiyong	–	–	–	–	–
He Yuan	–	–	–	–	–
He Jinpei	–	467	73	194	734
Ye Ruiqi	–	225	38	20	283
Lai Boyi	–	336	42	46	424

* The second provisional shareholders' general meeting held in 16 December 2013 approved retirement of Mr. Wu Gaogui, Mr. Ma Guohua, Mr. Xiangbing, Mr. Luo Yuqun and Mr. Li Zhengxi as the independent directors, and formally appointed Mr. Fu Yuwu, Mr. Lan Hailin, Mr. Li Fangjin, Mr. Liang Nianchang and Mr. Wang Susheng as succeeded independent directors. The newly appointed independent directors did not receive any director remuneration in the year of 2013.

29. EMPLOYEE BENEFIT EXPENSES (continued)

(c) Directors' and senior management's emoluments (continued)

The remuneration of every Director and Supervisor for the year ended 31 December 2012 is set out below:

Name	Fees	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director:					
Zhang Fangyou (Chairman)	–	–	–	–	–
Zeng Qinghong	–	466	144	405	1,015
Yuan Zhongrong	–	437	143	381	961
Fu Shoujie	–	537	43	382	962
Liu Huilian	–	439	141	382	962
Lu Sa	–	437	143	384	964
Wei Xiaoqin	–	459	121	382	962
Li Tun	–	1,138	56	428	1,622
Li Pingyi	–	–	–	–	–
Ding Hongxiang	–	–	–	–	–
Wu Gaogui	100	–	–	–	100
Ma Guohua	100	–	–	–	100
Xiang Bing	100	–	–	–	100
Luo Yuqun	100	–	–	–	100
Li Zhengxi	100	–	–	–	100
Name of supervisor:					
Gao Fusheng	–	–	–	–	–
Huang Zhiyong	–	–	–	–	–
He Yuan	–	–	–	–	–
He Jinpei	–	314	103	353	770
Ye Ruiqi	–	198	93	233	524

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the yea ended 31 December 2013 include 5 directors and supervisors (2012: 5) whose emoluments are reflected in the analysis presented above.

30. OTHER LOSSES/ (GAINS) - NET

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Net foreign exchange (gains)/losses	**(8,169)**	5,821
Loss/(gain) on disposal of property, plant and equipment and intangible assets *(Note a)*	**498,622**	(5,181)
Donations	**42,815**	74,850
Loss on disposal of subsidiaries and associates	**51,618**	792
Government grants	**(125,599)**	(104,961)
Others	**(26,463)**	15,814
	432,824	(12,865)

(a) The Group disposed of certain assets to a third party in 2013. The loss on this disposal amounted to approximately RMB 498,192,000. The Group estimates it will receive government grants to compensate for such disposal loss.

31. FINANCE COSTS

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Interest expense	**700,351**	560,522
Interest capitalised in qualifying assets	**(46,550)**	(32,614)
Net foreign exchange (gains)/losses on financing activities	**(8,496)**	736
	645,305	528,644

32. INTEREST INCOME

Interest income recognised in the consolidated statement of comprehensive income is as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest income from time deposits	**373,577**	279,795
Interest income from restricted cash, cash and cash equivalents	**102,745**	55,891
	476,322	335,686

33. TAXATION

(a) Income tax expense/(credit)

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Current income tax:		
– Hong Kong profits tax	**–**	–
– PRC enterprise income tax	**57,172**	222,764
	57,172	222,764
Deferred tax *(Note 14)*	**43,612**	(287,550)
	100,784	(64,786)

33. TAXATION (continued)

(a) Income tax expense/(credit) (continued)

The difference between the actual income tax credit in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit before income tax	**2,629,292**	999,974
Tax calculated at domestic tax rates applicable to profits in the respective countries	**631,606**	257,475
Share of profit of joint ventures and associates	**(1,005,088)**	(659,273)
Income not subject to tax	**(4,183)**	(16,675)
Expenses not deductible for tax purposes	**25,757**	37,662
Utilisation of previously unrecognised tax losses	**(7,708)**	(21,206)
Tax losses and deductible temporary differences for which no deferred income tax asset was recognised	**460,400**	240,846
Other – income tax related to restructuring of GAC Changfeng	**–**	96,385
Income tax expense/(credit)	**100,784**	(64,786)

The tax rates applicable to the major subsidiaries, joint ventures and associates for the year ended 31 December 2013 are 25% (2012: 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year ended 31 December 2013.

The Group's subsidiaries, China Lounge Investment Ltd. and Denway, are recognised as PRC resident taxpayer by Guangzhou Yuexiu District Local Taxation Bureau, and are subject to "The PRC Enterprise Income Tax Law".

33. TAXATION (continued)

(b) Consumption tax ("CT") and business tax ("BT")

Certain companies within the Group are subject to CT at rates ranging from 3% to 25% for the sales of passenger vehicles and commercial vehicles.

