



广汽集团
GAC GROUP

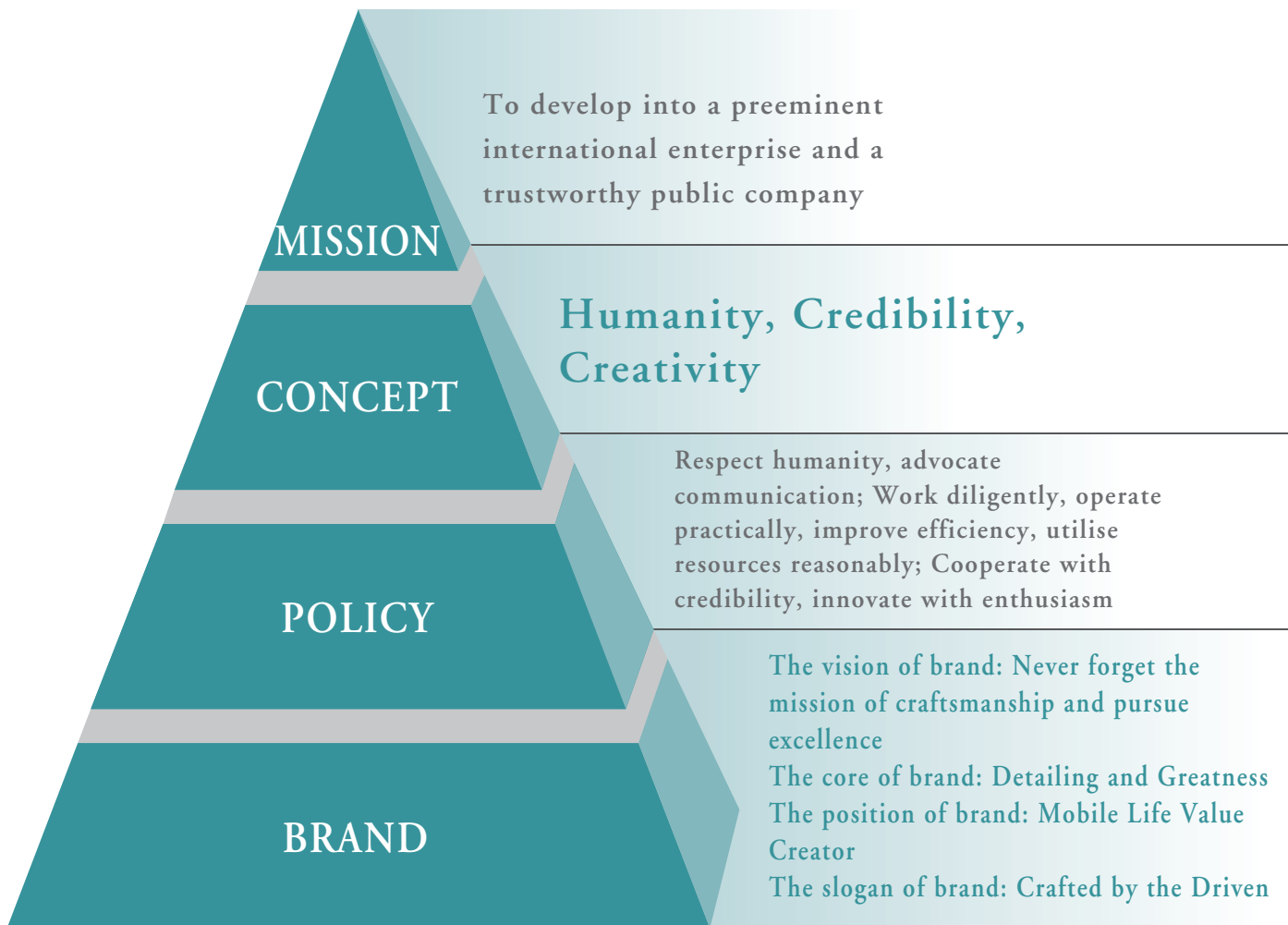
Guangzhou Automobile Group Company Limited
廣州汽車集團股份有限公司

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



Interim Report 2017

Company Concept





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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 results of the Company for the six months ended 30 June 2017 and agreed to submit it to the Board for approval.
- (IV) Zeng Qinghong, the person in charge of the Company and Feng Xingya, the General Manager of the Company, Wang Dan, the person in charge of accounting function and Li Canhui, the manager of the accounting department (Chief Accountant), warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.
- (V) The Board proposed payment of interim dividend of RMB1.0 (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.



Corporate Profile

(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	Zeng Qinghong

(II) CONTACT PERSON AND CONTACT METHOD

Name	Secretary to the Board Zeng Qinghong (Acting)
Address	GAC Centre, Xingguo Road, No. 23, Zhujiang New Town, Tianhe District, Guangzhou
Telephone	020-83150281
Facsimile	020-83150319
E-mail	ir@gagc.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.gagc.com.cn
E-mail	ir@gagc.com.cn
Investor hotline	020-83151089
Query index of changes during the reporting period	Nil

(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 Stock Exchange for publishing the interim report	www.hkexnews.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	Stock Exchange	GAC GROUP	02238

Chairman's Statement

Dear Shareholders,

During the first half of the year, with the trust and support of our shareholders and the concerted efforts of all the staff, the Group achieved a substantial improvement against the trend and delivered brilliant “mid-term” results, which represented a good start and laid a foundation to achieve the annual goal. On behalf of the Board, I would like to express my heartfelt gratitude to all shareholders, partners and the people of all circles for their support!

We are determined to make progress for continuously improving business results. During the first half of the year, the production and sales of vehicles of the Group were 973,000 units and 963,500 units respectively, representing increases of 30.78% and 31.65% respectively as compared with the corresponding period last year, and about 26.14 and 27.84 percentage points higher than the industry average; operating income of the Group, together with its joint ventures and associated companies, amounted to approximately RMB162.506 billion, representing an increase of 31.87% as compared with the corresponding period last year. Year-on-year growth rate of sales volume ranked top among the top six automobile groups in the PRC and market share rose to 7.22%; the production and sales of motorcycles were 462,500 units and 472,100 units respectively, representing increases of 0.78% and 4.99% respectively as compared with the corresponding period last year. During the first half of the year, the consolidated total operating income of the Group amounted to approximately RMB34.765 billion, representing an increase of 62.23% as compared with the corresponding period last year; the net profit attributable to owners of the parent company amounted to approximately RMB6.267 billion, representing an increase of approximately 57.38% as compared with the corresponding period last year; basic earnings per share was approximately RMB0.97, representing an increase of 56.45% as compared with the corresponding period last year. The Company ranked 238 among 2017 Global 500 Enterprises by Fortune, which is a record high and 65 ranks higher than last year. It has been five consecutive years that we entered into the Global 500.

We are grateful and will continue to distribute dividends to share the results. Interim dividend of RMB1.0 (tax inclusive) in cash for every 10 shares will be distributed by the Group to all shareholders for the first half of the year, which is a historic high. We have insisted on distributing dividends twice a year, and the annual dividend payout rate has been more than 30%, with the accumulated cash dividend exceeding RMB7 billion.

We dare to innovate and our self-developed brand continues to excel. During the first half of the year, total sales volume of GAMC reached 250,900 units, representing an increase of 57.02% as compared with the corresponding period last year. Sales volume of Trumpchi GS4 exceeded 180,000 units, ranking No.2 in the domestic SUV market. Cumulative sales volume of the Trumpchi brand exceeded 1 million units, creating a miracle in the sales of Chinese brands. The new Trumpchi GS8 continued to be a hot model and was over-demanded. It successfully broke through the ceiling price of RMB200,000 of Chinese brands, leading the rise of Chinese brands.



Chairman's Statement

We strive for excellence and we cooperate and advance together with joint ventures. Overall sales volume of GAC Honda and GAC Toyota grew steadily and increased by 17.26% and 5.13% respectively as compared with the corresponding period last year. Driven by Outlander, the sales volume of GAC Mitsubishi increased significantly by 181.69% as compared with the corresponding period last year. Sales volume growth of GAC Fiat-Chrysler increased by 77.21% during the first half of the year. Three SUV car models, namely Jeep Compass, Cherokee and Renegade, advanced together and among which, Compass ranked top three among the joint venture compact SUV car models.

We will never forget the mission of craftsmanship and we pursue excellence in shaping the brand. This year is the “brand upgrade year” of the Group. We have released a new strategic plan for the brand, with “Crafted by the Driven” as our new brand slogan and “Mobile Life Value Creator” as our brand positioning. Our goal is to become an excellent international company and a public company trusted by society.

In general, the work of the Group in the first half of the year can be summarised with “advance”, “new” and “harmony”. Firstly, the pace of “advance” is more robust. The indicators for comprehensive evaluation of the Group’s economic efficiency ranked top among the industry and each business segment advanced together to realise comprehensive growth on the basis of enhanced quality and efficiency. Secondly, the “new” momentum was more adequate, with new technology, new products, new projects and new mechanism pushed forward as planned, new breakthroughs achieved through “electrification, networking, internationalisation”, and upgraded brand images. Thirdly, the atmosphere of “harmony” was more intense. Staff members of the Group at all levels united and worked hard together. Our results were achieved relying on their efforts and sweat.

“There will be no regret if one’s actions are well-prepared; there will be no predicament if one’s actions follow the determined principles.” In the second half of the year, with the introduction of policies such as the “Double Points Measure”, “Opinions on the Improvement of Automobile Investment Project Management” and the new “Automobile Sales Management Measures” etc., the industrial environment is still intricate, but I firmly believe that challenges and opportunities coexist and opportunity is always for the well-prepared ones. I will lead all staff, with electrification, intelligent networking, and internationalisation as new breakthroughs, uphold responsibility and temper forward.

We will catch up and break the bottleneck of new energy vehicle industry in the second half of the year. We will build a new mode mainly based on self-developed brand as supplemented by cooperation with joint ventures, and establish an open industrial platform for new energy vehicles, while GAMC will also enhance its new energy vehicle production capacity by 200,000 units per year. We will continue to push the development of new energy car models and strengthen the R&D and industrial support for key components, especially breakthroughs in the battery technology. Two new energy car models GA3S PHEV and GS4 PHEV have been launched in the first half of the year, and pure electric car models, GE3 and GA6 PHEV, will be launched in the second half of the year. We will strive to come first in the new energy field from behind.

Chairman's Statement

We concentrated on speeding up smart networking. Combined with the structural reform of the supply side, we actively promoted the construction of Guangzhou Automobile Zhilian New Energy Automotive Industrial Park (廣汽智聯新能源汽車產業園) project. The groundbreaking of the industrial park was officially held on 27 April 2017 and the overall planned area is approximately 7,500 mu. The total investment of the Group and other users of the park is expected to exceed RMB45 billion. Three functional areas, namely “intelligent manufacturing area, innovation service area and ecological town” will be built to form a whole industry chain open ecosystem with smart network of new energy vehicle manufacturing sharing platform as the centre, and R&D, production, sales and after-sales service of vehicles and key components as support. This will seize the strategic high point of automobile industry in the future and will be a great breakthrough for us to realise industrial transformation and upgrading and growth from large to strong. We will focus our resources, increase efforts and accelerate progress.

We look at the world and accelerate the pace of internationalisation. At the North American International Auto Show early this year, the Group became the first Chinese car brand entering the main pavilion in 110 years. Guangqi North American R&D Centre has also been completed in the first half of the year, which will take charge of talent gathering, cutting-edge technology research and other functions. In early May, I personally led the first large-scale overseas talent recruitment gathering. We will implement the internationalisation strategy of talent with a wider horizon, a higher level and a greater spirit, and comprehensively enhance the international competitiveness of the Group's development in the future.

