GUANGZHOU AUTOMOBILE GROUP CO., LTD.
廣州汽車集團股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2238)

2017 ANNUAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017 together with the comparative figures of the corresponding period ended 31 December 2016. The result has been reviewed by the Audit Committee and the Board of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2017** *RMB'000*	2016 RMB'000
Revenue	*3*	**71,574,939**	49,417,676
Cost of sales		**(58,716,478)**	(41,961,379)
Gross profit		**12,858,461**	7,456,297
Selling and distribution costs		**(5,250,070)**	(3,396,393)
Administrative expenses		**(4,021,804)**	(2,738,874)
Interest income		**342,643**	488,696
Other gains – net	*4*	**562,459**	331,196
Operating profit		**4,491,689**	2,140,922
Interest income		**52,676**	97,240
Finance costs	*5*	**(646,477)**	(962,927)
Share of profit of joint ventures and associates	*6*	**8,296,387**	5,774,362
Profit before income tax		**12,194,275**	7,049,597
Income tax expense	*7*	**(1,154,259)**	(754,342)
Profit for the year		**11,040,016**	6,295,255
Profit attributable to:			
Owners of the Company		**11,004,671**	6,287,542
Non-controlling interests		**35,345**	7,713
		11,040,016	6,295,255
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– basic	*8*	**1.68**	0.98
– diluted	*8*	**1.65**	0.97

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
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		**194,066**	(18,950)
– exchange differences on translation of foreign operations		**(1,186)**	–
Other comprehensive income for the year, net of tax		**192,880**	(18,950)
Total comprehensive income for the year		**11,232,896**	6,276,305
Total comprehensive income attributable to:			
Owners of the Company		**11,192,067**	6,268,022
Non-controlling interests		**40,829**	8,283
		11,232,896	6,276,305

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2017** *RMB'000*	2016 RMB'000
ASSETS			
Non-current assets			
Land use rights		**3,716,582**	2,308,959
Property, plant and equipment		**13,405,384**	11,856,013
Investment properties		**1,339,996**	1,311,433
Intangible assets		**5,861,045**	5,319,222
Investments in joint ventures and associates	*6*	**25,743,137**	22,658,119
Deferred income tax assets		**1,123,418**	789,875
Available-for-sale financial assets		**2,205,196**	2,024,359
Prepayments and long-term receivables		**1,776,264**	933,059
		55,171,022	47,201,039
Current assets			
Inventories		**3,346,598**	2,493,564
Trade and other receivables	*10*	**10,638,090**	8,371,237
Available-for-sale financial assets		**423,852**	2,098,856
Held-to-maturity investments		–	59,964
Financial assets at fair value through profit or loss		**608,929**	604,551
Time deposits		**10,113,301**	7,189,931
Restricted cash		**2,155,899**	1,547,528
Cash and cash equivalents		**37,198,750**	12,579,571
		64,485,419	34,945,202
Total assets		**119,656,441**	82,146,241
EQUITY			
Equity attributable to owners of the Company			
Share capital		**7,293,423**	6,453,360
Other reserves		**28,329,822**	11,848,133
Retained earnings		**33,801,023**	25,554,660
		69,424,268	43,856,153
Non-controlling interests		**1,043,725**	1,037,308
Total equity		**70,467,993**	44,893,461

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*11*	**141,431**	30,801
Borrowings		**8,272,573**	10,346,462
Deferred income tax liabilities		**107,517**	71,952
Provisions		**915,212**	371,641
Government grants		**3,133,278**	2,158,642
		12,570,011	12,979,498
Current liabilities			
Trade and other payables	*11*	**33,070,690**	19,128,114
Current income tax liabilities		**907,470**	667,415
Borrowings		**2,640,277**	4,477,753
		36,618,437	24,273,282
Total liabilities		**49,188,448**	37,252,780
Total equity and liabilities		**119,656,441**	82,146,241

NOTES

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 at 30 June 2004 into 3,499,665,555 shares at RMB1 each. In 2009, the Company issued additional 435,091,902 shares at par value of RMB1 each to its shareholders. After the capital injection and as at 31 December 2009, the Company's total issued domestic shares were 3,934,757,457.

The Company privatised Denway Motors Limited ("Denway"), a subsidiary listed on the Hong Kong Stock Exchange (the "HKSE") on 27 August 2010. Thereafter, Denway has become a wholly-owned subsidiary of the Company. The Company's 2,213,300,218 newly issued shares for privatisation of Denway were then listed on the HKSE by way of introduction on 30 August 2010.

The Company previously held 29% interests in GAC Changfeng Motor Co., Ltd. ("GAC Changfeng", which was listed on the Shanghai Stock Exchange ("SSE")). Subsequent to the approval by the Company's shareholders and China Securities Regulatory Commission ("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 16 November 2017, the Company completed the non-public issuance of A shares (the "Non-public Issuance"), as approved by the Company's shareholders and CSRC. The Company issued 753,390,254 ordinary shares denominated in RMB ("A shares") at RMB15 billion in 2017.

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

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

2.1 Changes in accounting policy and disclosures

(a) Amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

Standards/Interpretation	**Subject of amendment**
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Annual Improvements for 2014-2016 Cycle

The adoption of these amended standards has no material impact on the Group's financial statements.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note (i), (ii) and (iii).

Standards	**Subject of amendment**	**Effective for accounting periods beginning on or after**
HKFRS 15 *(Note (i))*	Revenue from Contracts with Customers	1 January 2018
HKFRS 9 *(Note (ii))*	Financial Instruments	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	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
Amendment to HKAS 40	Transfer of Investment Property	1 January 2018
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 16 *(Note (iii))*	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below.

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

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 and the related literature. 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.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- revenue from service – 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 certain 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.

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. Management considers that the adoption of the new standard of HKFRS 15 will not have a significant impact on the Group's financial position and results of operations.

(ii) HKFRS 9, 'Financial instruments'

Nature of change

HKFRS 9 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.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

A certain portion of the Group's debt instruments that are currently classified as available-for-sale financial assets (AFS) will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. However, certain debt and equity investments that are currently classified as AFS do not meet the criteria to be classified either as at FVOCI or at amortised cost and will have to be reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value gains will have to be transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

The other financial assets held by the group include:

- Equity instruments currently classified as AFS for which a FVOCI election is available

- Debt and equity investments currently measured at FVPL which will continue to be measured on the same basis under HKFRS 9, and

- Debt instruments currently classified as loan and advance and measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

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.

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 FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The recognition and measurement of impairment is intended to be more forward-looking than under IAS39.

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.

Date of adoption by group

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(iii) HKFRS 16, 'Leases'

HKFRS 16 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 416,783,000. 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 new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3. SEGMENT INFORMATION

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

For management purpose, the executive directors considered the nature of the Group's products and services and determined that the Group has two reportable 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 consolidated statement of comprehensive income.

During the year ended 31 December 2017, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

The segment results for the year ended 31 December 2017 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Total gross segment revenue	**69,640,789**	**2,190,182**	**(256,032)**		**71,574,939**
Inter-segment revenue	**(99,221)**	**(156,811)**	**256,032**		**–**
Revenue (from external customers)	**69,541,568**	**2,033,371**	**–**		**71,574,939**
Segment results	**4,411,132**	**215,339**	**168,934**	**–**	**4,795,405**
Unallocated income – Headquarters interest income				**129,343**	**129,343**
Unallocated costs – Headquarters expenditure				**(433,059)**	**(433,059)**
Operating profit					**4,491,689**
Finance costs	**(167,861)**	**(83,848)**	**–**	**(394,768)**	**(646,477)**
Interest income	**20,929**	**1,096**	**–**	**30,651**	**52,676**
Share of profit of joint ventures and associates	**7,824,844**	**471,543**			**8,296,387**
Profit before income tax					**12,194,275**
Income tax expense	**(1,065,781)**	**(86,458)**	**(6,839)**	**4,819**	**(1,154,259)**
Profit for the year					**11,040,016**
Other segment items					
Depreciation and amortisation	**2,272,733**	**19,949**	**–**	**43,740**	**2,336,422**
Provision for impairment loss of trade and other receivables	**61,945**	**62,626**	**(45,593)**	**–**	**78,978**
Impairment charges of inventories	**38,906**	**–**	**–**	**–**	**38,906**
Impairment charges of available-for-sale financial assets	**302**	**19,830**	**–**	**16,000**	**36,132**
Impairment charges of property, plant and equipment	**310,658**	**–**	**–**	**–**	**310,658**
Impairment charges of intangible assets	**1,112,151**	**–**	**–**	**–**	**1,112,151**

The segment assets and liabilities as at 31 December 2017 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

	Vehicles and related operations *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Total assets	**80,115,134**	**38,733,760**	**(27,521,567)**	**28,329,114**	**119,656,441**
Total assets include:					
Investments in joint ventures and associates	**22,394,703**	**3,348,434**	**–**	**–**	**25,743,137**
Total liabilities	**32,898,935**	**32,707,001**	**(28,323,979)**	**11,906,491**	**49,188,448**
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	**6,527,217**	**928,386**	**–**	**–**	**7,455,603**

The segment results for the year ended 31 December 2016 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total gross segment revenue	48,271,360	1,265,866	(119,550)		49,417,676
Inter-segment revenue	(62,639)	(56,911)	119,550		–
Revenue (from external customers)	48,208,721	1,208,955	–		49,417,676
Segment results	2,033,836	125,062	(39,265)		2,119,633
Unallocated income-Headquarters interest income				147,714	147,714
Unallocated costs-Headquarters expenditure				(126,425)	(126,425)
Operating profit					2,140,922
Finance costs	(328,112)	(102,469)	–	(532,346)	(962,927)
Interest income	41,612	1,934	–	53,694	97,240
Share of profit of joint ventures and associates	5,383,493	390,869	–	–	5,774,362
Profit before income tax					7,049,597
Income tax expense	(714,829)	(31,852)	–	(7,661)	(754,342)
Profit for the year					6,295,255

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Other segment items					
Depreciation and amortisation	2,103,630	26,531	–	53,158	2,183,319
Provision for impairment loss of trade and other receivables	96,136	519	–	–	96,655
Impairment charges of inventories	206,205	–	–	–	206,205
Impairment charges of available-for-sale financial assets	405	1,769	–	–	2,174
Impairment charges of property, plant and equipment	87,096	–	–	–	87,096
Impairment charges of intangible assets	590,889	–	–	–	590,889