In addition, the Group is also subject to BT at the rate of 5% for service fee income received and receivable.

(c) Value-added tax ("VAT")

The sales of products are normally subject to output VAT at 17% which is included in the selling price. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset output VAT to determine net VAT payable.

34. OTHER COMPREHENSIVE INCOME, NET OF TAX

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Change in fair value of available-for-sale financial assets, net of tax	**437**	1,211

35. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 3,038,265,000 (2012: RMB 1,365,767,000).

36. EARNINGS PER SHARE

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**2,652,837**	1,133,982
Weighted average number of ordinary shares in issue (thousands)	**6,435,019**	6,363,279
Basic earnings per share (RMB per share)	**0.41**	0.18

As there were no potential dilutive ordinary shares during 2013 and 2012, diluted earnings per share was equal to basic earnings per share.

37. DIVIDENDS

Dividends paid in 2013 and 2012 were RMB 514,802,000 and RMB 1,737,455,000 respectively. A final dividend in respect of the year ended 31 December 2013 of RMB 0.10 per ordinary share, amounting to a total dividend of approximately RMB 643,502,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interim dividend paid of RMB: 0.06 (2012: RMB 0.07) per ordinary share	**386,102**	450,451
Proposed final dividend of RMB 0.10 (2012: RMB 0.02) per ordinary share	**643,502**	128,700
	1,029,604	579,151

38. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit for the year	**2,528,508**	1,064,760
Adjustments for:		
– Income tax expense/(credit) *(Note 33)*	**100,784**	(64,786)
– Depreciation *(Notes 8 and 9)*	**530,079**	408,682
– Amortisation *(Notes 7 and 10)*	**420,737**	258,929
– Amortisation of government grants	**(44,029)**	(33,093)
– Impairment provision	**2,729**	–
– Loss/(gain) on disposal of property, plant and equipment and intangible assets	**498,622**	(5,181)
– Interest income *(Note 32)*	**(476,322)**	(335,686)
– Finance costs *(Note 31)*	**645,305**	528,644
– Losses on disposal of associates and subsidiaries *(Note 30)*	**51,618**	792
– Foreign exchange losses/(gains) on cash and cash equivalents	**19**	(11,390)
– Share of profit of joint ventures and associates *(Note 12)*	**(4,020,350)**	(2,637,092)
– Fair value (gains)/losses on financial assets at fair value through profit or loss	**(347)**	40
– Negative goodwill	**–**	(4,521)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**(674,931)**	325,541
– Trade and other receivables	**(741,835)**	(101,025)
– Restricted cash	**205,239**	(44,390)
– Trade and other payables	**1,724,633**	1,357,142
– Provisions	**52,634**	18,046
Cash generated from operations	**803,093**	725,412

38. NOTE TO CONSOLIDATED CASH FLOW STATEMENT (continued)

In the consolidated cash flow statement, the proceeds from sales of property, plant and equipment and intangible assets are set out below:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Net book amount *(Notes 8 and 10)*	**1,043,614**	32,794
Less: loss/(gain) on disposal of property, plant and equipment and intangible assets *(Note 30)*	**498,622**	(5,181)
Proceeds from the disposal of property, plant and equipment and intangible assets	**544,992**	37,975
Representing:		
Proceeds received	**256,598**	16,226
Proceeds receivables	**288,394**	21,749
	544,992	37,975

39. COMMITMENTS

(a) Capital commitments

The capital commitments as at each of the balance sheet dates during the year are as follows:

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	**915,437**	177,102
– Authorised but not contracted for	**247,075**	204,601
	1,162,512	381,703
Intangible assets		
– Contracted but not provided for	**16,031**	–
– Authorised but not contracted for	**1,168,833**	–
	1,184,864	–
Investments		
– Contracted but not provided for *(Note (i))*	**374,195**	81,997
	2,721,571	463,700

39. COMMITMENTS (continued)

(a) Capital commitments (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	**2,512**	159,073
Intangible assets		
– Contracted but not provided for	**16,000**	–
– Authorised but not contracted for	**1,168,833**	–
	1,184,833	–
Investments		
– Contracted but not provided for *(Note (i))*	**361,198**	–
	1,548,543	159,073

(i) On 20 December 2012, the Board of Directors of GAC Component, a subsidiary of the Group, approved an additional capital contribution of RMB 118,330,000 to Hangzhou IVECO Automobile Transmission Technology Co., Ltd., a joint venture of the Group. As at 31 December 2013, a total amount of RMB 105,333,000 has been paid, and the remaining RMB 12,997,000 is expected to be paid in future according to the schedule.

