



广汽集团
GAC GROUP

Guangzhou Automobile Group Company Limited
廣州汽車集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code : 2238



2016
Interim Report

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Important Notice

- (I) The Board, the supervisory committee and the directors, supervisors and senior management of the Company warrant that the contents contained herein are true, accurate and complete. There are no false representations or misleading statements contained in or material omissions from this report, and they will jointly and severally accept responsibility.
- (II) All directors of the Company have attended the meetings of the Board.
- (III) The interim financial report of the Company is unaudited. The Audit Committee of the Company has reviewed the unaudited interim report of the Company for the six months ended 30 June 2016 and agreed to submit it to the Board for approval.
- (IV) Zhang Fangyou, the Chairman of the Company, Zeng Qinghong, the General Manager of the Company, Wang Dan, the person in charge of accounting function and Li Canhui, the manager of the accounting department (Chief of Accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this report.
- (V) The Board of the Company proposed payment of interim dividend of RMB0.8 (tax inclusive) in cash for every 10 shares to all shareholders.
- (VI) The forward-looking statements contained in this 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.
- (VII) There is no non-operational appropriation of the Company's funds by its controlling shareholders and their connected parties.
- (VIII) The Company has not provided any third-party guarantees in violation of stipulated decision-making procedures.

(I) CORPORATE INFORMATION

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

(II) CONTACT PERSON AND CONTACT METHOD

	Secretary to the Board
Name	Lu Sa
Address	GAC Centre, Xingguo Road, No. 23, Zhujiang New Town, Tianhe District, Guangzhou
Telephone	020-83150886
Facsimile	020-83150319
E-mail	lus@gac.com.cn

(III) BASIC INFORMATION

Registered address of the Company	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong Province
Postal code of the Company's registered office address	510030
Office address of the Company	GAC Centre, Xingguo Road, No. 23, Zhujiang New Town, Tianhe District, Guangzhou
Postal code of the Company's office address	510623
Principal place of business in Hong Kong	Room 808, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Company's website	www.gac.com.cn
E-mail	ir@gac.com.cn
Investor hotline	020-83151089

(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
Website designated by the CSRC for publishing the interim report	www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing the interim report	www.hkex.com.hk
Place of inspection of the interim report of the Company	22/F, GAC Centre, Xingguo Road, No. 23, Zhujiang New Town, Tianhe District, Guangzhou

(V) INFORMATION ON THE COMPANY'S SHARES

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

Chairman's Statement

Dear shareholders,

On behalf of the Board, I am pleased to present the 2016 interim report of the Group for your review.

BUSINESS REVIEW

During the first half of the year, China adhered to the general principle of seeking progress while keeping performance stable, expanded aggregate demand appropriately and continued to implement positive fiscal policies and prudent monetary policies; focused on pushing forward supply-side structural reform, strongly, suitably and effectively implemented the key tasks of “cutting over capacity, destocking, deleveraging, reducing costs and identifying growth areas” and comprehensively pushed forward “replacing business tax with value-added tax” pilots. Against the backdrop of continuous slow growth in the global economy, signs of stabilization were seen in the economy of China. Compared with the corresponding period last year, China's GDP grew by 6.7%, CPI increased by 2.1%, PPI narrowed successively and the macro-economy showed a stabilizing and positive trend in the first half of the year.

According to the data of China Association of Automobile Manufacturers, the overall production and sales growth of domestic automobile for the first half of the year grew steadily and the extent of growth was significantly higher than the corresponding period last year. The sales growth of SUV and MPV sectors and new-energy vehicles maintained at a high level. The production and sales of vehicles amounted to 12,892,200 units and 12,829,800 units respectively in the first half of the year, representing an increase of 6.47% and 8.14% respectively, as compared with the corresponding period last year, and the growth rates increased by 3.83 and 6.71 percentage points respectively, as compared with the corresponding period last year, of which the production and sales of passenger vehicles amounted to 11,099,400 units and 11,042,300 units respectively, representing an increase of 7.32% and 9.23% as compared with the corresponding period last year; the production and sales of SUV amounted to 3,903,900 units and 3,850,100 units respectively, representing an increase of 42.70% and 44.26% respectively, as compared with the corresponding period last year, with the sales growth slightly slower than the corresponding period last year; the production and sales of MPV amounted to 1,187,100 units and 1,199,900 units respectively, representing an increase of 12.34% and 18.06% respectively, as compared with the corresponding period last year, and the sales growth was higher than the corresponding period last year, but the production and sales of sedans decreased by 5.52% and 3.91% respectively; the production and sales of commercial vehicles amounted to 1,792,700 units and 1,787,400 units respectively, representing an increase of 1.50% and 1.87% respectively, as compared with the corresponding period last year. In addition, the production and sales of new-energy vehicles amounted to 177,000 units and 170,000 units in the first half of the year, representing an increase of 125.0% and 126.9% as compared with the corresponding period last year. The production and sales of motorcycles experienced consistent downturn and the extent of decrease continued to expand in the first half of the year, amounting to 8,163,800 units and 8,157,700 units respectively and representing a decrease of 14.44% and 15.01% respectively, as compared with the corresponding period last year.

The production and sales of vehicles of the Group together with its joint ventures and associated companies were 744,000 units and 731,900 units respectively, representing an increase of 29.59% and 28.74% respectively, as compared with the corresponding period last year, of which the production and sales of SUV amounted to 350,200 units and 343,500 units, representing an increase of 129.33% and 127.19% as compared with the corresponding period last year; the production and sales of motorcycles amounted to 459,000 units and 449,700 units, representing a decrease of 11.60% and 15.32% respectively, as compared with the corresponding period last year. The operating income for the first half of the year was approximately RMB123.233 billion, representing an increase of approximately 29.40% as compared with the corresponding period last year.

The consolidated operating income of the Company amounted to approximately RMB21.429 billion, representing an increase of approximately 87.15% as compared with the corresponding period last year; the net profit attributable to shareholders of listed company amounted to RMB3.982 billion, representing an increase of approximately 127.54% as compared with the corresponding period last year; earnings per share was approximately RMB0.62, representing an increase of approximately 127.54% as compared with the corresponding period last year; and return on net assets was approximately 9.76%, representing an increase of approximately 4.93 percentage points as compared with the corresponding period last year.

During the first half of the year, the Group closely followed the objectives, ideas and tasks ascertained in the beginning of the year, insisted on seeking progress and achievement in a stable manner, identifying issues early, carrying out actions quickly, coordinating effort of all staff members, targeting efforts and taking proactive measures to effectively boost sales in the market. As a result, the year-on-year growth rate of its vehicle sales was approximately 20 percentage points higher than the industrial average and its market share increased by 0.9 percentage points. The Group accomplished “half of the mission within half of the time” in terms of key operation indicators. Both quality and efficiency of its operation were enhanced which laid a solid foundation for the beginning of the Thirteenth Five-Year Plan.

PROSPECTS

In the second half of the year, global trade and market demand would remain subdued. Operation of real economy in China would still be difficult and consumption growth will be stable albeit with a tendency to decline. China's economy will continue to be under downward pressure. Nevertheless, the economy of China continues to retain its upward trend in the long run. Economy is robust, has great potential and plenty of room for maneuvering while the growth momentums of hi-tech sectors, new operation formats and new business models are accelerating. Following further efforts being put into the supply-side structural reform, the gradual launch of various supporting measures for enhancing the reform of state-owned enterprises, active nurturing of new economic structure and reinforcing new development drivers through prudent monetary policies, it is expected that the economy will maintain its stable growth in the second half of the year and the annual GDP growth will be around 6.5-7%. Driven by factors such as new-type industrialization, urbanization, increased purchase and trade-in, energy-saving subsidies, cutting half of purchase tax for vehicles below 1.6L and rigid demand for automobiles, the automobile market will still enjoy growth brought by structural demand. Meanwhile, due to the large number of existing car ownership, together with buying restrictions in major cities, traffic jams, difficult and expensive parking, sharing economy and the inhibition against automobile consumption resulting from pressure on energy conservation and environmental protection, it is expected that the annual growth rate of automobile sales will be approximately 6.1%.

In the second half of the year, the Group will seize the opportunity brought by the nations's stabilizing growth, restructuring, comprehensive deepening reforms and innovation-driven practices. Based on the development plan for Thirteenth Five-year Plan and its annual operation targets, the Group will take development as the theme, focus on efficiency and rely on the driving force of reform to propel the sustaining and promising growth of the Group based on the foundation of its work in the first half of the year.

ACKNOWLEDGEMENT

Finally, on behalf of the Group, I would like to express sincere gratitude to the shareholders, business partners and all employees for their continuous support. Adhering to its philosophy of “people as foundation, integrity as principle, innovation as priority”, the Group will adapt to the new norms and actively strive for development.

(1) SUMMARY OF BUSINESS

The main businesses consist of the research and development, manufacturing, sales and after-sales services of passenger vehicles, commercial vehicles, motorcycles and auto-parts, the import and export of automobile-related products, automobile leasing, second-hand vehicles, logistics services, automobile disassembling, renewable resources, automobile credit, finance leasing, insurance, insurance brokerage services and equity interest investment.

1. Vehicles

The Group's passenger vehicles are mainly produced through its joint ventures Guangqi Honda, GAC Toyota, GAC Fiat-Chrysler and GAC Mitsubishi and its subsidiaries, GAMC and GAMC Hangzhou (廣汽乘用車(杭州)公司). The Company's passenger vehicles mainly consist of multiple series of sedans, SUV and MPV, such as Guangqi Honda Accord, Crider, Vezel, Crosstour, Odyssey, Fit, Everus, etc.; GAC Toyota Camry, Highlander, Yaris L, E'Z, Levin, etc.; GAC Fiat-Chrysler Viaggio, Ottimo, JEEP Cherokee, JEEP Renegade, etc.; GAC Mitsubishi ASX, Pajero, etc.; GAC Trumpchi (GA3, GA3S•Vision, GA5, GA6, GA8, GS4, GS5, GS5•SUPER), etc.

Energy conservation and new energy products of the Group include: hybrid GAC Toyota Camry twin engine and Levin twin engine and GAC Trumpchi programmed hybrid GA5REV.

The Group also participates in the production of Accord sedans through its associated company Honda (China), completely oriented to foreign markets.

The commercial vehicles of the Group are mainly manufactured by GAC Hino, GAC Bus, GAC BYD and GAMC Hangzhou (廣汽乘用車(杭州)公司). Main products include light and heavy trucks, construction vehicles, pickups, large to medium-sized passenger vehicles (including purely electrically powered and hybrid), etc.

As at the end of the first half of the year, production capacity of passenger vehicles and commercial vehicles of the Group was 1,735,100 units.

2. Motorcycles

The Group manufactures motorcycles mainly through its joint venture Wuyang-Honda. Main products include standard motorcycles, sport bikes and scooters, etc.