The segment assets and liabilities as at 31 December 2016 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total assets	62,618,154	9,388,108	(11,777,584)	21,917,563	82,146,241
Total assets include:					
Investments in joint ventures and associates	19,860,246	2,797,873	–	–	22,658,119
Total liabilities	25,257,657	4,226,921	(12,657,027)	20,425,229	37,252,780
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	7,422,020	294,732	–	–	7,716,752

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Mainland China	**71,572,413**	49,414,863
Hong Kong	**2,526**	2,813
	71,574,939	49,417,676

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Mainland China	**51,754,442**	44,293,275
Hong Kong	**87,966**	93,530
	51,842,408	44,386,805

Analysis of revenue by category:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Sales of products	**67,434,867**	46,006,011
Rendering of services and others	**4,140,072**	3,411,665
	71,574,939	49,417,676

4. OTHER GAINS – NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net foreign exchange (losses)/gains	**(64,357)**	85,275
Losses on disposal of property, plant and equipment, land use right, intangible assets, investment properties and non-current assets held for sale	**(52,107)**	(16,368)
Donations	**(26,687)**	(28,708)
Gains on disposal of subsidiaries, joint ventures and associates	**93,729**	1,659
Loss on write-off goodwill	**(201,337)**	–
Loss on government grants	**466,723**	99,968
Net investment income relating to available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss	**194,103**	111,561
Fair value gains on financial assets at fair value through profit or loss	**89,387**	52,220
Others	**63,005**	25,589
	562,459	331,196

5. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest expense	**689,163**	1,016,313
Interest capitalised in qualifying assets	**(42,686)**	(55,282)
Net foreign exchange losses on financing activities	**–**	1,896
	646,477	962,927

6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Investments in joint ventures	**19,201,981**	16,730,779
Investments in associates	**6,541,156**	5,927,340
	25,743,137	22,658,119

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Share of profit of joint ventures *(Note (i))*	**6,738,406**	4,685,223
Share of profit of associates *(Note (i))*	**1,557,981**	1,049,556
Government grants to compensate share of loss of a joint venture	**–**	39,583
	8,296,387	5,774,362

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

6.1 INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Investment in unlisted shares	**19,201,981**	16,730,779

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Beginning of the year	**16,730,779**	12,966,481
Additions	**817,559**	1,003,340
Share of profits	**6,726,133**	4,680,016
Dividends declared	**(5,072,490)**	(1,919,058)
	19,201,981	16,730,779

(b) 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 covers over 90% of combined financial information of all the joint ventures of the Group listed below.

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

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

Summarised balance sheet

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Assets		
Non-current assets	**53,804,188**	31,908,651
Current assets		
– Cash and cash equivalents	**40,772,493**	36,672,418
– Other current assets	**42,387,164**	50,990,849
	83,159,657	87,663,267
Total assets	**136,963,845**	119,571,918
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**8,645,170**	6,355,026
– Other non-current liabilities (including trade and other payables)	**5,982,432**	4,905,790
	14,627,602	11,260,816
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**20,204,314**	18,886,229
– Other current liabilities (including trade and other payables)	**69,075,712**	61,645,004
	89,280,026	80,531,233
Total liabilities	**103,907,628**	91,792,049
Net assets	**33,056,217**	27,779,869
Less: Non-controlling interests	**(17,053)**	(18,520)
	33,039,164	27,761,349

Summarised statement of comprehensive income

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**220,225,207**	183,892,389
Cost of sales	**(183,140,820)**	(153,840,386)
Other expenditures	**(23,545,812)**	(20,776,089)
Profit after tax	**13,538,575**	9,275,914
Add/(less): loss/(profit) attribute to non-controlling interests	**1,467**	(1,295)
	13,540,042	9,274,619
Other comprehensive income	**–**	–
Total comprehensive income	**13,540,042**	9,274,619

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax	**1,456,807**	1,073,809
Deferred tax	**(302,548)**	(319,467)
	1,154,259	754,342

The tax rates applicable to the Company and its major subsidiaries for the year ended 31 December 2017 are 15% or 25% (2016: 15% or 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year ended 31 December 2017.

8. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**11,004,671**	6,287,542
Weighted average number of ordinary shares in issue (thousands)	**6,551,074**	6,439,235
Basic earnings per share (RMB per share)	**1.68**	0.98

(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 the year ended 31 December 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.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**11,004,671**	6,287,542
Add: Interest expense on convertible bonds	**89,595**	126,245
Profit used to determine diluted earnings per share	**11,094,266**	6,413,787
Weighted average number of ordinary shares in issue (thousands)	**6,551,074**	6,439,235
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	**27,431**	25,125
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	**159,231**	177,355
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**6,737,736**	6,641,715
Diluted earnings per share (RMB per share)	**1.65**	0.97

9. DIVIDENDS

Dividends paid in 2017 and 2016 were RMB2,080,032,000 and RMB1,288,266,000 respectively. A final dividend in respect of the year ended 31 December 2017 of RMB0.43 per ordinary share, amounting to a total dividend of approximately RMB3,136,172,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interim dividend paid of RMB0.10 (2016: RMB0.08) per ordinary share	**650,072**	516,064
Proposed final dividend of RMB0.43 (2016: RMB0.22) per ordinary share	**3,136,172**	1,429,960
	3,786,244	1,946,024

The Board also proposed to issue to all shareholders 4 shares for every 10 shares by way of conversion of capital reserve.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**1,633,554**	1,341,432
Less: provision for impairment	**(259,744)**	(186,685)
Trade receivables-net	**1,373,810**	1,154,747
Notes receivable	**2,469,744**	2,066,254
Interest receivable	**176,921**	88,850
Consideration receivable for transfer of equity investment	**–**	185,446
Loans relating to financing services	**146,250**	–
Entrusted loans to related parties	**373,200**	859,560
Value added tax recoverable	**717,686**	370,415
Prepayments	**1,209,762**	779,221
Dividends receivable	**2,757,269**	1,820,194
Other receivables	**1,413,448**	1,046,550
	10,638,090	8,371,237

(a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 0 to 170 days. As at 31 December 2017 and 2016, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**1,257,455**	1,006,728
Between 3 months and 1 year	**120,207**	140,384
Between 1 and 2 years	**77,284**	16,890
Between 2 and 3 years	**12,976**	16,037
Over 3 years	**165,632**	161,393
	1,633,554	1,341,432

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**11,517,046**	8,999,168
Notes payable	**440,802**	385,065
Advances from customers	**1,073,690**	1,328,170
Employee benefits payable	**1,897,093**	1,220,771
Other taxes	**779,559**	465,115
Interest payable	**276,634**	328,585
Government grants	**75,000**	10,675
Construction cost payables	**1,275,649**	678,810
Sales rebate	**2,016,291**	1,935,309
Payable for mould expenses	**1,304,841**	731,729
Advertising expense payables	**528,362**	336,460
Development cost payables	**420,385**	245,435
Customer deposits	**8,219,047**	–
Unearned premium reserve	**607,921**	538,409
Other payables	**2,779,801**	1,955,214
	33,212,121	19,158,915
Less: non-current portion of trade and other payables	**(141,431)**	(30,801)
Current portion	**33,070,690**	19,128,114

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**11,046,353**	8,606,071
Between 1 and 2 years	**425,117**	357,300
Between 2 and 3 years	**19,400**	20,754
Over 3 years	**26,176**	15,043
	11,517,046	8,999,168

CHAIRMAN'S STATEMENT

2017 was an encouraging and exciting year for the development of GAC Group. With the trust from our shareholders and concerted efforts and hard work of all employees, focusing on the strategic objectives of the "13th Five-Year Plan" and the annual work target, the Group seized the general trend, captured opportunities and took advantage of the situation to pursue development amidst reform, promote transformation amidst innovation, and fully accomplished the missions and objectives for the year. 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!

During the year, we strove to make headway and scaled new heights in our performance. Under the downturn of the domestic automobile market, the Group continued to maintain a high growth momentum. The production and sales volume of automobiles surpassed 2 million units for the first time, achieving a year-on-year growth of 21%, which was 18 percentage points higher than the average industry growth. The increase in sales volume was the highest among the top six automobile groups in China, with market share increased to 7%, among which the sales volume of self-developed brand exceeded 500,000 units, representing a year-on-year increase of 36%, becoming the new point of profit growth of the Group. Japanese, European and American companies had an overall growth, consolidating the tripod layout formed with the self-developed brand series. The production and sales volume of motorcycles amounted to 989,800 units and 1,003,400 units respectively. The sales revenue of the Group, together with its joint ventures and associated companies, amounted to approximately RMB339.773 billion, representing a year-on-year increase of approximately 23.21%. The sales revenue of the Group amounted to approximately RMB71.575 billion, representing a year-on-year increase of approximately 44.84%. The net profit attributable to owners of the parent company amounted to approximately RMB11.005 billion, representing a year-on-year increase of approximately 75.02%. The basic earnings per share was approximately RMB1.68, representing a year-on-year increase of approximately 71.43%. The Company ranked 238 in Fortune Global 500 list of year 2017, significantly increased by 65 ranks as compared with last year, and it was the fifth consecutive year to rank among the Global 500.

During the year, we continued to reward our shareholders and share our results of development. We have always been paying dividend twice a year and formulating a dividend distribution plan for shareholders every three years. The annual dividend payment ratios were all over 30% and the accumulated cash dividend was over RMB10.0 billion. Taking into consideration the profitability and future development needs of the Group, the Board recommended to distribute a final dividend of RMB4.3 (including tax) per 10 shares to all shareholders, and to issue 4 shares for every 10 shares to all shareholders by way of conversion of capital reserve. Together with the interim dividend of RMB1 (including tax) per 10 shares distributed, the accumulated total dividend distributed to all shareholders for the year amounted to approximately RMB3.8 billion, increased by approximately 95% as compared with last year. The stable dividend payment policy has created sustainable value for our shareholders and strengthened investors' confidence in the Group. We have also gained recognition from the capital market, being included into the MSCI China A-share Index and Hang Seng China Enterprises Index.

