

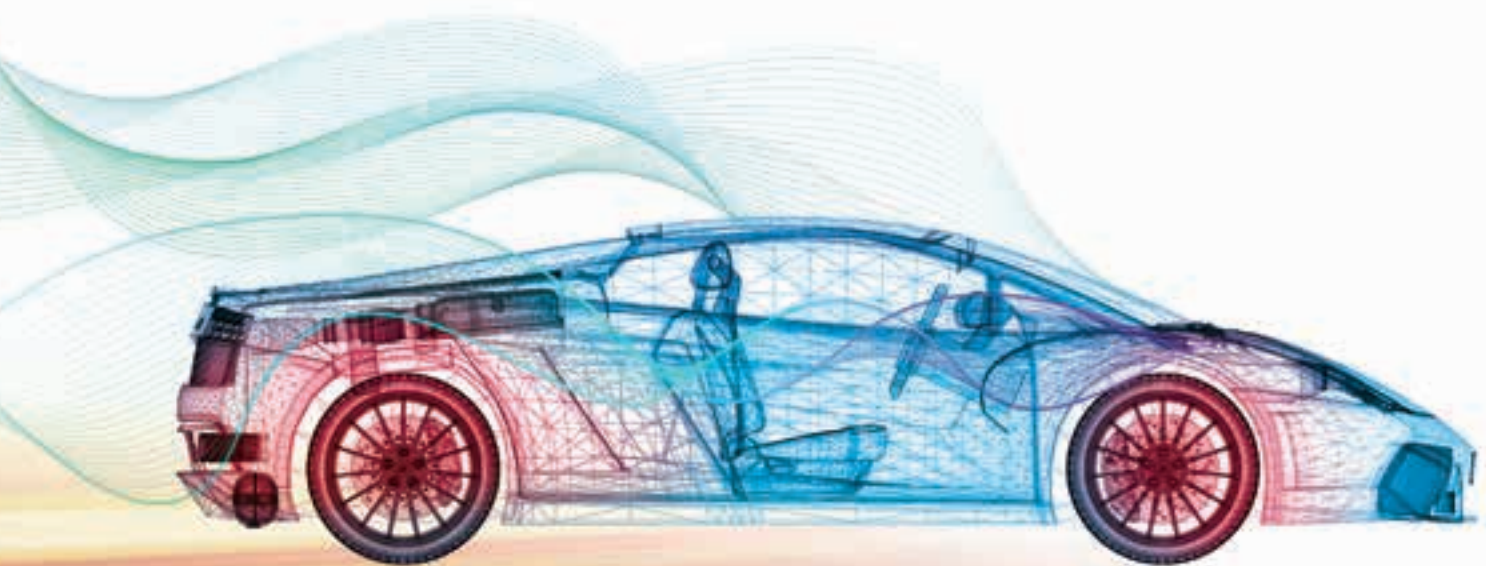


Guangzhou Automobile Group Company Limited
廣州汽車集團股份有限公司

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

Stock Code : 2238

Annual Report **2017**



匠于心 品于行

CRAFTED BY THE DRIVEN



Important Notice

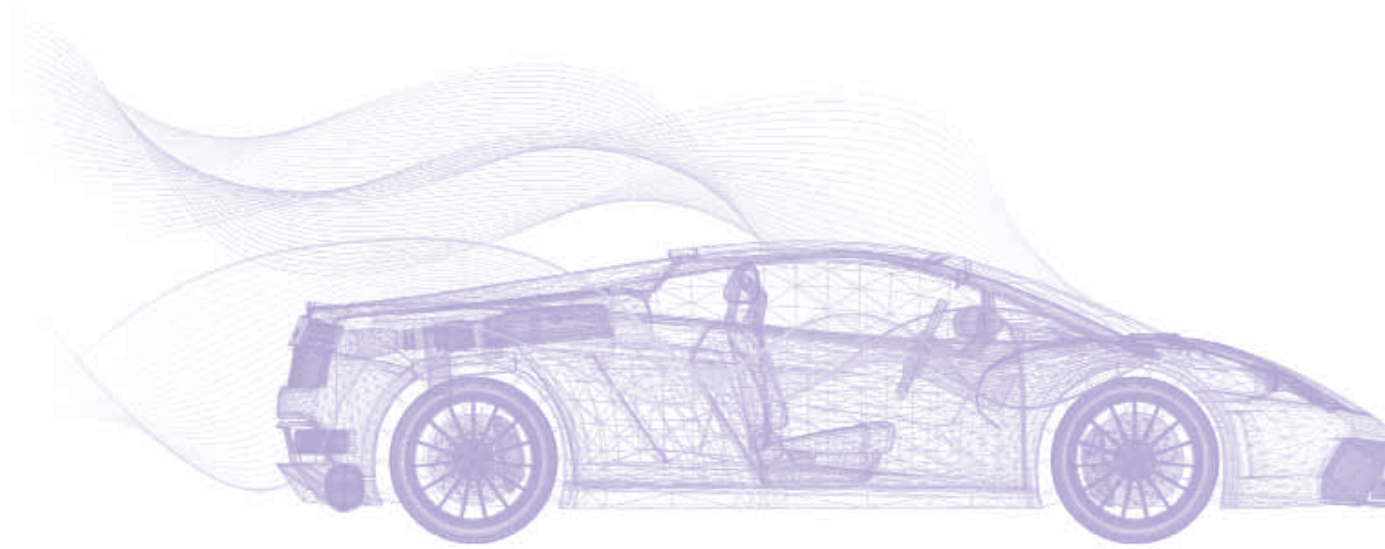
1. The Board, supervisory committee and the directors, supervisors and senior management of the Company warrant the authenticity, accuracy and completeness of the information contained in the annual report and there are no misrepresentations, misleading statements contained in or material omissions from the annual report for which they shall assume joint and several responsibilities.
2. All directors of the Company have attended meeting of the Board.
3. BDO China Shu Lun Pan Certified Public Accountants LLP issued an unqualified auditors' report for the Company.
4. Zeng Qinghong, the Chairman of the Company, Feng Xingya, General Manager, Wang Dan, the person in charge of accounting function and Zheng Chao, the manager of the accounting department (Accounting Chief), represent that they warrant the truthfulness and completeness of the financial statement contained in this annual report.
5. The proposal for profit distribution or conversion of capital reserve into shares for the reporting period as considered by the Board

The Board proposed payment of final cash dividend of RMB4.3 per 10 shares (tax inclusive), and at the same time the issue of 4 shares for every 10 shares to all shareholders by way of conversion of capital reserve. Together with the cash dividend of RMB1.0 per 10 shares (including tax) paid during the interim period, the ratio of total cash dividend payment for the year to net profit attributable to the shareholders' equity of the Company for the year would be approximately 34.41%.

6. Risks relating to forward-looking statements

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

7. No appropriation of funds of the Company by the controlling shareholder or its related parties for non-operational activities
8. There are no guarantees granted to external parties by the Company without complying with the prescribed decision-making procedures



Contents

Chapter 1	Definitions	5
Chapter 2	Chairman's Statement	9
Chapter 3	Corporate Information and Major Financial Indicators	15
Chapter 4	Summary of Business	19
Chapter 5	Operation Discussion and Analysis	25
Chapter 6	Significant Events	53
Chapter 7	Report of the Directors	92
Chapter 8	Report of the Supervisory Committee	97
Chapter 9	Changes in Ordinary Shares and Information on Shareholders	103
Chapter 10	Profiles of Directors, Supervisors, Senior Management and Employees	116
Chapter 11	Corporate Governance	133
Chapter 12	Corporate Bonds	148
Chapter 13	Financial Statements	152



CHAPTER 1

DEFINITIONS



I DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“associated companies” or “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 (中隆投資有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong
“Company” or “GAC”	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)
“Company Law”	Company Law of the PRC
“CSRC”	China Securities Regulatory Commission
“Da Sheng Technology”	Da Sheng Technology Co., Ltd. (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 Bus”	Guangzhou Automobile Group Autobus Co., Ltd. (廣州汽車集團客車有限公司) (formerly known as Guangzhou Denway Bus Co., Ltd. (廣州駿威客車有限公司)), a wholly-owned subsidiary of the Group incorporated on 18 January 1993 under PRC law
“GAC Business”	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 BYD”	Guangzhou GAC & BYD New Energy Autobus 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 Changfeng”	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co., Ltd. (湖南長豐汽車製造股份有限公司)), a company incorporated in November 1996 under PRC law, in which the Company currently holds 100% equity interest
“GAC 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 of the Group incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries
“GAC FCA”	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 joint venture incorporated on 9 March 2010 under PRC law by the Company and Fiat Group Automobiles S.P.A.

CHAPTER 1 Definitions

“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 Business 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 joint venture incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd.
“GAC (HK)”	Guangzhou Auto Group (Hong Kong) Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of GAIG
“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 joint venture 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 Business 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 joint venture 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 joint venture 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 joint venture 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
“independent director(s)”	have the same meaning as independent non-executive director(s)
“joint venture”	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 joint venture
“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
“SSE Listing Rules”	the Rules Governing the Listing of Shares on the SSE as amended from time to time
“Securities Law”	Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 joint venture 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



CHAPTER 2

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the Board, I am pleased to present the 2017 annual report of the Company for your review.

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!



Zeng Qinghong
Chairman

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.

CHAPTER 2

Chairman's Statement

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.

CHAPTER 2

Chairman's Statement

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!

Last but not least, we thank all investors, clients, business partners and the public for their attention to and support of the GAC Group!