As at the date of this report, the production capacity of motorcycles of the Group was 1.25 million units.

3. Parts and components

The Group's production of auto-parts was mainly carried out through controlling, jointly controlled, investee companies and associated companies of GAC Component, a subsidiary. The auto-parts include engines, gearboxes, car seats, HVAC systems, auto lamps, automation accessories, redirectors, shock absorbers and accessories. Majority of the products were whole vehicle accessories of the Group.

4. Automobile-related services

The Group's businesses of automobile sales, credit, insurance, finance investment, leasing, logistics and import and export and other related services are mainly carried out through GAC Commercial, GAC-SOFINCO, Urtrust Insurance, GAC Capital, GAC Leasing, Guang Ai Brokers and Tong Fang Logistics.

(2) MAJOR PERFORMANCE OF THE BOARD

In the first half of 2016, the Group actively advanced all kinds of works in an orderly manner and conformed to every expectation comprehensively.

1. Record high economic results

With the Group's dedicated efforts to production, the economic and operational quality and efficiency were further enhanced and accomplished "half of the mission within half of the time". The growth rate of the Group's sales was the top among leading car manufacturers and was higher than the industrial average by 20 percentage points;

The Group's product competitiveness increased continuously. The driving force of "star" products was remarkable and the sales of "star" products such as Trumpchi GS4, Highlander, Vezel and Cherokee were continuously hot. There were realized mutual support between the segments and good coordinated development;

The Group strengthened market research and improved marketing, collected primary opinions and suggestions widely, and proactively took responsive measures, which enhanced satisfaction of the distributors and boosted their confidence.

2. Breakthrough in business of self-developed brands

The Group insisted on driving growth with innovation and continued to strengthen independent research and development and build its innovation capability. It implemented development projects for both traditional energy vehicle model and new energy vehicle model, pursued development of core parts such as battery and motor, as well as research and development of pioneering topics such as preparation and application research of graphene materials, and intelligent vehicle, so as to master the key core technologies and take a step ahead in technology. In the first half of the year, the Group validly applied for 182 new patents, of which 52 were invention patents, 98 practical new design patents and 32 exterior design patents; the Group was granted 265 authorized patents, of which 33 were invention patents, 99 practical new design patents and 133 exterior design patents; and the Group registered 24 new software copyrights.

Trumpchi launched its first high-end executive and commercial vehicle, GA8, in the first half of the year, making a breakthrough by the entering of a self-developed brand into the high-end market from the mid-end market. In the first half of the year, Trumpchi models recorded sales of 159,700 units, representing a growth of 143.47%, as compared with the corresponding period last year.

3. Orderly progress of key projects

The Group's project development yielded extensive results, which fully accelerated the expansion of products and production capacity and further optimized the Group's industrial structure and business layout. The third production line project of GAC Toyota, the GAC Fiat-Chrysler Guangzhou Plant project, capacity expansion project of GAMC and the project of GAMC Hangzhou (廣汽乘用車(杭州)公司) all made good progress according to plans. Approval from the China Banking Regulatory Commission to establish a finance company has been obtained. The cooperation with LeEco to establish Da Sheng Ke Ji (大聖科技) was a major breakthrough in the automotive telematics ecosystem project. Such projects established an industrial structure of "one principal business with diversity" and greatly enhanced the development potential of the Group.

4. Achievement made in capital operation

Leveraging the advantage of domestic financing channels, the Company successfully issued 6-year period A share convertible bonds of RMB4,105.58 million and issued short-term financing bonds of RMB2.3 billion at a low interest rate of 2.85%, saving finance costs of RMB30 million. The Group actively pursued the bond issuance projects by GAC Component and GAC Commercial to enhance the financing capability of investment companies. The Group also assisted the completion of listing of Urtrust Insurance on the New Third Board, which was the first car insurance company listed in China. The Group carried out investor relations management activities in an orderly manner and communicated with more than 300 investors/analysts. Strengthening market capitalization management, the Company has attracted the interest of institutional investors and its market valuation was among the top companies of the industry, with a market capitalization consistently over the level of RMB100 billion. In the first half of the year, the Company was awarded the First Prize in the "Taurus Award Top 100 Listed Companies".

5. Emphasis on improving corporate governance

The Group strengthened the formulation of regulations and rules, formulated and amended 10 internal management systems including "Awarding Measures for Completion-evaluation and Post-evaluation of Annual Projects"; the Group further reinforced Board composition, the operation of the "three meetings", the management and control of investment companies and regulatory management on internal major decisions, etc.; the Group constantly improved information disclosure mechanism and made a total of 87 disclosures and 75 announcements in the markets of China and Hong Kong in the first half of the year without any error, omission or correction; the Group regulated the management of those possessing inside information and there was no leakage of sensitive information; the Group continued to optimize mid-term and long-term incentive plans and properly conduct work such as the incentive share option exercise of A Share.

6. Further shouldering social responsibility

The Group is committed to be an outstanding corporate citizen by actively supporting public welfare and sharing the fruit of harmonized development. It was awarded the Golden Cup of Guangdong Poverty Relief Red Cotton Cup of 2015.

During the first half of the year, the Group supported sports, environmental protection, cultural education, medical relief, assistance and other public welfare and charity with contribution of over RMB15.9537 million.

Discussion and Analysis by the Board on Operation of the Company during the Reporting Period

During the reporting period, revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB123.233 billion, representing an increase of approximately RMB27.998 billion or approximately 29.40% as compared to the corresponding period last year.

During the reporting period, operating revenue of the Group amounted to approximately RMB21.429 billion, representing a growth of approximately 87.15% as compared to the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB3.982 billion, and earnings per share amounted to RMB0.62, representing an increase of approximately 127.54% as compared to the corresponding period last year.

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

1. Sustaining rapid growth of production and sales of GAMC, the Group's self-developed brand, which surged by 132.84% and 143.47% respectively, and Trumpchi GS4 has become a "star" product of the Group's self-developed brand;
2. Sustaining hot sales of joint ventures' models such as Highlander, Vezel and Cherokee which drove the increase in overall sales and facilitated the steady increase of operating results;
3. Ancillary businesses in the upstream and downstream of industry chain such as financial services, auto-parts and commercial services grew alongside with the increase in sales volume of self-developed brand and joint ventures, which contributed to the growth of operating results.

(1) ANALYSIS ON PRINCIPAL BUSINESS

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

Unit: 100 million Currency: RMB

Item	Current period	Corresponding period last year	Change (%)
Revenue	214.29	114.50	87.15
Cost of sales	177.55	103.75	71.13
Selling and distribution costs	12.63	7.13	77.14
Administrative expenses	10.54	6.31	67.04
Finance costs	4.10	4.47	-8.28
Interest income	2.27	1.70	33.53
Share of profit of joint ventures and associated companies	31.64	19.16	65.14
Net cash flow generated from operating activities	28.70	-1.94	1,579.38
Net cash flow generated from investing activities	-62.11	-0.28	-22,082.14
Net cash flow generated from financing activities	47.93	8.10	491.73

Discussion and Analysis by the Board on Operation of the Company during the Reporting Period

2. Revenue

During the reporting period, operating revenue of the Group amounted to approximately RMB21.429 billion, representing an increase of approximately 87.15% as compared with the corresponding period last year, mainly due to the rapid growth of sales volume of the self-developed brand “Trumpchi” of the Group and the rapid development of businesses in the upstream and downstream of industry chain such as the auto-parts and automobile after-sales services.

3. Cost of sales and gross profit

During the reporting period, the Group recorded total cost of sales of approximately RMB17.755 billion, representing an increase of approximately RMB7.380 billion or approximately 71.13% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB3.674 billion, representing an increase of approximately RMB2.6 billion as compared with the corresponding period last year. Gross profit margin increased by 7.76% as compared with the corresponding period last year, mainly due to the combined effect of economies of scale from the increased sales of passenger vehicles as well as the reduction in unit cost as a result of the strengthened cost control.

4. Expense

- (1) The increase of approximately RMB550 million in selling and distribution costs as compared with the corresponding period last year was mainly attributable to the expenses in logistics and warehousing and after-sales services increasing in line with the growth in sales and the increase in advertisement and promotion expense;
- (2) The increase of approximately RMB423 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the increase in labor costs, depreciation and amortization and R&D expenses along with the expansion of the scale of the Group;
- (3) The decrease of approximately RMB37 million in finance costs as compared with the corresponding period last year was mainly attributable to the decrease in average borrowing interest rate during the reporting period, resulting in the decrease of interest expenses;
- (4) The increase of approximately RMB57 million in interest income as compared with the corresponding period last year was mainly attributable to the increase of average deposit balance and enhanced funding utilization during the reporting period.

Discussion and Analysis by the Board on Operation of the Company during the Reporting Period

5. Cash flow

- (1) During the reporting period, net cash inflows generated from operating activities amounted to approximately RMB2.870 billion, representing an increase of approximately RMB3.064 billion as compared with the net cash outflows of RMB194 million of the corresponding period last year, which was mainly attributable to the increase in sales collection along with the increase of sales in the reporting period;
- (2) During the reporting period, net cash outflows arising from investing activities amounted to approximately RMB6.211 billion, representing an increase of approximately RMB6.183 billion as compared with the net cash outflows of approximately RMB28 million in the corresponding period last year, which was mainly attributable to the increase in fixed assets acquired and installed for the expansion of capacity, increased investment in financial products and the increase in time deposits during the reporting period;
- (3) During the reporting period, net cash inflows arising from financing activities amounted to approximately RMB4.793 billion, representing an increase of approximately RMB3.983 billion as compared with net cash inflows of RMB810 million of the corresponding period last year, which was mainly attributable to the issuance of convertible bonds of RMB4.1 billion and the increase in cash dividend paid during the reporting period;
- (4) As at 30 June 2016, cash and cash equivalent of the Group amounted to approximately RMB13.013 billion, representing an increase of approximately RMB2.147 billion as compared with approximately RMB10.866 billion as at 30 June 2015.

6. Share of profit of joint ventures and associated companies

During the reporting period, the Group's share of profit of joint ventures and associated companies amounted to approximately RMB3.164 billion, representing an increase of approximately RMB1.248 billion as compared with the corresponding period last year, which was mainly attributable to the followings: a. the hot sales of vehicle models such as Highlander, Vezel and Cherokee drove the increase in overall sales and the steady increase of operating results of joint ventures; b. the synergy of industries continued to strengthen, and the businesses of auto financing, auto-parts and auto logistics services in the upstream and downstream of the industry chain developed rapidly.

7. Others

Income tax expense amounted to approximately RMB411 million, representing an increase of approximately RMB329 million as compared with the corresponding period last year, which was mainly attributable to the increase of profit of certain enterprises during the reporting period.

In conclusion, the net profit attributable to the parent company of the Group during the reporting period was approximately RMB3.982 billion and earnings per share were approximately RMB0.62, representing an increase of approximately 127.54% as compared with the corresponding period last year.