We face challenges, bear our responsibilities and temper forward. The Group is well aware that our existing technology in battery, motor, motor controller of new energy vehicles and gearbox development are lagging behind, and there are other core issues such as lack of soft skills. Therefore, we will speed up the R&D of key assembly and industrialisation, and will constantly strengthen construction of brand and culture, for making strides in terms of product, technology and brand.

Looking back at the first half of the year, we are proud of the results we have achieved; looking into the future, we assume more responsibilities and expectations.

“Look farther and see the whole picture.” Twenty years' sedimentation let us stand higher and see farther. In the future we will uphold the philosophy of “Humanity Credibility Creativity”, adhere to the focus on quality and efficiency, insist on unwavering innovation of self-developed brand and cooperation with joint ventures, so as to achieve change from manufacturing to innovation, from speed to quality, from product to brand. We will start from a new point and exceed this point with a carpenter's heart, and wholeheartedly create value for consumers and employees, cooperation and investment partners, the industry and the whole community.



Summary of Business of the Company

(I) SUMMARY OF BUSINESS

The main businesses of the Group consist of five major segments, namely R&D, whole vehicles (vehicles and motorcycles), parts and components, commercial services and financial services, which form a complete closed-loop industry chain.

1. R&D segment

The Group's R&D is based on GAEI, a directly funded and managed body of the Company, and also a subsidiary of the Company operating relatively independently within the authorised scope. It is mainly responsible for the Group's general development plan of new products and new technology, as well as implementation of material R&D projects. GAEI is a State-Accredited Enterprise Technology Centre. It ranked 10th (top 1%) among over 1,100 State-Accredited Enterprise Technology Centres in different industries in the PRC in the latest accreditation.

2. Whole vehicles segment

(1) Production of whole vehicles is mainly conducted through subsidiaries including GAMC and GAMC Hangzhou and joint ventures including GAC Honda, GAC Toyota, GAC Fiat-Chrysler and GAC Mitsubishi.

➤ **Products:** The Group's passenger vehicles include 16 series of sedans, 15 series of SUV and 2 series of MPV, details of which are set forth below:

- GAC Trumpchi (GA5, GA6, GA3, GA3S•Vision, GA8, GS5, GS5•SUPER, GS4, GS8, GS7);
- GAC Honda Accord, Crider, Vezel, Crosstour, Odyssey, City, Fit, Everus, Avancier, Acura CDX, etc.;
- GAC Toyota Camry, Highlander, Yaris L, E'Z, Levin, etc.;
- GAC Fiat-Chrysler Viaggio, Ottimo, JEEP Cherokee, JEEP Renegade, JEEP Compass, etc.;
- GAC Mitsubishi ASX, Pajero, Outlander, etc.;

Besides, the Group also participates in the production of City sedans through its associated company, Honda (China), primarily oriented to markets such as the South America.

Summary of Business of the Company

The commercial vehicles are mainly manufactured by GAC Hino, a joint venture, and GAC BYD, an associated company. Main products include light and heavy trucks, construction vehicles and medium to large-sized passenger vehicles, etc.

Energy conservation and new energy products of the Group include: GAC Trumpchi GA5 PHEV, GS4 PHEV, GA3S PHEV, GE3, hybrid GAC Honda Accord Sport Hybrid, GAC Toyota Camry HEV and Levin HEV, and GAC BYD purely electrically powered passenger vehicles.

- **Production capacity:** During the reporting period, no production capacity was newly built and commenced operation. As at the end of the reporting period, the total vehicle production capacity amounted to 1,888,000 units/year.
- **Sales channel:** The Group conducts automobile sales through sales outlet and online channels. As at the end of the reporting period, the Group, together with its joint ventures and associated companies, have 2,748 sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC. 155,455 units of vehicles were sold through online channels during the reporting period, representing 16.13% of the total sales of vehicles for the year.

(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 end of the reporting period, the total production capacity of motorcycles of the Group was 1.25 million units/year.

3. Commercial services segment

Through the engagement of GAC Commercial (a subsidiary) and its subsidiaries and associated companies and Tong Fang Logistics (an associated company of the Group) in the upstream and downstream of the automobile industrial chain, the Company commenced businesses in vehicle sales, logistics, international trading, second-hand vehicles, disassembling, resources recycling, supporting services, etc.

Through its subsidiary, Da Sheng Ke Ji, the Company established a one-stop platform in consolidating vehicle repair, usage, purchase, lease and exchange and forming an open and common automobile ecosystem on the internet.



Summary of Business of the Company

4. Parts and components segment

The Group's production of auto-parts was mainly carried out through the controlling companies, joint ventures and associated companies of its subsidiary, GAC Component, and GAC Toyota Engine and Shanghai Hino, the Group's associated companies. The auto-parts include engines, gearboxes, car seats, HVAC systems, auto lamps, automation accessories, redirectors, shock absorbers and accessories etc. About 75% of the products were whole vehicle accessories of the Group.

5. Financial segment

The Group provides financial investment, insurance, insurance brokerage, financial lease, automobile credit, and other related services mainly through its subsidiaries, namely China Lounge Investments, GAC Capital, Urtrust Insurance, Guang Ai, GAC Leasing, GAC Finance and its joint venture, GAC-SOFINCO.

(II) INDUSTRY ENVIRONMENT

According to the data from the Society of Automotive Engineers of China, during the first half of the year, production and sales volume of vehicles were 13,525,800 units and 13,353,900 units respectively, representing increases of 4.64% and 3.81% as compared with the corresponding period last year. Production and sales growth rate decreased by 1.83 and 4.33 percentage points respectively as compared with the corresponding period last year. Among them, the production and sales volume of passenger vehicles were 11,482,700 units and 11,253,000 units respectively, representing increases of 3.16% and 1.61% respectively as compared with the corresponding period last year; production and sales volume of commercial vehicles were 2,043,000 units and 2,100,900 units, representing increases of 13.80% and 17.39% respectively, as compared with the corresponding period last year. Looking at the production and sales condition of four models of passenger vehicles, save for SUV which recorded growth in production and sales volume, the production and sales volume of sedans, MPV, cross-type passenger vehicles declined. During the first half of the year, production and sales volume of SUV were 4.67 million units and 4.5267 million units respectively, representing increases of 18.90% and 16.83% respectively as compared with the corresponding period last year, but the growth rate decreased by 23.80 and 27.43 percentage points respectively as compared with the corresponding period last year. Sales volume of Chinese brand passenger vehicles in the first half of the year was 4,939,500 units, representing an increase of 4.33% as compared with the corresponding period last year, accounting for 43.90% of total passenger vehicles sales, which increased by 1.14 percentage points over the same period last year. Production and sales volume of new energy vehicles were 212,000 units and 195,000 units respectively, representing increases of 19.70% and 14.40% respectively as compared with the corresponding period last year, still maintaining rapid growth rates. Motorcycle production and sales were 8.4690 million units and 8.4970 million units respectively, representing increases of 3.70% and 4.20%, as compared with the corresponding period last year.

Summary of Business of the Company

During the first half of the year, the state promulgated and implemented a number of policies related to the automobile industry: on 25 April, the Ministry of Industry, Development and Reform Commission, Ministry of Science and Technology jointly issued the “Auto Industry Medium and Long-Term Development Plan” to provide guidance to promote the development of the automobile industry from large to strong, and put forward the overall target of “after ten years of constant effort, striving to become one of the top countries of automobiles in the world”; on 13 June, the National Development and Reform Commission and the Ministry of Industry issued the “Opinion on Improvement of Auto Investment Project Management” to improve the management of automotive investment projects, put forward requirements such as strict control of new production capacity for traditional fuel vehicles and restrictions on criteria for new energy automotive investment projects; On 1 July, the Ministry of Commerce promulgated and implemented the new “Vehicle Sales Management Measures”, breaking the single system of vehicle sales brand licensing; while the “Integrated Management Measures of Average Fuel Consumption of Passenger Vehicle Enterprises and New Energy Vehicles”, which has drawn much attention from the industry, has completed the solicitation of opinions, and is expected to be officially released in the near future, it will establish a long-term mechanism for energy-saving and new energy vehicle management and strengthen the management of energy-saving and emission reduction of automotive products. The introduction of the above policies will have a greater impact on the future development of China’s auto industry.

(III) ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

1. Industry layouts with complete industry chain and optimised structure

The Group has formed an industry strategic layout based in South China and radiating to Central China, East China, Northwest China and Bohai Rim Region and a complete closed-loop industrial chain centering upon manufacture of vehicles and covering R&D of vehicles and parts and components in the upstream and automobile commercial service and automobile financial service in the downstream, which is one of the automobile groups in the PRC with the most integrated industry chain and the most optimised industry layout. The synergy in the upstream and downstream of the industrial chain progressed gradually, new profit growth points are emerging and the comprehensive competitiveness of the Group has been constantly enhanced. During the reporting period, the Company promoted the construction of GAMC Hangzhou and Xinjiang factory project in an orderly manner and enhanced the production layout.

2. Advanced manufacturing, craftsmanship, quality and procedural management

The Group has comprehensive advantages in terms of manufacturing, craftsmanship, quality and procedural management which mainly include: (1) the world’s leading quality advantage; (2) innovative advantage brought by “continuous improvement”; (3) cost advantage brought by the pursuit of greater perfection.



3. Continued to enrich product line and optimise product structure

The Group has a full range of products including sedans, SUV, MPV, and continued to introduce new models and product iterations to maintain market competitiveness of products to meet changes in demand of consumers. It maintained customer loyalty and a widely recognised brand reputation. Self-developed brand series, Japanese series, European and American series developed equally, and the “three pillars” situation is becoming better. During the reporting period, the Group continued to promote the development and introduction of new products, the major vehicle factories launched three brand new models (GS7 \ GE3 \ Yaris L) and 15 upgraded models, which are welcomed by the market.

4. Initialised the “GAC Model” for the R&D and production system of self-developed brand

After years of introduction, digestion, absorption and innovation, the Group accumulated the funding, technology, talents and experience and formulated a world class production system. For R&D, through the integration of excellent global resources and the establishment of a cross-platform and modular-structured R&D system, the Group acquired the advantage of integrated innovation. During the reporting period, GAEI increased product development efforts, and promoted 17 regular car models, 10 new energy vehicle development projects, 216 new patent applications (37% was invention patents), 2,253 cumulative effective patent applications, and more than 80 patents in the field of new technology such as intelligent driving and wire-control shift etc. The scale of intellectual properties kept expanding.

5. Connection to capital operation platforms worldwide

The Group successfully built capital operation platforms in both A share and H share markets, which was favourable to the Group in leveraging on domestic and overseas capital markets in various forms to achieve effective resources allocation and realise the maximisation of capital appreciation and corporate value through the integration of internal and external growth. During the reporting period, the Company explored governance structural reform, continued to improve the medium and long-term incentive mechanism, continued to expand the investment and financing areas, optimised the financing structure, and enhanced the supporting function of the financial industry. During the reporting period, the Company has been included in the MSCI China A-Share Index, with increasing influence in the capital market.