CHAPTER 3

CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS



Corporate Information and Major Financial Indicators

I. CORPORATE INFORMATION

Chinese name of the Company	廣州汽車集團股份有限公司
Chinese abbreviation	廣汽集團
English name of the Company	GUANGZHOU AUTOMOBILE GROUP CO., LTD.
English abbreviation	GAC GROUP
Legal representative	Zeng Qinghong

II. CONTACT PERSON AND CONTACT METHOD

Secretary to the Board

Name	Xu Li
Address	GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou
Telephone	020-83151008
Facsimile	020-83150319
E-mail	xul@gac.com.cn

III. BASIC INFORMATION

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

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing the annual report	www.sse.com.cn
Website designated by Stock Exchange for publishing the annual report	www.hkex.com.hk
Place of inspection of the annual report of the Company	22/F, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou

V. INFORMATION ON THE COMPANY'S SHARES

Information on the Company's Shares			
Class of shares	Stock Exchange of listing shares	Stock abbreviation	Stock code
A shares	SSE	GAC GROUP	601238
H shares	Stock Exchange	GAC GROUP	02238

VI. OTHER RELEVANT INFORMATION

Auditors (Domestic)	Name:	BDO China Shu Lun Pan Certified Public Accountants LLP
	Business address:	4th Floor, 61 Nanjing East Road, Huangpu District, Shanghai
	Name of signatory Accountants:	Wang Yichu, Xu Dan
Auditors (Overseas)	Name:	PricewaterhouseCoopers
	Business address:	22/F, Prince's Building, Central, Hong Kong
	Name of signatory Accountants:	Zee, Ho Sum
Sponsor performing continuous supervisory duty during the reporting period (public issuance of A Shares convertible corporate bonds)	Name:	China International Capital Corporation Limited
	Business address:	27th Floor & 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Signing representative of sponsor:	Long Liang, Xu Lei
	Period of continuous supervision:	4 February 2016 to 31 December 2017
Sponsor performing continuous supervisory duty during the reporting period (non-public issuance of A Shares)	Name:	China International Capital Corporation Limited
	Business address:	27th Floor & 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Signing representative of sponsor:	Zhou Jiaqi, Xu Lei
	Period of continuous supervision:	17 November 2017 to 31 December 2021
H share registrar of the Company	Name:	Tricor Investor Services Limited
	Address of the registrar:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

VII. DIFFERENCE IN ACCOUNTING DATA UNDER DIFFERENT ACCOUNTING STANDARDS

The differences in net profits and net assets in accordance with overseas financial reporting standards and PRC Accounting Standards are set out as follows:

Unit: 0'000 Currency: RMB

	Net profits		Net assets	
	Current period	Last period	End of period	Beginning of period
In accordance with PRC Accounting Standards	1,082,224	629,638	7,041,397	4,483,944
Adjusted items and amounts under overseas financial reporting standards:				
(1) Amortisation of equity investment difference	0	14	4,501	4,501
(2) Difference in accounting treatment of the reversal of impairment of non-current assets	0	0	901	901
(3) Staff and workers' bonus and welfare fund included in profit allocation as current cost and expenses items	-492	-126	0	0
(4) Difference in accounting treatment of the government reallocation compensation	22,270	0	0	0
In accordance with overseas financial reporting standards	1,104,002	629,526	7,046,799	4,489,346

Financial statements of the Group for the year 2017 prepared in accordance with the Hong Kong Financial Reporting Standards have been audited by PricewaterhouseCoopers.



CHAPTER 4

SUMMARY OF BUSINESS





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 FCA 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 FCA Viaggio, Ottimo, JEEP Cherokee, JEEP Renegade, JEEP Compass, etc.;
- GAC Mitsubishi ASX, Pajero, Outlander, etc.;

CHAPTER 4

Summary of Business

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 Hybrid, 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 Business, 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 Technology (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 controlled companies, joint ventures, 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.



CHAPTER 5

OPERATION DISCUSSION AND ANALYSIS



I. 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 FCA 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 FCA 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).

II. 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 competitiveness 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 joint ventures 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.

CHAPTER 5 Operation Discussion and Analysis

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

CHAPTER 5 Operation Discussion and Analysis

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

CHAPTER 5 Operation Discussion and Analysis

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 RMB10.091 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: $(\text{non-current borrowings} + \text{current borrowings}) / (\text{total equity} + \text{non-current borrowings} + \text{current borrowings})$).

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.

CHAPTER 5

Operation Discussion and Analysis

5. Charges on the Group's assets

As at 31 December 2017, certain bank borrowings of the Group were secured or pledged by (i) the land use rights with carrying value of approximately RMB28,604,000; (ii) property, plant and equipment with carrying value of RMB127,117,000; (iii) inventory with carrying value of RMB313,075,000, and (iv) restricted cash with carrying value of RMB2,240,000.

Additionally, as at 31 December 2017, notes payables of the Group were secured or pledged by inventory with carrying value of RMB188,784,000 and restricted cash with carrying value of RMB482,884,000.

III. 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 FCA	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

Notes:

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.

CHAPTER 5 Operation Discussion and Analysis

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)			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 (%)	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.

CHAPTER 5 Operation Discussion and Analysis

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)			Production volume (units)		
	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)	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

IV. MATERIAL INVESTMENT

During the reporting period, the Group did not hold any material investment.

V. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

During the reporting period, the Group did not have any material acquisitions and disposal of subsidiaries, associated companies or joint ventures.

VI. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

Nil.

VII. 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.

VIII. STRUCTURED ENTITIES UNDER THE CONTROL OF THE COMPANY

Nil.

IX. 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 national 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 FCA seven-seat SUV K8 model.

The future material investments of the Group are set out in “Production capacity in construction” under “ANALYSIS OF AUTOMOBILE MANUFACTURING INDUSTRY OPERATION” in section 3 of this Chapter, and are expected to be implemented in the coming year funded by borrowings and internal funds.

CHAPTER 5

Operation Discussion and Analysis

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 FCA 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 FCA 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 FCA 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.



CHAPTER 6

SIGNIFICANT EVENTS



I. PROPOSED PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR CONVERSION OF CAPITAL RESERVES

(I) Formulation, implementation and adjustments of cash dividend policy

During the reporting period, the Group has strictly complied with the requirements of the Articles of Association and the dividend distribution plan for shareholders (2015-2017) of Guangzhou Automobile Group Co., Ltd. During the reporting period, profit distribution for the year of 2016 and profit distribution plan for the interim period of 2017 were implemented, among which the criteria and proportion of cash dividend were clear, and the related decision-making procedures and mechanisms were complete and in compliance with the regulations. Independent directors performed their duties diligently and expressed their independent opinions.

(II) Schemes or plans for profit distribution for ordinary shares and conversion of capital reserve into shares in the last 3 years (including the reporting period)

Unit: Yuan Currency: RMB

Dividend Year	Number of bonus shares issued for every 10 shares (share)	Dividends paid for every 10 shares (yuan) (tax inclusive)	Number of shares transferred to share capital for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to the holders of the ordinary shares of the Company in the consolidated financial statement during the year	Percentage of the net profit attributable to the holders of the ordinary shares of the Company in the consolidated financial statement (%)
2017	0	5.3	4	3,786,852,725.63	10,786,219,906	35.11
2016	0	3.0	0	1,946,023,605.16	6,288,215,860	30.95
2015	0	2.0	0	1,287,004,019.40	4,232,351,906	30.41

Note: The Company proposes to distribute final dividend for 2017 of RMB0.43 (tax inclusive) in cash for every share to registered shareholders on the share record date. Due to the effect of the conversion of convertible bonds into shares and the exercise of share options, the total amount of dividend actually distributed shall be determined based on the total share capital on the share record date. The amount of dividend shown in the above table was temporarily calculated based on the total share capital of 7,294,838,621 shares of the Company on 28 February 2018 and the total amount of final dividend would be RMB3,136,780,607.03. As interim dividend of RMB650,072,118.60 was distributed in 2017, a total dividend of RMB3,786,852,725.63 would be distributed in 2017.

CHAPTER 6 Significant Events

(III) Reserves available for distribution to shareholders

According to the Articles of Association, the distributable reserves of the Company are based on the profit after taxation determined pursuant to the Generally Accepted Accounting Principles of the PRC and Hong Kong Financial Reporting Standards (whichever is lower). As at 31 December 2017, the Company's reserves available for distribution to shareholders amounted to RMB14,184,211,000 (2016: RMB10,989,418,000).