Discussion and Analysis by the Board on Operation of the Company during the Reporting Period

(2) ANALYSIS BY INDUSTRY, PRODUCT OR REGIONAL OPERATION

1. Principal business by industry

Unit: 100 million Currency: RMB

By industry	Revenue	Cost of sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Vehicles and related trades	207.76	173.48	16.50	89.70	72.87	8.13
Others	6.53	4.06	37.83	31.39	19.41	6.24
Total	214.29	177.55	17.14	87.15	71.13	7.76

2. Principal business by product

Unit: 100 million Currency: RMB

By industry	Revenue	Cost of sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Passenger vehicles	150.94	121.57	19.46	171.23	144.56	8.78
Vehicles related trades	56.61	51.65	8.76	8.03	4.98	2.65
Others	6.74	4.33	35.76	4.50	-10.54	10.80
Total	214.29	177.55	17.14	87.15	71.13	7.76

3. Principal business by region

Unit: 100 million Currency: RMB

By region	Revenue	Changes in revenue as compared with last year (%)
Mainland China	214.23	87.13
Hong Kong	0.06	200.00
Total	214.29	87.15

Discussion and Analysis by the Board on Operation of the Company during the Reporting Period

(3) ANALYSIS ON ASSETS AND LIABILITIES

1. Table of assets and liabilities analysis

Unit: 100 million Currency: RMB

Item	Balance at the end of the current period	Balance at the end of the period to total assets (%)	Balance at the end of previous period	Balance at the end of previous period to total assets (%)	Change (%)
Available-for-sale financial assets	58.16	7.38	22.81	3.39	154.98
Time deposits	75.89	9.63	40.87	6.08	85.69
Borrowings	173.35	22.01	119.28	17.74	45.33
Government grants	16.43	2.09	10.77	1.60	52.55

2. Analysis on change of items

- (1) Available-for-sale financial assets increased by 154.98%, mainly due to the reasonable use of funding to increase the purchase of financial products during the reporting period;
- (2) Time deposits increased by 85.69%, mainly due to the reasonable arrangement of deposits structure in accordance with capital needs during the reporting period;
- (3) Borrowings increased by 45.33%, mainly due to the issuance of convertible bonds of RMB4.1 billion during the reporting period;
- (4) Government grants increased by 52.55%, mainly due to the receipt of government grants for research and development of new energy cars and products and the project on expansion of capacity of passenger cars.

Discussion and Analysis by the Board on Operation of the Company during the Reporting Period

(4) ANALYSIS ON FINANCIAL POSITION

1. Financial indicators

As at 30 June 2016, the Group's current ratio was approximately 1.52 times, representing an increase from approximately 1.50 times as at 31 December 2015, and quick ratio was approximately 1.23 times, representing a decrease from approximately 1.31 times as at 31 December 2015. Such decrease was mainly due to the increase in current liabilities as a result of the increase in trade payables alongside with the increase in production and sales.

2. Financial resources and capital structure

As at 30 June 2016, the Group's current assets amounted to approximately RMB34.517 billion, current liabilities amounted to approximately RMB22.614 billion and current ratio was approximately 1.52 times. As at 30 June 2016, the Group's total borrowings amounted to approximately RMB17.335 billion, mainly consisting of debentures issued by the Group with nominal value of RMB600 million, corporate bonds issued with nominal value of RMB6 billion, short-term financing bonds with nominal value of RMB2.3 billion, convertible bonds with nominal value of RMB4.1 billion and loans from bank and financial institutions amounting to approximately RMB4.779 billion, which resulted in a gearing ratio of approximately 28.80%. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

3. Foreign exchange risk

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

4. Contingent liabilities

As at 30 June 2016, third-party guarantee committed by the Group amounted to RMB6,907,570, whereas that as at 31 December 2015 was RMB8,577,078; as at 30 June 2016, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2015 was RMB0.

5. Details on charges on the Group's assets

There has been no material change to charges on the Group's assets since such information was disclosed in the most recent published annual report of the Group.

Discussion and Analysis by the Board on Operation of the Company during the Reporting Period

(5) ANALYSIS ON CORE COMPETITIVENESS

During the reporting period, the core competitiveness of the Group is mainly reflected in:

1. Industry layouts with complete industry chain and optimized structure

The Group has formed the industry strategic layout based in South China and radiating to North China, Central China, East China and Bohai Rim Region and a complete closed-loop industry chain centering upon manufacture of vehicles and covering research and development of vehicles and parts and components in the upstream and automobile service and financial investment in the downstream, and has become one of the automobile groups with the most integrated industry chain and the most optimized industry layout in China. The synergy in the upstream and downstream of the industry chain progressed gradually, new profit growth points are emerging and the comprehensive competitiveness of the Group has been constantly enhanced.

2. Advanced manufacturing, craftsmanship, quality and procedure management

The Group has comprehensive advantages in terms of manufacturing, craftsmanship, quality and procedure management, mainly including: (1) world leading quality advantage; (2) innovation advantage brought by “continued improvement”; (3) cost advantage brought by seeking for greater perfection.

3. Enriched product line and optimized product structure

The Group has a full range of products including sedans, SUV, MPV, etc., and it actively promotes the iteration of products based on the changes in the markets and the demand of consumers. It has maintained customer loyalty and a widely recognized brand reputation.

4. Initialized the “GAC Model” of the research and development and production system of self-developed brand

Through introducing, digesting, absorbing and re-innovating, the Group formulated a world class production system. The Group integrated global resources and established a cross-platform and modular-structured R&D system so as to acquire the advantage of integrated R&D innovation.

5. Worldwide connecting capital operation platforms

The Group successfully built capital operation platforms in both A share and H share markets, which was favourable to the Group by allowing it to leverage on the myriad of investment and financing tools of domestic and overseas capital markets and through the integration of internal and external growth, the Group achieved effective resource allocation, capital appreciation and maximization of corporate value.

Significant Events

(1) 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.

(2) MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company held the 24th meeting of the 4th Session of the Board on 9 May 2016, at which it was agreed that due to continuous losses, GAC Hino (Shenyang) Motor Co., Ltd., a wholly-owned subsidiary of the Company, will be dissolved according to relevant laws and regulations. Currently, the liquidation is progressing according to prescribed procedures.

(3) TRANSACTION OF ASSETS AND MERGER OF BUSINESS

I. Matters concerning acquisition and disposal of assets as well as merger of business of the Company that had been disclosed in the provisional announcements and had no changes in subsequent implementation

Description and nature	Query Index
Acquisition of 49% equity interests in GAC Gonow Automobile Co., Ltd. held by Zhejiang Gonow Holdings Limited, by Guangzhou Automobile Group Motor Co. Ltd., a wholly-owned subsidiary of the Company.	On 18 March 2016, the “Announcement on Decision of the 17th Meeting of the 4th Session of the Board” was disclosed on the websites of SSE and Hong Kong Stock Exchange. (Announcement No.: Lin 2016-022)

(4) IMPLEMENTATION OF THE SHARE OPTION INCENTIVE SCHEME AND ITS EFFECT

1. Matters concerning share option incentives that had been disclosed in the provisional announcement and had no changes in subsequent implementation

Description	Query Index
The Group approved the “Scheme of H Share Appreciation Rights and the first grant scheme”. The targeted participants included the directors, senior management, key technical and management staff of the Group. As the grant condition with respect to the results was not met, the third session of H share appreciation rights has lapsed.	The “Announcement on Implementation Progress of First Grant Plan of H Share Appreciation Rights” was disclosed on the websites of SSE and the Hong Kong Stock Exchange on 3 March 2016 stating as the grant condition with respect to the results was not met, the remaining unvested share appreciation rights of 11,949,962 shares has lapsed. As a result, all H share appreciation rights first granted by the Company has lapsed. (Announcement No.: Lin 2016-018)

(5) MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trusts, contracts and lease arrangements

The Company had no trusts, contracts or lease arrangements during the reporting period.

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 (Date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	The guarantee is fully performed	Overdue	Overdue amount	Whether counter guarantee is available	Whether guarantee is provided to related parties	Relationship
Guangzhou Automobile Group Autobus Co., Ltd	wholly-owned subsidiary	Foshan City Nan Hai Fo Guang Public Motor Company (佛山市南海佛廣公共汽車有限公司)	6,456,450	25 July 2014	19 September 2014	19 September 2019	Suretyship of joint and several liability	No	No	0	No	No	
GAC Hino (Shenyang) Motors Co., Ltd	wholly-owned subsidiary	Guangzhou Yang Cheng Zhi Lv Tourism and Transport Co., Ltd. (廣州羊城之旅遊運輸有限公司)	451,120	1 December 2014	1 December 2014	30 November 2016	Suretyship of joint and several liability	No	No	0	No	No	
Guangzhou Automobile Group Business Co., Ltd	wholly-owned subsidiary	Guangzhou United Exchange Park Business Investment Co., Ltd. (廣州聯合交易園區經營投資有限公司)	4,220,000	26 March 2015	26 March 2015	26 March 2018	Suretyship of joint and several liability	No	No	0	No	Yes	Associated company
Guangzhou Automobile Group Business Co., Ltd	wholly-owned subsidiary	Guangzhou United Exchange Park Business Investment Co., Ltd. (廣州聯合交易園區經營投資有限公司)	81,490,000	26 March 2015	26 March 2015	26 March 2018	Suretyship of joint and several liability	No	No	0	No	Yes	Associated company
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)												92,617,570	
Guarantee provided to subsidiaries of the Company													
Total guarantee provided to subsidiaries of the Company during the reporting period													
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period(B)													
Total guarantee of the Company (including those provided to subsidiaries)													
Total guarantee (A+B)												92,617,570	
Proportion of total guarantee in the net assets of the Company (%)												0.22	
In which:													
Amount of guarantees provided for shareholders, ultimate controllers and its connected parties (C)													
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)													
Total amount of guarantees in excess of 50% of net assets (E)													
Sum of the above three guaranteed items (C+D+E)													
Description on outstanding guarantees which may bear several and joint liability													
Description on guarantees													

(6) CONVERTIBLE BOND OF THE COMPANY

1. Issuance of convertible bonds

According to the “Reply relating to Approval of the Issuance of Convertible 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可轉換公司債券的批復》)(證監許可[2015] No.3131) issued by the CSRC dated 30 December 2015, the Company was approved to publicly issue at par a total of RMB4,105.58 million 6-year term convertible bonds of nominal value RMB100 each on 22 January 2016.

With the approval from the SSE (Self-regulation Decision [2016] No.26 (自律監管決定書[2016]26號文)), the convertible bonds amounting to RMB4,105.58 million issued by the Company was listed and traded on the SSE from 4 February 2016.