During the year, we intensified our reform and further stimulated the vitality of innovation. In accordance with the requirements of "improving governance, strengthening incentives, highlighting the main business, and enhancing efficiency", we actively promoted the reform of our system and mechanism, adjusted the structure of the Board and the supervisory committee, optimised and simplified management levels, enhanced management efficiency, continued to improve our corporate governance structure, and effectively fulfilled the responsibilities to our stakeholders such as shareholders, customers, employees and society. At the same time, we smoothly promoted the independent exercise of the first share option incentive scheme, and actively organised the formulation of the second share option incentive scheme and completed the grant of options upon approval in accordance with the requirements. The number of targeted participants and shares options substantially increased as compared with the first incentive scheme, which helps us to further strengthen our enterprise vitality and market competitiveness.

During the year, we adhered to innovation-driven development, and the strategy led the growth of our steady development. In November 2017, the non-public issuance of A shares of RMB15 billion was successfully completed, providing funds for the Group's investment in projects such as new energy and forward-looking technological research and self-developed brand models. The construction of future-oriented projects such as the Guangzhou Automobile Zhilian New Energy Automotive Industrial Park and the automobile plant of GAC New Energy has built a solid foundation for the Group's vigorous promotion of electrification, intelligence and networking and capture of the highest height of industrial development. We speeded up promotion of the research, development and production of new energy automobiles and established GAC New Energy Automobile Co., Ltd., and the pure electric SUV GE3 model continued to achieve hot-sales after its launch. We actively promoted our overseas development strategy and laid out a global research and development network. The GAC (Silicon Valley) Research and Development Centre has officially started operation, and the progress of preparation for the research, development and design centres in Detroit and Los Angeles was speeded up, in order to create a 24-hour non-stop research and development system. We strengthened our efforts in open innovation and established extensive strategic partnership with outstanding enterprises such as Tencent, Huawei, iFlytek and Nio, handling cross-sector competition with open-minded attitude and active cooperation, building an open, integrated, innovative and cross-sector collaborated automotive industrial platform to provide constant momentum for the future development of the Group.

During the year, we continued to enhance our brand image in order to become a company trusted by the society. We insisted on upward-moving, released a new brand strategic plan, put forward the brand slogan of "Crafted by the Driven", and speeded up the cultivation of a world-class company with global competitiveness. As an outstanding representative of Fortune Global 500 and China's manufacturing transformation and upgrade from Guangzhou, we cooperated with 2017 Guangzhou Fortune Global Forum, became the chief partner of Fortune Brainstorm Tech International and hosted the "Travel Future" (出行的未來) round table meeting, displaying a new image of the rising Chinese brands to the world.

In 2017, GAC Group has gone through 20 years of development. In the past 20 years, we have shouldered the heavy responsibility and mission of rejuvenating Guangzhou's automobile industry, taken courageous efforts to make headway. The accumulated production and sales volume of automobiles amounted to over 10 million units, among which self-developed brand accounted for over 1 million units, achieving leapfrog development. In the past 20 years, we have always adhered to the goal of self-innovation, being the pioneer and planning ahead. We established a national-level enterprise technology centre supported by the Investment Enterprise Research and Development Centre with GAEI as the core, constructed world-class automobile and engine factories, built GAC Trumpchi, our self-developed brand with high reputation, and created the "GAC speed" which attracted attention from the industry. In the past 20 years, we have always adhered to the development of reform and reorganisation, making breakthroughs in innovation and overcoming obstacles. We moved beyond the characteristic path of "low investment, rapid output, and rolling development", formed a closed-loop industrial chain for research and development, manufacture of automobiles, parts and components, commerce and finance, completed the overall listing of A and H shares, and moved from asset operation to capital operation, reaching a new level of industrial collaboration. In the past 20 years, GAC Group witnessed the change with growth, carving our dreams through expertise.

"Rome was not built in one day." 20 years of accumulation of dedication, efforts and achievements have created GAC today. Looking back to the success and hardship in the past 20 years, we realise that achievements are hard to come by. In the future, we will adhere to our values and continue to move forward to embrace the next two decades with brilliance and magnificence!

2018 will be the first year to implement the spirit of the 19th National Congress of the Party, and the key year for the development of the "13th Five-Year Plan" of the Group. As China's economy has entered the new era of high-quality development from rapid growth, leveraging on smart networking new energy automobiles and sharing economy, the automobile industry is also undergoing a completely restructured industrial revolution, with speeding-up structural adjustment and increasingly fierce industry competition. Under the background of industrial reform, facing unprecedented challenges and opportunities, we will firmly establish a strategic vision, strengthen strategic leadership, formulate long-term objectives, prepare for risks and constantly maintain a sense of crisis, face conflicts and solve problems actively, in order to ensure the implementation and pursuit of strategies to achieve the transformation, upgrade and sustainable and healthy development of the Group.

In the new year, we will focus on improving quality and effectiveness and stabilising growth. The Group will adhere to the fundamental of striving for progress while maintaining stability, and firmly establish a new development concept, making quality and effectiveness of development as the focus, and promoting reform in quality, efficiency and momentum. We will put our greatest efforts in completing our annual tasks and objectives to achieve a year-on-year growth of over 10% in the production and sales volume of automobiles in 2018, in order to become a first-class high-level and new-positioning company. We will overcome obstacles and achieve vigorous growth to transform from manufacturing to creation, speed to quality, and product to brand, in order to ensure that the Group's business is moving towards the correct direction. In 2018, the Group will focus on advancing various projects such as the Guangzhou Automobile Zhilian New Energy Automotive Industrial Park, GAMC Yichang Project and GAEI Research and Development Base construction, implement medium and long-term product strategic planning, and launch new, revised and replacement models to create more star models.

In the new year, we will focus on stimulating vitality and promoting reform. 2018 will be the year for the in-depth promotion of reform of state-owned assets and state-owned enterprises. We will implement the spirit of the 19th National Congress and the spirit of deepening the reform of state-owned assets and state-owned enterprises of the central government. We will be market-oriented, deepen structural reform on the supply side, promote reform on system and mechanism, and further achieve simplified and efficient operation in accordance with laws and regulations. We will actively explore professional manager reform, formulate rules for the remuneration and appraisal and incentive measures of professional manager that are in line with the actual condition of the company and the market, and further eliminate the obstacles that restrict the optimisation of the vitality and elements of the enterprise, in order to allow the full release of development potential of the enterprise. We will speed up the strategy for the development of talents, strive to cultivate and introduce outstanding talents such as leading talents in technology, management talents in marketing and finance and international high-level talents, improve the service guarantee mechanism of talents, and further enhance the appraisal incentive mechanism to recruit and utilise all talents.

In the new year, we will focus on enhancing our efforts and pursuing development. In the new round of industrial revolution, electrification, intelligence, networking, sharing and internationalisation are the focuses of the innovation and transformation of GAC. We will adhere to promoting the development of smart networking new energy automobiles with a high starting point and high standard, concentrating all resources to fully support the construction of the Guangzhou Automobile Zhilian New Energy Automotive Industrial Park. With the key parts and components of new energy automobiles as the breakthrough and the manufacture of purely electrically powered vehicles as the focus, we will actively develop three electric core technologies, namely power battery system, drive motor and electric motor controller, and in particular, achieve key breakthrough in battery technology, creating a number of exclusive platforms for purely electrically powered vehicles, gradually achieving complete coverage of new energy product lines, and continuously enhancing the competitiveness of new energy products. We will strengthen the mutually beneficial cooperation and model innovation with companies within and outside the industry with an open mind, implementing strategic cooperation with partners such as Huawei, Tencent and iFlytek, establishing an automobile ecosystem of GAC smart networking, and promoting the transformation of the Group from a traditional automobile manufacturer to a mobile travel service provider. We will make full use of both international and domestic resources and markets to strengthen our efforts in the planning of overseas market, and actively implement the national "Belt and Road" initiative to speed up our analysis and research on the markets of countries along the Belt and Road. We will make use of the function of overseas research and development centres, further lay out the global research and development network on the basis of GAC (Silicon Valley) Research and Development Centre, and build a world-class Chinese brand and an international enterprise bestowed with the globalisation of research, production and sales with a global layout as the ultimate objective.

In the new year, we will focus on building corporate values and our brand and strengthening our culture. Under the guidance of the spirit of the 19th National Congress, we will act in time, take advantage of the situation, adhere to our culture and values, nurture professional talents, sort and refine the corporate culture of the Group, establish a strategic plan for corporate culture, and firmly establish the development concept of common creation, building and sharing. We will open up a new page for the construction of corporate culture through embedding new values in corporate culture, and promote the technological development and harmony of the Group with the upgrade and transformation of corporate cultural soft power. 2018 will be a year for us to strengthen our efforts in publicising our brand, enhance the Group's overall brand image, establish GAC standards, and promote the GAC brand, making GAC brand into an international automobile group brand with global presence and high social responsibility.

At the new starting point of the new era, combining with the grand blueprint of the 19th National Congress, GAC Group has also proposed the development vision and mission of the new stage: "In 2027, the 30th anniversary of the establishment of the Company, GAC Group will strive to be one of the top 100 companies in the world. In 2037, the 40th anniversary of the establishment of the Company, GAC Group will become a world-class enterprise with global competitiveness." To make this vision a reality, we must "not simply dream without action". We have to implement our strategic planning, be pragmatic and move forward. We will continue adhering to the concept of "humanity, credibility, and creativity", always bethink our own values, embody new values and prepare for the future, and continuously focus on the development of quality and effectiveness. We will adhere to joint venture cooperation and self-innovation, and promote the transformation of manufacture to creation, speed to quality and product to brand, making our utmost efforts in creating values for consumers and employees, cooperation and investment partners, as well as the industry and society wholeheartedly.

Happiness is a result of endeavours. In the new year, we will continue to practice "common creation, building and sharing", making great endeavours to create a brighter tomorrow for GAC and pursue the vision of a better future for mobile travel with greater enthusiasm and proactive attitude!