On 26 March 2012, the Board of Directors of the Company approved an additional capital contribution of USD 41,250,000 to GAC Toyota, which will be paid in as scheduled. As at 31 December 2013, a total amount of USD 8,250,000 has been paid, and the remaining USD 33,000,000 (equals RMB 201,198,000) is expected to be paid in future according to the schedule.

On 23 August 2013, the Board of Directors of the Company approved to set up a new joint venture namely GAC Zhongxing (Yichang) Automobile Co., Ltd., with HeBei Zhongxing Automobile Co., Ltd.. The Company's total capital contribution is RMB 200,000,000. As at 31 December 2013, a total amount of RMB 40,000,000 has been paid, and the remaining RMB 160,000,000 is expected to be paid in future according to the schedule.

39. COMMITMENTS (continued)

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**41,379**	32,934
Between 1 and 5 years	**150,899**	131,495
Over 5 years	**211,645**	257,059
	403,923	421,488

40. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("State-owned Enterprises") are regarded as related parties of the Group.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, during the year.

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

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Sales of goods		
Sales of auto parts and steels		
– Joint ventures	**554,802**	52,563
– Associates	**375,065**	435,163
	929,867	487,726
Sales of passenger vehicles		
– Joint ventures	**1,822**	4,276
– Associates	**246**	906
	2,068	5,182
	931,935	492,908
Rendering of labour and insurance services		
– Joint ventures	**639,021**	331,070
– Associates	**386,573**	354,572
	1,025,594	685,642
Purchases of goods		
Purchases of auto parts and materials		
– Joint ventures	**629,528**	264,989
– Associates	**478,292**	176,209
	1,107,820	441,198
Purchases of passenger vehicles		
– Joint ventures	**4,371,464**	2,750,002
	5,479,284	3,191,200

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Receiving labour service		
– Joint ventures	29,984	27,769
– Associates	20,228	4,428
	50,212	32,197
Rental received from related parties		
– Joint ventures	2,029	–
– Associates	7,827	7,275
	9,856	7,275
Provision of entrusted loans to related parties		
– Joint ventures	83,300	55,000
– Associates	–	38,400
	83,300	93,400
Repayment of entrusted loans from related parties		
– Joint ventures	25,800	–
– Associates	21,600	40,800
	47,400	40,800
Entrusted loans provided by related parties		
– Joint ventures	20,000	–
– Associates	50,000	55,400
	70,000	55,400
Repayment of entrusted loans to related parties		
– Associates	50,000	62,000
Borrowings provided by related parties		
– Joint ventures	2,281,257	345,673

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Repayment of borrowings from related parties		
– Joint ventures	**2,212,396**	224,172
Guarantee fee paid to related parties		
– GAIGC	**10,000**	–
Rental paid to related parties		
– Subsidiaries of GAIGC	**5,098**	4,954

(b) Significant balances with related parties

The Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade receivables		
– Joint ventures	**330,876**	340,848
– Associates	**57,142**	31,934
	388,018	372,782
Other receivables and prepayments		
– Joint ventures	**167,041**	142,417
– Associates	**14,374**	76,560
	181,415	218,977

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

The Group (continued)

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Dividends receivable from		
– Joint ventures	1,543,778	950,952
– Associates	44,459	31,378
	1,588,237	982,330
Entrusted loans due from		
– Joint ventures	112,500	55,000
– Associates	–	21,600
	112,500	76,600
Trade payables		
– Joint ventures	329,026	687,641
– Associates	174,818	81,594
	503,844	769,235
Advances from customers and other payables due to		
– Joint ventures	12,201	104,356
– Associates	28,610	14,787
	40,811	119,143
Notes payable		
– Joint ventures	536,941	169,847

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

The Group (continued)

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Short-term borrowings		
– One joint venture *(Note ii)*	**206,300**	137,439
Entrusted loans due to		
– Joint ventures	**20,000**	–
– Associates	**55,400**	55,400
	75,400	55,400
Dividend payable		
– Joint ventures	**16,435**	6,190

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

The Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Other receivables		
– Subsidiaries	**6,610**	53,933
Dividends receivable from		
– Subsidiaries	**256,630**	247,960
– Associates	**21,125**	21,465
– Joint ventures	**1,543,778**	–
	1,821,533	269,425
Entrusted loans due from		
– Subsidiaries	**720,000**	700,000
– Joint ventures	**112,500**	55,000
	832,500	755,000
Other payables due to		
– Subsidiaries	**14,301,330**	7,382,054

(i) There was no provision for impairment of receivables from related parties for the year ended 31 December 2013.

(ii) Borrowings from a joint venture, which is a financial institution, are interest bearing (Note 25). Other balances with related parties are unsecured, interest free and repayable on demand.

40. RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**33,574**	20,975

(d) Transactions and balances with other state-owned enterprises in the PRC.