Discussion and Analysis on Operation

(I) MAJOR PERFORMANCE

In the first half of 2017, the Group actively advanced various kind of works in an orderly manner and conformed to every expectation comprehensively. Major work performed during the first half of the year was as below:

1. Paid close attention to quality and efficiency, and achieve success in operation

The Group's five major vehicle companies fully grasped the active pulse of the domestic automobile consumption market and intensively launched new production capacity and new products. This resulted in growth both in the production and sales of automobiles in the first half of the year, with production and sales, income, profits and other major indicators reaching the best levels in recent years. The development of self-developed brands, Japanese series, European and American series was balanced, and the "three pillars" situation became increasingly stable. Star vehicle models such as Trumpchi GS4, Vezel, Accord (including hybrid), Levin (including hybrid), Fit, Highlander, Cherokee, Crider etc. were hot sales items, and new car models such as Trumpchi GS8, Compass, Outlander and Avancier continued to be well-accepted by the market. Driven by the original equipment manufacturers, R&D, parts and components, trade, finance and other upstream and downstream segments continued to show a good trend of development.

2. Promoted key projects, improved the industrial layout

Key projects such as GAMC's 200,000 units/year (new energy vehicle) capacity expansion project, GAMC Hangzhou's factory renovation project, GAMC's Xinjiang project, GAEI Hualong base phase one expansion project and second phase pre-construction project, GAC Toyota's production capacity and product variety expansion project, GAC Mitsubishi's engine construction project, GAC Toyota Engine's product model expansion construction projects steadily progressed as planned, which further improved the industrial layout and enhanced the development potential of the Group.

3. Driven by innovation, vigorously developed Zhilian new energy vehicles

GAC New Energy Automobile Co., Ltd. (廣汽新能源汽車有限公司), a wholly-owned subsidiary of the Company, was established to accelerate the R&D, production and sales of new energy automotive products. On 27 April 2017, the construction of the Guangzhou Automobile Zhilian New Energy Automotive Industrial Park (廣汽智聯新能源汽車產業園) officially commenced, and the total investment of the Group and other users of the industrial park is expected to exceed RMB45 billion. It will centre around the three areas of "Intelligent Manufacturing + Innovation R&D + Eco Town", with focus on the layout of six types of business including automobile manufacturing, automotive research and development, automotive finance, automotive culture, automotive travel, automotive business, to create an intelligent, open, innovative, green and common eco-international Zhilian new energy automotive industry innovation eco-city.



4. Enhanced the ability of capital operation, and promoted the integration of industry and finance

Various financing work had been smoothly carried out. The non-public issuance of A shares of RMB15 billion has been formally accepted by the CSRC, and the Company will focus on investment in intelligent network, new energy and forward-looking technology, key components and self-developed brand. The conversion of A share convertible bonds was satisfactory, with a conversion ratio of 24.92% (as at 30 June 2017), equivalent to more than RMB1 billion equity financing. GAC Capital aimed at the core areas and key links of the automobile industry chain and carried out in-depth mining and precise investment through the establishment of automotive electronics industrial funds, automotive sensor industry funds and other special funds. GAC Finance was officially opened on 12 April 2017, and gradually performed capital collection, settlement, credit, bills and other financial functions, boosting production and financial integration.

5. Deepened the reform of state-owned enterprises, and constantly regulated corporate governance

The Group implemented the spirit of deepening the reform of state-owned enterprises, actively promoted the reform of institutional mechanisms, and further optimised the governance structure and mode of operation of the Group; based on the relevant requirements of the Party building work and state-owned enterprise reform, the Articles of Association has been amended to include provisions relating to relevant Party building and corporate governance structure according to the decision-making process of listed companies; continued to improve internal control and risk management system, a total of 4 new systems have been added and 13 items have been revised during the reporting period. We continued to follow up the implementation of the first phase of the A share option scheme, so as to promote compliance and smooth exercise. As at 30 June 2017, a total of 534 persons exercised their options for a total of 18,413,600 shares, representing 98.60% of the options exercisable in the period.

6. Standardised information disclosure and investor relationship, established a good image for capital market

The Company continued to make information disclosure based on the principles of “true, accurate, complete, timely, fair and effective”. The number of documents disclosed on the SSE and the Stock Exchange in the first half of the year were 99 and 78 respectively. We adhere to the consistency and simultaneity in A and H market information disclosure to ensure “no error, no delay, no correction, no supplement” in information disclosure. In addition, through overseas road shows, auto show exchange activities, investor’s summit etc., investor relations activities were carried out. A total of 32 visits and 15 telephone conferences were arranged for investors, which entertained more than 500 investors and analysts, through which our business philosophy and investment value were communicated.

7. Promoted brand upgrades, continued to enhance corporate image

This year is the “brand upgrade year” of the Group. At the Shanghai Auto Show in April, a new brand strategy was launched. The brand slogan of “Crafted by the Driven” was established, and the corporate brand was positioned as “Mobile Life Value Creator”, which reflected the pursuit of excellence in the spirit of creativity, the spirit of quality excellence and customer supremacy in the spirit of service. At present, GAC Toyota, GAC Mitsubishi, GAC Hino, GAC Fiat-Chrysler have officially adopted dual brand logo, which further enhanced the Group’s brand influence. During the reporting period, the Group fulfilled its corporate social responsibility and invested RMB20.47 million in social welfare and philanthropy including environmental protection, cultural education, medical assistance, targeted poverty alleviation and so on.

(II) DISCUSSION AND ANALYSIS BY THE BOARD ON OPERATION OF THE COMPANY IN THE REPORTING PERIOD

During the reporting period, operating revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB162.506 billion, representing an increase of approximately RMB39.273 billion or approximately 31.87% as compared with the corresponding period last year.

During the reporting period, operating revenue of the Group amounted to approximately RMB34.765 billion, representing a growth of approximately 62.23% as compared with the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB6.267 billion, representing a growth of approximately 57.38% as compared with the corresponding period last year; and basic earnings per share amounted to RMB0.97, representing an increase of approximately 56.45% as compared with the corresponding period last year.

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

1. The Group’s self-developed brand experienced continuous rapid growth as a result of its advanced research and development capability, fast introduction of new products, enhanced quality of products and outstanding performance of “star” models. During the first half of 2017, under the situation where production and sales in the automobile industry slowed down in the PRC, production and sales volume of self-developed brand vehicles of the Group significantly increased by 56.38% and 57.02% respectively as compared with the corresponding period last year. In particular, Trumpchi GS4 continued to experience hot sales and GS8 became another star product of our self-developed brand;
2. Sales volume of European and American series joint venture domestic Jeep products achieved stable increase and profit growth;
3. Japanese series joint ventures further increased their integrated competitiveness with a positive development trend. Sales volume of vehicle models such as Highlander, Accord, Avancier and Outlander achieved a steady growth;

4. Ancillary businesses in the upstream and downstream of the industrial chain such as financial services, auto-parts and commercial services expanded alongside with the increase in production and sales volume of self-developed brand and joint ventures, which facilitated the growth of operating results and the enhancement of synergy among business sectors.

(III) ANALYSIS OF PRINCIPAL BUSINESS

Unit: 100 million Currency: RMB

Item	Current period	Corresponding period last year	Change (%)
Revenue	347.65	214.29	62.23
Cost of sales	290.26	177.55	63.48
Selling and distribution costs	20.13	12.63	59.38
Administrative expenses	14.46	10.54	37.19
Finance costs	4.08	4.10	-0.49
Interest income	2.73	2.27	20.26
Share of profit of joint ventures and associated companies	46.01	31.64	45.42
Net cash flow generated from operating activities	38.98	28.70	35.82
Net cash flow generated from investing activities	34.61	-62.11	-155.72
Net cash flow generated from financing activities	-35.61	47.93	-174.30

1. Revenue

During the reporting period, total operating revenue of the Group amounted to approximately RMB34.765 billion, representing an increase of approximately 62.23% 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 the industry chain such as the auto-parts and automobile after-production service.

2. Cost of sales and gross profit

During the reporting period, the Group recorded total cost of sales of approximately RMB29.026 billion, representing an increase of approximately 63.48% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB5.739 billion, representing an increase of approximately RMB2.065 billion as compared with the corresponding period last year. Gross profit margin decreased by 3.68% as compared with the corresponding period last year, mainly due to the effect of economies of scale from the continued increase in sales of passenger vehicles, the reduction in unit cost as a result of the strengthened cost control as well as the provision for depreciation and assets impairment.

3. Expenses

- (1) The increase of approximately RMB750 million in selling expenses as compared with the corresponding period last year was mainly attributable to the increase in expenses in logistics and warehousing and aftersales services in line with the growth in business sales and the increase in advertisement and promotion expenditures;
- (2) The increase of approximately RMB392 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the increase in labor costs, depreciation and amortisation and R&D expenses along with the business expansion of the Group;
- (3) The decrease of approximately RMB2 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, and increase in interest income due to enhanced funds utilisation;
- (4) The increase of approximately RMB46 million in interest income as compared with the corresponding period last year was mainly attributable to the increase of average deposit balance and enhanced funds utilisation during the reporting period.

4. Cash flow

- (1) During the reporting period, net cash inflow generated from operating activities amounted to approximately RMB3.898 billion, representing an increase in inflow of approximately RMB1.028 billion as compared with the net cash inflow of RMB2.870 billion of the corresponding period last year, which was mainly attributable to the increase in sales collection along with the increase in sales during the reporting period;
- (2) During the reporting period, net cash inflow arising from investing activities amounted to approximately RMB3.461 billion, representing a decrease in outflow of approximately RMB9.672 billion as compared with the net cash outflow of approximately RMB6.211 billion in the corresponding period last year, which was mainly attributable to the decrease in investment in financial products and reasonable arrangement of deposit structure according to the capital requirements during the reporting period;
- (3) During the reporting period, net cash outflow arising from financing activities amounted to approximately RMB3.561 billion, representing a decrease in inflow and increase in outflow of approximately RMB8.354 billion as compared with the net cash inflow of RMB4.793 billion of the corresponding period last year, which was mainly attributable to the issuance of A share convertible bonds with face value of RMB4.1 billion and the repayment of short-term financing bonds with face value of RMB 2.3 billion during the reporting period.



- (4) As at 30 June 2017, cash and cash equivalent of the Group amounted to approximately RMB16.353 billion, representing an increase of approximately RMB3.340 billion as compared with approximately RMB13.013 billion as at 30 June 2016.

5. 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 RMB4.601 billion, representing an increase of approximately RMB1.437 billion as compared with the corresponding period last year, which was mainly attributable to the following: (1) the hot sales of models such as Highlander, Accord, Avancier, Outlander and domestic Jeep series drove the increase in overall sales and the steady increase of operating results of joint ventures; (2) the synergies of industries continued to strengthen, the service businesses of the auto financing, auto-parts and auto logistics in the upstream and downstream of the industry chain developed rapidly.

6. Others

Income tax amounted to approximately RMB681 million, representing an increase of approximately RMB271 million as compared with the corresponding period last year, mainly due to the increase in profit of some of the companies during the reporting period.

To sum up, the Group's net profit attributable to owners of the parent company for the reporting period amounted to approximately RMB6.267 billion, representing a growth of approximately 57.38% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.97, representing a growth of approximately 56.45% as compared with the corresponding period last year.