I. SUMMARY OF BUSINESS

The main businesses of the Group consist of five major segments, namely R&D, manufacture of 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, which is also a subsidiary of the Company and a relatively independent strategic business department operating 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 significant R&D projects. GAEI is a State-Accredited Enterprise Technology Centre. In 2015, it ranked 10th (top 1%) among over 1,100 National-level Enterprise Technology Centres in the accreditation in different industries in China.

2. Manufacture segment

(1) Automobile manufacture 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 17 series of sedans, 15 series of SUV and 3 series of MPV, details of which are set forth below:

- GAC Trumpchi (GA5, GA6, GA3 series, GA8, GA5 range extender, GA3S PHEV, GS5 series, GS4, GS8, GS3, GS7, GS4 PHEV, GM8, GE3);
- GAC Honda Accord, Crider, Vezel, Odyssey, City, Fit, Avancier, Acura CDX, Acura TLX-L, etc.;
- GAC Toyota Camry, Highlander, Yaris L, E'Z, Levin, Yaris L, 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 Honda (China), its associated company, primarily targeting at markets such as those in the Middle East and South America.

The commercial vehicles of the Group 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 large to medium-sized passenger vehicles, etc.

Energy conservation and new energy products of the Group include: GAC Trumpchi GA5 PHEV, GA3 SPHEV, GS4 PHEV and GE3, hybrid GAC Honda Accord Sport Hybird, GAC Toyota Camry HEV and Levin HEV, and GAC BYD purely electrically powered passenger vehicles.

Production capacity: During the reporting period, GAMC Hangzhou's plant with production capacity of 150,000 units/year commenced operation in December. As at the end of the reporting period, the total vehicle production capacity amounted to 1,983,000 units/year.

Sales channel: The Group conducts automobile sales through sales outlets and online channels. As at the end of the reporting period, the Group, together with its joint ventures and associated companies, had 2,719 sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC. 214,148 units of vehicles were sold through online channels during the reporting period, representing 10.62% 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 its subsidiary, GAC Commercial, and its controlling, investee companies and associated companies and Tong Fang Logistics 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 Da Sheng Ke Ji (大聖科技), a subsidiary, 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.

4. Parts and components segment

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

5. Financial segment

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

II. INDUSTRY ENVIRONMENT

The previous high-growth stage of the Chinese automobile market has ended, and the market has officially entered the "new normality" of low-speed growth: the consumption habits are maturing, the characteristics of consumption upgrade are obvious, and the market competition is becoming increasingly intense. The automobile industry is entering a new stage of comprehensive transformation, and the industry as a whole has shown the following characteristics:

1. There were cyclical fluctuations in the development of the automobile market, and the overall automobile industry maintained steady growth

In 2017, the accumulated production and sales volume of automobiles in China amounted to 29.015 million units and 28.879 million units, representing a year-on-year increase of 3.2% and 3.0% respectively. Production and sales volume ranked first in the world for the ninth consecutive year, and the growth of economic efficiency of the industry was significantly higher than the growth of production and sales volume.

2. The consumer demand for passenger vehicles has gradually increased, and the growth of sales volume in the future tends towards a trend of long-term and slight growth

In 2017, the production and sales volume of passenger vehicles amounted to 24.807 million units and 24.718 million units respectively, representing a year-on-year increase of 1.6% and 1.4% respectively, among which sales volume of sedans and MPVs decreased by 2.5% and 17.1% respectively, while SUV still stood out with a year-on-year growth of production and sales volume by 12.4% and 13.3%, with a slight drop in growth rate.

In 2017, sales volume of passenger vehicles of 1.6 litres or below amounted to 17.193 million units, representing a year-on-year decrease of 1.1%, and accounted for 69.6% of sales volume of passenger vehicles, representing a year-on-year decrease of 1.8 percentage points, indicating that the policy for reduction of purchase tax of small displacement passenger vehicles still had certain impact.

3. The development momentum of new energy vehicles was strong

In 2017, the production and sales volume of new energy vehicles amounted to approximately 800,000 units, which were 794,000 units and 777,000 units respectively, representing a year-on-year increase of 53.8% and 53.3% respectively, and the year-on-year growth of production and sales volume increased by 2.1 and 0.3 percentage points respectively. In 2017, our new energy vehicles accounted for 2.7% of the new energy automobile market, representing a year-on-year increase of 0.9 percentage points.

Among the new energy passenger vehicles, the production and sales volume of purely electrically powered passenger vehicles amounted to 478,000 units and 468,000 units respectively, representing a year-on-year increase of 81.7% and 82.1% respectively. The production and sales volume of plug-in hybrid passenger vehicles amounted to 114,000 units and 111,000 units respectively, representing a year-on-year increase of 40.3% and 39.4%, respectively.

4. The industry concentration was relatively high, and the growth rate of top ten companies was basically in line with the industry growth rate

In 2017, the sales volume of top ten automobile groups amounted to 25.562 million units in total, representing a year-on-year increase of 3.2%, which was 0.2 percentage points higher than the industry growth rate, and accounted for 88.5% of the total sales of automobiles, representing a year-on-year increase of 0.2 percentage points.

III. ANALYSIS ON CORE COMPETITIVENESS

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

1. Industry layouts with complete industry chain and 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 service and 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 were emerging and the comprehensive competitiveness of the Group has been constantly enhanced.

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 perfection.

3. ***Enriched product line and optimised product structure***

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

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

Through introduction, understanding, incorporation and re-innovation, we have accumulated internationally advanced manufacturing and management technologies, and have formed a world-class production system. In terms of research and development, we have integrated globally advantageous resources to form a positive development system with cross-platform and modular structure as well as edges on innovation.

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, based on the existing core competitiveness and focusing on quality and effectiveness, the Group adopted various effective measures, vigorously conducted market research and actively explored the market. The star model GS4 continued to lead the SUV market, with accumulated sales volume of approximately 800,000 units after its launch for over two years, the sales volume of GS8 reached 10,000 for consecutive times, with accumulated sales volume of over 100,000 units. We commenced the research and development and pilot technological research of various model products, and speeded up the planning of global research and development network. Our Silicon Valley Research and Development Centre officially commenced operation, and the preparation work for Detroit Research and Development Centre, Los Angeles Forward Design Center and Shanghai Design Studio has steadily advanced. During the year, the GAEI had 516 new effective patent applications, in which 174 were invention patent applications, and a total of 1,676 patents were granted accumulatively. We successfully completed the non-public share issuance of RMB15 billion.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, the Group actively and orderly carried out various tasks and fully completed all expected goals. The major tasks were as follows:

1. *Focusing on quality and effectiveness, with development and quality scaling new heights*

The Group has adhered to focusing on quality and effectiveness . The rapid growth in major economic indicators and scaling of historical heights of major indicators such as production and sales volume, income and profits indicated a good situation with good economic effectiveness and excellent development quality. The top five vehicle manufacturers all achieved positive growth in production and sales volume. Star models continued to emerge, and the proportion of mid-to-high-end products increased. The annual sales volume of Trumpchi GS4 amounted to over 330,000 units, and star models such as Levin (including hybrid), Accord (including hybrid), Vezel, Fit, Trumpchi GS8, Highlander, Compass, Avancier and Outlander continued to record hot sale. The sales volume of Trumpchi GS7 and GS3, newly-launched models, grew steadily. Leveraging on the main business, the Group's parts and components, service and trade and finance and insurance sectors all developed, achieving a balanced growth of the entire industry chain.

2. *Improving corporate governance, intensifying reform to achieve new breakthroughs*

The Group has made great efforts in innovation and transformation, achieving breakthroughs in various areas, advancing extensively, and accomplishing remarkable results. Combining with the reform of state-owned assets and state-owned enterprises, we optimised and simplified the management hierarchical structure, promoted pilot reform on professional managers, and further enhanced corporate vitality and market competitiveness. We actively improved corporate governance mechanism, further strengthened standardised management such as the establishment of the Board, operation of the three committees, governance of investee companies and major internal decision-making. We smoothly promoted the first and second phases of independent exercise of the first share option incentive scheme, and organised the formulation of the second share option incentive scheme and completed the grant of options. The number of targeted participants and shares options substantially increased as compared with the first incentive scheme in 2014.

3. *Promoting key projects, and leading the development of a new layout*

The Guangzhou Automobile Zhilian New Energy Automotive Industrial Park project has officially commenced. The construction of phase one of GAC New Energy plant has started. The construction of GAMC Hangzhou plant has completed, and the plant is in operation. The plant for the third production line of GAC Toyota has completed trial operation. Projects including GAEI Hualong base phase one expansion and second phase pre-construction project, GAC Honda's third plant and engine capacity expansion project, GAC Fiat-Chrysler K8 project, GAC Mitsubishi's engine construction project, GAMC Yichang project and Xinjiang project and GAC Nio cooperation project steadily progressed, which further improved the industrial layout and effectively enhanced the development potential of the Group.

4. *Innovation driving development, with solid progress on smart networking new energy*

We strengthened the research and development capability of key system components, and our self-developed electromechanical coupling system and power battery system have been successively launched. We actively laid out the global research and development network, speeded up the construction of overseas research and development centres, and GAC (Silicon Valley) Research and Development Centre officially commenced operation. We obtained three new energy vehicle projects of the key research and development scheme of the Ministry of Science and Technology among the only 20 projects in the whole country, gradually showing the value of our innovation results. The Guangzhou Automobile Zhilian New Energy Automotive Industrial Park has officially commenced construction, and we planned to construct a smart manufacturing area, a maker area and a vehicle town. We established GAC New Energy Automobile Co., Ltd., promoted the construction of new energy vehicle plant, and speeded up the pace of research and development, production and sales of new energy vehicle products, and GE3 and GS4 PHEV, two new energy models, were mass-produced and launched. Since its launch, GE3 achieved continuous growth in sales volume, and was awarded the "New Energy Award" of the 5th Xuanyuan Award. Our self-developed brand exported technology to Chinese-foreign joint ventures and achieved breakthrough, and Trumpchi new energy models were introduced to joint ventures such as GAC Mitsubishi, GAC Toyota, GAC Fiat-Chrysler and GAC Honda. Qizhi (祺智), a model of GAC Mitsubishi, was successfully launched on 19 December, effectively expanding the influence of GAC's self-developed brand.