2. Holders and guarantors of convertible bonds during the reporting period

Number of holders of the Company's convertible bonds as at the end of the reporting period	1,306	
Guarantor of the Company's convertible bonds	Nil	
Top ten holders of the Company's convertible bonds:		
	Amount held at the end of the reporting period (RMB)	Holding proportion (%)
Holders of the Company's convertible bonds		
China Construction Bank Corporation – Huashang Shuang Zhai Feng Li Bond Securities Fund (華商雙債豐利債券型證券投資基金)	217,386,000	5.29
Industrial and Commercial Bank of China Limited – E Fund Management Anxin Huibao Bond Securities Investment Fund (易方達安心回報債券型證券投資基金)	172,860,000	4.21
Guotai Junan Securities Co., Ltd.	154,900,000	3.77
Pingan Anyi Fixed-Income Pension Product (平安安益固定收益型養老金產品) – China Construction Bank Corporation	128,813,000	3.14
China Galaxy Securities Co., Ltd.	110,686,000	2.70
China Construction Bank Corporation – Huashang Shouyi Zengqiang Bond Securities Investment Fund (華商收益增強債券型證券投資基金)	108,783,000	2.65
Ping An Insurance (Group) Company of China, Ltd. Enterprise Annuity Plan – China Merchants Bank Co., Ltd.	67,165,000	1.64
Zhongrong Fund – Bank of Nanjing – Rongxin No.1 Asset Management Plan (融鑫1號資產管理計劃)	62,000,000	1.51
Industrial and Commercial Bank of China Limited – Nanfang Guan Li Huibao Bond Securities Investment Fund (南方廣利回報債券型證券投資基金)	54,985,000	1.34
China Construction Bank – Huaan Stable Yield Bond Securities Investment Fund (華安穩定收益債券型證券投資基金)	50,000,000	1.22

3. Changes in the convertible bonds during the reporting period

Unit: Yuan Currency: RMB

Name of convertible bond	Prior to current changes	Increase/decrease in the current changes			After current changes
		Converted	Redeemed	Resold	
GAC Convertible Bonds	4,105,580,000				4,105,580,000

4. Aggregated conversion of convertible bonds during the reporting period

Amount of shares converted during the reporting period (RMB)	0
Number of shares converted during the reporting period	0
Aggregated number of shares converted	0
Aggregated number of shares converted per the total number of shares issued by the Company before conversion (%)	0
Outstanding convertible bonds (RMB)	4,105,580,000
Outstanding convertible bonds per the total number of convertible bonds issued (%)	100

5. Adjustments in the conversion prices

Date of conversion price adjustment	Conversion price after adjustment	Date of disclosure	Media of disclosure	Description of the conversion price adjustment
21 June 2016	RMB21.87	13 June 2016	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily	In connection with the implementation of cash dividend distribution plan of 2015, the conversion price of GAC Convertible Bonds was adjusted from RMB21.99 per share to RMB 21.87 per share
The latest conversion price as at the end of the reporting period				RMB21.87

6. Information on the Company's liability and credit changes as well as the cash arrangement for the future annual debt repayment

United Credit Ratings Co., Ltd. provided tracking credit rating for the convertible bonds of the Company and issued the "Tracking Credit Rating Report for the Convertible bonds of Guangzhou Automobile Group Co., Ltd." (聯合評字 [2016] No.470) on 25 May 2016. The Credit Report maintained the AAA credit rating of the convertible bonds of the Company and maintained the AAA long-term credit rating of the Company (as issuer) with stable outlook.

(7) CORPORATE GOVERNANCE

The Group strictly complied with the requirements relating to corporate governance under the "Company Law", the "Securities Law", "Corporate Governance Guidelines of Listed Companies", "Listing Rules of the Shanghai Stock Exchange", "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" and its appendix, "Corporate Governance Code". The Group has established relatively sound governance structure, and to adapt to the need of sustainable development, further enhanced management structure, standardized operations and established new systems and mechanisms through innovation and reform. During the reporting period, the corporate governance of the Company was the same as required by the Company Law and relevant provisions of CSRC.

During the reporting period, a total of 1 general meeting, 12 Board meetings, 4 meetings of the Supervisory Committee were held, and the procedures of the convening, holding and considering and voting for meetings have been in strict compliance with the Articles of Association and rules of proceedings.

During the operational decision-making process, the special committees of the Board fully played their roles. During the reporting period, a total of 4 Audit Committee meetings, 3 Nomination Committee meetings, 2 Remuneration and Evaluation Committee meetings and 1 Strategy Committee meeting were held, which provided effective decision-making support for the investments in significant projects, and provided active and effective recommendations and advices for the preparation of periodic reports in compliance with applicable regulations and the continuous improvement of internal control mechanism of the Company.

During the reporting period, the Company formulated detailed rules for the annual review of key projects and related systems, further improved the basic management system and provided solid foundation for the continuous improvement of working efficiency and management level for the corporate governance.

In addition, in accordance with the requirement of "Basic Principles for Internal Control of Enterprises" and "Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies", the Company prepared and disclosed 2015 evaluation report of internal control and engaged intermediaries to audit the internal control of the Company.

The Company has adopted the Model Code for "Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Hong Kong Listing Rules. After making specific enquiries with all directors by the Company, all directors have confirmed that they have fully complied with such Model Code throughout the reporting period.

(8) PROFIT DISTRIBUTION PLAN OR CONVERSION OF CAPITAL RESERVES**1. Implementation or adjustment of profit distribution plan during the reporting period**

Upon the consideration and approval at the 2015 annual general meeting of shareholders of the Company held on 27 May 2016, the Company proposed to declare dividend of RMB1.2 (tax inclusive) in cash for every 10 shares to all shareholders and such dividend had already been distributed.

2. Declared half-year profit distribution plan and conversion of capital reserves

Whether making profit distribution or converting surplus reserves into share capital	Yes
Number of bonus share for every 10 shares	0
Amount of cash dividend for every 10 shares (RMB) (including tax)	0.8
Number of shares converted for every 10 shares	0
Relevant explanation on profit distribution plan or plan to convert surplus reserves into shares	
At the 29th meeting of the 4th Session of the Board of the Company, the 2016 interim profit distribution plan was considered and it was decided that a cash dividend of RMB0.8 per 10 shares (tax inclusive) shall be distributed to all shareholders of the Company, which is expected to be paid to the shareholders on or before 25 October 2016.	

(9) TRANSACTIONS IN RELATION TO PRINCIPAL JOINTLY CONTROLLED ENTITY

At the time of listing of the Company, the Hong Kong Stock Exchange granted a conditional waiver from strict compliance with the requirements of Chapters 14 and 14A of the Hong Kong Listing Rules in respect of immaterial jointly controlled entities. The Company is required to review whether the immaterial jointly controlled entities met the conditions in the waiver on a yearly basis. As the size tests calculated based on the financial statements for the year 2015 exceeded the threshold of 5%, GAC Fiat-Chrysler has become a jointly controlled entity of the Group.

(10) OTHER DISCLOSURES**1. Production safety**

The Group adhered to the guidelines of safety first, focus on prevention and comprehensive control, strictly implemented accountability system for production safety, and performed duties of supervising and directing the safety management work of every investment company. It continued to enhance the targeted management of safety production responsibilities, comprehensively carried out the standardized production safety, improved the emergency rescue system for production safety accidents, actively carried out the propaganda and training of safety production and handling of potential accident hazards, and actively and practically enhanced the construction of corporate safety culture.

During the first half of the year, the Group and every investment company had experienced no serious injury or above accidents, and its safety production condition remained stable in general.

2. Environmental protection

The Group focused on the targets of energy conservation, emission reduction, sewage reduction and efficiency improvement, dedicated to the development of energy-conserving and new energy vehicles, increased promotion of green vehicle models, and strengthened the popularity of sustainable vehicles. It continued to carry out a wide range of energy conservation and emission reduction activities, practiced green living and enhance staff's environmental protection awareness, applying green and eco-friendly philosophy and promoting construction of smart intensive eco-friendly factories (smart SSC) when constructing factories, and put into practice the new concept of environmental protection for corporate citizens.

3. Remuneration and legal rights of employees

As at 30 June 2016, there were 69,686 registered employees in the Group (including its investees).

Based on its overall development plan, the Group took further steps to establish and improve various human resource management systems and attached importance to maintaining the market competitiveness of its remuneration. By studying and analyzing market remuneration data, CPI growth rate and industry benchmark, the Group reviewed its remuneration system and popularized a salary negotiation mechanism, so as to ensure that the remuneration system plays an incentive role in attracting and retaining talents.

At the same time, the Group advocated the implementation of performance-linked remuneration policy, continuously improved the performance evaluation system, paid attention to the management of evaluation result and procedures and motivated employees to enhance efficiency and performance.

The Group respects the legal rights of employee, formulates rules and systems relating to human resources management according to laws, signs labour contract with them and implements collective contract negotiation. It attached great importance to the establishment and improvement of employee benefits system, made timely and full-amount contributions to various social insurances, housing provident funds and other statutory benefit schemes, abided by the regulations on work time, breaks and leaves; certain investees of the Group have established benefits systems including supplementary medical insurance, supplementary pension insurance (or enterprise annuity).

4. Future plans for material investments or capital assets

Save as disclosed in the most recent published annual report of the Group, the Group does not have any specific future plans for material investments or capital assets.

Changes in Shares and Shareholders

(1) STATEMENT OF CHANGES IN SHARE CAPITAL

Statement of changes in shares

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

Changes in restricted shares

During the reporting period, there was no change in restricted shares of the Company.

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

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

(3) SHARE INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2016, the interests and short positions of the persons (other than directors and supervisors) interested in 5% or more of the respective classes of issued capital, as recorded in the register of interests 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 (Note 1)	Percentage in the class of issued share capital (%)	Percentage of total share capital (%)
GAIG (Note 2)	A Shares	Beneficial owner	3,679,503,529 (L)	87.16	60.30
	H Shares	Interest of a controlled corporation	201,112,000 (L)	9.09	
Templeton Asset Management Limited	H Shares	Investment manager	219,967,382 (L)	9.94	3.42
BlackRock, Inc.	H Shares	Interest of a controlled corporation	137,269,474 (L)	6.20	2.13
			190,000 (S)	0.01	0.003
Westwood Global Investments, LLC (Note 3)	H Shares	Investment manager	204,984,017 (L)	9.26	3.19
Bryan Ward	H Shares	Interest of a controlled corporation	204,984,017 (L)	9.26	3.19
Margaret (Meg) Reynolds	H Shares	Interest of a controlled corporation	204,984,017 (L)	9.26	3.19

Changes in Shares and Shareholders

Notes:

1. (L) – Long Position, (S) – Short Position, (P) – Lending Pool
2. The number of shares reflects the total number of A shares of the Company held by GAIG on 30 June 2016, which was 3,705,129,384 shares in total, representing approximately 87.76% of the A share capital of the Company. At the same time, it holds 207,542,000 H shares through its wholly owned subsidiary in Hong Kong, GAC (HK), and “Southbound Transaction”, representing approximately 9.38% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG are 3,912,671,384 shares in total, representing approximately 60.80% of the total share capital of the Company.
3. Westwood Global Investments, LLC is owned by Bryan Ward and Margaret (Meg) Reynolds respectively.