II. PERFORMANCE OF UNDERTAKINGS

(I) The undertakings by the ultimate controllers, shareholders, related parties, purchasers of the Company, the Company and other relevant parties during the reporting period or subsisting during the reporting period

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
Undertaking in connection with refinancing	Shares with trading moratorium	GAIG	Within 6 months from the resolution announcement date of the 33rd meeting of the 4th session of the Board (being 1 November 2016) to the completion of the non-public issuance of the Company, GAIG and other companies under its control will not reduce their shareholdings in the Company by any way, nor are there any plans to reduce shareholdings in the Company.	1 November 2016 – 16 May 2018	Yes	Yes
	Shares with trading moratorium	Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. (廣州匯銀天粵股權投資基金管理有限公司), Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司), Guangzhou Finance Holdings Assets Management Co., Ltd. (廣州金控資產管理有限公司) – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣金資產財富管理優選3號私募投資基金), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工貿集團有限公司), Suiyong Holdings Co., Ltd. (德甬控股有限公司)	The A shares of the Company subscribed under the non-public issuance and the Company's shares held on the basis of this subscription for A shares as a result of the Company's distribution of stock dividends and capitalisation of shares after the completion of issuance shall not be directly or indirectly transferred within 36 months from the completion date of issuance.	17 November 2017 – 16 November 2020	Yes	Yes
Other commitments to the medium and small shareholders of the Company	Dividends	The Group	Provided that the profit and cash of the Company is sufficient for the continuous operation and long term development of the Company, the profit distributed in cash in each of the years between 2015 and 2017 shall be no less than 10% of the distributable profit realised in such year, whereas the cumulative profit distributed in cash for the three consecutive years shall be no less than 30% of the average distributable profits realised in these three years. Articles of association: Profit distributed in cash shall be no less than 10% of the distributable profit realised in such year.	2015-2017	Yes	Yes

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
	Non-Competition	GAIG	<p>(1) Directly or indirectly do or participate in (or assist in doing or participating in) any business or activities which compete or may compete with the principal business of the Company in any manner (including but not limited to investment, merger and acquisition, forming associates, joint venture, cooperation, partnership, trust, underwriting, operating lease, acquisition of equity or joint stock), whether solely or jointly with other parties, in the PRC or overseas; (2) support any person other than promoters of the Company or subsidiaries of the promoters to do or participate in any business which competes or may compete with the principal business of the Company in any manner in the PRC or overseas; (3) intervene in any business or activities which compete or may compete with the principal business of the Company by other means (whether directly or indirectly), provided that the above undertaking shall not be applicable where GAIG or its subsidiaries (other than the Company and its subsidiaries) acquire or hold for investment purpose not more than 5% interest in other company listed on an internationally recognised stock exchange whose principal business competes or may compete with the principal business of the Company; or where GAIG or its subsidiaries or investee company hold not more than 5% interest in a sub-contractor whose principal business competes or may compete with the principal business of the Company as a result of the debt restructuring of sub-contractors; (4) if GAIG or its subsidiaries (other than the Company and its subsidiaries) come across any new business opportunity which competes or may compete with the principal business of the Company, it shall immediately inform the Company in writing, and shall use its best endeavours to procure such business opportunity be first offered to the Company or its subsidiaries on fair and reasonable terms and conditions. The Company shall, within 30 days from receiving the aforesaid notification, notify GAIG or its subsidiaries (other than the Company and its subsidiaries) in writing whether or not the Company or its subsidiaries intend to take up the aforesaid business opportunity. Upon receiving notification from the Company that it intends to take up such opportunity, GAIG or its subsidiaries shall refer such business opportunity to the Company or its subsidiaries; (5) if the Company or its subsidiaries decide not to take up such business opportunities for any reason, upon receiving notification from the Company of such intention or the Company fails to respond in writing to GAIG or its subsidiaries within the said 30-day period, GAIG or its subsidiaries (other than the Company and its subsidiaries) may operate such new business on its own; (6) in the future, when GAIG or its subsidiaries (other than the Company and its subsidiaries) operate such new business which competes or may compete with the principal business of the Company pursuant to paragraph (5) above, or due to adjustments in national policies or other force majeure or unexpected events, such that competition in the same business occurs or becomes inevitable, GAIG or its subsidiaries (other than the Company and its subsidiaries) shall offer an option to the Company or its subsidiaries, pursuant to which the Company or its subsidiaries shall have the right to acquire any equity, asset and other interest in the competing business from GAIG or its subsidiaries in accordance with statutory processes in one or multiple tranches, or the Company or its subsidiaries may elect to operate assets or businesses in the competing business by way of entrusted operation, operating lease or underwriting operation in accordance with statutory processes, provided that the relevant laws and regulations of the PRC and the listing rules of the relevant stock exchange then in force are complied with.</p>	Long-term	Yes	Yes

CHAPTER 6 Significant Events

- (II) Explanation on whether the Company has achieved its profits forecast in relation to assets or projects, if there is any profits forecast in relation to the Company's assets or projects, and the reporting period is within the profits forecast period

Nil

III. APPROPRIATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

N/A

IV. APPOINTMENT OR DISMISSAL OF ACCOUNTANTS

	Currently appointed
Name of domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of domestic accounting firm	RMB830,000
Audit years of domestic accounting firm	9 years
Name of overseas accounting firm	PricewaterhouseCoopers
Remuneration of overseas accounting firm	RMB3,000,000
Audit years of overseas accounting firm	7 years

	Name	Remuneration
Internal control auditor	BDO China Shu Lun Pan Certified Public Accountants LLP	RMB370,000

Explanation on appointment and dismissal of accounting firms

As considered and approved at the 43rd meeting of the 4th session of the Board and the 2016 annual general meeting of the Company, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP and PricewaterhouseCoopers as auditors of the Company for the year 2017 and re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP as the internal control auditor of the Company for the year 2017.

Change of accounting firm during the auditing period

Nil

V. DESCRIPTION OF RISKS OF SUSPENSION OF LISTING

Nil

VI. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

N/A

VII. MATERIAL LITIGATIONS AND ARBITRATIONS

Nil

VIII. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ULTIMATE CONTROLLERS AND PURCHASERS AND RELEVANT RECTIFICATIONS

N/A

IX. DESCRIPTION OF INTEGRITY OF THE COMPANY AND ITS SHAREHOLDERS AND ACTUAL CONTROLLERS DURING THE REPORTING PERIOD

Nil

X. SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER SHARE INCENTIVES OF THE COMPANY AND THEIR IMPACTS

A-share option

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

CHAPTER 6

Significant Events

The 2014 First Share Option Incentive Scheme

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talented individuals, fully mobilise the enthusiasm of the directors, senior management and other core businesses, technical and management key personnel of the Company, and bond the interests of shareholders, the Company and individual operators together effectively, making all parties to attend to the long-term development of the Company, the A share option incentive scheme (the “**First Share Option Incentive Scheme**”) was formulated and passed at the first extraordinary general meeting of 2014 of the Company held on 19 September 2014. The participants include the directors, senior management and other core businesses, technical and management key personnel during the Company’s implementation of the First Share Option Incentive Scheme.

As at 19 September 2014, the exercise price of the A-share options was RMB 7.6 per A share. The closing price of the A shares of the Company immediately prior to the date of grant of the A-share options was RMB8.37 per A share. Moreover, as at 31 December 2017, the Company had implemented several times of dividend distributions since the date of grant and pursuant to 2017 interim profit distribution proposal, since 14 September 2017, the exercise price of the A share options has been adjusted to RMB6.84 per A share.

On 19 September 2014, the Company granted A share options to all participants. During the reporting period, options equivalent to a total of 1,949,749 A shares have been exercised and the registration of shares transfer has been completed for the first exercise period. On 19 September 2017, the second exercise period for the First Share Option Incentive Scheme of the Company commenced. As of 31 December 2017, options amounting to a total of 14,526,349 A shares have been exercised and the registration of shares transfer have been completed, accounting for 83.49% of the total exercisable share options for the second exercise period. For details, please refer to the “Announcement on the Results on the Conversion of Convertible Bonds into Shares and the Exercise Results of the Second Exercise Period of the Share Option Incentive Scheme and the Changes in Shares” disclosed on the websites of SSE and the Stock Exchange on 3 January 2018 (Announcement No.: Lin 2018-002).

The First Share Option Incentive Scheme shall be effective for 10 years, and in principle, certain number of A-share options will be granted to participants every two years. The scheme shall be effective for 5 years from the date of grant of the share options. Total number of securities issuable under the First Share Option Incentive Scheme (i.e. 56,024,200 shares) represented approximately 0.77% of the total issued shares of the Company as at 31 December 2017. The vesting period represents the period from the grant of the share options to the exercise date of the share options. The vesting period of the share options granted under the First Share Option Incentive Scheme is 24 months. If the conditions of exercise under the scheme are fulfilled on the exercise date, participants shall exercise their share options in different periods within 36 months after expiry of the 24-month period from the date of grant.

The exercise period and the exercise arrangements in each stage are as follows:

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

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

The 2017 Second Share Option Incentive Scheme

In order to further refine the corporate governance structure of the Company, facilitate the establishment and improvement of incentive systems of the Company, fully mobilise the enthusiasm, sense of responsibility and sense of mission of the directors, senior management and other key personnel in core technology, business and management of the Company, and effectively bond the interests of shareholders, the Company and individual operators, making all parties to attend to and jointly strive for the long-term development of the Company, the second share option incentive scheme (the “**Second Share Option Incentive Scheme**”) was formulated and passed at the 2017 second extraordinary general meeting and the 2017 first class meetings for holders of A and H shares of the Company held on 18 December 2017. A total of 403,335,400 A-share options were granted to 2,358 participants upon the Company’s implementation of the initial grant under the Second Share Option Incentive Scheme on the same date and the registration of grant was completed on 9 February 2018. The participants under the initial grant pursuant to the Second Share Option Incentive Scheme include the directors (excluding independent directors), senior management and other management personnel and core technical (business) key personnel of the Company having direct impact on the operation results and development of the Company. Participants eligible for the grant of reserved options shall include core talents of the Company’s new energy and intelligent network business or other management and technical personnel having significant impact on the Company’s operation and development, who should be introduced or promoted. The aforesaid personnel shall be considered and approved by the Board and shall be confirmed within 12 months after consideration and approval of the Second Share Option Incentive Scheme at the shareholders’ meetings and shall not duplicate any participant under the initial grant.