5. *Strengthening capital operation, continuously intensifying production and financial integration*

We completed the non-public issuance of A-shares of RMB15 billion, which was the largest amount of financing in China's automobile industry, in order to meet the investment needs of projects such as research of new energy and forward-looking technologies and self-developed models of the Group. Our image in the capital market continued to improve, and GAC Group was included into the MSCI China A-share Index and Hang Seng China Enterprises Index respectively. GAC Capital focused on the upstream and downstream of the automobile industry chain, identified and invested in high-quality projects, and set up six new funds during the year. Since its establishment, GAC Finance has achieved continuous growth in its collection of funds and constant expansion in settlement scale. Within the Group, 131 companies have opened accounts with GAC Finance, and the account opening rate has exceeded 80%, further expanding our fund management functions.

6. Conducting information disclosure and investment relationship in strict accordance with the requirements, establishing a positive image in the capital market

In accordance with the requirements of "legal, comprehensive and strict" supervision, and with the latest regulatory rules as guidance, we continued to conduct information disclosure on the principle of "being true, accurate, complete, timely, fair and effective". 242 and 195 corporate documents were disclosed on the SSE and Stock Exchange respectively in 2017. The Group insisted on making consistent and simultaneous information disclosure on A and H shares markets and ensuring the information was disclosed "without error, delay, amendment and supplement". Besides, various modes of investor relationship activities such as domestic and overseas roadshows, vehicle exhibition communication activities and investor summits were held. The Company organised 65 visits for investors' investigation and research in total, organised 27 phone conferences and 4 investor open days, entertaining more than 800 investors and analysts, through which our operation concept and investment value were delivered.

7. Continuously enhancing corporate image, actively fulfilling social responsibilities

We released a new brand strategic plan, put forward the brand slogan of "Crafted by the Driven", and carried out multi-channel, all-round, and multi-dimensional brand communication to enhance our corporate image. We cooperated with 2017 Guangzhou Fortune Global Forum, became the chief partner of Fortune Brainstorm Tech International and hosted the "Travel Future" (出行的未來) round table meeting, showing the charm of the GAC brand. We practicably fulfilled corporate social responsibilities, actively carried out accurate poverty alleviation work in the new era and promoted targeted assistance in the industry. During the reporting period, the GAC Group and the respective investee enterprises contributed a total of RMB89.05 million in public welfare such as poverty alleviation, charity, disaster relief, cultural and sports, and education, etc., and was awarded the 2017 China Social Responsibility Special Contribution Award (中國社會責任特別貢獻獎).

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

During the reporting period, sales revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB339.773 billion, representing an increase of approximately RMB64.001 billion or approximately 23.21% as compared with the corresponding period last year.

During the reporting period, sales revenue of the Group amounted to approximately RMB71.575 billion, representing a growth of approximately 44.84% as compared with the corresponding period last year; net profit attributable to owners of the company amounted to approximately RMB11.005 billion, representing an increase of approximately 75.02% as compared with the corresponding period last year. Basic earnings per share amounted to approximately RMB1.68, representing a growth of approximately RMB0.70 as compared with the corresponding period last year.

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

1. The sales and production of Group's self-developed brand models products sustained a rapid growth as a result of its advanced research and development capability, speeding up the introduction of new products and enhancing the quality of products. Performance of "star" models was outstanding. In 2017, with the slow-down growth in production and sales of the domestic automobile industry, the production and sales volume of the Group's self-developed brand models products increased significantly by 34.40% and 36.70% respectively, as compared with the corresponding period last year. In particular, Trumpchi GS4 and GS8 continued to experience hot sales; GS3 and GS7, which were launched in 2017, experienced better sales and further enriched star product mix of the self-developed brand;

2. Sales of domestic Jeep model of European and American series joint ventures products achieved a steady increase and experienced growth in profit;

3. Japanese series joint ventures further increased their integrated competiveness through technological advancement. Sales volume of vehicle models such as Highlander, Accord, Avancier, Acura, CDX 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. The Group established GAC Finance in 2017 to further provide valid financial support for the Group's development.

As at 31 December 2017, calculated based on the proportion of shareholdings of the Group in the joint ventures, the total liabilities and total revenues of jointly controlled entities amounted to RMB51,792,804,114 and RMB109,951,888,404 respectively, which will be used in the calculation of waivers granted by the Stock Exchange to the Company in respect of asset and revenue ratios.

(I) ANALYSIS OF PRINCIPAL BUSINESS

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

Unit: 100 million Currency: RMB

Item	Current period	Corresponding period last year	Change (%)
Revenue	715.75	494.18	44.84
Cost of sales	587.16	419.61	39.93
Selling and distribution cost	52.50	33.96	54.59
Administrative expenses	40.22	27.39	46.84
Finance costs	6.46	9.63	-32.92
Interest income	3.95	5.86	-32.59
Share of profit of joint ventures and associated companies	82.96	57.74	43.68
Net cash flow generated from operating activities	146.60	49.10	198.57
Net cash flow generated from investment activities	-0.66	-61.14	-98.92
Net cash flow generated from financing activities	100.91	21.94	359.94

1. Analysis on revenue and cost

During the reporting period, revenue of the Group amounted to approximately RMB71.575 billion, representing an increase of approximately 44.84% as compared with the corresponding period last year. This was mainly due to the rapid growth in sales volume of the Group's self-developed brand model products and the rapid development of various businesses such as auto-parts and automobile after-sales service in the upstream and downstream of the industrial chain.

During the reporting period, the Group recorded total cost of sales of approximately RMB58.716 billion, representing an increase of approximately 39.93% as compared with the corresponding period last year, which was lower than the growth rate of revenue. Total gross profit amounted to approximately RMB12.859 billion, representing an increase of approximately RMB5.402 billion or 72.44% as compared with the corresponding period last year. The gross profit margin increased by 2.88% as compared with the corresponding period last year, mainly due to the combined effect of the amplified economies of scale of cost from the continuous increase in sales of self-developed brand passenger vehicles and the lower unit cost by strengthening cost control.

Principal business by industry

Unit: 100 million   Currency: RMB

By industry	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Automobile manufacturing industry	502.13	404.20	19.50	50.25	47.36	8.82
Auto-parts manufacturing industry	29.19	24.63	15.62	10.65	11.10	-2.13
Commercial services	164.10	149.44	8.93	35.04	29.90	67.54
Financial services and others	20.33	8.89	56.27	68.16	9.75	70.52
Total	715.75	587.16	17.97	44.84	39.93	19.09

Principal business by product

Unit: 100 million   Currency: RMB

By product	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Passenger vehicles	502.01	404.17	19.49	50.30	47.45	8.70
Vehicles related trades	193.29	174.07	9.94	30.69	26.86	37.48
Financial services and others	20.45	8.92	56.38	66.53	7.47	73.96
Total	715.75	587.16	17.97	44.84	39.93	19.09

Principal business by region

Unit: 100 million   Currency: RMB

By region	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year(%)	Increase/ decrease in gross profit margin over last year (%)
Mainland China	715.72	587.16	17.96	44.84	39.93	19.10
Hong Kong	0.03	–	–	–	–	–
Total	715.75	587.16	17.97	44.84	39.93	19.09

Analysis of sales and production

Unit: Vehicle

Major products	Production volume	Sales volume	Inventory	Increase/ decrease in production volume over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory over last year (%)
Sedans	42,138	40,570	2,943	50.73	48.99	736.08
SUV	469,617	467,466	11,749	32.95	35.57	708.05
MPV	562	550	12	–	–	–

Illustration on sales and production: mainly from the sales and production data of the GAMC consolidated report.

Sales to major customers

Unit: 100 million   Currency: RMB

Customers	Revenue	Ratio to revenue (%)
Total sales to top 5 clients	33.75	4.74

Major Suppliers

Unit: 100 million Currency: RMB

Suppliers	Amount of procurement	Ratio to total procurement (%)
Total procurement from the top 5 suppliers	106.20	19.39

Amount of procurement fees paid to the largest supplier of the Group accounted for 5.81% of the total amount of procurement fees of the Group for the year.

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

2. Expenditures

The increase of approximately RMB1,854 million in selling and distribution cost as compared with the corresponding period last year was mainly due to the combined effect of the increase of warehousing expenses and after-sales services expenses resulting from higher sales volume, and the increase in advertisement expenditure.

The increase of approximately RMB1,283 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the combined effect of the increase in labour cost, operation costs, depreciation and amortisation and R&D expenses etc. in line with the business growth of the Group.

The decrease of approximately RMB317 million in finance costs as compared with the corresponding period last year was mainly attributable to the decrease in interest expenses as a result of repayment of borrowings during the reporting period.

The decrease of approximately RMB191 million in interest income as compared with the corresponding period last year was mainly attributable to the combined effect of corporate deposit of the Group being absorbed by GAC Finance during the reporting period which led to the transfer of partial interest income to sales revenue.

3. Research and development expenditures

(1) Table of research and development expenditures

Unit: 100 million Currency: RMB

Expensed research and development expenses for the period	4.95
Capitalised research and development expenses for the period	24.90
Total research and development expenditures	29.85
Percentage of total research and development expenditures over total revenue (%)	4.17
Number of research and development staff	4,278
Number of research and development staff over total number of staff (%)	14.44
Percentage of capitalised research and development expenditures (%)	83.42

(2) During the reporting period, investment in research and development amounted to approximately RMB2.985 billion, representing an increase of RMB598 million as compared with the corresponding period last year, mainly attributable to the Group's continuous effort to enhance independent research and development and innovation capacity and the development of traditional energy vehicle model, new energy vehicle model development projects as well as core parts and components.

4. Share of profit of joint ventures and associated companies

During the reporting period, the Group's share of profit of joint ventures and associated companies was approximately RMB8.296 billion, representing an increase of approximately RMB2.522 billion as compared with the corresponding period last year, mainly as a result of the combined effect of the following factors: a. sustaining hot sales of vehicle models such as Highlander, Accord, Avancier, Outlander and domestic Jeep which drove the increase in overall sales of joint ventures and facilitated the steady increase of economic efficiency; b. the synergies of industries continued to strengthen, the service businesses of auto-financing, auto-parts and auto-logistics in the upstream and downstream of the industrial chain developed rapidly.