Directors, Supervisors and Senior Management

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

Name	Position	Way of Change	Reason for change
Jiang Ping	Deputy general manager	Resigned	Retired
Chen Hanjun	Deputy general manager	Appointed	Change of appointment
Su Zhanpeng	Supervisor	Resigned	Resignation
Wang Junyang	Supervisor	Election	Election
Wu Song	Deputy general manager	Appointed	Appointment

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

As at 30 June 2016, the interests of the directors, supervisors and senior management of the Company in the shares of the Company and its associated corporations (as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) of the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, were as follows (unit: share):

1. Interest in shares

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

Name	Capacity	Number of shares held at the beginning of the reporting period	Number of shares held at the end of the reporting period	Increase/decrease during the reporting period
Yao Yiming	Non-executive director and deputy party secretary	536,597	536,597	0
Chen Maoshan	Non-executive director, chairman of the labor union	79,481	79,481	0
Gao Fusheng	Chairman of the supervisory committee	87	87	0
Lu Sa	Executive director, deputy general manager, company secretary and secretary of the Board	20,000	20,000	0
Total	/	636,165	636,165	0

Save as the above directors and supervisors, other directors, supervisors and senior management of the Company did not have interests in underlying shares during the reporting period.

Directors, Supervisors and Senior Management

2. A share options

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talented individuals, fully mobilize the enthusiasm of the directors, senior management and other core businesses, technical and management key personnel of the Company, and bond the interests of shareholders, the Company and individual operators together effectively, making all parties to attend to the long-term development of the Company, the A share option incentive scheme is formulated and was passed at the first extraordinary general meeting of 2014 held on 19 September 2014. The date of grant was 19 September 2014.

As at 19 September 2014, the exercise price of the A share option was RMB7.6 per share. Moreover, as at 30 June 2016, the Company had distributed its profits 4 times since the date of grant, the exercise price of the A share option was therefore adjusted to RMB7.24 per share.

The allocation of A share options granted to participants is set out below:

Currency: RMB

Name	Position	Number of A share options held at the beginning of the reporting period (ten thousand)	Number of A share options to be granted	Exercisable shares during the reporting period	Shares of A share options to be exercised during the reporting period	Exercise price of A share options (Yuan)	Number of A share options held at the end of the reporting period (ten thousand)
Zhang Fangyou	Chairman	95.00	0	0	0	7.24	95.00
Zeng Qinghong	Vice chairman, general manager	90.00	0	0	0	7.24	90.00
Yuan Zhongrong	Vice chairman	81.00	0	0	0	7.24	81.00
Yao Yiming	Non-executive director	74.00	0	0	0	7.24	74.00
Feng Xingya	Executive director	76.00	0	0	0	7.24	76.00
Lu Sa	Executive director, deputy general director, secretary of the Company and secretary of the Board	76.00	0	0	0	7.24	76.00
Wu Song	Executive director	74.00	0	0	0	7.24	74.00
Chen Maoshan	Non-executive director	74.00	0	0	0	7.24	74.00
Senior, middle level and other core businesses, technical and management key personnel (total 612 people)	/	5,794.86	0	0	0	7.24	5,794.86

Directors, Supervisors and Senior Management

Name	Position	Number of A share options held at the beginning of the reporting period (ten thousand)		Shares of A share options to be exercised during the reporting period		Exercise price of A share options (Yuan)	Number of A share options held at the end of the reporting period (ten thousand)
		Number of A share options to be granted	Exercisable shares during the reporting period	exercised during the reporting period			
Total	/	6,434.86	0	0	0	/	6,434.86

Notes:

1. The actual gains of exercise under the A share option incentive scheme shall not exceed 40% of the total remuneration level (including gains of share option incentives) of participants in principle. All participants undertake that, if the price of shares is so high during the validity period that it causes the actual gains of share option incentives exceeding the aforesaid proportion, the excess portion shall belong to the Company.
2. The participants of the A share option incentive scheme do not take part in two or more share option incentive schemes of listed companies. Major shareholders or controllers who hold 5% or more of the shares or their spouse, immediate or close relatives do not take part in the scheme.
3. The aggregate number of share options to be granted to any of the above participants under the A share option incentive scheme and held throughout the validity period does not exceed 1% of the total share capital of the Company.

The whole A share option incentive scheme shall be effective for 10 years, and in principle, certain number of share options will be granted to participants every two years. The scheme shall be effective for 5 years from the date of grant of the share options.

The vesting period under the A share option incentive scheme is 24 months. The exercise period and the exercise arrangements in each stage are as follows:

Exercise arrangements	Exercise period	Exercise proportion
First exercise	Commencing from the first trading day after expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant	1/3
Second exercise	Commencing from the first trading day after expiry of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant	1/3
Third exercise	Commencing from the first trading day after expiry of the 48-month period from the date of grant and ending on the last trading day of the 60-month period from the date of grant	1/3

The participants shall complete the exercise of share options during the validity period. If the conditions of exercise are not fulfilled, the share options for that period shall not be exercised. If the conditions of exercise are fulfilled but not all of the relevant share options for that period have been exercised, such portion of the share options shall be cancelled by the Company.

Condensed Consolidated Interim Financial Information

INTERIM CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	1,840,372	1,819,702
Property, plant and equipment	7	12,120,756	10,581,208
Investment properties	7	363,182	343,958
Intangible assets	7	4,930,315	4,826,902
Investments in joint ventures and associates	8	21,673,476	18,478,158
Deferred income tax assets	9	536,912	440,538
Available-for-sale financial assets		2,139,191	2,035,344
Held-to-maturity investments		16,712	79,854
Prepayments and long-term receivables		633,111	620,125
		<u>44,254,027</u>	<u>39,225,789</u>
Current assets			
Inventories		1,923,303	1,926,988
Trade and other receivables	10	7,120,544	8,726,885
Available-for-sale financial assets		3,677,004	245,482
Held-to-maturity investments		59,908	40,000
Financial assets at fair value through profit or loss		530,189	486,531
Time deposits		7,589,281	4,086,517
Restricted cash		508,537	837,094
Cash and cash equivalents		13,012,707	11,548,480
		<u>34,421,473</u>	<u>27,897,977</u>
Non-current assets held for sale		95,922	95,922
		<u>34,517,395</u>	<u>27,993,899</u>
Total assets		<u>78,771,422</u>	<u>67,219,688</u>

Condensed Consolidated Interim Financial Information

	<i>Note</i>	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	6,435,019	6,435,019
Other reserves		11,358,114	11,321,467
Retained earnings		24,099,369	20,890,023
		41,892,502	38,646,509
Non-controlling interests		962,248	844,811
Total equity		42,854,750	39,491,320
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	67,806	74,331
Borrowings	13	11,286,067	7,648,901
Deferred income tax liabilities	9	47,140	41,607
Provisions		258,644	230,813
Government grants		1,642,588	1,076,795
		13,302,245	9,072,447
Current liabilities			
Trade and other payables	12	16,101,599	14,076,709
Current income tax liabilities		463,650	300,491
Borrowings	13	6,049,178	4,278,721
		22,614,427	18,655,921
Total liabilities		35,916,672	27,728,368
Total equity and liabilities		78,771,422	67,219,688

The notes on pages 35 to 69 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Interim Financial Information

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
Revenue	6	21,429,106	11,449,667
Cost of sales		(17,754,631)	(10,374,780)
Gross profit		3,674,475	1,074,887
Selling and distribution costs		(1,263,490)	(712,550)
Administrative expenses		(1,054,385)	(630,771)
Interest income		177,805	113,479
Other gains – net		88,284	431,718
Operating profit	14	1,622,689	276,763
Finance costs	15	(410,411)	(446,759)
Interest income		48,829	56,334
Share of profit of joint ventures and associates	8	3,163,769	1,916,124
Profit before income tax		4,424,876	1,802,462
Income tax expense	16	(410,605)	(81,194)
Profit for the period		4,014,271	1,721,268
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss – change in value of available-for-sale financial assets, net of tax		(13,987)	21,599
Total comprehensive income for the period		4,000,284	1,742,867

Condensed Consolidated Interim Financial Information

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
Profit/(loss) attributable to:			
Equity holders of the Company		3,981,548	1,749,629
Non-controlling interests		32,723	(28,361)
		<u>4,014,271</u>	<u>1,721,268</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		3,972,677	1,760,142
Non-controlling interests		27,607	(17,275)
		<u>4,000,284</u>	<u>1,742,867</u>
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– basic	17	<u>0.62</u>	<u>0.27</u>
– diluted	17	<u>0.60</u>	<u>0.27</u>

The notes on pages 35 to 69 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Interim Financial Information

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	6,435,019	11,321,467	20,890,023	38,646,509	844,811	39,491,320
Comprehensive income						
Profit for the period	–	–	3,981,548	3,981,548	32,723	4,014,271
Other comprehensive loss – Available-for-sale financial assets, net of tax	–	(8,871)	–	(8,871)	(5,116)	(13,987)
Total comprehensive (loss)/income	–	(8,871)	3,981,548	3,972,677	27,607	4,000,284
Transactions with owners in their capacity as owners						
Dividends declared by the Company and subsidiaries	–	–	(772,202)	(772,202)	(29,651)	(801,853)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	34,850	34,850
Changes in ownership interests in a subsidiary without change of control (Note 21)	–	(346,107)	–	(346,107)	84,059	(262,048)
Convertible bond – equity component (Note 13)	–	387,677	–	387,677	–	387,677
Others	–	3,948	–	3,948	572	4,520
Total transactions with owners in their capacity as owners	–	45,518	(772,202)	(726,684)	89,830	(636,854)
Balance at 30 June 2016	6,435,019	11,358,114	24,099,369	41,892,502	962,248	42,854,750
Balance at 1 January 2015	6,435,019	10,919,625	18,098,547	35,453,191	795,956	36,249,147
Comprehensive income						
Profit/(loss) for the period	–	–	1,749,629	1,749,629	(28,361)	1,721,268
Other comprehensive income – Available-for-sale financial assets, net of tax	–	10,513	–	10,513	11,086	21,599
Total comprehensive income/(loss)	–	10,513	1,749,629	1,760,142	(17,275)	1,742,867
Transactions with owners in their capacity as owners						
Dividends declared by the Company and subsidiaries	–	–	(514,802)	(514,802)	(29,444)	(544,246)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	2,700	2,700
Acquisition of non-controlling interests	–	(9,958)	–	(9,958)	9,958	–
Consideration paid for business combination between entities under common control	–	(82,712)	–	(82,712)	–	(82,712)
Others	–	2,349	–	2,349	4,399	6,748
Total transactions with owners in their capacity as owners	–	(90,321)	(514,802)	(605,123)	(12,387)	(617,510)
Balance at 30 June 2015	6,435,019	10,839,817	19,333,374	36,608,210	766,294	37,374,504