Discussion and Analysis on Operation

(IV) ANALYSIS BY INDUSTRY, PRODUCT OR REGIONAL OPERATION

1. Principal business by industry

Unit: 100 million Currency: RMB

By industry	Revenue	Cost of Sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Automobile manufacturing industry	250.74	205.85	17.90	65.89	68.95	Decreased by 1.49 percentage points
Auto-parts manufacturing industry	8.84	6.29	28.85	37.27	30.23	Increased by 3.85 percentage points
Commercial services	79.86	73.66	7.76	59.18	57.33	Increased by 1.08 percentage points
Financial services and others	8.21	4.46	45.68	25.73	9.85	Increased by 7.85 percentage points
Total	347.65	290.26	16.51	62.23	63.48	Decreased by 0.63 percentage point

2. Principal business by product

Unit: 100 million Currency: RMB

By product	Revenue	Cost of Sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Passenger vehicles	250.70	205.84	17.89	66.09	69.32	Decreased by 1.57 percentage points
Vehicles related trades	88.70	79.95	9.86	56.69	54.79	Increased by 1.10 percentage points
Financial services and others	8.25	4.47	45.82	22.40	3.23	Increased by 10.06 percentage points
Total	347.65	290.26	16.51	62.23	63.48	Decreased by 0.63 percentage point

3. Principal business by region

Unit: 100 million Currency: RMB

By region	Revenue	Changes in revenue compared with last year (%)
Mainland China	347.19	62.06
Hong Kong	0.46	666.67
Total	347.65	62.23

(V) 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 over total assets (%)	Balance at the end of previous period	Balance at the end of previous period over total assets (%)	Change (%)
Time deposits	60.02	6.70	71.90	8.75	-16.52
Inventories	34.60	3.86	24.94	3.04	38.73
Short-term borrowings	25.86	2.89	44.78	5.45	-42.25
Government grants	28.97	3.23	21.59	2.63	34.18

2. Analysis on change of items

- (1) Time deposits decreased by 16.52% as compared with the corresponding period last year, mainly due to the reasonable arrangement of deposits structure in accordance with capital needs during the reporting period;
- (2) Inventories increased by 38.73% as compared with the corresponding period last year, mainly due to the increase in production and sales volume during the reporting period which led to the increase in raw materials and finished products;
- (3) Short-term borrowings decreased by 42.25% as compared with the corresponding period last year, mainly due to the repayment of short-term borrowings by headquarter of the Group and GAMC Hangzhou during the reporting period;

Discussion and Analysis on Operation

- (4) Government grants increased by 34.18% as compared with the corresponding period last year, mainly due to the receipt of government grants for industrial development during the reporting period.

(VI) ANALYSIS OF FINANCIAL POSITION

1. Financial indicators

As at 30 June 2017, the Group's current ratio was approximately 1.51 times, representing an increase from approximately 1.44 times as at 31 December 2016, and quick ratio was approximately 1.38 times, which represents an increase compared with that of approximately 1.34 times as at 31 December 2016. Current ratio and quick ratio remained normal.

2. Financial resources and capital structure

As at 30 June 2017, the Group's current assets amounted to approximately RMB39.096 billion, current liabilities amounted to approximately RMB25.807 billion and current ratio was approximately 1.51 times. As at 30 June 2017, the Group's total borrowings amounted to approximately RMB12.162 billion, mainly consisting of debentures issued by the Group with nominal value of RMB600 million, corporate bonds with nominal value of RMB6 billion, A share convertible bonds with nominal value of RMB4.1 billion and loans from bank and financial institutions amounting to approximately RMB1.462 billion, gearing ratio was approximately 19.36%. 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: $(\text{borrowings in non-current liabilities} + \text{borrowings in current liabilities}) / (\text{total equity} + \text{borrowings in non-current liabilities} + \text{borrowings in current liabilities})$).

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 2017, independent third-party guarantee committed by the Group amounted to RMB4,469,850, whereas that as at 31 December 2016 was RMB5,463,150; as at 30 June 2017, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2016 was RMB0.

5. Details of charges on the Group's assets

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



Significant Events

(1) PROFIT DISTRIBUTION PLAN OR CONVERSION OF CAPITAL RESERVES

Formulated 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) (tax inclusive)	1.0
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 52nd meeting of the 4th session of the Board of the Company held on 23 August 2017, it was considered and resolved that a cash interim dividend of RMB1.0 (tax inclusive) per 10 shares shall be distributed to all shareholders of the Company on the record date.	

(2) MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

During the reporting period, the Company did not have any matter relating to insolvency or restructuring.

(3) MATERIAL LITIGATIONS OR ARBITRATIONS MATTERS

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

Significant Events

(4) SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER INCENTIVE MEASURES OF THE COMPANY AND THE IMPACTS THEREOF

First A share option incentive scheme in 2014

Incentive method: A share options

Source of subject share(s): issue A shares to participants

The measurement method of the fair value of the equity instrument, the selection criteria of parameters and the results

Measurement method	Black-Scholes model
Name of parameters	Closing price on the grant date S: RMB8.39/A share; Exercise price of options K: RMB7.60/A share; Risk-free interest rate r: 3.48%; Validity of options t: 4 years Stock volatility σ : 17.46% (Use the historical volatility of the Shanghai Composite Index for the four years from 20 September 2010 to 19 September 2014); Dividend rate i: 1.25% (Use average cash dividend per share ratio from the listing date of A shares of GAC Group A shares to the grant date)
Measurement result	Fair value of single option: RMB 1.8365/A share.

On 19 September 2014, the Company granted A share options to all participants. On 19 September 2016, the first exercise period of the A share option incentive scheme of the Company started. For details, please refer to the “Announcement on Fulfillment of Conditions for the Exercise of Options for the First Exercise Period of the Share Option Incentive Scheme” disclosed on the websites of SSE and the Stock Exchange on 9 September 2016 (Announcement No.: Lin 2016-071). As at 30 June 2017, options equivalent to a total of 18,413,645 A shares have been exercised and the registration of shares transfer has been completed, accounting for 98.60% of the total exercisable A share options for the first exercise period. For details, please refer to the “Announcement on the Results on the Conversion of Convertible Bonds into Shares and the Exercise Results of the First Exercise Period of the Share Option Incentive Scheme and the Changes in Shares” disclosed on the websites of SSE and the Stock Exchange on 4 July 2017 (Announcement No.: Lin 2017-058).

Significant Events

(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: 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)	4,469,850	25 July 2014	19 September 2014	19 September 2019	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)	70,240,000	26 March 2015	26 March 2015	25 March 2018	Suretyship of joint and several liability	No	No	0	Yes	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)	4,220,000	26 March 2015	26 March 2015	25 March 2018	Suretyship of joint and several liability	No	No	0	Yes	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)													78,929,850
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)													78,929,850
Proportion of total guarantee in the net assets of the Company (%)													0.16
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													

Significant Events

(6) A SHARE CONVERTIBLE CORPORATE BONDS

1. Issuance of convertible bonds

On 22 January 2016, the Company completed the issue of A share convertible corporate bonds amounting to RMB4,105.58 million. The conversion period started on 22 July 2016.

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

Number of convertible bonds holders at the end of the period	953	
Guarantors of convertible bonds of the Company	Nil	
Conditions of top ten convertible bonds holders are as follows:		
Name of convertible bonds holders	Amount of bonds held at the end of the period (RMB)	Percentage of Holding (%)
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	283,059,000	9.18
Shaanxi International Trust Co., Ltd. – Shanguotou• chiyong No. 90 Securities Investment Assembled Funds Trust Plan(陝國投• 持盈90號證券投資集合資金信託計劃)	177,250,000	5.75
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank)	96,372,000	3.13
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)	86,860,000	2.82
Xie Yuanyuan	79,847,000	2.59
Zheng Dandan	78,853,000	2.56
National Social Insurance Fund 203 Package	75,615,000	2.45
Hu Yuanwen	57,478,000	1.86
Wang Xiaochun	54,431,000	1.77
Pingan Anyi Fixed-Income Pension Product (平安安益固定收益型養老金產品) – China Construction Bank Corporation	52,333,000	1.70

Significant Events

3. Changes in the convertible bonds during the reporting period

Unit: RMB

Name of convertible bond	Prior to current changes	Increase/decrease as a result of the current changes			After current changes
		Converted	Redeemed	Resold	
GAC Convertible Bonds	4,070,241,000	987,600,000			3,082,641,000

4. Aggregated conversion of convertible bonds during the reporting period

Unit: RMB

Amount of shares converted during the reporting period (RMB)	987,600,000
Number of shares converted during the reporting period	45,406,196
Aggregated number of shares converted	47,022,051
Aggregated number of shares converted per the total number of issued shares of the Company before conversion (%)	0.73
Outstanding convertible bonds (RMB)	3,082,641,000
Outstanding convertible bonds per the total number of convertible bonds issued	75.08

Significant Events

5. Adjustments of the conversion prices

Unit: RMB

Date of conversion price adjustment	Conversion price after adjustment	Date of disclosure	Media of disclosure	Description of the conversion price adjustment
21 June 2016	21.87	13 June 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily	Based on the profit distribution plan for 2015 of RMB1.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.99 per A share to RMB21.87 per A share accordingly.
20 October 2016	21.79	12 October 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily	Based on the profit distribution plan of RMB0.8 (tax inclusive) for every 10 shares for the interim period of 2016, the conversion price was adjusted from RMB21.87 per A share to RMB21.79 per A share accordingly.
21 December 2016	21.75	19 December 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily	As the first exercise period of the A share option incentive scheme of the Company began during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
13 June 2017	21.53	5 June 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily	Based on the profit distribution plan for 2016 of RMB2.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.75 per A share to RMB21.53 per A share accordingly.
Latest conversion price as at the end of the reporting period			21.53	

6. Information on the Company's liability, credit changes and cash arrangement for debt repayment next year

As at 30 June 2017, the consolidated total assets amounted to RMB89,613,092. During the reporting period, the credit rating of the Company was AAA without changes. The main sources of cash for debt repayment next year are operating cash flow and external investment income of the Company.

(7) CORPORATE GOVERNANCE

During the reporting period, the Company has complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

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

(8) TRANSACTIONS IN RELATION TO PRINCIPAL JOINTLY CONTROLLED ENTITIES

At the time of listing of the Company, the Stock Exchange granted a conditional waiver from strict compliance with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial 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. The principal jointly controlled entities of the Company are GAC Toyota, GAC Honda, GAC-SOFINCO and GAC Fiat-Chrysler calculated based on the financial statements for the year of 2016.

(9) OTHER DISCLOSURES

1. Production safety

GAC Group adhered to the guidelines of safety first with 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. During the reporting period, the Group and every investment company had experienced no serious injury or above accidents in production safety, and its production safety condition remained stable in general.

During the second half of the year, the Group’s production safety work will thoroughly implement the “Opinions of the CPC Central Committee and the State Council on Promoting the Reform of Production Safety Areas” and the relevant laws and regulations on safety production in accordance with the Group’s annual business plan, and will strictly implement the latest production safety target management assessment standards, fulfill the supervision, guidance and service of the investment enterprises, to ensure that the Group’s production safety responsibility has been achieved.

2. Environmental protection

With the goal of “developing into a public company trusted by society”, the Group always advocates green culture, builds a green supply chain, develops green offices, realises sustainable development and actively performs social responsibility. The Group adhered to ideals of environmental protection and with the goals of energy conservation, consumption reduction, pollution reduction and boosting efficiency, the Group accelerated the development of the business of new energy and energy-efficient and environmentally-friendly vehicles to facilitate intelligent green travel and the green development of the automobile industry. The Group promoted the construction of smart, intensive and environmentally-friendly factories, participated in the formulation of industrial standards of energy conservation and emission reduction, improved environmental performance and established itself as an “environmentally-friendly” enterprise and a pioneer of environmental protection.

3. Remuneration and training of employees

As at 30 June 2017, the number of registered employees of the Group (including its investees) amounted to 77,004.

Based on its development plan, the Group strengthened macro-management of remuneration, and attached importance to maintaining the market competitiveness of its remuneration system. By studying and analysing the market remuneration data, CPI growth rate and industry benchmark, it reviewed its remuneration system and popularised a salary negotiation mechanism, so as to ensure that the remuneration system plays an incentive role in retaining talents.