5. Cash flows

During the reporting period, net cash inflow generated from operating activities amounted to approximately RMB14.660 billion, representing an increased inflow of approximately RMB9.750 billion as compared with net cash inflow of approximately RMB4.910 billion in the corresponding period last year, mainly due to an increase in sales during the reporting period and the deposits absorption of GAC Finance;

During the reporting period, net cash outflow generated from investment activities amounted to approximately RMB66 million, representing a decreased outflow of approximately RMB6.048 billion, as compared with net cash outflow of approximately RMB6.114 billion in the corresponding period last year, mainly due to the combined effect of the receipt of investment in financial products and decrease in investment during the reporting period as compared to the corresponding period last year;

During the reporting period, net cash inflow generated from financing activities amounted to approximately RM10.091 billion, representing an increased inflow by approximately RMB7.897 billion, as compared with net cash inflow of approximately RMB2.194 billion of the corresponding period last year, mainly due to the combined effect of the non-public issuance of A shares of approximately RMB15 billion to specific investors during the reporting period, repayment of short-term financing bonds of RMB2.3 billion and corporate bond of RMB0.6 billion, and the issuance of convertible bonds of RMB4.1 billion in the corresponding period last year.

As at 31 December 2017, cash and cash equivalent of the Group amounted to approximately RMB37.199 billion, representing an increase of approximately RMB24.619 billion as compared with approximately RMB12.580 billion as at 31 December 2016.

6. Others

Income tax amounted to approximately RMB1.154 billion, representing an increase of approximately RMB400 million as compared with the corresponding period last year, mainly due to the increase in profit of the subsidiaries during the reporting period.

To sum up, the Group's net profit attributable to owners of the Company for the reporting period was approximately RMB11.005 billion, representing an increase of approximately 75.02% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB1.68, representing an increase of approximately RMB0.70 as compared with the corresponding period last year.

(II) ANALYSIS OF ASSETS AND LIABILITIES

1. Analysis table of assets and liabilities

Unit: 100 million Currency: RMB

Item	Balance at the end of current period	Balance at the end of current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change (%)
Time deposits	101.13	8.45	71.90	8.75	40.65
Available-for-sale financial assets	26.29	2.20	41.23	5.02	-36.24
Inventories	33.47	2.80	24.94	3.04	34.20
Short-term borrowings	26.40	2.21	44.78	5.45	-41.05
Trade and other payables	332.12	27.76	191.59	23.32	73.35
Government grants	31.33	2.62	21.59	2.63	45.11

2. Analysis on change

Time deposits: mainly due to the combined effect of the non-public issuance of A shares of approximately RMB15 billion to specific investors by the Group and the reasonable arrangement of deposits structure in accordance with capital needs during the reporting period;

Available-for-sale financial assets: mainly due to the decrease in investment in financial products during the reporting period;

Inventories: mainly due to the increase in raw materials and finished products along with the increase in production and sales volume during the reporting period;

Short-term borrowings: mainly due to the repayment of short-term borrowings by the Group's headquarter and investee enterprises during the reporting period;

Trade and other payables: mainly due to the combined effect of the increase in payables for the purchase of raw materials, prepayments from the distributing outlets and payables to the distributing outlets along with the increase in production and sales volume during the reporting period;

Government grants: mainly due to the increase in financial subsidies received during the reporting period.

(III) ANALYSIS OF FINANCIAL POSITION

1. Financial indicators

As at 31 December 2017, the Group's current ratio was approximately 1.76 times, representing an increase from approximately 1.44 times as at 31 December 2016, and quick ratio was approximately 1.67 times, representing an increase from approximately 1.34 times as at 31 December 2016. Current ratio and quick ratio remained normal.

2. Financial resources and capital structure

As at 31 December 2017, the Group's current assets amounted to approximately RMB64.485 billion, current liabilities amounted to approximately RMB36.618 billion and current ratio was approximately 1.76 times.

As at 31 December 2017, the Group's total borrowings amounted to approximately RMB10.913 billion, mainly consisting of corporate bonds with nominal value of RMB6 billion, medium term bill with nominal value of RMB300 million, convertible bonds with closing balance of RMB2.553 billion, loans from bank and financial institutions etc. amounting to approximately RMB2.060 billion. The above loans and bonds are payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital.

As at 31 December 2017, the Group's gearing ratio was approximately 13.41%. (Calculation of gearing ratio: (non-current borrowings + current borrowings)/(total equity + non-current borrowings + current borrowings)).

3. Foreign exchange risk

As the Group mainly conducts its business in the PRC and the sales and procurement 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 31 December 2017, third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2016 was RMB5,463,150; as at 31 December 2017, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2016 was RMB0.

VI. ANALYSIS OF AUTOMOBILE MANUFACTURING INDUSTRY OPERATION

1. Production capacity

Existing production capacity

Names of major factories	Designed production capacity	Production capacity during the reporting period	Production capacity utilisation rate (%)
GAC Honda	600,000 units	710,500 units	118.42
GAC Toyota	380,000 units	439,200 units	115.58
GAMC	350,000 units	512,300 units	146.37
GAC Mitsubishi	100,000 units	121,900 units	121.9
GAC Fiat-Chrysler	328,000 units	210,700 units	64.24
Honda (China)	60,000 units	18,400 units	30.67
GAMC Hangzhou	150,000 units	0 units	0
GAC Hino	10,000 units	2,500 units	25
GAC BYD	5,000 units	1,600 units	32

Note:

1. Production capacity during the reporting period refers to the actual production capacity during the reporting period.

2. The third production line of GAC Toyota had new production capacity of 100,000 units/year which was completed and put into production in January 2018. Upon completion of construction, the production capacity became 480,000 units/year;

3. As the Yichang plant of GAMC was under re-construction, its production capacity was reduced to 350,000 units/year from 365,000 units/year in the previous year;

4. The construction of the plant of GAMC Hangzhou was completed and put into production in December 2017, with production capacity of 150,000 units/year.

Production capacity in construction

Unit: '0,000 Currency: RMB

Names of the factories in construction	Planned investment amount	Investment amount during the reporting period	Total investment amount	Expected commencement date of production	Expected production capacity
GAMC Xinjiang factory	108,700	12,342	20,152	March 2018	50,000 units
GAMC Yichang factory	353,172	13,783	13,783	June 2019	200,000 units
GAC Toyota production capacity expansion project	354,745	117,846	301,243	Phase One with 100,000 production capacity commenced production in January 2018, Phase Two will expand the production capacity up to 220,000 units (depending on the circumstances)	220,000 units
Phase 2 Expansion Project of GAC Mitsubishi (廣汽三菱改擴建二期項目)	52,980	0	0	October 2018	100,000 units
Production capacity expansion project for the addition of 200,000 new energy vehicles for self-developed brand passenger vehicles (自主品牌乘用車新增20萬輛新能源汽車擴能項目)	409,400	91,310	91,310	December 2018	200,000 units
Production capacity expansion project of Zengcheng plant of GAC Honda (addition of 240,000 unit/year) (廣汽本田增城工廠產能擴大(新增24萬輛/年)建設項目)	308,187	14,902	201,610	Phase One (120,000 units) commenced production in October 2015; Phase Two (120,000-240,000 units) will commence production in May 2019	240,000 units

Production capacity calculation standards

Calculated based on standard production capacity and two production shifts.

2. Sales volume of whole vehicles

By vehicle models

Vehicle types	Sales volume (units)			Production volume (units)		
	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in production volume compared with the corresponding period last year (%)
Passenger vehicle	1,996,868	1,647,383	21.21	2,013,006	1,657,755	21.43
Sedans	824,222	793,350	3.89	824,504	781,826	5.46
MPV	37,614	47,030	-20.02	37,905	46,743	-18.91
SUV	1,135,029	806,509	40.73	1,150,597	829,150	38.77
Cross-over utility vehicle	3	494	-99.39	0	36	-100.00
Commercial vehicle	4,168	2,712	53.69	4,089	1,851	120.91
Passenger vehicle	1,567	178	780.34	1,553	378	310.85
Truck	2,601	1,801	44.42	2,536	1,429	77.47
Pickup	0	733	-100.00	0	44	-100.00
Total vehicles	2,001,036	1,650,095	21.27	2,017,095	1,659,606	21.54

By regions

Vehicle types	Domestic sales (units) Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)	Overseas sales (units) Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)
Passenger vehicle	1,975,480	1,634,385	20.87%	21,388	12,998	64.55%
Sedans	804,917	781,399	3.01%	19,305	11,951	61.53%
MPV	37,614	47,020	-20.00%	0	10	-100.00%
SUV	1,132,946	805,595	40.63%	2,083	914	127.90%
Cross-over utility vehicle	3	371	-99.19%	0	123	-100.00%
Commercial vehicle	4,156	2,602	59.72%	12	110	-89.09%
Passenger vehicle	1,555	168	825.60%	12	10	20.00%
Truck	2,601	1,801	44.42%	0	0	–
Pickup	0	633	-100.00%	0	100	-100.00%
Total vehicles	1,979,636	1,636,987	20.93%	21,400	13,108	63.26%

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

3. New energy vehicle business

Production capacity of new energy vehicles

During the reporting period, new energy vehicles and GAMC shared the same production line.

Sales of new energy vehicles

Vehicle types	Sales volume (units) Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)	Production volume (units) Total number for the year	Total number for last year	Changes in production volume compared with the corresponding period of last year (%)
Passenger vehicle	5,246	3,665	43.14%	5,756	3,354	71.62

Income and subsidies for new energy vehicles

Unit: '0,000 Currency: RMB

Vehicle types	Income	Subsidy for new energy vehicle	Ratio of subsidy (%)
Passenger vehicle	67,870	12,588	18.55

VII. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

Nil.