The notes on pages 35 to 69 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Interim Financial Information

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	3,408,248	134,723
Interest received	222,387	194,631
Interest paid	(427,122)	(373,940)
Income tax paid	(333,670)	(149,414)
Net cash flows generated from/(used in) operating activities	2,869,843	(194,000)
Cash flows from investing activities		
Purchases of property, plant and equipment, land use rights, investment properties and intangible assets	(2,256,898)	(1,711,904)
Proceeds from sales of property, plant and equipment	68,002	78,966
Consideration paid for acquisition of non-controlling interests	(262,048)	(5,500)
Capital injection to joint ventures	(601,500)	(648,200)
Additional capital investment in associates	(18,239)	(49,192)
Disposal of a joint venture	–	31,846
Acquisition of available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss and loans and receivables	(14,334,054)	(13,717,889)
Disposal of available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss and loans and receivables	11,140,639	11,204,095
Granting of entrusted loans	(626,360)	(500,000)
Proceeds from repayment of entrusted loans	652,151	681,196
Receipt of government grants related to assets	648,660	18,356
Dividends received	3,009,814	2,707,250
(Increase)/decrease in time deposits	(3,502,764)	1,883,087
Prepayment for investment deposits	(128,000)	–
Net cash flows used in investing activities	(6,210,597)	(27,889)

Condensed Consolidated Interim Financial Information

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cash flows from financing activities		
Contribution from non-controlling shareholders of subsidiaries	34,850	64,831
Distribution to shareholders of the Company and non-controlling shareholders of subsidiaries	(805,885)	(28,413)
Consideration paid for business combination between entities under common control	–	(82,712)
Proceeds from bank borrowings	1,458,966	2,242,493
Repayments of bank borrowings	(2,253,343)	(2,365,767)
Proceeds from short-term debentures and corporate bonds	2,294,130	1,979,382
Proceeds from convertible bonds	4,064,524	–
Repayments of short-term debentures	–	(1,000,000)
Net cash flows generated from financing activities	4,793,242	809,814
Net increase in cash and cash equivalents	1,452,488	587,925
Cash and cash equivalents at beginning of the period	11,548,480	10,274,285
Exchange gains on cash and cash equivalents	11,739	3,889
Cash and cash equivalents at end of the period	13,012,707	10,866,099

The notes on pages 35 to 69 form an integral part of these interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

1 GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and automotive 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 of 30 June 2004 into 3,499,665,555 shares at RMB 1 each. In 2009, the Company issued additional 435,091,902 shares at par value of RMB 1 each to all its shareholders. After the capital injection and as of 31 December 2009, the Company’s total issued domestic shares were 3,934,757,457.

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 (“CSRC”), the Company paid cash and issued 286,962,422 ordinary shares denominated in RMB 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.

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB”) Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 26 August 2016.

This condensed consolidated interim financial information has not been audited.

Key events

In April 2016, Guangzhou Automobile Group Motor Co., Ltd. (“GAC Motor”), a wholly-owned subsidiary of the Company, acquired 49% of the equity interest of GAC Gonow Automobile Co., Ltd. (“GAC Gonow”), for a purchase consideration of RMB 262,048,000. Further details are given in Note 21.

On 22 January 2016, the Group issued 41,055,800 units of convertible bonds at a total par value of RMB 4,105,580,000. Further details are given in Note 13.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, 'Interim financial reporting'.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those described in the annual financial statements for the year ended 31 December 2015.

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

- (a) The following new standards and amendments, revisions and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2016:

<u>Standards/Interpretation</u>	<u>Subject of amendment</u>
HKFRS 14	Regulatory Deferral Accounts
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendment to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

The adoption of above new standards and amendments does not have material impact on the results and financial position of the Group.

3 ACCOUNTING POLICIES (continued)

- (b) The following new standards and amendments, revisions and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
Amendments to HKFRS 12	Income taxes	1 January 2017
Amendments to HKFRS 7	Statement of cash flows	1 January 2017
HKFRS15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

4 ESTIMATES

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, except for new issuance of a convertible bond with a par value of RMB 4,105,580,000 and a maturity of 6 years, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 30 June 2016.

Notes to the Interim Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Bond investments	89,739	–	–	89,739
– Fund investments	–	75,250	–	75,250
– Stocks	365,200	–	–	365,200
Available-for-sale financial assets				
– Bond investments	108,072	–	–	108,072
– Fund investments	21,286	573,672	–	594,958
– Financial products	–	–	3,634,880	3,634,880
– Stocks	191,872	–	554,400	746,272
Total assets	776,169	648,922	4,189,280	5,614,371

The following table presents the Group's financial assets that are measured at fair value at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Bond investments	80,476	–	–	80,476
– Fund investments	–	31,725	–	31,725
– Stocks	374,330	–	–	374,330
Available-for-sale financial assets				
– Bond investments	137,566	–	–	137,566
– Fund investments	21,623	447,986	–	469,609
– Financial products	–	–	207,080	207,080
– Stocks	184,658	–	554,400	739,058
Total assets	798,653	479,711	761,480	2,039,844

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

(a) *Financial instruments in level 1*

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 bond investments, fund investments and stocks classified as available-for-sale financial assets and bond investments and stocks classified as financial assets at fair value through profit or loss.

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

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the six months ended 30 June 2016.

	Available-for-sale financial assets		
	Stocks RMB'000	Financial products RMB'000	Total RMB'000
Opening balance	554,400	207,080	761,480
Additions	–	12,893,300	12,893,300
Gains for the period recognised in profit or loss	–	15,993	15,993
Settlements	–	(9,481,493)	(9,481,493)
Closing balance	554,400	3,634,880	4,189,280
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under “Other gains – net”	–	–	–
Changes in unrealised gains or losses for the period included in profit or loss at the end of the period	–	–	–

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

As at 30 June 2016	Fair value RMB'000	Valuation techniques(s)	Unobservable input	Range (weighted average)
Available-for-sale financial assets	3,634,880	Discounted	Expected interest	2.50%-3.60%
– Financial products		cash flow	rate per annum	
– Stocks (Note (i))	554,400	Discounted	Discounted rate	3.17%-3.50%
		cash flow	Expected dividend yield	6%

(i) The stocks in Level 3 represent the Company's investment in preference shares issued by a state-owned commercial bank. The expected dividend yield of the preference shares is 6%.

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2015.

	Available-for-sale financial assets		
	Stocks RMB'000	Financial products RMB'000	Total RMB'000
Opening balance	500,000	198,000	698,000
Additions	–	13,007,630	13,007,630
Settlements	–	(10,830,700)	(10,830,700)
Closing balance	500,000	2,374,930	2,874,930
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under “Other gains – net”	–	–	–
Changes in unrealised gains or losses for the period included in profit or loss at the end of the period	–	–	–

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.

For management purpose, the executive directors considered the nature of the Group's products and services and determined that the Group has two reportable operating segments as follows:

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

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

Certain operating segments have been aggregated into one reportable segment as they have similar expected growth rates.

Notes to the Interim Consolidated Financial Statements

6 SEGMENT INFORMATION (continued)

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

During the six months ended 30 June 2016, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

The segment results for the six months ended 30 June 2016 and 30 June 2015 and other segment items included in the interim consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Six months ended 30 June 2016					
Total gross segment revenue	20,799,358	682,702	(52,954)		21,429,106
Internal revenue	(23,405)	(29,549)	52,954		–
Revenue (from external customers)	20,775,953	653,153	–		21,429,106
Segment results	1,517,065	91,868	(360)	–	1,608,573
Unallocated income – Headquarter interest income				39,748	39,748
Unallocated costs – Headquarter expenditure				(25,632)	(25,632)
Operating profits					1,622,689
Finance costs	(168,851)	(796)	–	(240,764)	(410,411)
Interest income	26,898	1,007	–	20,924	48,829
Share of profit of joint ventures and associates	3,029,035	134,734	–	–	3,163,769
Profit before income tax					4,424,876
Income tax expense	(396,016)	(14,589)	–	–	(410,605)
Profit for the period					4,014,271

Notes to the Interim Consolidated Financial Statements

6 SEGMENT INFORMATION (continued)

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Six months ended 30 June 2015					
Total gross segment revenue	10,977,158	511,024	(38,515)		11,449,667
Internal revenue	(24,946)	(13,569)	38,515		–
Revenue (from external customers)	10,952,212	497,455	–		11,449,667
Segment results	(101,450)	36,581	(20,115)	–	(84,984)
Unallocated income – Headquarter interest income				69,405	69,405
Unallocated income – Headquarter government grant income				300,210	300,210
Unallocated costs – Headquarter expenditure				(7,868)	(7,868)
Operating profits					276,763
Finance costs	(151,968)	(1,613)	–	(293,178)	(446,759)
Interest income	20,552	833	–	34,949	56,334
Share of profit of joint ventures and associates	1,741,657	174,467	–	–	1,916,124
Profit before income tax					1,802,462
Income tax expense	(67,960)	(13,219)	–	(15)	(81,194)
Profit for the period					1,721,268

Notes to the Interim Consolidated Financial Statements

6 SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2016 and 31 December 2015 are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets					
At 30 June 2016	57,306,795	11,034,607	(13,889,975)	24,319,995	78,771,422
At 31 December 2015	48,087,334	8,614,956	(7,405,435)	17,922,833	67,219,688
Total liabilities					
At 30 June 2016	22,253,798	8,731,606	(13,889,975)	18,821,243	35,916,672
At 31 December 2015	19,149,256	6,243,336	(7,404,831)	9,740,607	27,728,368

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

	Land use rights RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2016				
Opening net book amount as at 1 January 2016	1,819,702	10,581,208	343,958	4,826,902
Additions	45,829	2,081,134	–	733,617
Transfers	–	(26,074)	26,074	–
Disposals	–	(27,775)	–	–
Impairment	–	–	–	(228,650)
Depreciation and amortisation	(25,159)	(487,737)	(6,850)	(401,554)
Closing net book amount as at 30 June 2016	<u>1,840,372</u>	<u>12,120,756</u>	<u>363,182</u>	<u>4,930,315</u>
Six months ended 30 June 2015				
Opening net book amount as at 1 January 2015	1,501,392	8,543,812	369,421	4,045,539
Additions	210,024	969,475	–	605,926
Disposals	–	(186,889)	–	–
Depreciation and amortisation	(17,857)	(391,251)	(4,653)	(311,949)
Closing net book amount as at 30 June 2015	<u>1,693,559</u>	<u>8,935,147</u>	<u>364,768</u>	<u>4,339,516</u>

Notes to the Interim Consolidated Financial Statements

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Investments in joint ventures	16,136,214	12,966,481
Investments in associates	5,537,262	5,511,677
	<u>21,673,476</u>	<u>18,478,158</u>

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

	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Share of profit of joint ventures (Note (i))	2,661,374	1,453,226
Share of profit of associates (Note (i))	491,073	462,898
Government subsidy compensating for the share of loss in a joint venture	11,322	–
	<u>3,163,769</u>	<u>1,916,124</u>

(i) Unrealised profits or losses resulting from up stream and down stream transactions are eliminated.