CHAPTER 6 Significant Events

As at 18 December 2017, the exercise price of the A-share options was RMB28.40 per A share. The closing price of the A shares of the Company immediately prior to the date of grant of the Second Share Option Incentive Scheme was RMB24.06 per A share.

The Second Share Option Incentive Scheme shall be effective for 10 years. Total number of securities issuable under the Second Share Option Incentive Scheme (i.e. 450,451,400 shares) represented approximately 6.18% of total issued shares of the Company as at 31 December 2017. The vesting period of the share options granted under the Second Share Option Incentive Scheme is 24 months. If the conditions of exercise under the scheme are fulfilled on the exercise date, participants shall exercise their A-share options in different periods within 36 months after expiry of the 24-month period from the date of grant.

The exercise arrangements in each stage of the share options under initial grant are as follows:

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

The exercise arrangements in each stage of the reserved share options to be granted are as follows:

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

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

Relevant information regarding the above mentioned share option incentive schemes is set out in note 23 to the consolidated financial statements. The calculation of the value of share option is based on various assumptions of the parameters used in note 23 to the consolidated financial statements and there are limitations in the models adopted. Therefore, the calculated value of share option may be subjective and subject to uncertainties.

For details of A-share options granted to directors and senior management, please refer to the paragraph titled “Share options granted to directors and senior management during the reporting period” under Chapter 10 – “Profiles of Directors, Supervisors, Senior Management and Employees” of this report. Details of A-share options granted to other participants are set out in the following table:

Name	Position	Number of A-share options held at the beginning of the reporting period	Number of new A-share options granted during the reporting period	A-share options exercisable during the reporting period	Shares issued upon exercise of A-share options during the reporting period	Exercise price of A-share options (RMB)	Number of A-share options held at the end of the reporting period
The First Share Option Incentive Scheme							
/	Middle level and other core businesses, technical and management key personnel (529 people in total)	39,299,547	0	16,713,384	22,069,497	6.84	17,230,050
The Second Share Option Incentive Scheme							
/	Middle level and other core businesses, technical and management key personnel (2,348 people in total)	0	395,975,400	0	0	28.40	395,975,400

Notes:

1. The actual gains of exercise under the First Share Option Incentive Scheme shall not exceed 40% of the total remuneration level (including gains of share option incentives) of participants in principle. All participants undertake that, if the price of shares is so high during the validity period that it causes the actual gains of share option incentives exceeding the aforesaid proportion, the excess portion shall belong to the Company.
2. The participants of the First Share Option Incentive Scheme do not take part in share option incentive schemes of two or more listed companies. Major shareholders or controllers who hold 5% or more of the shares or their spouse, immediate or close relatives do not take part in the scheme.
3. All participants must be employed by the Company pursuant to employment contracts during the appraisal period of the Second Share Option Incentive Scheme and no participants are retired staff re-employed by the Company. The above participants do not include substantial shareholders or controllers of the Company who individually or jointly hold 5% or more of the shares, or their spouse, parents or children.
4. The aggregate number of share options to be granted to any of the above participants under the First Share Option Incentive Scheme and the Second Share Option Incentive Scheme and held throughout the validity period does not exceed 1% of the total share capital of the Company.

XI. MATERIAL CONNECTED TRANSACTIONS

1. Certain categories of related party transactions as disclosed in note 40 to the consolidated financial statements, including (i) sales of goods (sales of automotive parts and steels, sales of passenger vehicles and sales of production facility), (ii) rendering of labour and insurance services, (iii) purchases of goods (purchases of automotive parts and materials and purchases of passenger vehicles), (iv) rental received from related parties and (v) rental paid to related parties, include transactions which also constituted connected transactions under the Listing Rules.

2. **Transactions under the Listing Rules**

- (A) *Transactions in relation to principal joint ventures*

At the time of listing of the Company, the Stock Exchange granted a conditional waiver from strict compliance with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial joint ventures. The Company is required to review whether the immaterial joint ventures met the conditions in the waiver on a yearly basis. For the 2017 financial year, the principal joint ventures of the Company were GAC Toyota, GAC Honda, GAC-SOFINCO and GAC FCA.

- (B) *Continuing connected transactions*

For the year ended 31 December 2017, GAC Group and its associates (as defined in the Listing Rules) had entered into the following continuing connected transactions:

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

- (a) For the year ended 31 December 2017, the Company, its subsidiaries and the principal joint ventures (including GAC Toyota and GAC Honda) (collectively, the “Group”) separately provided transport and logistic services (the “Logistic Services”) in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal joint ventures (including Toyota and Honda) and their associates (collectively, the “JV Partner Group”) according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

In determining the prices of the services, the payment received by the service provider from the service recipient for the Logistic Services was paid according to the prices stated in the contract determined with reference to the prevailing prices of the same type of services in the market.

For the year ended 31 December 2017, the total amount of the Logistic Services provided by the Group to the JV Partner Group was RMB252,223,314.

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

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

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

- (b) For the year ended 31 December 2017, the JV Partner Group separately provided transport and logistic services (the "JV Partner Logistic Services") in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal joint ventures (including GAC Toyota and GAC Honda) and their associates according to the following pricing terms on a regular basis. The Company's principal joint ventures purchase raw materials, parts and components from the relevant joint venture partners and also sell some of the products to the relevant joint venture partners. The relevant joint venture partners would provide transport and logistic services to complete the processes. Such service will continue during the term of the joint ventures.

On 22 January 2016:

- (i) GAC Toyota Logistics Co., Ltd. (廣汽豐田物流有限公司) (“GAC Toyota Logistics”) (as the service provider) of the JV Partner Group entered into an agreement in writing (the “Framework Agreement of JV Partner”) with GAC Business and Hunan GAC Shun Jie Logistics Co., Ltd. (湖南廣汽順捷物流有限公司) of the Group, so as to continue with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.
- (ii) GAC Toyota Logistics (as the service provider) of the JV Partner Group entered into an agreement in writing (the “New Agreement of JV Partner”) with GZ Changxin Automobile Sales Co., Ltd.* (廣州長昕汽車銷售有限公司), so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.
- (iii) Tong Fang Logistics (as the service provider) of the JV Partner Group entered into the Framework Agreement of JV Partner with GAC Toyota and GAC Toyota Automobile Sales Co., Ltd. (廣汽豐田汽車銷售有限公司) of the Group, so as to continue with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.
- (iv) Guangqi Honda Logistics Co., Ltd. (廣汽本田物流有限公司) (as the service provider) of the JV Partner Group entered into the Framework Agreement of JV Partner with Guangzhou GAC Business Renewable Resources Co., Ltd. (廣州廣汽商貿再生資源有限公司) and GAC Honda of the Group, so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

Pursuant to the Framework Agreement of JV Partner and the New Agreement of JV Partner, all service providers and all service recipients have agreed that, they shall enter into individual agreement(s) in relation to the provision of the Logistic Services of JV Partner within the validity period of the Framework Agreement of JV Partner and the New Agreement of JV Partner based on the terms, conditions and principles of the Framework Agreement of JV Partner and the New Agreement of JV Partner.

The remunerations or service fees charged by all service providers to all service recipients for the Logistic Services are determined according to the prices in the contract determined with reference to (i) the prevailing prices of the same or same type of services in the market provided by independent third parties; and (ii) the volume of the Logistic Services provided to all service recipients. The parties shall compare the prices for the provision of the same or same type of services by independent third parties in respect of the Logistic Services from time to time to ensure that the payment received by all service providers for the Logistic Services shall be the prevailing market price for the Logistic Services. To ensure that products or services are obtained at the most favorable price, the Group will consider the market price for the equivalent services to ensure that the price will remain a reasonable and competitive one prior to selecting the service providers for the Logistic Services, and to ensure that the amount of payment by the Group to the JV Partner Group will not exceed the amount paid to independent third parties. In addition, the Group will determine the relevant price by taking into account the profit margin that can be achieved by the Group to ensure that the price will be set at a level that the Group will be able to generate a profit margin that is within the industry standard or even better.

In view of the above, the Framework Agreement of JV Partner and the New Agreement of JV Partner between the Group and JV Partners were entered into on normal commercial terms that are fair and reasonable and are no less favourable to the Group than those provided by independent third parties to the Group in respect of the Logistic Services.

For the year ended 31 December 2017, the total amount of the consideration paid by the Group for the JV Partner Logistic Services was RMB1,270,895,360.

In relation to the transactions, the directors consider that the annual cap requirement under the Listing Rules shall not be imposed. The provisions of the Transportation and Logistic Services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.

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

CHAPTER 6

Significant Events

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

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

- (a) For the year ended 31 December 2017, members of the Group sold raw materials, parts and components and vehicles to the JV Partner Group according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

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

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

- (b) For the year ended 31 December 2017, members of the JV Partner Group provided the sale of raw materials, parts and components and production equipment to the principal joint ventures according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

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

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

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

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

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

CHAPTER 6

Significant Events

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

For the year ended 31 December 2017, the JV Partner Group provided technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software) to the Group according to the following pricing terms on a regular basis. The Company's joint venture partners are the proprietors of the technology involved in the production of vehicle models manufactured by the principal joint ventures and they are primarily responsible for the research and development of all new models. The provision of technical support by the joint venture partners is to ensure that the latest technology is applied in the manufacturing process of the principal joint ventures and to ensure that the products remain competitive in the market. Such service will continue during the term of the joint ventures.