VIII. ANALYSIS OF MAJOR SUBSIDIARIES AND ASSOCIATES

GAC Honda, GAC Toyota and GAMC are the key joint ventures and subsidiaries of the Group. During the reporting period, the three companies integrated their respective positions in their operations with the trend of development of the industry, speeded up the release of products, optimised product structures, and actively adopted a series of effective measures, so as to achieve significant increase in the sales of vehicles and effectively drive the growth of operation results of the Group. Among that:

The production and sales of GAC Honda were 710,481 units and 705,010 units respectively, representing increases of 11.81% and 10.37% respectively as compared with the corresponding period of last year; operating income was RMB92.01131 billion, representing an increase of 21.33% as compared with the corresponding period of last year;

The production and sales of GAC Toyota were 439,187 units and 442,380 units respectively, representing increases of 3.76% and 4.88% respectively as compared with the corresponding period of last year; operating income was RMB60.40015 billion, representing an increase of 4.57% as compared with the corresponding period of last year;

The production and sales of GAMC were 512,317 units and 508,586 units respectively, representing increases of 34.40% and 36.70% respectively as compared with the corresponding period of last year; operating income was RMB54.57648 billion, representing an increase of 54.46% as compared with the corresponding period of last year.

IX. STRUCTURED ENTITIES UNDER THE CONTROL OF THE COMPANY

Nil.

X. DISCUSSION AND ANALYSIS BY THE BOARD ON FUTURE DEVELOPMENT

(1) Development trend and industry layout

Benefitted by the continuous and rapid economic growth of China and the encouragement and guidance of the national policies, the automobile industry has experienced rapid growth for the recent 10 years, yet at the same time alongside with the lowering of the growth rate of the domestic economy, which entered the stage of high quality development from the stage of rapid growth, the developmental landscape and trend of the automobile industry emerged with new features:

1. Competitions within the industry are getting more and more vigorous, and such may cause the industry landscape to adjust. Only the quality ones can survive in the industry. The top three state-owned enterprises, FAW, Dongfeng, and Changan, have entered into strategic cooperation, which opened the prelude of adjustments in the domestic automobile industry. It is expected that the overall growth of the industry will slow down in 2018, the competition centering around compact SUV in different segment markets will become more intense, while there is still room for growth in the market for premium C-Class sedans, mid-to-large size SUV and mid-to-high end MPV, at the same time the market of commercial vehicles is expected to experience slight increase.

2. Pressure from the natinoal industrial policies and the more stringent regulations have propelled China's automobile industry to embody the practice of top-down approach, to speed up restructuring and upgrade of the industry and nurture new momentums. The implementation of the Measures for the Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法), the cancellation of purchase tax allowance and the changes in the policies to subsidise the application of new energy in 2018 posed challenges to the growth of the industry. Yet meanwhile, the steady growth of the domestic economy, the rate of vehicle ownership per 1000 people, the upgrade of consumption and the rise of consumer base of the new generation will also enhance the continuous growth of the industry.

3. Innovation of technologies has granted the automobile industry new life force, inducing influences on and changes to automobile products, the market, mode of business and at the same time new drives and models of operation keep emerging and ride-sharing, experiencing economy, Internet, mobile finance have provided opportunities for the development of the automobile industry.

(2) Development strategy of the Company

During the period of the "13th Five-year Plan", the Group will carry on the development principle of "internal coordination and innovation, open to external cooperation" to complete 1 objective, strengthen 5 segments, focus on 1 major subject and realise 3 breakthroughs in order to achieve its goals of production volume exceeding 3,000,000 units at the end of the "13th Five-year" with 80% production capacity utilisation rate and becoming a modern automobile enterprise. Also, the Group will strengthen its five major segments (namely R&D, manufacture of vehicles, parts and components, commercial services and financial services), strive to develop self-developed brand so as to achieve forward-leaping development, and achieve breakthroughs in areas of electrification, internationalisation and networking.

(3) Operational plan

In 2018, the direction of operation of the Group is to adhere to the basic principle of seeking steady advance, consolidate the new development ideas, always concentrate on the quality and effectiveness of development and persist in joint venture cooperation and never deviate from the principle of self-development and innovation, as well as promote the transition from production to creation, from speed to quality, from products to brands. We will never forget where we were originated, and we will learn from others and face the future. We will maintain the attitude of "no idleness" and advance courageously, straining every nerve to achieve different targets of each year, so as to lay a stronger foundation for becoming a top-notch enterprise that is highly competitive in the global market.

In 2018, the vehicle sales for the year of the Group together with its joint ventures and associated companies are expected to increase by over 10% as compared with the corresponding period of last year. 17 new facelifts will be released to further optimise product structure and consolidate competitiveness, including products of 5 self-developed brand products: Trumpchi GA4, Facelift of GS4, upgraded GS5, GM6, GS4 EV; as well as 12 joint venture products: upgraded GAC Honda Accord (including hybrid), upgraded Crider, facelift of City and Odyssey, brand new Acura RDX, facelift of Acura CDX, facelift of GAC Toyota Highlander, brand new small-size SUV of C-HR model, GAC Mitsubishi purely electrically powered SUV-A43 EV, Outlander facelift for the year and a brand new SUV model, GAC Fiat-Chrysler seven-seat SUV K8 model.

Major operational measures are as follow:

1. Complete the targets for the year, focus on advancing the project of the Guangzhou Automobile Zhilian New Energy Automotive Industrial Park, the project of construction of research and development base of GAEI (廣汽研究院研發基地建設項目), GAMC's 200,000 units/year (new energy vehicle) capacity expansion project (廣汽乘用車新增20萬輛新能源汽車產能擴建項目), GAMC's Yichang project, production capacity expansion project of Zengcheng plant of GAC Honda (廣汽本田增城工廠產能擴大項目), GAC Mitsubishi capacity expansion and engine project (廣汽三菱擴能和發動機項目), GAC Fiat-Chrysler K8 model project (廣汽菲克K8車型項目), project of construction of GAC Toyota Engine's new M20C engines (廣汽豐田發動機新增M20C發動機建設項目), project of expansion of GAC Ogihara Phase 2 (廣汽荻原二期能擴建設項目)、Guangzhou Automobile Commercial Nansha International Automotive Industrial Park project (廣汽商貿南沙國際汽車產業園) and so on, and further improve product structure and consolidate competitiveness so as to motivate production and operation and seek steady advances.

2. Further promote the reform of system and mechanism, implement the reform of the pilot work of professional managers, speed up the talent-based corporate invigoration strategy, improve the talent service protection mechanism, carry out the reform of the Group's remuneration system, further improve the appraisal and incentive mechanisms and continue to implement the second share incentive scheme.

3. Focus on the construction of Zhilian New Energy Automotive Industrial Park, develop new energy core technology, promote the business of new energy to achieve breakthroughs; further enhance the product capabilities of the new energy core model GE3, release GE3 equipped and adjusted model and the sharing version, increase mileage, reduce costs and improve the style; build up A0/A and B/C platforms exclusively for the purely electrically powered vehicles, and develop numerous new energy models based on the above platforms; introduce investment to Zhilian New Energy Automotive Industrial Park to build production plant for battery system and electrical-driving system and provide localised new energy core parts and components.

4. Improve the self-developed brand industrial system, speed up the full-capacity operation of GAMC Hangzhou and Xinjiang base and the construction of Yichang base; implement the development of key system and core parts and components, motivate the core capabilities to continue to improve; establish the strategic cooperation with Huawei, Tencent, IFYTEK and so on, and speed up the implementation of GAC's travelling strategy.

5. Upgrade joint venture cooperation, drive the continuous intensification of joint venture cooperation; actively coordinate and promote the restructuring project of Honda (China), revitalise the production capability resources of Honda (China); cause the joint venture enterprises to introduce GAC self-developed brand new energy models, carry out the joint venture enterprise new energy product plan, and constantly improve the layout of new energy products of joint venture enterprises.

6. Improve the oversea strategic plans, build up international business platforms, allow the international business to develop in a steady pace; create a global research mechanism, bring into play the functions of the oversea research centre, further lay out the global research network on the foundation of GAC (Silicon Valley) research centre, including promoting the construction of the oversea research institutions in Detroit, Los Angeles, etc.

7. Motivate the brand to grow, focus on the brand strategy plans and the brand slogans, intensify the promotion of the brands, spare a year for intensifying the publicity of the brands; intensify the development of corporate culture, design a strategic plan for the Group's corporation culture, and cause the soft skills of the enterprise to increase steadily.

8. Continue to keep up with the attitudes of business integrity, safety, comprehensive management, and planning work.

(4) Potential risks

1. Risks of the industry

(1) Risk of fluctuation in macro economy

Overall, the automobile industry is more susceptible to the level of development of the domestic economy, and the rate of growth of the economy will stimulate or hinder the automobile consumption. Furthermore, due to economic globalisation, the automobile industry is also subject to influence of the international macro environment and the international situation. In the recent years, the economic scale of China kept growing constantly. Despite that this year, the overall growth of the domestic economy has transitioned from the trend of rapid growth to being oriented towards high quality, slowing down the growth rate, while the disposable income of residents still maintained a steady growth rate, the demand of the automobile industry in China has shown an overall growing tendency. However, currently, the growth of the demand of the automobile industry in China also slows down due to the slowdown of the macroeconomic growth. In the future, the demand for automobile consumption will continue to be subject to the influence of factors such as macroeconomic policies in China, adjustments of the industrial structure, the international political and economic environment.

(2) Risks of rapid expansion of China's vehicle production capacity and intensified competition

Over the recent 10 years, the automobile industry in China has shown an overall growing tendency. Since 2009, the sales of 13,640,000 new vehicles in China made it the country with the highest sales of new vehicles in the world. Up to 2017, the sales even reached 28,879,000 units, creating a new record in the world history, ranked the first in the world for nine consecutive years. In face of the opportunities in the market, many vehicle enterprises shed their eyes on the domestic market, and thus have implemented or designed plans to expand production capabilities. Thus there tends to be a more vigorous competition between joint ventures and local enterprises, between overseas and self-developed brands, among those with similar engine capacity and between old and new models.

(3) Industry reform risk

In face of shortage of energy and higher awareness of environmental protection, the technological research and development of new energy vehicles is becoming an important concern as well as the direction of future automobile technological innovation of all automobile companies. Intelligent network and autonomous technology has broadened people's knowledge of automobiles, which is no longer restricted to being merely a transportation vehicle and to its traditional usage. Internet automobile manufacturing also poses a challenge to our original commercial model. Such reform will create impact on and restrict traditional automobile consumption to a certain extent.