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

8.1 Investments in joint ventures

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Beginning of the period	12,966,481	13,424,452
Additions (Note (i))	606,738	648,200
Share of profit	2,676,026	1,421,983
Disposals	—	(25,756)
Dividends declared	(113,031)	(2,064,659)
End of the period	16,136,214	13,404,220

- (i) In 2016, the Company contributed additional capital of RMB 600,000,000 to GAC Fiat Chrysler Automobiles Co., Ltd. in proportion to its interest held.
- (b) Set out below are the joint ventures of the Group as at 30 June 2016, 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.

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

8.1 Investments in joint ventures (continued)

(b) (continued)

Name of joint ventures	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Guangqi Honda Automobile Co., Ltd. (“Guangqi Honda”)	Mainland China	50	Note 1	Equity
GAC Toyota Motor Co., Ltd. (“GAC Toyota”)	Mainland China	50	Note 1	Equity
GAC Fiat Chrysler Automobiles Co., Ltd. (“GAC Fiat Chrysler”)	Mainland China	50	Note 1	Equity
GAC Mitsubishi Motors Co., Ltd. (“GAC Mitsubishi”)	Mainland China	50	Note 1	Equity
GAC Hino Motors Co., Ltd. (“GAC Hino”)	Mainland China	50	Note 1	Equity
GAC-SOFINCO Automobile Finance Co., Ltd (“GAC Sofinco”)	Mainland China	50	Note 1	Equity
Wuyang-Honda Motors(Guangzhou) Co., Ltd. (“Wuyang-Honda”)	Mainland China	50	Note 1	Equity

Note 1: Guangqi Honda, GAC Toyota, GAC Fiat Chrysler, 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.

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

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

8.1 Investments in joint ventures (continued)

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

Summarised balance sheet

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Assets		
Non-current assets	30,597,058	29,435,534
Current assets		
– Cash and cash equivalents	21,803,059	23,542,801
– Other current assets	47,411,678	44,943,305
	<u>69,214,737</u>	<u>68,486,106</u>
Total assets	<u>99,811,795</u>	<u>97,921,640</u>
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	8,220,843	7,184,736
– Other non-current liabilities (including trade and other payables)	3,887,047	3,497,192
	<u>12,107,890</u>	<u>10,681,928</u>
Current liabilities		
– Financial liabilities (excluding trade and other payables)	16,399,779	16,749,389
– Other current liabilities (including trade and other payables)	44,955,777	50,518,592
	<u>61,355,556</u>	<u>67,267,981</u>
Total liabilities	<u>73,463,446</u>	<u>77,949,909</u>
Net assets	26,348,349	19,971,731
Less: Non-controlling interests	(16,347)	(17,225)
	<u>26,332,002</u>	<u>19,954,506</u>

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

8.1 Investments in joint ventures (continued)

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

Summarised statement of comprehensive income

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Revenue	82,136,947	65,366,474
Cost of sales	(67,475,552)	(56,144,358)
Other expenditures	(9,301,834)	(6,332,554)
Profit after tax	5,359,561	2,889,562
Add: losses/(gains) shared by non-controlling interests	879	(461)
	5,360,440	2,889,101
Other comprehensive income	–	–
Total comprehensive income	5,360,440	2,889,101

Notes to the Interim Consolidated Financial Statements

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

8.1 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		Liabilities		Revenue		Dividends received	
	as at	as at	as at	as at	Six months ended 30 June		Six months ended 30 June	
	30 June	31 December	30 June	31 December	2016	2015	2016	2015
	2016	2015	2016	2015	RMB'000	RMB'000	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Guangqi Honda	27,070,106	26,622,080	17,623,050	19,423,752	31,639,375	28,997,201	-	-
GAC Toyota	17,854,444	21,350,962	11,127,155	17,605,177	28,679,408	24,996,906	2,216,145	1,972,229
GAC Fiat Chrysler	14,840,921	11,376,665	11,770,788	9,497,180	10,678,012	1,721,865	-	-
GAC Mitsubishi	6,512,156	6,856,023	5,280,997	5,398,660	3,703,622	3,339,200	-	-
GAC Hino	1,426,039	1,505,390	1,248,650	1,267,837	298,401	535,330	-	-
GAC Sofinco	23,001,447	21,402,439	20,332,238	18,967,727	977,045	942,680	-	-
Wuyang-Honda	3,044,016	3,265,921	1,859,838	1,967,051	2,553,519	2,835,285	-	92,430
Total	93,749,129	92,379,480	69,242,716	74,127,384	78,529,382	63,368,467	2,216,145	2,064,659

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

8.1 Investments in joint ventures (continued)

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

Reconciliation of share of the net assets to the carrying amount of the Group's interests in the material joint ventures:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Assets	93,749,129	92,379,480
Less: Liabilities	(69,242,716)	(74,127,384)
Less: Non-controlling interests	(16,347)	(17,225)
Net assets excluding non-controlling interests	24,490,066	18,234,871
Percentage of ownership interest	50%	50%
Interests in material joint ventures	12,245,033	9,117,436
Goodwill	2,916,552	2,916,552
– GAC Mitsubishi	2,895,293	2,895,293
– Wuyang-Honda	21,259	21,259
Carrying amount of investments in material joint ventures	15,161,585	12,033,988

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

8.2 Investments in associates

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Beginning of the period	5,511,677	5,268,404
Additions	33,256	104,028
Share of profits	490,150	462,898
Dividend declared	(497,821)	(670,361)
End of the period	5,537,262	5,164,969

(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:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Associates		
Profit from continuing operations	491,073	462,898
Other comprehensive income	–	–
Total comprehensive income	491,073	462,898

Notes to the Interim Consolidated Financial Statements

9 DEFERRED INCOME TAX

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Beginning of the period	398,931	446,620
Tax recognised in profit or loss (Note 16)	86,224	(48,527)
Tax charge relating to components of other comprehensive income	4,617	(7,406)
End of the period	489,772	390,687

10 TRADE AND OTHER RECEIVABLES

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

As at 30 June 2016 and 31 December 2015, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Trade receivables		
Within 3 months	862,085	633,490
Between 3 months and 1 year	67,302	76,841
Between 1 and 2 years	62,054	20,436
Between 2 and 3 years	12,460	24,998
Over 3 years	154,498	137,013
	1,158,399	892,778
Less: Provision for impairment	(162,033)	(160,310)
Trade receivables – net	996,366	732,468

Notes to the Interim Consolidated Financial Statements

11 SHARE CAPITAL

	RMB ordinary shares of RMB 1 each		Foreign shares listed out of mainland China		Total	
	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000
As at 31 December 2015 and 30 June 2016	<u>4,221,719</u>	<u>4,221,719</u>	<u>2,213,300</u>	<u>2,213,300</u>	<u>6,435,019</u>	<u>6,435,019</u>

12 TRADE AND OTHER PAYABLES

As at 30 June 2016 and 31 December 2015, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade payables		
Within 1 year	7,279,445	6,592,829
Between 1 and 2 years	794,197	59,023
Between 2 and 3 years	12,553	13,038
Over 3 years	13,603	9,083
	<u>8,099,798</u>	<u>6,673,973</u>

Notes to the Interim Consolidated Financial Statements

13 BORROWINGS

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Non-current		
Bank borrowings	1,027,567	1,098,844
Corporate bonds (Note (a))	6,554,903	6,550,057
Convertible bonds – liability component (Note (b))	3,703,597	–
	<u>11,286,067</u>	<u>7,648,901</u>
Current		
Borrowings from bank and other financial institutions	3,651,881	4,178,721
Entrusted loans from related parties – unsecured	100,000	100,000
Short-term debentures (Note (c))	2,297,297	–
	<u>6,049,178</u>	<u>4,278,721</u>
Total borrowings	<u>17,335,245</u>	<u>11,927,622</u>

- (a) 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.

In March 2013, the Company issued five-year period corporate bonds with par value of RMB 1,000,000,000 and ten-year period corporate bonds with par value of RMB 3,000,000,000 at the weighted average effective interest rate of 5.14% and 5.23% per annum respectively. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in March 2018 and March 2023 respectively, and are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by Guangzhou Automobile Industry Group Co., Ltd. (“GAIGC”), the holding company of the Company.

In January 2015, the Company issued five-year period corporate bonds with par value of RMB 2,000,000,000 at the weighted average effective interest rate of 4.95% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in January 2020, and is with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIGC, the holding company of the Company.

13 BORROWINGS (continued)

- (b) On 22 January 2016, the Group issued 41,055,800 units of convertible bonds at a total par value of RMB 4,105,580,000, with an interest rate of 0.20% in the first year, 0.50% in the second year, 1.00% in the third year, 1.50% in the fourth year, 1.50% in the fifth year and 1.60% in the sixth year. The bonds mature six years from the issue date at their par value of RMB 4,105,580,000 or can be converted into shares at the holder's option at the rate of 1 share per RMB 21.87 from 22 July 2016 to the bond maturity date. The value of the liability component (RMB 3,673,356,000) and the equity conversion component (RMB 387,677,000), net of transaction cost of RMB 44,546,000 being allocated proportionally to the liability and equity components, were determined at issuance of the bond. The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently states at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves.
- (c) In January 2016, the Company issued one tranche of short-term debentures with principals of RMB 2,300,000,000 and interest rate of 2.85% with a maturity of 366 days. The short-term debentures will be fully repaid with principal and interest when they fall due.
- (d) Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Beginning of the period	11,927,622	14,309,884
Proceed from bank borrowings	2,848,993	3,414,706
Proceed from issuing corporate bonds and short-term debentures	2,297,297	1,978,918
Proceed from convertible bonds – liability component	3,673,356	–
Repayments of bank borrowings	(3,447,110)	(3,643,618)
Repayments of corporate bonds and short-term debentures	–	(96,356)
Interest charged	187,973	148,117
Interest included in trade and other payables	(152,886)	(143,660)
End of the period	<u>17,335,245</u>	<u>15,067,991</u>

Notes to the Interim Consolidated Financial Statements

14 OPERATING PROFIT

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Depreciation and amortisation	921,300	725,710
Impairment charges of intangible assets	228,650	–
Impairment charges of inventories	13,503	(52)
Provision for impairment loss of trade and other receivables	(3,193)	(29,818)
Staff costs	1,800,107	1,320,771
Gain on disposal of property, plant and equipment	(11,832)	(2,409)
Government grants	(70,819)	(482,440)
Donation	15,954	496

15 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest expense	396,412	428,058
Others	13,999	18,701
	410,411	446,759

Notes to the Interim Consolidated Financial Statements

16 INCOME TAX EXPENSE

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

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax	496,829	32,667
Deferred income tax	(86,224)	48,527
	<u>410,605</u>	<u>81,194</u>

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

The tax rates applicable to the Company and its major subsidiaries for the six months ended 30 June 2016 are 15% or 25% (2015: 15% or 25%).