It advocated the implementation of performance-linked remuneration policy and continuously improved the performance evaluation mechanism, individual performance evaluation measures, and employee promotion system, and formulated remuneration policies that provide incentives and are binding.

Timely and full contributions to various social insurances were made in accordance with the requirements of national and provincial laws and regulations on labor and social security to safeguard the interests of the employees. The Group also purchased supplementary medical and other commercial insurances for its staff to further protect and safeguard their interests and health beyond the requirements of policies and regulations.

The Group will further improve the remuneration system in terms of incentive and retention of talents. Contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes will be made in accordance with the national laws and regulations. Investees under the Group are encouraged to further enhance the flexibility and protection of staff welfare system.

The total amount paid to and for employees during the reporting period amounted to RMB320,969,976.



Significant Events

During the reporting period, training was closely centered around the work priorities, mainly focusing on continuing to conduct different levels and kinds of special trainings in different professional areas, meanwhile organising middle and senior management to study in domestic and overseas colleges as well as benchmark enterprises. System resources were organised and the training system was constructed and perfected to promote the passing and sharing of knowledge, experience and skills. Employees were provided with various courses on knowledge update and ability enhancement as well as opportunities for training and learning, with a view to providing knowledge reserve and skills for sustainable development in the future.

4. Significant investment held, material acquisition and disposal

Save as disclosed in the most recent published annual report of the Group, the Group has not had any significant investments and has not conducted any material acquisitions or disposals of subsidiaries, associates and joint ventures during the reporting period.

5. Future plans for material investments or acquisition of 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 acquisition of capital assets.

Changes in Shares and Shareholders

(1) STATEMENT OF CHANGES IN SHARES

Unit: share

	Before change		Increase/decrease in this change (+,-)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from contributed capital surplus	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium									
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Including: Domestic non-state – owned legal person shares									
Domestic natural person share									
4. Foreign shares									
Including: Overseas legal person shares									
Overseas natural person shares									
II. Circulating shares not subject to trading moratorium									
1. Renminbi ordinary shares	4,240,060,387	65.70	1,688,992			45,406,196	47,095,188	4,287,155,575	65.95
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	2,213,300,218	34.30						2,213,300,218	34.05
4. Others									
III. Total shares	6,453,360,605	100	1,688,992			45,406,196	47,095,188	6,500,455,793	100



Changes in Shares and Shareholders

Statement of changes in shares

In January 2016, the Company issued the A share convertible corporate bonds amounting to RMB4,105,580,000, of which the conversion period commenced in July 2016. During the reporting period, an aggregate of 45,406,196 A shares have been converted. On 19 September 2016, the first exercise period of the A share option incentive scheme of the Company commenced. During the reporting period, a total of 1,688,992 A shares were issued as a result of exercise of options.

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 2017, 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)	85.83	59.70
	H Shares	Interest of a controlled corporation	201,112,000 (L)	9.09	
BlackRock, Inc.	H Shares	Interest of a controlled corporation	131,589,191 (L)	5.95	2.02
			5,892,000 (S)	0.27	0.09

Changes in Shares and Shareholders

Notes:

1. (L) – Long Position, (S) – Short Position, (P) – Lending Pool
2. The total number of A shares of the Company held by GAIG as at 30 June 2017, i.e. 3,705,129,384 shares, represents approximately 86.42% of the A share capital of the Company. At the same time, it held 207,542,000 H shares of the Company through its wholly owned subsidiary in Hong Kong, Guangzhou Auto Group (Hong Kong) Limited, 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 was 3,912,671,384 shares, representing approximately 60.19% of the total share capital of the Company.

Directors, Supervisors and Senior Management

(1) CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

Name	Position	Change	Reason for change
Lu Sa	Director, Deputy General Manager, Secretary to the Board, Deputy Director of Executive Committee and Company Secretary	Resigned	Resigned

(2) CHANGES IN THE INFORMATION OF DIRECTORS OR SUPERVISORS

Pursuant to Rule 13.51B (1) of the Listing Rules, changes in information of the directors or supervisors of the Company required to be disclosed under paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during their terms of office are as follows:

Mr. FU Yuwu, the incumbent independent non-executive director of the Company, has been appointed as independent director of Ningbo Shenglong Automotive Powertrain System Co.,Ltd. (寧波聖龍汽車動力系統股份有限公司) (SSE stock code: 603178) and Chongqing Sokon Industry Group Co., Ltd. (重慶小康工業集團股份有限公司) (SSE stock code: 601127).

Mr. LEUNG Lincheong, the incumbent independent non-executive director of the Company, has been appointed as independent non-executive director of Petro-king Oilfield Services Limited (Stock Exchange stock code: 02178).

Mr. WANG Susheng, the incumbent independent non-executive director of the Company, has been appointed as president of Shenzhen Public Administration Institute (深圳市公共管理學會) and independent director of Tianma Microelectronics Company Limited (天馬微電子股份有限公司) (SZSE stock code: 000050), and also resigned as an independent director of Shenzhen Terca Technology Co., Ltd. (深圳市特爾佳科技股份有限公司) (SZSE stock code: 002213).

Directors, Supervisors and Senior Management

(3) INTERESTS OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES DURING THE REPORTING PERIOD

As at 30 June 2017, the interests of the incumbent and resigned 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 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” of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows (unit: share):

1. Interest in shares

Changes of shareholdings of incumbent and resigned directors, supervisors and senior management during the reporting period are set out below:

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
Zeng Qinghong	Chairman	300,000 (A Shares)	300,000 (A Shares)	0
Feng Xingya	Director	253,333 (A Shares)	190,000 (A Shares)	-63,333 (A Shares)
Yuan Zhongrong	Director	0	270,000 (A Shares)	270,000 (A Shares)
Yao Yiming	Director	246,666 (A Shares)	246,666 (A Shares)	0
		536,597 (H Shares)	536,597 (H Shares)	0
Wu Song	Director	246,666 (A Shares)	185,000 (A Shares)	-61,666 (A Shares)
Lu Sa	Director	253,333 (A Shares)	253,333 (A Shares)	0
		20,000 (H Shares)	20,000 (H Shares)	0
Chen Maoshan	Director	246,666 (A Shares)	185,000 (A Shares)	-61,666 (A Shares)
		79,481 (H Shares)	79,481 (H Shares)	0
Gao Fusheng	Supervisor	87 (H Shares)	87 (H Shares)	0
Zhang Qingsong	Senior Management	0	246,666 (A Shares)	246,666 (A Shares)
Li Shao	Senior Management	246,666 (A Shares)	246,666 (A Shares)	0
Wang Dan	Senior Management	246,666 (A Shares)	246,666 (A Shares)	0
Ou Yongjian	Senior Management	0	246,666 (A Shares)	246,666 (A Shares)
Chen Hanjun	Senior Management	47,766 (A Shares)	36,766 (A Shares)	-11,000 (A Shares)

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

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 mobilise 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 was formulated and passed at the first extraordinary general meeting of 2014 of the Company held on 19 September 2014.

A share options represents the right to be granted to a participant by the Company to acquire certain number of A shares of the Company at a pre-determined price and conditions in a particular period of time. The source of the underlying shares shall be the ordinary A shares to be issued by the Company to the participants.

As at 19 September 2014, the exercise price of the A share options was RMB7.6 per A share. The closing price of the A shares of the Company immediately prior to the vesting date of the A share option incentive scheme (i.e. 19 September 2014) was RMB8.37 per A share. Moreover, as at 30 June 2017, the Company had implemented 6 times of dividend distributions since the date of grant and pursuant to 2016 annual profit distribution proposal, since 13 June 2017, the exercise price of the A share options has been adjusted to RMB6.94 per A share.

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

Name	Position	Number of A share options held at the beginning of the reporting period	Number of new A share options granted during the reporting period	A share options exercisable during the reporting period	Shares issued upon exercise of A share options during the reporting period	Exercise price of A share options (RMB)	Number of A share options held at the end of the reporting period
Zeng Qinghong	Chairman	600,000	0	0	0	See notes	600,000
Feng Xingya	Vice Chairman, General Manager	506,667	0	0	0	See notes	506,667
Yuan Zhongrong	Vice Chairman	810,000	0	270,000	270,000	See notes	540,000
Yao Yiming	Director	493,334	0	0	0	See notes	493,334
Wu Song	Director, Deputy General Manager	493,334	0	0	0	See notes	493,334
Lu Sa (see note 5)	Executive Director, Company Secretary of the Board, Deputy General Manager	506,667	0	0	0	See notes	506,667

Directors, Supervisors and Senior Management

Name	Position	Number of A share options held at the beginning of the reporting period	Number of new A share options granted during the reporting period	A share options exercisable during the reporting period	Shares issued upon exercise of A share options during the reporting period	Exercise price of A share options (RMB)	Number of A share options held at the end of the reporting period
Chen Maoshan	Director, Chairman of Labour Union	493,334	0	0	0	See notes	493,334
Zhang Qingsong	Deputy General Manager	740,000	0	246,666	246,666	See notes	493,334
Li Shao	Deputy General Manager	493,334	0	0	0	See notes	493,334
Wang Dan	Deputy General Manager	493,334	0	0	0	See notes	493,334
Qu Yongjian	Deputy General Manager	740,000	0	246,666	246,666	See notes	493,334
Chen Hanjun	Deputy General Manager	95,534	0	0	0	See notes	95,534
Senior, middle level and other core businesses, technical and management key personnel (total 528 people)	/	40,525,075	0	1,186,417	925,660	See notes	39,599,415
Total	/	46,990,613	0	1,949,749	1,688,992	/	45,301,621

Notes:

1. The first exercise period of A share option incentive scheme commenced on 19 September 2016, the validity period of which is one year. The participants may exercise their share options more than once on a voluntary basis during such period. As at 30 June 2017, as a result of profit distribution made by the Company, the exercise price has been adjusted several times: the exercise price from 19 September 2016 to 19 October 2016 was RMB7.24 per share; the exercise price from 20 October 2016 to 12 June 2017 was RMB7.16 per share; the exercise price from 13 June 2017 was RMB6.94 per share.
2. 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.
3. 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.
4. 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.



5. As Ms. Lu Sa resigned from the abovementioned positions in the Company on 30 March 2017, her A share options (totaling 506,667 shares) were all cancelled on 31 August 2017.

The whole A share option incentive scheme shall be effective for 10 years, and in principle, certain number of A 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. Total number of securities issuable under the A share option incentive scheme (i.e. 56,024,200 A shares) represented approximately 0.86% of total issued shares of the Company as at 30 June 2017.