2. *Operational risks*

(1) Risk of fluctuation in financial conditions and operating results of joint venture companies

The Group established close relationship of cooperation with international partners such as Honda, Toyota, Fiat-Chrysler, Mitsubishi and Hino. Joint venture enterprises established with such partners had a significant influence on the operational results of the Company. The Company continued to nurture self-developed capabilities and accumulate core technologies. In September 2010, the Company succeeded in developing the first self-developed brand of passenger vehicle, Trumpchi. After years of development, the Company gradually came up with many different models such as sedans, SUV and MPV, as well as succeeded in releasing "star" models such as GS4, GS8, GS7 and GM8, obtaining recognition from vast consumer base and self-developed brand series thus rose to form a triangular landscape with Japanese series, European and American series. Judging from the current situation, the Group's operating results tend to be more susceptible to the influence of the joint ventures such as GAC Honda, GAC Toyota, GAC Fiat-Chrysler and GAC Mitsubishi. If there are fluctuations in the financial positions and the operational results of the joint ventures, the financial position and the operational results of the Group may be subject to adverse effects.

(2) Risk of fluctuation in prices of factors of production

The factors of production for vehicle manufacturing include labour, and different types of raw materials, including steel, aluminum, rubber, plastics and paints, thinners and other chemical products; and those for manufacturing automobile parts and components include metallic components, chemical components and electronic devices. In manufacturing passenger and commercial vehicles and products such as engines and parts and components, the Group needs to purchase a large amount of raw materials from upstream companies. If the price of bulk raw materials increases, the production costs of upstream parts and component manufacturing companies will significantly increase. When the suppliers raise their prices, despite that the Group can offset the inflation of parts and components through measures such as launching new products, resetting its product price, optimising work flow and reducing wear and tear, it may still have a negative impact on the profit of the Group if the price of major raw materials increases abruptly to an exceedingly high level.

(3) Risks of ability to continuously launch popular products

The ability to continue to release products that will be popular in the market directly affects the sales of products and the operational results of the Group. The Group needs to continuously and timely improve the existing products and develop and introduce new products in response to the market demand, so as to consolidate its position in the market and increase share in the targeted segment markets. In the recent two years, the Group and the joint venture enterprises released a number of competitive new models in the market, such as Trumpchi GS4, GS8, GAC Honda Avancier, GAC Honda Vezel, GAC Toyota Highlander, GAC Fiat-Chrysler JEEP Cherokee, JEEP Compass and GAC Mitsubishi Outlander, which motivated the steady growth of the overall sales. If we fail to continuously develop and produce competitive products in the future and fail to achieve certain level of market share within a reasonable time to form the economies of scale, then we may not be able to achieve the planned operational goals, and cause adverse effects to the business, financial positions and the operational results of the Group.

3. *Risks of policies*

(1) Risks of product recall

In recent years, China has been stricter with the automobile industry in product quality and quantity regulations and technical standards. The Ordinance for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理條例》) came into effect on 1 January 2013, which amended and supplemented the Regulations for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理規定》) pursuant to which automobile manufacturers are required to provide repair services and recall. The Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理、更換、退貨責任規定》) came into effect on 1 October 2013, which specifies the liability of repair, exchange and return of household automotive products. According to the statistics released by the National Quality Supervisory and Inspection Bureau (國家質量監督檢驗檢疫總局), in recent years, the number of recalled vehicles significantly increased. In 2017, there were 251 recalls of defective automobiles. The recalled defective automobiles totaled 20,048,000 units, which exceeded 20,000,000 units after the record high of 10,000,000 units in 2016, representing an increase of 77%, reaching a new record high. If the products of the Group are recalled, the sales and results of the Company may be adversely affected.

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

Safety standards for the automobile industry mainly include those related to car collision. In recent years, China has been stricter with relevant safety regulations and technical standards for the automobile industry, and successively promulgated regulations including Side Impact Protection for Automotive Passengers (《汽車側面碰撞的乘員保護》) and Collision Safety Requirements for Fuel System of Passenger Car (《乘用車後碰撞燃油系統安全要求》).

If regulatory authorities promulgate stricter safety standards for the automobile industry and technical standards in the future, it may increase production cost and expenses of automobile manufacturers and thus affect the operating results of the Group.

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

Starting from 1 January 2017, the National Motor Vehicle Pollutant Discharge Standard Phase 5 (國家機動車污染物排放標準第五階段) upper limit, i.e. Guo V standard (國五標準), will be implemented nationwide, marking a new phase of control of car pollutant discharge in China. At the same time, the "National VI" emission standard will be implemented in 2020. More stringent environmental and energy saving policies may be promulgated in China in the future to fulfill its goal of energy conservation and consumption and emission reduction. This will increase research and development and production cost and thus affect the operating results of the Group.

(4) Risks of adjustments to vehicle consumption policies and fiscal policies

The long length of the industry chain of the automobile industry exerts an apparent impact on boosting the economy. It is a pillar industry in the national economy, and is also an industry operating with a higher degree of market mechanism with intense competition. The central government introduced more supportive policies in favor of new energy vehicles continuously, especially the Measures for the Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》), that is, "Double Points Measure", will be implemented in April this year. This requires the automobile enterprises to make adjustments and a reasonable layout to product structure to fulfill the requirements of Double Points Measure, which as a result, will surely increase the risk of operation of enterprises.

Yet, on the other hand, with increasing pressure on urban transportation, some regions in China also promulgated policies to control the total number of vehicles and such policies may have certain negative impact on the local automobile consumption. In the future, the government may also carry out further adjustment to the automobile consumption policy, which may have a relatively large impact on the production and consumption of the automobile market.

(5) Risk of fuel price fluctuations

In recent years, the price of crude oil in the world suffers great volatility. Factors affecting its price include the demand and supply relationship of crude oil and the financial attribute of crude oil. There are relatively more uncertainties in the fluctuations of crude oil price. The refined oil pricing mechanism of China continues to be reformed following the fluctuations in crude oil price. At present, the pricing of refined oil is not totally determined under market mechanism. If there are gaps between the international crude oil price and the price of the refined oil products in China, then the price of the refined oil products in China may be adjusted. If there are substantial fluctuations in the global crude oil price, or China changes the current pricing policy of refined oil products, this may lead to the corresponding fluctuations in selling price of refined oil products in China, thus affecting the structure of automobile consumption, which in turn will affect the sales of products.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The audit committee of the Company comprised three independent non-executive directors, namely Mr. Leung Lincheong (Chairman), Mr. Lan Hailin and Mr. Wang Susheng. Their main responsibilities include supervising annual audit and internal audit system, financial information and disclosure thereof of the Company. The audit committee has mainly reviewed the quarterly, interim and final results and evaluated on internal control system. The audit committee has also reviewed the results and financial statements of the Group for the year ended 31 December 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 20 March 2018, the Company completed the repayment of the 2012 corporate bonds of Guangzhou Automobile Group Co., Ltd. (first phase) (5-year period). As a result, the Company's total assets decreased by RMB1 billion and its liabilities decreased by RMB1 billion.

DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2017 of RMB0.43 per share (Total dividend for 2017: RMB0.53 per share) (Total dividend for 2016: RMB0.30 per share) and at the same time the issue of 4 shares for every 10 shares to all shareholders by way of conversion of capital reserve. The proposed final dividend for the year is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. Details of the annual general meeting, the arrangement for closure of register of members and dividend payment date will be announced later.

DEFINITIONS

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

"associated companies, associated enterprises"	all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
"Board"	the board of directors of the Company
"China Lounge Investments"	China Lounge Investments Limited, a wholly-owned subsidiary 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 Le 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 Group holds 49% of its equity interest
"GAC Capital"	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary 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"	GAC Component Co., Ltd. (廣汽零部件有限公司) (formerly known as Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司)), a wholly-owned subsidiary incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries
"GAC Fiat-Chrysler"	GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司) (formerly known as 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 Group Automobiles S.P.A.
"GAC Finance"	Guangzhou Automobile Group Finance Co., Ltd. (廣州汽車集團財務有限公司), which was incorporated in January 2017 and owned by the Company, GAMC and GAC Commercial as to 90%, 5% and 5% 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 incorporated on 25 September 2012 under PRC law held by the Company and Mitsubishi Motors Corporation
"GAC New Energy"	Guangzhou Automobile New Energy Automobile Co., Ltd. (廣汽新能源汽車有限公司), a wholly-owned subsidiary of the Company incorporated in July 2017 under PRC law

"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)
"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
"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
"GAIG"	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司) , which was a state-owned enterprise incorporated on 18 October 2000, and is the controlling shareholder of the Company
"GAMC"	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
"GAMC Hangzhou"	Guangzhou Automobile Group Motor (Hangzhou) Co., Ltd (廣州汽車集團乘用車(杭州)有限公司) (formerly known as GAC Gonow Automobile Co., Ltd (廣汽吉奧汽車有限公司)), incorporated on 8 December 2010 under PRC law, which is 100% owned by GAMC, a wholly-owned subsidiary of the Company
"Group" or "GAC Group"	The Company and its subsidiaries
"Guang Ai"	Guang Ai Insurance Brokers Limited (廣愛保險經紀有限公司) (formerly known as Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司)), a subsidiary incorporated on 7 June 2006 under PRC law, in which the Company accumulatively (directly and indirectly) holds 75.1% equity interest

"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 the direct or indirect joint control causes no participating party to have any unilateral control power over the economic activities of that jointly controlled entity
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
"MPV"	multi-purpose passenger vehicle
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated 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
"SSE"	the Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUV"	sports utility vehicle
"Tong Fang Logistics"	Tong Fang Global (Tianjin) Logistics Co., Limited (同方環球(天津)物流有限公司), jointly established by the Company, China First Automobile Works Group and Toyota Motor Company in July 2007, and the Company holds 25% of its equity interest
"Urtrust Insurance"	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a subsidiary incorporated on 8 June 2011 under PRC law, and in which the Group directly and indirectly holds a total of 60% equity interest

"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊－本田摩托（廣州）有限公司), 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

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

Guangzhou, the PRC, 29 March 2018

As at the date of this announcement, the executive directors of the Company are ZENG Qinghong and FENG Xingya, the non-executive directors of the Company are YAN Zhuangli, CHEN Maoshan, LI Pingyi and DING Hongxiang, and the independent non-executive directors of the Company are FU Yuwu, LAN Hailin, LEUNG Lincheong and WANG Susheng.