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

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

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

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

For the year ended 31 December 2017, the joint venture partners of the principal joint ventures provided the use of intellectual property rights (in relation to production and sales of vehicles) to the principal joint ventures according to the following pricing terms on a regular basis. The right to use intellectual property is key to the long term profitability and competitiveness of the principal joint ventures and their products. The Company's Group entered into several technology licence agreements and trademark licence agreements with the Company's joint venture partners during the track record period in the past. Such agreements will continue during the term of the joint ventures.

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

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

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

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

CHAPTER 6

Significant Events

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

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

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

(C) Control Mechanism

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

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

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

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

(D) Confirmation by the Independent Non-executive Directors

The independent non-executive directors of the Company confirm that for the year ended 31 December 2017, the above continuing connected transactions entered into by the Company as one of the parties are:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

CHAPTER 6

Significant Events

(E) Auditor's Letter

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. Auditor of the Company confirmed in such letter that for the year ended 31 December 2017, in respect of the above continuing connected transaction to which the Company is one of the parties:

- (1) nothing has come to their attention that those transactions have not been approved by the Board;
- (2) nothing has come to their attention that those transactions did not follow the pricing policy of the Company in all material respects if the transactions involved provision of goods or services by the Company; and
- (3) nothing has come to their attention that those transactions were not carried out in accordance with the agreements of such transactions in all material aspects.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trusts, contracts and lease arrangements

1. Trusts

As considered and approved at the 59th meeting of the 4th session of the Board, the Company was entrusted by GAIG, the controlling shareholder, to manage the assets of its wholly-owned subsidiaries, Guangzhou Automobile Industry Group Co., Ltd. (廣州摩托集團有限公司), Guangzhou Guangyue Assets Administration Co., Ltd. (廣州廣悅資產管理有限公司), and Guangzhou Zifeng Asset Management Co., Ltd. (廣州自縫資產管理有限公司) with a term of 3 years.

2. Contracts and lease arrangements

N/A

(II) Guarantee

Unit: Yuan Currency: RMB

External Guarantee of the Company (excluding those provided to subsidiaries)													
Guarantor	Relationship between guarantor and the Company	Guarantee	Guaranteed amount	Date of guarantee (Date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether the guarantee has been		Overdue amount	Whether guarantee is provided		Related relationship
								fully performed	Overdue		to related parties	Related	
GAC Business	Wholly-owned subsidiary	Guangzhou United Exchange Park Business Investment Co., Ltd. (廣州聯合交易園區經營投資有限公司)	4,220,000	26 March 2015	26 March 2015	25 March 2018	Suretyship of joint and several liability	No	No	0	Yes	Yes	Associates
GAC Business	Wholly-owned subsidiary	Guangzhou United Exchange Park Business Investment Co., Ltd. (廣州聯合交易園區經營投資有限公司)	40,780,000	26 March 2015	26 March 2015	25 March 2018	Suretyship of joint and several liability	No	No	0	Yes	Yes	Associates
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													0
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)													45,000,000
Guarantee provided to subsidiaries by the Company and its subsidiaries													
Total guarantee provided to subsidiaries of the Company during the reporting period													0
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)													0
Total guarantee of the Company (including those provided to subsidiaries)													
Total guarantee (A+B)													45,000,000
Proportion of total guarantee in the net assets of the Company (%)													0.06

CHAPTER 6 Significant Events

(III) Entrusted cash assets management

1. Entrusted wealth management

N/A

2. Entrusted loans

Unit: Yuan Currency: RMB

Name of the borrower	Amount of Entrusted Loan	Commencement date of entrusted loans	Termination date of entrusted loans	Annualised rate of return	Actual recovery	The amount of provision for impairment (if any)
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	70,000,000	2016-06-15	2018-06-13	4.35%	Not due yet	0
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd.	80,000,000	2016-11-22	2018-11-18	4.35%	Not due yet	0
GAC Hino	100,000,000	2017-11-14	2018-11-13	4.35%	Not due yet	0
Angang Guangzhou Auto Steel Co., Ltd.	113,200,000	2017-12-21	2018-03-03	4.785%	Not due yet	0
Huizhou Jinhui Automobile Wire Harness Co., Ltd. (惠州市津惠汽車線束有限公司)	10,000,000	2017-06-21	2018-06-21	4.35%	Not due yet	0
Harbin Boshi Xinda Automobile Sales Service Co., Ltd. (哈爾濱博實信達汽車銷售服務有限公司)	28,238,486	2016-12-20	2021-12-20	6.175%	Not due yet	191,192

As at the end of the reporting period, the entrusted loans provided to the associates and joint ventures by the Company amounted to approximately RMB373.2 million, mainly for providing liquidity to the invested entities on the basis of shareholding percentage.

(IV) Other material contracts

N/A

XIII. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Poverty Alleviation of the Company

1. *Planning on targeted poverty alleviation*

According to the unified arrangement, during 2016 to 2018, the Group conducted targeted poverty alleviation in Lianyi Village, Baishi Village and Silian Village in Jiubei Town, Lianzhou City, Qingyuan. The Group has summarised the useful experience in the participation in the “Planning for Households with Responsible Persons” for years, adhered to the concept of “Genuine Poverty Alleviation, Alleviation of True Poverty and Satisfying the Public”, created new assistance models, actively advance its work in targeted poverty alleviation and elimination.

General requirements: To fully implement the spirit of the Nineteenth National Congress of the Communist Party of China, under the guideline of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implement the spirit of the Central Government Poverty Alleviation and Development Work Conference and General Secretary Xi Jinping’s speech on poverty alleviation and promote the layout of Four-Pronged Comprehensive Strategies, thoroughly implement the development ideals of innovation, coordination, environmental protection, open and shared development. To insist on targeted poverty alleviation and targeted elimination of poverty with specific plans on households and responsible persons with focuses on improving the income of poverty-stricken people, changing the backward conditions of poverty-stricken areas, winning the battle in poverty alleviation and helping poverty-stricken people and poor areas to enter a all-round well-off society with every one in the province.

CHAPTER 6

Significant Events

Work objectives: The Group will actively implement the “Rural Revitalisation” strategy, adhere to the concept of “Genuine Poverty Alleviation and Alleviation of True Poverty”, ensure the fulfillment of responsibility and the implementation of targeted policies, process management, proper guidance and supervision, facilitate poverty alleviation driven by Party construction, achieve basic poverty elimination in those three poverty-stricken villages, vigorously promote industry assistance, actively promote the construction of new socialist countryside and ensure the construction of a all-round well-off society.

Guarantee measures: Firstly, to strengthen organisation and leadership as well as clear responsibility. The CPC committee attaches great importance and has established leading group and working institute on three-year crucial work on targeted poverty alleviation and elimination during the new stage. It will continue to implement the “1+1+1+2” model in poverty alleviation, namely guaranteeing one responsible leader, one responsible headquarter, one responsible enterprise and two supporting enterprises for each poverty-stricken village to conduct targeted poverty alleviation. It increases the injection of funds for poverty alleviation. It guarantees that funds of no less than RMB3.5 million for each village will be injected every year to consolidate the foundation for targeted poverty elimination. Secondly, to implement targeted poverty identification and targeted policies. It will establish specialised working group to thoroughly research targeted poverty identification, establish archives and filings for each household to formulate scientific assistance measures and achieve targeted poverty alleviation, promote industrial poverty alleviation projects, such as construction of Qilian bean products factory, develop collective economy of villages, encourage the construction of new countryside and livelihood projects and build long-term mechanism for targeted poverty alleviation. Thirdly, to enhance process control to ensure precise management. Standardised management, organised management, dynamic management and other advanced management concept of the Group are introduced to achieve steady scientific poverty alleviation. Fourthly, to improve the working mechanism to ensure precise exit. It establishes a comprehensive and sound management system for poverty-stricken villages, actively help the self-development of poverty-stricken villages, formulates dynamic and tracking mechanism for subsequent poverty alleviation to achieve targeted poverty alleviation and precise exit. Fifthly, to extensively participate in the construction of a landscape of large-scale poverty alleviation. It actively encourages companies, grass-roots Party organisations, and the massive Party members, cadres and the crowd to actively participate in poverty alleviation, so as to experience and observe the people’s actual living conditions, receive education and construct a landscape of large-scale poverty alleviation with full participation.

2. *Summary of targeted poverty alleviation during the year*

Progress and results of targeted poverty alleviation during the year: After a year of efforts, major results include: Firstly, various assistance funds were in place. During the reporting period, the accumulated capital endowment contributed by the Group and various companies for targeted poverty alleviation and joint development of rural and urban area amounted to RMB21.57 million, of which RMB13.77 million was used for targeted poverty alleviation and RMB11.82 million were used as assistance funding for three poverty-stricken villages in Lianzhou, to ensure the smooth implementation of assistance for the three villages and achieve fundamental poverty alleviation. Secondly, efforts in targeted poverty alleviation and elimination achieved satisfactory results. All 608 poverty-stricken people with archives established have overcome poverty. Thirdly, industrial assistance increased the income of poverty-stricken households. The Group invested RMB4.5 million in the joint construction of a bean products factory by three villages to support the collective economy of those villages and increase the income of poverty-stricken households. Fourthly, the construction of new rural has made obvious progress. During the reporting period, it achieved 100% roads with hard ground in those three poverty-stricken villages the Group helped with more than 200 people from the village committee. It built or improved 13 cultural centres, 14 places for cultural and leisure activities, 3 sanitary stations, and 50 refuse collection facilities. It also installed 617 street lamps, which greatly improved the living conditions of poverty-stricken villages. Through the efforts of all parties, Silian Wangwu Village became a model village of beautiful village in Qingyuan, while Lianyi Yangwu Village, Baishi Modaochong Village and Silian Feiling Village became beautiful and clean villages. Fifthly, livelihood projects contributed to the construction of the long-term mechanism for targeted poverty alleviation. The Group invested RMB139,300 in subsidising 86 poverty-stricken students to receive education. In the past two years, the Group actively organised 4 training activities, including planting and breeding techniques, popularisation of law, and health lecture. So far, a total of 356 people have received training and education, which achieved the effect of helping the poor and the impoverished. It also supported poverty-stricken households with the ability and willingness to be included in the dilapidated housing renovation project to carry out dilapidated housing reconstruction work, with a total amount of RMB1.44 million raised from various sources, and completed the housing renovation and construction of 38 poverty-stricken households, so that the poverty-stricken people can live in safe and spacious new houses. The good progress of the Group's targeted poverty alleviation work has been recognised and commended by the governments at all levels and the local people.