The vesting period represents the period from the grant of the A share options to the exercise date of the share options. The vesting period under the A share option incentive scheme granted to participants is 24 months. If the conditions of exercise required by the scheme are fulfilled within the exercise date, participants shall exercise their A share options in different periods within 36 months after expiry of the 24-month period from the date of grant. The exercise period and the exercise arrangements in each stage are as follows:

Exercise arrangements	Exercise period	Exercise proportion
First exercise	Commencing on 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 on 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 on 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 CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	2,995,961	2,308,959
Property, plant and equipment	7	11,899,257	11,856,013
Investment properties	7	1,304,576	1,311,433
Intangible assets	7	5,281,377	5,319,222
Investments in joint ventures and associates	8	24,718,297	22,658,119
Deferred income tax assets	9	890,495	789,875
Available-for-sale financial assets		2,020,394	2,024,359
Prepayments and long term receivables		1,406,765	933,059
		<u>50,517,122</u>	<u>47,201,039</u>
Current assets			
Inventories		3,459,612	2,493,564
Trade and other receivables	10	9,400,639	8,371,237
Available-for-sale financial assets		1,986,347	2,098,856
Held-to-maturity investments		–	59,964
Financial assets at fair value through profit or loss		528,796	604,551
Time deposits		6,002,256	7,189,931
Restricted cash		1,364,857	1,547,528
Cash and cash equivalents		16,353,463	12,579,571
		<u>39,095,970</u>	<u>34,945,202</u>
Total assets		<u>89,613,092</u>	<u>82,146,241</u>

Condensed Consolidated Interim Financial Information

	<i>Note</i>	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	6,500,455	6,453,360
Other reserves		12,750,484	11,848,133
Retained earnings		30,391,894	25,554,660
		49,642,833	43,856,153
Non-controlling interests		1,030,273	1,037,308
Total equity		50,673,106	44,893,461
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	133,803	30,801
Borrowings	13	9,575,438	10,346,462
Deferred income tax liabilities	9	101,580	71,952
Provisions		425,531	371,641
Government grants		2,896,856	2,158,642
		13,133,208	12,979,498
Current liabilities			
Trade and other payables	12	22,518,752	19,128,114
Current income tax liabilities		701,600	667,415
Borrowings	13	2,586,426	4,477,753
		25,806,778	24,273,282
Total liabilities		38,939,986	37,252,780
Total equity and liabilities		89,613,092	82,146,241

The notes on pages 46 to 84 form an integral part of these interim condensed consolidated financial information.

Condensed Consolidated Interim Financial Information

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Revenue	6	34,765,443	21,429,106
Cost of sales		(29,025,955)	(17,754,631)
Gross profit		5,739,488	3,674,475
Selling and distribution costs		(2,013,285)	(1,263,490)
Administrative expenses		(1,445,781)	(1,054,385)
Interest income		234,591	177,805
Other gains – net		217,244	88,284
Operating profit	<i>14</i>	2,732,257	1,622,689
Interest income		38,790	48,829
Finance costs	<i>15</i>	(408,239)	(410,411)
Share of profit of joint ventures and associates	<i>8</i>	4,600,997	3,163,769
Profit before income tax		6,963,805	4,424,876
Income tax expense	<i>16</i>	(681,259)	(410,605)
Profit for the period		6,282,546	4,014,271
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss – change in value of available-for-sale financial assets, net of tax		3,740	(13,987)
Total comprehensive income for the period		6,286,286	4,000,284

Condensed Consolidated Interim Financial Information

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Profit attributable to:			
Owners of the Company		6,267,194	3,981,548
Non-controlling interests		15,352	32,723
		<u>6,282,546</u>	<u>4,014,271</u>
Total comprehensive income attributable to:			
Owners of the Company		6,267,017	3,972,677
Non-controlling interests		19,269	27,607
		<u>6,286,286</u>	<u>4,000,284</u>
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– basic	17	<u>0.97</u>	<u>0.62</u>
– diluted	17	<u>0.95</u>	<u>0.60</u>

The notes on pages 46 to 84 form an integral part of these interim condensed consolidated financial information.

Condensed Consolidated Interim Financial Information

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners 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 2017	6,453,360	11,848,133	25,554,660	43,856,153	1,037,308	44,893,461
Comprehensive income						
Profit for the period	–	–	6,267,194	6,267,194	15,352	6,282,546
Other comprehensive (loss)/income – Available-for-sale financial assets, net of tax	–	(177)	–	(177)	3,917	3,740
Total comprehensive (loss)/income	–	(177)	6,267,194	6,267,017	19,269	6,286,286
Transactions with owners in their capacity as owners						
Dividends declared by the Company and subsidiaries	–	–	(1,429,960)	(1,429,960)	(28,158)	(1,458,118)
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	1,500	1,500
Share options granted to directors and employees						
– Value of employee services	–	8,095	–	8,095	–	8,095
– Proceeds from shares issued	1,689	10,272	–	11,961	–	11,961
Convertible bonds (Note 13)						
– Conversion of convertible bonds	45,406	879,196	–	924,602	–	924,602
Others	–	4,965	–	4,965	354	5,319
Total transactions with owners in their capacity as owners	47,095	902,528	(1,429,960)	(480,337)	(26,304)	(506,641)
Balance at 30 June 2017	6,500,455	12,750,484	30,391,894	49,642,833	1,030,273	50,673,106
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	–	(346,107)	–	(346,107)	84,059	(262,048)
Convertible bonds (Note 13)						
– Issuance of convertible bonds	–	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

The notes on pages 46 to 84 form an integral part of these interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	4,815,328	3,408,248
Interest received	229,107	222,387
Interest paid	(427,970)	(427,122)
Income tax paid	(718,066)	(333,670)
	<u>3,898,399</u>	<u>2,869,843</u>
Net cash flows generated from operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment, land use rights and intangible assets	(3,052,134)	(2,256,898)
Proceeds from sales of property, plant and equipment and intangible assets	195,864	68,002
Consideration paid for acquisition of non-controlling interests	–	(262,048)
Acquisition and set-up of joint ventures	(72,131)	(1,500)
Additional capital injection in joint ventures	(558,556)	(600,000)
Additional capital injection in associates	(96,955)	(18,239)
Acquisition and set-up of an associate	(10,000)	–
Acquisition of available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables	(9,753,262)	(14,334,054)
Disposal of available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss and loans and receivables	10,218,820	11,140,639
Granting of entrusted loans	(31,368)	(626,360)
Proceeds from repayment of entrusted loans	617,253	652,151
Receipt of government grants related to assets	778,459	648,660
Dividends received	3,038,003	3,009,814
Decrease/(increase) in time deposits	1,186,606	(3,502,764)
Prepayment for investment deposits	–	(128,000)
Decrease in restricted cash	1,000,000	–
	<u>3,460,599</u>	<u>(6,210,597)</u>
Net cash flows generated from/(used in) investing activities		

Condensed Consolidated Interim Financial Information

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	11	10,654	–
Contribution from non-controlling shareholders of subsidiaries		1,500	34,850
Distribution to shareholders of the Company and non-controlling shareholders of subsidiaries		(1,448,645)	(805,885)
Proceeds from bank borrowings		858,147	1,458,966
Repayments of bank borrowings		(682,203)	(2,253,343)
Proceeds from short-term debentures		–	2,294,130
Proceeds from convertible bonds		–	4,064,524
Repayments of short-term debentures		(2,300,000)	–
Net cash flows (used in)/generated from financing activities		(3,560,547)	4,793,242
Net increase in cash and cash equivalents		3,798,451	1,452,488
Cash and cash equivalents at beginning of the period		12,579,571	11,548,480
Exchange (losses)/gains on cash and cash equivalents		(24,559)	11,739
Cash and cash equivalents at end of the period		16,353,463	13,012,707

The notes on pages 46 to 84 form an integral part of these interim condensed consolidated financial information.

1 GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and automotive parts. The Company’s holding company is Guangzhou Automobile Industry Group Co., Ltd. (“GAIG”), which is incorporated in Guangzhou, Guangdong, the People’s Republic of China (the “PRC”).

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

The Company was established in June 1997 as a limited liability company in the PRC. In June 2005, the Company underwent a reorganisation and transformed itself into a joint stock 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”). In 2012, 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. On 20 March 2012, GAC Changfeng was delisted from SSE and became a wholly-owned subsidiary of the Company. On 29 March 2012, the Company was listed on the SSE.

On 22 January 2016, the Company issued 41,055,800 units of convertible bonds at a total par value of RMB 4,105,580,000. During the year ended 31 December 2016 and the six months ended 30 June 2017, certain convertible bond holders have partially converted the convertible bonds and the Company allotted and issued a total of 1,615,855 and 45,406,196 shares to such convertible bond holders, respectively.

During the year ended 31 December 2016 and the six months ended 30 June 2017, accumulated total of 16,724,653 and 1,688,992 share options, which were granted in 2014, were exercised by relevant employees and the Company issued 16,724,653 and 1,688,992 shares accordingly, respectively.

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB”) Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 23 August 2017.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“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 2016.

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

(a) New and amended standards adopted by the Group

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 2017:

Standards	Subject of amendment
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses
Amendments to HKAS 7	Disclosure initiative
Amendment to HKFRS 12	Disclosure of interest in other entities

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) New and amended standards not yet adopted by the Group

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 2017 and have not been early adopted. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Notes (i), (ii) and (iii) below.

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS15 (Note (i))	Revenue from Contracts with Customers	1 January 2018
HKFRS 9 (Note (ii))	Financial Instruments	1 January 2018
Amendments to HKFRS 4	Insurance Contracts	1 January 2018
Amendment to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16 (Note (iii))	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

(i) *HKFRS 15, 'Revenue from contracts with customers'*

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

3 ACCOUNTING POLICIES (continued)

(b) New and amended standards not yet adopted by the Group (continued)

(i) *HKFRS 15, 'Revenue from contracts with customers' (continued)*

Management has identified the following areas that are likely to be affected:

- bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue
- accounting for the customer loyalty programme – HKFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone selling prices rather than based on the residual value method; this could result in higher amounts being allocated to the loyalty points and delay the recognition of a portion of the revenue
- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next six months.

(ii) *HKFRS 9, 'Financial instruments'*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next six months.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed. Accordingly, the Group does not expect a significant impact on the classification and measurement of financial assets.

3 ACCOUNTING POLICIES (continued)

(b) New and amended standards not yet adopted by the Group (continued)

(ii) *HKFRS 9, 'Financial instruments' (continued)*

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(iii) *HKFRS 16, 'Leases'*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB 346,154,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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 this 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 2016, with the exception of changes in estimates that are required in determining the provision for income taxes (see Note 16).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated 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 2016.

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, 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).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2017.

	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	79,407	–	–	79,407
– Stocks	449,389	–	–	449,389
	<u>528,796</u>	<u>–</u>	<u>–</u>	<u>528,796</u>
Available-for-sale financial assets				
– Bond investments	311,884	–	–	311,884
– Fund investments	23,187	568,632	–	591,819
– Financial products	–	–	1,668,830	1,668,830
– Trust products	–	–	80,000	80,000
– Stocks	154,790	–	1,050,400	1,205,190
	<u>489,861</u>	<u>568,632</u>	<u>2,799,230</u>	<u>3,857,723</u>
Total assets	<u>1,018,657</u>	<u>568,632</u>	<u>2,799,230</u>	<u>4,386,519</u>

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016.

	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	99,216	–	–	99,216
– Fund investments	–	55,946	–	55,946
– Stocks	449,389	–	–	449,389
	<u>548,605</u>	<u>55,946</u>	<u>–</u>	<u>604,551</u>
Available-for-sale financial assets				
– Bond investments	146,412	–	–	146,412
– Fund investments	22,138	618,917	–	641,055
– Financial products	–	–	1,796,380	1,796,380
– Trust products	–	–	190,000	190,000
– Stocks	170,766	–	1,050,400	1,221,166
	<u>339,316</u>	<u>618,917</u>	<u>3,036,780</u>	<u>3,995,013</u>
Total assets	<u>887,921</u>	<u>674,863</u>	<u>3,036,780</u>	<u>4,599,564</u>

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (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.

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 AND FINANCIAL INSTRUMENTS
(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 2017.