17 EARNINGS PER SHARE

(a) Basic

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.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	3,981,548	1,749,629
Weighted average number of ordinary shares in issue (thousands)	<u>6,435,019</u>	<u>6,435,019</u>
Basic earnings per share (RMB per share)	<u>0.62</u>	<u>0.27</u>

17 EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares for six months ended 30 June 2016) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	3,981,548	1,749,629
Add: Interest expense on convertible bonds (net of tax)	33,685	—
Profit used to determine diluted earnings per share	4,015,233	1,749,629
Weighted average number of ordinary shares in issue (thousands)	6,435,019	6,435,019
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	38,606	19,809
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	166,066	—
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	6,639,691	6,454,828
Diluted earnings per share (RMB per share)	0.60	0.27

Notes to the Interim Consolidated Financial Statements

18 DIVIDEND

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interim dividend declared: RMB 0.08 (2015: RMB 0.08)	514,802	514,802

Dividend paid in six months ended 30 June 2016 was approximately RMB 772,202,000 (2015: nil).

In addition, an interim dividend of RMB 0.08 per share (2015: RMB 0.08) was declared by the Board of directors on 26 August 2016. This interim dividend, amounting to approximately RMB 514,802,000 (2015: RMB 514,802,000), has not been recognised as a liability in this interim financial information.

19 CAPITAL COMMITMENTS

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	2,063,753	2,403,527
– Authorised but not contracted for	2,265,320	551,616
	4,329,073	2,955,143
Intangible assets		
– Authorised but not contracted for	1,730,956	1,329,109
Investments		
– Contracted but not provided for (Note (i))	1,093,870	837,050
	7,153,899	5,121,302

19 CAPITAL COMMITMENTS (continued)

- (i) In 2015, the board of directors of GAC Toyota, a joint venture of the Company, approved an additional capital contribution of RMB 126,100,000. The Company will make a contribution of RMB 63,050,000 according to the share portion. As at 30 June 2016, none of the amount has been paid, and RMB 63,050,000 is expected to be paid in future according to the schedule.

In 2015, the board of directors of GAC Mitsubishi, a joint venture of the Company, approved an additional capital contribution of no more than RMB 348,000,000. The Company will make a contribution of no more than RMB 174,000,000 according to the share portion. As at 30 June 2016, none of the amount has been paid, and RMB 174,000,000 is expected to be paid in future according to the schedule.

In 2016, the board of directors of GAC Fiat Chrysler, a joint venture of the Company, approved an additional capital contribution of RMB 720,000,000. The Company will make a contribution of RMB 360,000,000 according to the share portion. As at 30 June 2016, none of the amount has been paid, and RMB 360,000,000 is expected to be paid in future according to the schedule.

In 2016, the board of directors of GAC Toyota, a joint venture of the Company, approved two additional capital contributions with a total amount of RMB 993,640,000. The Company will make a contribution of RMB 496,820,000 according to the share portion. As at 30 June 2016, none of the amount has been paid, and RMB 496,820,000 is expected to be paid in future according to the schedule.

20 FINANCIAL GUARANTEES

As at 30 June 2016, the financial guarantees provided by the Company to an associate within the Group amounted to approximately RMB 85,710,000 (31 December 2015: RMB 85,710,000).

As at 30 June 2016, the financial guarantees provided to certain third parties by the Group amounted to approximately RMB 6,907,000 (31 December 2015: RMB 8,577,000).

It is expected that the financial guarantees provided by the Group will not lead to any significant liabilities.

21 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Acquisition of additional interest in a subsidiary

In April 2016, GAC Motor, a wholly-owned subsidiary of the Company, acquired 49% of the equity interest of GAC Gonow, for a purchase consideration of RMB 262,048,000. The deficit in non-controlling interests in GAC Gonow on the date of acquisition was RMB 84,059,000. The Group recognised an increase in non-controlling interests of RMB 84,059,000 and a decrease in equity attributable to owners of the Company of RMB 346,107,000. The effect of changes in the ownership interest of GAC Gonow on the equity attributable to owners of the Company during the period is summarised as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Deficit in non-controlling interests acquired	(84,059)	–
Consideration paid to non-controlling interests	(262,048)	–
Excess of consideration paid recognised within equity	(346,107)	–

(b) Effects of changes in ownership interests in subsidiaries without change of control on the equity

	Unaudited
	Six months ended
	30 June 2016
	RMB'000
Total comprehensive income for the period attributable to owners of the Company	42,238,609
Changes in equity attributable to owners of the Company arising from acquisition of additional interests in subsidiary	(346,107)
	41,892,502

22 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 interim 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 period.

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

(a) Significant related party transactions

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of goods		
Sales of auto parts and materials		
– Joint ventures	378,839	243,176
– Associates	115,922	144,078
	<u>494,761</u>	<u>387,254</u>
Sales of passenger vehicles		
– Joint ventures	3,380	1,698
– Associates	1,715	443
	<u>5,095</u>	<u>2,141</u>

Notes to the Interim Consolidated Financial Statements

22 RELATED-PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of equipment		
– Joint ventures	11,496	–
	<u>511,352</u>	<u>389,395</u>
Rendering of labour and insurance services		
– Joint ventures	323,108	276,861
– Associates	159,440	165,907
	<u>482,548</u>	<u>442,768</u>
Purchases of goods		
Purchases of auto parts and materials		
– Joint ventures	1,592,913	725,811
– Associates	110,078	126,614
	<u>1,702,991</u>	<u>852,425</u>
Purchases of passenger vehicles		
– Joint ventures	2,402,824	2,051,815
	<u>4,105,815</u>	<u>2,904,240</u>
Receiving of labour and insurance services		
– Joint ventures	2,553	5,779
– Associates	28,614	12,605
– Subsidiaries of GAIGC	5,516	21
	<u>36,683</u>	<u>18,405</u>

Notes to the Interim Consolidated Financial Statements

22 RELATED-PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Rental received from related parties		
– Joint ventures	5,296	4,504
– Associates	3,251	3,202
– GAIGC	716	716
– Subsidiaries of GAIGC	772	72
	<u>10,035</u>	<u>8,494</u>
Rental paid to related parties		
– GAIGC	437	–
– Subsidiaries of GAIGC	1,229	1,135
	<u>1,666</u>	<u>1,135</u>
Provision of entrusted loans to related parties		
– Joint ventures	580,000	500,000
– Associates	46,360	–
	<u>626,360</u>	<u>500,000</u>
Repayment of entrusted loans from related parties		
– Joint ventures	554,300	664,516
– Associates	70,000	–
	<u>624,300</u>	<u>664,516</u>
Entrusted loans provided by related parties		
– Associates	–	50,000

Notes to the Interim Consolidated Financial Statements

22 RELATED-PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Repayment of entrusted loans to related parties		
– Joint ventures	–	120,300
– Associates	–	50,000
	–	170,300
Borrowings provided by a related party		
– Joint ventures	1,037,960	704,277
Repayment of borrowings from a related party		
– Joint ventures	864,473	863,900
Guarantees given by a related party		
– GAIGC (Note13(a))	6,000,000	6,000,000
Guarantees provided for a related party		
– Associates	85,710	85,710

(b) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Salaries and other short-term employee benefits	6,664	7,426

22 RELATED-PARTY TRANSACTIONS (continued)

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

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

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

Nevertheless, the directors consider that transactions with other state-owned enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors are of the opinion that 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 30 June 2016 and 31 December 2015, majority part of the Group's bank balances and borrowings were deposited in or financed from various state-owned financial institutions. The directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

(ii) Guarantees given by State-owned Enterprises

As at 30 June 2016, information of borrowings secured by guarantees given by a state-owned financial institution is presented in note 13(a).

Definitions

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

“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
“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
“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 of the Group incorporated on 18 January 1993 under PRC law
“GAC BYD”	Guangzhou GAC BYD New Energy Passenger Vehicle Co., Ltd.(廣州廣汽比亞迪新能源客車有限公司), an associated company incorporated on 4 August 2014 under PRC law by the Group and BYD Company Limited, and the Group holds 49% of its equity interest
“GAC Capital”	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary of the Company incorporated in April 2013 under PRC Law
“GAC Commercial”	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law
“GAC Component”	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), a wholly-owned subsidiary incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries
“GAC Fiat-Chrysler”	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a jointly controlled entity incorporated on 9 March 2010 under PRC law by Fiat Group Automobiles S.P.A. and the Company, on 19 January 2015 the name of this company was changed to GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司)

“GAC Hino”	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a jointly controlled entity incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd.
“GAC Leasing”	Guangzhou Automobile Leasing Co., Ltd. (廣州廣汽租賃有限公司), a subsidiary of GAC Commercial incorporated in February 2004 under PRC law
“GAC Mitsubishi”	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a jointly controlled entity incorporated on 25 September 2012 under PRC law by the Company and Mitsubishi Motors Corporation
“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽匯理汽車金融有限公司), a jointly controlled entity incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
“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
“GAC Toyota”	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a jointly controlled entity incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company
“GAIG”	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), which is a state-owned enterprise incorporated on 18 October 2000, and is the controlling shareholder of the Company
“Group”	the Company, its subsidiaries, joint ventures and associated companies
“Guang Ai Brokers”	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a subsidiary incorporated on 7 June 2006 under PRC law, in which the Company accumulatively (directly and indirectly) holds 75.1% equity interest
“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 jointly controlled entity incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd.
“Honda (China)”	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), an associated company incorporated by the Company, Honda Motor Co. Ltd. and Dongfeng Motor Company on 8 September 2003 under PRC law, and the Company holds 25% of its equity interest

Definitions

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“joint venture, joint enterprise, jointly controlled entity”	joint venture companies under direct or indirect joint control, and the direct or indirect joint control causes no participating party has any unilateral control power over the economic activities of that jointly controlled entity
“MPV”	multi-purpose passenger vehicle
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SSE”	the Shanghai Stock Exchange
“SUV”	sports utility vehicle
“Tong Fang Logistics”	Tong Fang Global (Tianjin) Logistics Co., Limited (同方環球(天津)物流有限公司), jointly established by the Company, China First Automobile Works Group and Toyota Motor Company in July 2007, and the Company holds 25% of its equity interest
“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, and in which the Group totally (directly and indirectly) holds 60% equity interest
“Wuyang-Honda”	Wuyang-Honda Motors (Guangzhou) Co., Ltd. a jointly controlled entity jointly established in 1992 by the Company, Honda Motor Co. Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which each company holds 50% equity interest