3. *Results of targeted poverty alleviation*

Unit: 0'000 Yuan Currency: RMB

Indicator	Amount and implementation
I. General conditions	
Among which, 1. Funds	1,377
2. Amount of materials	50.71
3. Number of people under assistance with archives established who overcame poverty	608

CHAPTER 6 Significant Events

Indicator	Amount and implementation
II. Input breakdown	
1. Poverty alleviation through industrial development	
Among which, 1.1 Type of projects for poverty alleviation	Poverty alleviation through agriculture and forestry Poverty alleviation through travel Poverty alleviation through assets income
1.2 Number of projects for poverty alleviation	5
1.3 Amount of input in projects for poverty alleviation	406
1.4 Number of people under assistance with archives established who overcame poverty	467
2. Poverty alleviation through transferring employment	66
2.1 Number of people who attended trainings on vocational skills (person/time)	244
2.2 Number of poverty-stricken people with archives established who achieved employment	93
3. Poverty alleviation through relocation	
4. Poverty alleviation through education	
Among which, 4.1 Amount of input in subsidising poverty-stricken students	244
4.2 Number of poverty-stricken students subsidised (person)	93
4.3 Amount of input made in improving education resources in poverty-stricken regions	32.6
5. Poverty alleviation through better health	
6. Poverty alleviation through ecological protection	
7. Guaranteed basic living standard for people unable to work	
Among which, 7.1 Input in assisting left-behind children, women and senior people	5.37
7.2 Number of left-behind children, women and senior people assisted (person)	93
7.3 Input in assisting poor people with physical disabilities	36.6
7.4 Number of poor people with disabilities assisted (person)	66
8. Social poverty alleviation	
8.1 Input in targeted poverty alleviation programs	2
8.2 Charity funds for poverty alleviation	17.6
9. Other projects	
Among which, 9.1.Number of projects (projects)	30
9.2.Amount of input	539.18
9.3.Number of people under assistance with archives established who overcame poverty	608
9.4.Explanation for other projects	Condolence, home-grown planting and breeding, Trumpchi Culture Square, Black Goat Base, Wangwu Culture Room, road works, drinking water project, farmland irrigation works, lighting project, beautiful village construction, etc.
III. Awards received (content and level)	

4. *Subsequent targeted poverty alleviation plans*

The Group will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the rural revitalisation strategy proposed at the Nineteenth National Congress of the Communist Party of the PRC, and resolutely win the fight against poverty. It will be problem-oriented and focus on the endogenous driving force in the region and mobilise the enthusiasm of poverty-stricken households to proactively eliminate poverty, and steadily advance the work of alleviating poverty. Firstly, it is necessary to highlight key points and make accurate decisions. With industrial poverty alleviation as foundation, it will ensure the implementation of industrial assistance projects. With infrastructure construction as the starting point, it will accelerate the progress of project construction. With the aim of protecting and improving people's livelihood, it will constantly improve the public service system. Secondly, it will increase the sustainability of poverty elimination. It will pay attention to the combination of poverty alleviation and helping and consolidating wisdom. The poverty alleviation industry must be practical and feasible to achieve sustainable development, elimination of true poverty and true poverty elimination. At the same time, it will actively carry out the construction of a model village in a new socialist countryside, actively promote rural governance, publicise a civilised way of life, firmly maintain the natural landscape and build beautiful homes, such that the people see the mountains, see the water, and remember the homesickness. Thirdly, it will strengthen leadership and strengthen responsibilities. It will conscientiously carry out comprehensive poverty alleviation supervisory work. According to the existing problems and shortcomings in poverty alleviation work, it will rectify each item as soon as possible and earnestly implement the work. Meanwhile, it will increase promotion in poverty-stricken villages, unite positive energy and help the public establish confidence in overcoming poverty and building a harmonious and beautiful new village, as well as establish assistance brands with the features of GAC in performing social responsibilities to demonstrate the good image of the Group in performing social responsibilities and enhance its awareness and reputation.

(II) Fulfillment of Social Responsibility

For details about the fulfillment of social responsibilities by the Company, please refer to the full text of the "2017 Social Responsibilities Report" published on the websites of SSE and the Stock Exchange (in form of overseas regulatory announcement) of even date.

(III) Environmental information

1. Description of environmental protection regulations in relation to key companies and its subsidiaries of pollution emissions as required by the environmental protection department

Nil

CHAPTER 6

Significant Events

2. Other descriptions

The Group adhered to ideals of environmental protection and with the goals of energy conservation, consumption reduction, pollution reduction and boosting efficiency. The Group dedicated to the development of the business of new energy and energy-efficient and environmentally-friendly vehicles to facilitate intelligent green travel and the green development of the automobile industry. The Group promoted the construction of smart, intensive and environmentally-friendly factories, involved in the formulation of industrial standards of energy conservation and emission reduction, improved environmental performance and established itself as an “environmentally-friendly” enterprise and a pioneer of environmental protection. The Group actively promoted green culture, carried out environmental communication, established a green supply chain, launched green offices, promoted environmental protection projects for public welfare, implemented sustainable development and put into practice the new concept of environmental protection for corporate citizens.

For details about the policies and measures on the environmental protection of the Group and investee companies, please refer to the full text of the “2017 Social Responsibilities Report” disclosed of even date.

XIV. INFORMATION ON CONVERTIBLE CORPORATE BONDS

(I) Issuance of convertible bonds

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

(II) Holders and guarantors of convertible bonds during the reporting period

Number of convertible bonds holders at the end of the period	1,063
Guarantors of convertible bonds of the Company	Nil
Conditions of top ten convertible bonds holders are as follows:	

Name of convertible bonds holders	Amount of bonds held at the end of the period (RMB)	Holding proportion (%)
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	427,054,000	16.73
Industrial and Commercial Bank of China Limited-E Fund Stable Value Bond Fund	86,860,000	3.40
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of Communications)	80,969,000	3.17
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank)	60,105,000	2.35
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Capital Securities Brokerage Co., Ltd.)	60,000,000	2.35
China National Petroleum Corporation Annuity Plan-Industrial and Commercial Bank of China Limited	54,949,000	2.15
Credit Industriel & Commercial	50,000,000	1.96
Industrial and Commercial Bank of China Limited-Industrial Convertible Bond Hybrid Securities Investment Fund	48,607,000	1.90
ABC-CA Fund Management Co., Ltd.-ABC-Enterprise Annuity Council of Agricultural Bank of China	43,667,000	1.71
Avic Trust Co.,Ltd.-Avic Trust • Tianji Huicai No.3 Bonds Investment Assembled Funds Trust Plan	43,621,000	1.71

(III) Conversion of convertible bonds during the reporting period

Unit: Yuan Currency: RMB

Name of convertible corporate bonds	Increase and decrease in the change				After the change
	Before the change	Conversion	Redemption	Repurchase	
GAC Convertible Bonds	4,070,241,000	1,517,098,000	-	-	2,553,143,000

CHAPTER 6 Significant Events

(IV) Accumulated number of shares converted from convertible bonds during the reporting period

Amount of conversion during the reporting period	RMB1,517,098,000
Number of converted shares during the reporting period	70,197,094 A shares
Accumulated number of converted shares	71,812,949 A shares
Proportion of accumulated number of converted shares to total shares of the Company in issue before the conversion	1.12%
Amount of unconverted bonds	RMB2,553,143,000
Proportion of unconverted bonds to total convertible bonds in issue	62.19%

(V) Previous adjustments to conversion price

Unit: Yuan Currency: RMB

Date of adjustment of conversion price	Adjusted conversion price	Timing of disclosure	Disclosure media	Information about adjustment to conversion price
21 June 2016	21.87	13 June 2016	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan for 2015 of RMB1.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.99 per share to RMB21.87 per share accordingly.
20 October 2016	21.79	12 October 2016	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.8 (tax inclusive) for every 10 shares for the interim period of 2016, the conversion price was adjusted from RMB21.87 per share to RMB21.79 per share accordingly.
21 December 2016	21.75	19 December 2016	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	As the first exercise period of the First Share Option Incentive Scheme of the Company began during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
13 June 2017	21.53	6 June 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan for 2016 of RMB2.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.75 per share to RMB21.53 per share accordingly.

Date of adjustment of conversion price	Adjusted conversion price	Timing of disclosure	Disclosure media	Information about adjustment to conversion price
14 September 2017	21.43	6 September 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB1 (tax inclusive) for every 10 shares for the interim period of 2017, the conversion price was adjusted from RMB21.53 per share to RMB21.43 per share accordingly.
21 November 2017	21.27	20 November 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the non-public issue of 753,390,254 A shares, the conversion price was adjusted from RMB21.43 per share to RMB21.27 per share accordingly.
21 December 2017	21.24	19 December 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to exercise of options under the First Share Option Incentive Scheme during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
Latest conversion price as at the end of the reporting period				21.24

(VI) Information on the Company's liability and credit changes as well as the cash arrangement for the future annual debt repayment

As at 31 December 2017, the total asset was RMB119,656,441,588 and the asset-liability ratio was 41.11%.