	Available-for-sale financial assets			Total RMB' 000
	Stocks RMB' 000	Financial products RMB' 000	Trust products RMB' 000	
Opening balance	1,050,400	1,796,380	190,000	3,036,780
Purchase	–	9,077,400	–	9,077,400
Gains for the period recognised in other comprehensive income	–	33,679	3,029	36,708
Disposal	–	(9,238,629)	(113,029)	(9,351,658)
Closing balance	1,050,400	1,668,830	80,000	2,799,230
Total gains or losses for the period included in profit or loss, under “other gains – net”	–	33,679	3,029	36,708

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

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

	Fair value at 30 June 2017 RMB'000	Valuation techniques(s)	Unobservable input	Range (weighted average)
Available-for-sale financial assets				
– Financial products	1,668,830	Discounted cash flow	Expected interest rate per annum	2.20%-4.40%
– Trust products	80,000	Discounted cash flow	Expected interest rate per annum	5.00%-5.30%
– Stocks (Note (i))	532,300	Discounted cash flow	Discount rate Expected dividend yield	3.90%-3.92% 6%
– Stocks (Note (i))	518,100	Comparable transaction approach	Recent market transaction	USD 110-120 per share

(i) The stocks in Level 3 represent the Group's investment in preference shares.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (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 2016.

	Available-for-sale financial assets		
	Stocks RMB' 000	Financial products RMB' 000	Total RMB' 000
Opening balance	554,400	207,080	761,480
Purchase	–	12,893,300	12,893,300
Gains for the period recognised in other comprehensive income	–	15,993	15,993
Disposal	–	(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, under “other gains – net”	–	15,993	15,993

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

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



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.

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 2017, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2017 and 30 June 2016 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 2017					
Total gross segment revenue	33,995,861	859,308	(89,726)		34,765,443
Internal revenue	(51,900)	(37,826)	89,726		–
Revenue (from external customers)	33,943,961	821,482	–		34,765,443
Segment results	2,620,132	162,048	19,086	–	2,801,266
Unallocated income – Headquarter interest income				41,351	41,351
Unallocated costs – Headquarter expenditure				(110,360)	(110,360)
Operating profits					2,732,257
Interest income	20,467	4,850	–	13,473	38,790
Finance costs	(126,213)	(67,639)	–	(214,387)	(408,239)
Share of profit of joint ventures and associates	4,381,766	219,231	–	–	4,600,997
Profit before income tax					6,963,805
Income tax expense	(662,815)	(22,544)	–	4,100	(681,259)
Profit for the period					6,282,546

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 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
Interest income	26,898	1,007	–	20,924	48,829
Finance costs	(168,851)	(796)	–	(240,764)	(410,411)
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

6 SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2017 and 31 December 2016 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 2017	70,071,864	12,602,891	(17,147,459)	24,085,796	89,613,092
At 31 December 2016	62,618,154	9,388,108	(11,777,584)	21,917,563	82,146,241
Total liabilities					
At 30 June 2017	34,277,156	6,850,750	(16,692,079)	14,504,159	38,939,986
At 31 December 2016	25,257,657	4,226,921	(12,657,027)	20,425,229	37,252,780

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 2017				
Opening net book amount as at 1 January 2017	2,308,959	11,856,013	1,311,433	5,319,222
Additions	743,903	968,859	–	1,080,536
Transfers	(27,483)	(7,718)	35,201	–
Disposals	–	(94,677)	–	(32)
Impairment	–	(216,326)	–	(726,136)
Depreciation and amortisation	(29,418)	(606,894)	(42,058)	(392,213)
Closing net book amount as at 30 June 2017	<u>2,995,961</u>	<u>11,899,257</u>	<u>1,304,576</u>	<u>5,281,377</u>
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>

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Investments in joint ventures	18,854,694	16,730,779
Investments in associates	5,863,603	5,927,340
	<u>24,718,297</u>	<u>22,658,119</u>

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

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Share of profit of joint ventures (Note (i))	3,829,582	2,661,374
Share of profit of associates (Note (i))	771,415	491,073
Government grants to compensate share of loss in a joint venture	–	11,322
	<u>4,600,997</u>	<u>3,163,769</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	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	16,730,779	12,966,481
Additions (Note (i))	630,687	606,738
Share of profit	3,848,506	2,676,026
Dividends declared	(2,355,278)	(113,031)
End of the period	18,854,694	16,136,214

- (i) In 2017, the Company contributed additional capital of RMB 558,556,000 to GAC Toyota Motor Co., Ltd. in proportion to its interest held.
- (b) Set out below are the joint ventures of the Group as at 30 June 2017, which in the opinion of the directors, are material to the Group. The joint ventures as listed below are held directly by the Group; the country of incorporation or registration is also their principal place of business.

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
GAC Honda Automobile Co., Ltd. ("GAC 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: GAC 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 2017 RMB'000	Audited 31 December 2016 RMB'000
Assets		
Non-current assets	31,933,618	31,908,651
Current assets		
– Cash and cash equivalents	34,145,339	36,672,418
– Other current assets	58,213,616	50,990,849
	92,358,955	87,663,267
Total assets	124,292,573	119,571,918
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	7,525,884	6,355,026
– Other non-current liabilities (including trade and other payables)	5,285,762	4,905,790
	12,811,646	11,260,816
Current liabilities		
– Financial liabilities (excluding trade and other payables)	22,476,780	18,886,229
– Other current liabilities (including trade and other payables)	56,970,512	61,645,004
	79,447,292	80,531,233
Total liabilities	92,258,938	91,792,049
Net assets	32,033,635	27,779,869
Less: Non-controlling interests	(18,724)	(18,520)
	32,014,911	27,761,349

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	
	2017	2016
	RMB'000	RMB'000
Revenue	105,949,030	82,136,947
Cost of sales	(87,366,382)	(67,475,552)
Other expenditures	(10,922,336)	(9,301,834)
Profit after tax	7,660,312	5,359,561
(Less)/add: (profit)/loss attributable to non-controlling interests	(204)	879
	7,660,108	5,360,440
Other comprehensive income	–	–
Total comprehensive income	7,660,108	5,360,440

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 material 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	2017	2016	2017	2016
	2017	2016	2017	2016	RMB'000	RMB'000	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GAC Honda	31,766,808	32,519,192	20,768,974	24,807,557	41,317,295	31,639,375	-	-
GAC Toyota	22,999,458	24,097,735	14,917,969	15,838,287	31,175,312	28,679,408	2,205,946	2,216,145
GAC Fiat Chrysler	18,178,905	16,434,253	14,272,585	12,938,930	16,850,674	10,678,012	-	-
GAC Mitsubishi	7,941,008	7,852,154	6,252,445	6,452,192	8,179,585	3,703,622	-	-
GAC Hino	1,317,993	1,513,589	1,285,354	1,441,866	323,884	298,401	-	-
GAC Sofinco	31,082,352	25,364,443	27,893,753	22,508,802	1,247,932	977,045	-	-
Wuyang-Honda	2,745,165	3,757,140	1,546,425	2,462,953	2,542,679	2,553,519	101,332	-
Total	116,031,689	111,538,506	86,937,505	86,450,587	101,637,361	78,529,382	2,307,278	2,216,145

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 2017 RMB'000	Audited 31 December 2016 RMB'000
Assets	116,031,689	111,538,506
Less: Liabilities	(86,937,505)	(86,450,587)
Non-controlling interests	(18,724)	(18,520)
Net assets excluding non-controlling interests	29,075,460	25,069,399
Percentage of ownership interest	50%	50%
Interests in material joint ventures	14,537,730	12,534,700
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	17,454,282	15,451,252

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	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	5,927,340	5,511,677
Additions	106,955	33,256
Share of profits	769,720	490,150
Dividend declared	(940,412)	(497,821)
End of the period	5,863,603	5,537,262

(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	
	2017	2016
	RMB' 000	RMB' 000
Associates		
Profit from continuing operations	771,415	491,073
Other comprehensive income	–	–
Total comprehensive income	771,415	491,073

9 DEFERRED INCOME TAX

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB' 000	RMB' 000
Beginning of the period	717,923	398,931
Tax recognised in profit or loss (Note 16)	72,239	86,224
Tax charge relating to components of other comprehensive income	(1,247)	4,617
End of the period	<u>788,915</u>	<u>489,772</u>

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 0 to 170 days.

As at 30 June 2017 and 31 December 2016, 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
	2017	2016
	RMB'000	RMB'000
Trade receivables		
Within 3 months	1,140,409	1,006,728
Between 3 months and 1 year	233,372	140,384
Between 1 and 2 years	17,308	16,890
Between 2 and 3 years	13,173	16,037
Over 3 years	169,439	161,393
	<u>1,573,701</u>	<u>1,341,432</u>
Less: Provision for impairment	(186,402)	(186,685)
Trade receivables – net	<u>1,387,299</u>	<u>1,154,747</u>

11 SHARE CAPITAL

	RMB ordinary shares of RMB 1 each		Foreign shares listed out of mainland China of RMB 1 each		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 2016	4,240,060	4,240,060	2,213,300	2,213,300	6,453,360	6,453,360
Employee share option scheme:						
– Proceeds from share issued (Note (i))	1,689	1,689	–	–	1,689	1,689
Convertible bonds (Note 13(c)):	45,406	45,406	–	–	45,406	45,406
As at 30 June 2017	<u>4,287,155</u>	<u>4,287,155</u>	<u>2,213,300</u>	<u>2,213,300</u>	<u>6,500,455</u>	<u>6,500,455</u>

(i) Share-based payments

According to the resolution of the extraordinary shareholders' meeting held on 19 September 2014, total 64,348,600 A Share Options ("SOs") were granted to 620 individuals, including directors, senior management and selected key employees (the "Recipients"). Each share option represents the right granted to the recipients to acquire one share of the Company at pre-determined exercise price and conditions in the validity period as set out in the Share Option Incentive Scheme. The grant date is 19 September 2014.

As at 19 September 2016, one third of the options granted to the Recipients became exercisable. SOs exercised during the six months ended 30 June 2017 resulted in 1,688,992 shares being issued (30 June 2016: Nil), with exercise proceeds of RMB 10,654,000 (30 June 2016: Nil). The related weighted average price at the time of exercise was RMB 7.08 (30 June 2016: Nil) per share.

Notes to the Condensed Consolidated Interim Financial Information

12 TRADE AND OTHER PAYABLES

As at 30 June 2017 and 31 December 2016, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Trade payables		
Within 1 year	10,724,645	8,606,071
Between 1 and 2 years	426,760	357,300
Between 2 and 3 years	39,323	20,754
Over 3 years	15,260	15,043
	<u>11,205,988</u>	<u>8,999,168</u>

13 BORROWINGS

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Non-current		
Borrowings from bank and other financial institutions	719,236	625,674
Corporate bonds – guaranteed (Notes (a) and (b))	5,966,254	5,961,409
Convertible bonds (Notes (c) and (d))	2,889,948	3,759,379
	<u>9,575,438</u>	<u>10,346,462</u>
Current		
Borrowings from bank and other financial institutions	1,887,512	1,479,662
Corporate bonds – guaranteed (Note (a))	598,914	598,914
Entrusted loans from related parties – unsecured	100,000	100,000
Short-term debentures	–	2,299,177
	<u>2,586,426</u>	<u>4,477,753</u>
Total borrowings	<u>12,161,864</u>	<u>14,824,215</u>

13 BORROWINGS (continued)

- (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 are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG.

- (b) 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 GAIG.
- (c) 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. At the time of issuance, after netting of transaction cost of RMB 45,584,000 (transaction cost was allocated proportionally to liability component and equity component of convertible bonds), the Company determined the value of the liability component (RMB 3,672,418,000) and the equity component (RMB 387,578,000). The fair value of the liability component of convertible bonds included in non-current borrowings was calculated using a market interest rate for equivalent non-convertible bonds. The liability component is subsequently stated at amortised cost until the bonds are converted to shares or the maturity of the bonds. The residual amount, representing the value of the equity component, is included in other reserves of shareholders' equity.