The Group operates in an economic environment predominated by State-owned Enterprises. During the year, 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 none of these transactions are material related party transactions that require separate disclosure except for the transactions with state-owned financial institutions as disclosed below.

(i) Balances with state-owned financial institutions

As at 31 December 2013 and 2012, majority part of the Group's bank balances and borrowings are deposited in or financed from various state-owned financial institutions. The Directors are of opinion that such transactions are conducted in the ordinary course of business and in accordance with normal commercial terms.

(ii) Guarantees given by State-owned Enterprises

As at 31 December 2013 and 2012, details of borrowings secured by guarantees given by a state-owned financial institution and the parent company are presented in Note 25(g) and 25(h).

41. SHARE APPRECIATION RIGHTS SCHEME

In the extraordinary general meeting held on 29 February 2012, the shareholders resolved to grant 35,850,000 Share Appreciation Rights ("SARs") to the Company's directors, senior management and key technical and managerial personnel ("Incentive Recipients"). Pursuant to the Scheme, each unit of SAR is notionally linked to one H Share and represents the rights conferred on the relevant Incentive Recipients to receive in cash stipulated earnings from the increase in market value of the relevant H share. However, no H Shares will actually be issued to any Incentive Recipients. The SARs will have an exercise period of five years from the date of grant. Upon the second, third and fourth anniversary of the grant date, each one third of the SARs will become exercisable. The Directors are of the opinion that the fair value of the liability for the SARs is not material to the Group. No provisions and staff costs were reported in 2013.

Up to 28 February 2014, the first batch SARs assessment date, 910,001 units of the first batch SARs lapsed due to the retirement of certain Incentive Recipients. Meanwhile, as certain performance conditions were not achieved, the remaining 11,040,018 units of the first batch SARs were forfeited.

The Company is of the opinion that the fair value of the SARs is not material to the Group. Accordingly, liabilities for the SARs and related staff costs were not recognised.

42. CONTINGENT LIABILITIES

As at 31 December 2013, there were no financial guarantees provided by the Company to the subsidiaries within the Group (2012: nil).

As at 31 December 2013, the financial guarantees provided to a third party by the Group amounted to approximately RMB 3,967,000 (2012: RMB 7,367,000).

It is expected that the financial guarantees provided by the Group will not lead to any significant liabilities.

43. SUBSEQUENT EVENTS

On 11 March 2014, the Company issued short term bonds amounting to RMB 1,000,000,000 with a period of one year.

On 18 February and 20 March 2014, the Board of Directors of the Company approved GAC Hino, a joint venture of the Company, to transfer all its 90.02% equity interest in GAC Hino (Shenyang) Automobile Co., Ltd. to the Company (or a wholly owned subsidiary of the Company).

On 20 March 2014, the Board of Directors of the Company approved an additional capital contribution of RMB 1,800,000,000 to GAC Fiat.

Five-Year Financial Summary

A summary of the published financial results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below:

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**18,824,199**	12,963,860	10,984,273	8,742,344	7,056,565
Cost of sales	**(16,829,736)**	(12,273,586)	(10,559,896)	(7,999,290)	(6,592,207)
Gross profit	**1,994,463**	690,274	424,377	743,054	464,358
Selling and distribution costs	**(1,070,813)**	(814,760)	(589,242)	(325,572)	(147,820)
Administrative expenses	**(1,712,901)**	(1,332,539)	(1,216,442)	(516,308)	(860,066)
Interest income	**373,577**	279,795	316,222	209,666	137,014
Other (losses)/gains-net	**(432,824)**	12,865	840,288	57,844	(445,324)
Operating (loss)/profit	**(848,498)**	(1,164,365)	(224,797)	168,684	(851,838)
Finance costs	**(645,305)**	(528,644)	(414,744)	(362,288)	(324,858)
Interest income	**102,745**	55,891	57,879	24,986	25,078
Share of profit of joint ventures and associates	**4,020,350**	2,637,092	4,638,648	5,690,212	4,391,087
Profit before income tax	**2,629,292**	999,974	4,056,986	5,521,594	3,239,469
Income tax (expense)/credit	**(100,784)**	64,786	109,914	(1,675)	11,099
Profit for the year	**2,528,508**	1,064,760	4,166,900	5,519,919	3,250,568
Profit attributable to:					
Equity holders of the Company	**2,652,837**	1,133,982	4,271,703	4,295,099	2,031,800
Non-controlling interests	**(124,329)**	(69,222)	(104,803)	1,224,820	1,218,768
	2,528,508	1,064,760	4,166,900	5,519,919	3,250,568

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets, liabilities and non-controlling interests					
Total assets	**57,843,281**	49,433,949	44,611,887	38,519,860	32,769,333
Total liabilities	**23,727,085**	17,370,118	14,426,263	12,675,763	11,327,225
Non-controlling interests	**805,005**	921,760	976,052	232,587	8,382,369