(VII) Other information of convertible bonds

Nil

XV. AWARDS

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

Subject	Awards won by the Group and its major investees	Organiser/theme
The Company	Golden Cup of Guangdong Poverty Relief Red Cotton Cup of 2016	Leading Group for Poverty Relief in Guangdong Province
	The 3rd Most Social Responsible Enterprises	Guangzhou Industrial Economic Association, Guangzhou Federation of Entrepreneurs, Guangzhou Entrepreneurs Association
	2017 Special Contribution Award for China Corporate Social Responsibility (Listed in 2017 China Corporate Social Responsibility Yearbook)	Xinhuanet with Academic Division of Economics of Chinese Academy of Social Science, China Enterprise Reform and Development Society
	The Most Influential Charity Enterprise in Guangzhou Charity List for the Year of 2017	Guangzhou Charity Federation, Guangzhou Charity Association
	2017 Five-star Guangzhou Charity Unit in Guangzhou Charity List	Guangzhou Charity Federation, Guangzhou Charity Association
	2017 Happiness Project Fundraiser Advanced Group	Guangzhou Population Welfare Foundation, Happiness Project Guangzhou Organization Work Committee
	The 15th Best Employer for Chinese University Graduates in Automotive Industry Top 15	ChinaHR.com
	The Best Team of Human Resources Innovation Practice Best Practice Award	Liepin 2017 China Entrepreneurial Value Forum
	2016 Golden Bull Top 100 Chinese Listed Companies Top 100 Chinese Listed Companies on Main Board	China Securities Journal Securities Times
	Awarded as Top 100 Overall Performance Main List and Potential Enterprise Award in the Top 100 Hong Kong Listed Companies Selection	Finet Group, QQ.com
	Invited to serve as a jury member of the DHL/SCMP Hong Kong Business Awards 2017 in the Hong Kong Business Selection	South China Morning Post
	In Honor of Commitment to the 2017 NAIAS	Organizing Committee of North America International Auto Show

Subject	Awards won by the Group and its major investees	Organiser/theme
GAEI	Best Employers in Guangdong Province	Guangdong Federation of Enterprises, Guangdong Federation of Entrepreneurs
	2017 Research Institute	QCTT.CN
	2017 Honorary Title of Corporate Cultural Building Benchmarking Unit	China Culture Administration Association Corporate Culture Management Annual Conference
	Intellectual Property Demonstration Enterprise in Guangdong Province	Guangdong IP Protection Association
	National Intellectual Property Demonstration Enterprise	State Intellectual Property Office
	Automotive Fastening System is awarded the third prize for the China Automotive Industry Science and Technology Award	China Association of Automobile Manufactures
	Structural Common Car Intelligent Driver Assistance System Technology and Industrial Application First Prize of China Automotive Industry Science and Technology Award	China Association of Automobile Manufactures
	Third Prize of China Automotive Industry Science and Technology Award for Research and Application of Key Techniques for Automotive Photoaging Based on Hot and Humid Climate in China	China Association of Automobile Manufactures
	Gasoline Engine Efficient Combustion Technology and Product Development First Prize of Machinery Industry Science and Technology Award in Guangdong Province	Guangdong Mechanical Engineering Society
	An Auto Body Frame Structure 2016 Guangzhou Patent Excellence Award	Guangzhou Municipal Government
	Design Patent “Car” (Trumpchi GS4) 2017 Golden Award of Guangdong Province Patent Award	Guangdong Intellectual Property Office
	Design Patent “Car” (Trumpchi GS4) The 19th China Excellent Patent Award	State Intellectual Property Office

CHAPTER 6 Significant Events

Subject	Awards won by the Group and its major investees	Organiser/theme
GAMC	2017 Five-star Guangzhou Charity Unit in Guangzhou Charity List	Guangzhou Charity Federation, Guangzhou Charity Association
	2017 Guangdong Government Quality Award	Guangzhou Municipal Government
	Corporate Culture Construction Benchmarking Unit	Corporate Culture Management Professional Committee of China Culture Administration Association
	Silver Cup of Guangdong Poverty Relief Red Cotton Cup of 2016	Leading Group for Poverty Relief in Guangdong Province
	Guangdong Province May 1st Labor Prize	Guangdong Provincial Federation of Trade Unions
	The Annual Innovation Benchmarking Enterprise in Intelligently Manufactured in China	21st Century Business Herald
	GAC Trumpchi was awarded as 2017 Responsible Enterprise	China Newsweek
	Silver Award for Overseas Communication	China International Public Relations Association
	Global Brand Expansion Award	PP Newswire
	The Most Socially Responsible Enterprise in Guangdong Province	Guangdong Federation of Enterprises, Guangdong Federation of Entrepreneurs
	GAC Trumpchi was awarded as Automobile Enterprise of 2017	Nanfeng Metropolis Daily
	Automobile Enterprise of 2017	China New Mainstream Media Automotive Alliance
	GAC Trumpchi Chinese Brand of the Year	China Automotive News
	1st Independent Brand of China Automobile After-sales Service Satisfaction in 2017 CACSI	China Association for Quality, National Users Council
	1st Independent Brand of After-sales Service Customer Satisfaction in 2017 China Automobile After-sales Customer Satisfaction (referred as "CAACS")	Ministry of Transport, China Automotive Maintenance and Repair Trades Association
Brand of the Year	Cheshi Hongdian & Hongdian Qiche, Yidianqiche	
Responsible Brand of the Year 2017	The 7th China Public Welfare Festival Organizing Committee	
China Automotive Marketing Innovation Award – Best Television Finance Media Communication Innovation Award	China Market Society (Automotive) Marketing Expert Committee	

Subject	Awards won by the Group and its major investees	Organiser/theme
GAC Honda	2017 Best Corporate Citizen in China – Comprehensive Prize for the Year (awarded for ten times)	21st Century Business Herald
	2017 Brand Innovation Award	China Youth News
	2017 Social Responsibility Corporate Environmental Innovation Award	Guangzhou Daily
	Prize for the Tenth Most Valuable Automobile Enterprise Brand among Beijing People	Beijing Morning Post
	Certificate of Honor for Supporting the Capital Green Project and Making Great Contributions to the Improvement of the Ecological Environment	Green Beijing Organization
	2017 China Sincerity Enterprise	Shanghai United Media Group • Interface News
GAC Toyota	Awarded the Prize for Outstanding Social Responsibilities of Chinese Enterprises in 2017	China Philanthropy Times
	2017 Outstanding Enterprise Award, 2017 Ten Years Honor Award	China Business News
	Benefit Strength 2017 Automotive Charity Action Award	The Beijing News
	Corporate Social Responsibility Honors Ceremony-Responsibility Case Award	New Weekly
	2017 Ingenuity Brand Award	The Beijing News
	Best Marketing Innovation Brand Award	Yipin Automobile
	2017 Annual Meeting for China Corporate Social Responsibility-Responsibility Case Award for the Year	infzm.com
GAC FCA	Top Ten Craft Enterprise in China Automobile Industry	China Automobile News
	Brand With Most Growth Potential Award	Yipin Automobile
	Automobile Enterprise of the Year	China New Mainstream Media Automotive Alliance
GAC Mitsubishi	Public Welfare Caring Enterprise Award of the Year	Sina
	Top Ten Targeted Poverty Alleviation Enterprise in Hunan	Department of Commerce of Hunan Province, Rednet.com
	Automobile Enterprise of the Year	Xiaoxiang Morning Post
	Breakthrough Brand of the Year	IFENG.COM

CHAPTER 6 Significant Events

(II) Car Models and Other Awards

Car Model	Name of Award	Awarded by
GAMC Trumpchi Brand	Selected to 2017 CCTV National Brand Plan	CCTV
GAMC Trumpchi Sanjiangyuan Project	Sustainable Innovation Corporate Social Responsibility Award for the Year	Global Times
GAMC Trumpchi Sanjiangyuan Project	2017 Public Welfare Project Award	7th Charity Festival
GAMC Trumpchi Sanjiangyuan Project	Environmental Award for Public Welfare Enterprise for the Year	Sina Public Welfare Gala
GAMC Trumpchi Sanjiangyuan Project	2017 Best Public Welfare Project Award	21st Century Business Herald
GAMC Trumpchi Brand	1st IQS China Brand for 2017	J.D. Power
GAMC Trumpchi GS4	1st IQS China Brand in Compact SUV Market Segment	J.D. Power
GAMC Trumpchi GS8	Medium and Large SUV Safety Champion	C-NCAP
GAMC Trumpchi GS3	Compact SUV Safety Champion	C-NCAP
GAMC Trumpchi GS7	New Generation SUV Award in 2017 North American International Auto Show	The New York Times
GAMC Trumpchi GS8	The 4th Xuanyuan Award for Promoting High-end Prize	Auto Business Review
GAMC Trumpchi GS8	Medium and Large SUV for the Year	2016 China Automobile Overall Rating Awards
GAMC Trumpchi GS8	The Best Quality SUV Model of the Year in The second China Excellent Car List	Jury for China Excellent Car List
GAMC Trumpchi GS8	2017 China Red Dot SUV Automotive Awards	Cheshi Hongdian
GAMC Trumpchi GS8	Popular Car Style 2017	InfoTimes
GAMC Trumpchi GS8	Best SUV 2017	21st Century Business Herald
GAMC Trumpchi GS4	Golden Prize of China Performance Car of the Year	China Automotive Technology & Research Center
GAMC Trumpchi GS4	Prize for Best Compact SUV for Consumer Satisfaction	China Automotive Technology & Research Center, China Consumer Journal Press
GAMC Trumpchi GS3	Golden Medal for SUV at the first C-ECAP	China Automotive Technology & Research Center
GAMC Trumpchi GE3	New Energy Award	The Fifth Session of Xuanyuan Award
GAMC Trumpchi GE3	Most Followed Electric Car Award	The 15th China (Guangzhou) International Automobile Exhibition
GAMC Trumpchi GE3	E-era Outstanding Model Award	Sadie research institute of the Ministry of Industry and Information Technology
GAMC Trumpchi GE3	2018 Independent New Energy Vehicle	Auto.qq.com & Automobile Magazine
Guangqi Honda Accord	ATARC Research (Customer Satisfaction Evaluation) Best Midsize Car Award	China Automotive Technology & Research Center, China Consumer Journal Press
Guangqi Honda Accord	Ranking first in the segment market of IQS Midsize high-end car in 2017	J.D.Power