The conversion price of convertible bonds will be adjusted upon occurrence of issue of bonus shares, transfer of reserve to share capital, issue of new shares (excluding issue of new shares upon conversion of convertible bonds), share allotment and distribution of cash dividends.

For the six months ended 30 June 2017, certain convertible bond holders partially converted the convertible bonds in the principal amount of RMB 987,600,000 into shares of the Company. The Company allotted and issued a total of 45,406,196 shares to such convertible bond holders at a conversion price of RMB 21.75 and RMB 21.53 per share, respectively. Upon the conversion, the Company derecognised the liability component of RMB 924,637,000 and transferred this amount with equity component (convertible bonds reserve) of RMB 93,232,000 into share capital and share premium with the amount of RMB 45,406,000 and RMB 972,428,000, respectively, and the difference of RMB 35,000 was paid by the Company to the convertible bonds holders in cash.

13 BORROWINGS (continued)

(d) Non-cash transaction

The principal non-cash transaction amounting to RMB 924,602,000 is the conversion of convertible bonds discussed in Note 13(c).

(e) Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	14,824,215	11,927,622
Proceed from bank borrowings	2,970,666	2,848,993
Proceed from issuing short-term debentures	–	2,299,177
Proceed from issuing convertible bonds – liability component	–	3,672,418
Repayments of bank borrowings	(2,469,255)	(3,447,110)
Repayments of short-term debentures	(2,299,177)	–
Conversion of convertible bonds	(924,637)	–
Interest expense	212,801	187,031
Interest paid or included in trade and other payables	(152,749)	(152,886)
	12,161,864	17,335,245
End of the period	12,161,864	17,335,245

14 OPERATING PROFIT

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Depreciation and amortisation	1,070,583	921,300
Impairment charges of intangible assets	726,136	228,650
Impairment charges of property, plant and equipment	216,326	–
Impairment (reversal)/charges of inventories	(5,694)	13,503
Provision for/(reversal of) impairment loss of trade and other receivables	2,300	(3,193)
Staff costs	2,599,052	1,800,107
Loss/(gain) on disposal of property, plant and equipment, land use rights and intangible assets	52,393	(11,832)
Government grants	(189,699)	(70,819)
Donation	7,501	15,954

15 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest expense	395,247	396,412
Others	12,992	13,999
	408,239	410,411

Notes to the Condensed Consolidated Interim Financial Information

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	
	2017	2016
	RMB'000	RMB'000
Current income tax	753,498	496,829
Deferred income tax	(72,239)	(86,224)
	681,259	410,605

- (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 2017 are 15% or 25% (2016: 15% or 25%).

17 EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit attributable to owners of the Company	6,267,194	3,981,548
Weighted average number of ordinary shares in issue (thousands)	6,467,711	6,435,019
Basic earnings per share (RMB per share)	0.97	0.62

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. 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 2017) 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	
	2017	2016
	RMB'000	RMB'000
Profit attributable to owners of the Company	6,267,194	3,981,548
Add: Interest expense on convertible bonds	59,334	33,685
Profit used to determine diluted earnings per share	6,326,528	4,015,233
Weighted average number of ordinary shares in issue (thousands)	6,467,711	6,435,019
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	14,026	38,606
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	167,419	166,066
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	6,649,156	6,639,691
Diluted earnings per share (RMB per share)	0.95	0.60

18 DIVIDEND

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interim dividend declared: RMB 0.10 (2016: RMB 0.08)	650,046	514,802

Dividend paid in six months ended 30 June 2017 was approximately RMB 1,429,960,000 (2016: RMB 772,202,000).

In addition, an interim dividend of RMB 0.10 per share (2016: RMB 0.08) was declared by the board of directors on 23 August 2017. This interim dividend, amounting to approximately RMB 650,046,000 (2016: 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
	2017	2016
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	1,756,386	1,470,738
– Authorised but not contracted for	110,100	583,248
	1,866,486	2,053,986
Intangible assets		
– Authorised but not contracted for	1,038,896	1,264,732
Investments		
– Contracted but not provided for (Note (i))	1,123,425	983,941
	4,028,807	4,302,659



19 CAPITAL COMMITMENTS (continued)

- (i) In 2016, the Board of Directors of the Company approved an additional capital contribution of RMB 496,820,000 to GAC Toyota, a joint venture of the Company, according to the proportion of shares. As at 30 June 2017, none of the amount has been paid.

In 2016, the Board of Directors of the Company approved an additional capital contribution of RMB 360,000,000 to GAC Fiat Chrysler, a joint venture of the Company, according to the proportion of shares. As at 30 June 2017, none of the amount has been paid.

In 2017, the Board of Directors of the Company approved an additional capital contribution of RMB 266,605,000 to GAC Mitsubishi, a joint venture of the Company, according to the proportion of shares. As at 30 June 2017, none of the amount has been paid.

20 FINANCIAL GUARANTEES

As at 30 June 2017, the financial guarantees provided by the Group to an associate within the Group amounted to approximately RMB 74,460,000 (31 December 2016: RMB 85,710,000).

As at 30 June 2017, the financial guarantees provided to certain third parties by the Group amounted to approximately RMB 4,470,000 (31 December 2016: RMB 5,463,000).

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

21 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.

21 RELATED-PARTY TRANSACTIONS (continued)

(a) Significant related party transactions

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Sales of goods		
Sales of automotive parts and steels		
– Joint ventures	690,899	378,839
– Associates	129,622	115,922
	<u>820,521</u>	<u>494,761</u>
Sales of passenger vehicles		
– Joint ventures	1,617	3,380
– Associates	248	1,715
	<u>1,865</u>	<u>5,095</u>
Sales of equipment		
– Joint ventures	–	11,496
	<u>822,386</u>	<u>511,352</u>
Rendering of labour and insurance services		
– Joint ventures	500,124	323,108
– Associates	176,208	159,440
	<u>676,332</u>	<u>482,548</u>
Purchases of goods		
Purchases of automotive parts and materials		
– Joint ventures	948,203	1,592,913
– Associates	562,904	110,078
	<u>1,511,107</u>	<u>1,702,991</u>
Purchases of passenger vehicles		
– Joint ventures	2,934,725	2,402,824
	<u>4,445,832</u>	<u>4,105,815</u>

21 RELATED-PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Purchases of labour services and settlement of insurance claims		
– Joint ventures	19,247	2,553
– Associates	52,114	28,614
– Subsidiaries of GAIG	–	5,516
	<u>71,361</u>	<u>36,683</u>
Rental received from related parties		
– Joint ventures	118,771	5,296
– Associates	3,408	3,251
– GAIG	680	716
– Subsidiaries of GAIG	848	772
	<u>123,707</u>	<u>10,035</u>
Rental paid to related parties		
– GAIG	841	437
– Subsidiaries of GAIG	1,267	1,229
– A joint venture	727	–
	<u>2,835</u>	<u>1,666</u>
Provision of entrusted loans to related parties		
– Joint ventures	21,368	580,000
– Associates	10,000	46,360
	<u>31,368</u>	<u>626,360</u>
Repayment of entrusted loans from related parties		
– Joint ventures	560,568	554,300
– Associates	39,400	70,000
	<u>599,968</u>	<u>624,300</u>

21 RELATED-PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Entrusted loans from a related party		
– An associate	50,000	–
Repayment of entrusted loans to related parties		
– An associate	50,000	–
Borrowings from a related party		
– A joint venture	1,640,985	1,037,960
Repayment of borrowings to a related party		
– A joint venture	1,345,957	864,473

(b) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Salaries and other short-term employee benefits	6,774	6,664

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

The Group operates in an economic environment predominated by state-owned enterprises. During the period, 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.

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.

21 RELATED-PARTY TRANSACTIONS (continued)

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

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 2017 and 31 December 2016, 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 and the parent company

As at 30 June 2017, information of borrowings secured by guarantees given by a state-owned financial institution and the parent company is presented in Note 13(a) and 13(b).

(d) Guarantees to an associate

As at 30 June 2017, the Group provided financial guarantees of approximately RMB 74,460,000 (2016: RMB 85,710,000) to an associate (Note 20).

22 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 23 August 2017, the Company held the fifty-second meeting of forth session of the Board, at which the proposal for interim profit distribution for 2017 was considered and passed. The Company proposed to pay the 2017 interim dividends of RMB 0.10 per share (tax inclusive) in cash to the shareholders whose names are on the register of shareholders on the record date. Being affected by the conversion and exercise of the Company's convertible bonds and share options with respect to the share incentive scheme, the total share number of the Company cannot be estimated on the A shares record date. Calculation made hereinafter is temporarily based on the total share number of the Company of 6,500,455,793 shares as at 30 June 2017, by which the total amount of final dividend will be RMB 650,046,000 (such distribution would be made to A shareholders in RMB, and be made to H shareholders in HKD). Such proposal for profit distribution is subject to the consideration and approval at the general meeting of the Company.

Definitions

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

“Associated companies, associated enterprises”	all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
“Board”	the board of directors of the Company
“China Lounge Investments”	China Lounge Investments Limited (中隆投資有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong
“Company” or “GAC”	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)
“CSRC”	China Securities Regulatory Commission
“Da Sheng Ke Ji”	大聖科技股份有限公司, jointly established by the Company, Urtrust Insurance and Leshi Holdings (Beijing) Co., Ltd. (樂視控股(北京)有限公司) on 8 June 2016, in which the Company, Urtrust Insurance and Le Holdings hold 45%, 15% and 40% equity interest respectively
“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 Company 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 the Company and Fiat Chrysler Automobiles S.P.A., on 19 January 2015, the name of this company has been changed to GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司)



Definitions

“GAC Finance”	Guangzhou Automobile Group Finance Co., Ltd. (廣州汽車集團財務有限公司), a company established in January 2017, in which the Company, GAMC and GAC Commercial hold 90%, 5% and 5% equity interest respectively
“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 Honda”	GAC Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co. Ltd (廣州本田汽車有限公司)), a jointly controlled entity incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. 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 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
“GAC Toyota Engine”	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004 under PRC law by the Group and Toyota Motor Company, and the Company holds 30% of its equity interest
“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
“GAEI”	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which the Company has proprietary rights
“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

Definitions

“GAMC Hangzhou”	Its predecessor was GAC Gonow Automobile Co., Ltd. (廣州吉奧汽車有限公司), a subsidiary incorporated on 8 December 2010 under PRC law by the Company and Gonow Auto, and the Company held its 51% equity interest. In March 2016, GAMC acquired the remaining 49% equity interest therein and renamed the entity as Guangzhou Automobile Group Motor (Hangzhou) Co., Ltd (廣州汽車集團乘用車(杭州)有限公司) in May 2016
“Group”	the Company and its subsidiaries
“Guang Ai”	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 (directly and indirectly) holds a total of 75.1% equity interest
“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
“joint venture, joint enterprise, jointly controlled entity”	joint venture companies under direct or indirect joint control, and no participating party has unilateral control power over the economic activities of such jointly controlled entity as a result of such direct or indirect joint control
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MPV”	multi-purpose passenger vehicle
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shanghai Hino”	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated on 8 October 2003 under PRC law. Shanghai Hino is held as to 50% by Hino Motors, Ltd., 30% by the Company and 20% by Shanghai Electric (Group) Corporation respectively



Definitions

“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUV”	sports utility vehicle
“SZSE”	the Shenzhen Stock Exchange
“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 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 directly and indirectly holds a total of 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