Car Model	Name of Award	Awarded by
Guangqi Honda Vezel	ATARC Research (Customer Satisfaction Evaluation) Best Midsize Car Award	China Automotive Technology & Research Center, China Consumer Journal Press
Guangqi Honda Odyssey	Ranking first in the segment market of IQS Large MPV in 2017	J.D.Power
Guangqi Honda Accord Sport Hybrid	2017 Sina annual micro-new energy vehicle award	auto.sina.com.cn
Guangqi Honda Accord Sport Hybrid	2017 Best Green Travel Car	Auto.qq.com
Guangqi Honda Accord Sport Hybrid	2017 Great Wall Award Interactive Creative Bronze Award	China Advertising Great Wall Award
Guangqi Honda Accord Sport Hybrid	New Energy Vehicle of the Year	People.cn
Guangqi Honda Accord Sport Hybrid	2017 Best Green Travel Car	Auto.qq.com
Guangqi Honda Avancier	Medium-and-Large-sized SUV of the Year	Netease
Guangqi Honda Avancier	2017 Most Followed Medium-and-Large-sized SUV of the Year	Bitauto
Guangqi Honda Avancier	Medium-sized SUV of Joint Venture Brand of the Year	ZAKER
Guangqi Honda Avancier	Medium-and-Large-sized SUV of the Year	Beijing Evening News
Guangqi Honda Avancier	Best Middle-end SUV of the Year	YOUTH TIMES
Guangqi Acura TLX-L	Fashionable and Luxury Car of the Year specially recommended by the evaluation committee of General Comment List for China Automobile of 2017 themed by "Wisdom drives China"	China New Mainstream Media Automotive Alliance
GAC Toyota Camry	Most Anticipated Middle-and High-end Vehicle of 2017 for the 8th Generation Camry	xincheping.com
GAC Toyota Camry	Popular Middle-and High-end Vehicle of 2017 for the 8th Generation Camry	Urban Express
GAC Toyota Camry	Most Followed New Vehicle of 2017 for the 8th Generation Camry	Morning Post
GAC Toyota Camry	Vehicle of 2017	Yiche.com
GAC Toyota Camry	Vehicle of 2017 for the 8th Generation Camry	New Culture Daily
GAC Toyota Camry	Most Anticipated Quality Car of 2017	Beijing News
GAC Toyota Camry	Most Anticipated New Vehicle of 2017 for the 8th Generation Camry	InfoTimes
GAC Toyota Camry	Middle-and High-end Vehicle of 2017	Guangzhou Daily
GAC Toyota Camry	Middle-end Vehicle of Joint Venture Brand of 2017	ZAKER
GAC Toyota Camry	Golden Bull Award for the Most Anticipated Model of 2018	niuche.com
GAC Toyota Camry	Vehicle of the Year for the 8th Generation Camry	Beijing Evening News(Awarding Ceremony of Television General Comment List for China Automobile)
GAC Toyota Camry	Automotive Cross-border Marketing Innovation Award of 2017	Netease
GAC Toyota Camry	Vehicle of the Year for the 8th Generation Camry at the 2018 TTA Award Ceremony	Tencent
GAC Toyota New Highlander	Most Followed SUV of 2017	auto.sina.com.cn
GAC Toyota New Highlander	Silver Award of China Advertising Great Wall Media Marketing	The 24th session of China International Advertising Festival
GAC Toyota Levin	Top Ten Engines in the "Chinese Heart" Kunlun Lubricant Cup of 2017	Auto Motor & Sport

CHAPTER 6 Significant Events

Car Model	Name of Award	Awarded by
GAC Toyota Levin twin engine	China Top Ten Transmission Award of 2017	Car Bingo, China Automotive Evaluation Institute
GAC Toyota Full Yaris L	Two-compartment Vehicle in the Ranking of NetEase New Vehicles in 2017	NetEase Automobile
New Jeep Cherokee	Best Medium-sized SUV Model of the Year	China Automotive Technology & Research Center
New Jeep Compass	2017 Professional Family SUV of the Year	InfoTimes
New Jeep Compass	Recommended Compact SUV of the Year	xincheping.com
New Jeep Compass	Most Followed Professional Family SUV of the Year	12 gang.com
New Jeep Compass	Medium-sized SUV of the Year	Guangzhou Daily
New Jeep Compass	Outstanding Family SUV of the Year	Global Automobile Media
New Jeep Renegade	Most Favourite SUV of Joint Venture Brand by Chinese University Students	FNIC
New Jeep Renegade	Special Award—Best Practical Model	12365auto.com
GAC Mitsubishi Outlander	Most Safe Performance Model of the Year	Vehicle New Auto Media Alliance
GAC Mitsubishi Outlander	Best-selling SUV of the Year	New Auto Media Alliance
GAC Mitsubishi Outlander	2017 Most Competitive City SUV	InfoTimes
GAC Mitsubishi Outlander	Middle and High-end SUV of 2017	Global Automobile Media
GAC Mitsubishi Outlander	Popular SUV of the Year	Cheshi Hongdian, Hongdian Qiche
GAC Mitsubishi Outlander	2017 Best-selling SUV	NanDu Media•Southern Urban Daily
GAC Mitsubishi Outlander	Popular SUV of the Year	dazhongkanche.com
GAC Mitsubishi Outlander	City SUV of the Year	ZAKER
GAC Mitsubishi Outlander	Most Anticipated SUV of the Year	Guangzhou Daily
GAC Mitsubishi Outlander	Most Popular SUV of the Year	China SUV Weekly
GAC Mitsubishi Outlander	SUV of the Year	Television General Comment List for China Automobile
GAC Mitsubishi Outlander	Popular SUV of the Year	Nanfeng Daily, Southcn.com
GAC Hino 700 Series Heavy truck	2017 Fuel-efficient Model Award	CHINATRUCK.ORG
GAC Hino motor tractor	China Commercial Vehicle Model of the Year	China Automotive News



CHAPTER 7

REPORT OF THE DIRECTORS



CHAPTER 7

Report of the Directors

The Board is pleased to submit the report of the directors together with the audited consolidated financial statements for the year ended 31 December 2017.

DIRECTORS AND SUPERVISORS

The details of the directors and supervisors of the Company for the year are set out in the paragraph titled “CHANGES IN SHAREHOLDING AND REMUNERATION” under Chapter 10 – “Profiles of Directors, Supervisors, Senior Management and Employees” of this report. Such section forms part of this report of the directors.

PRINCIPAL ACTIVITIES

Information of the principal activities of the Company for the year is set out in Chapter 4 – “Summary of Business” of this report. Such section forms part of this report of the directors.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged appropriate directors, supervisors and senior management liability insurance cover for its directors, supervisors and senior management during the reporting period.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into during the year.

BUSINESS REVIEW

1. Business performance, principal risks and uncertainties and future development

The discussion on the business performance, principal risks and uncertainties and future development of the Group, as well as the analysis of financial key performance indicators of the Group are set out in Chapter 5 – “Operation Discussion and Analysis” of this report. Such sections form part of this report of the directors.

2. Significant events subsequent to the reporting period

Significant events of the Group subsequent to the reporting period are set out in note 42 to the consolidated financial statements. Such section forms part of this report of the directors.

3. Environmental policies and performance

The Group adhered to ideals of environmental protection and with the goals of energy conservation, consumption reduction, pollution reduction and boosting efficiency. The Group dedicated to the development of the business of new energy and energy-efficient and environmentally-friendly vehicles to facilitate intelligent green travel and the green development of the automobile industry. The Group promoted the construction of smart, intensive and environmentally-friendly factories, involved in the formulation of industrial standards of energy conservation and emission reduction, improved environmental performance and established itself as an “environmentally-friendly” enterprise and a pioneer of environmental protection. The Group actively promoted green culture, carried out environmental communication, established a green supply chain, launched green offices, promoted environmental protection projects for public welfare, implemented sustainable development and put into practice the new concept of environmental protection for corporate citizens.

The Group will develop new energy business by bringing the development of new energy automobile to strategic level and set up overall layout. The Group will construct the new energy automobile industrial platform and develop a well-established new energy automobile business by establishing GAC New Energy and plants construction, enhancing the cutting-edge technology and products R&D, and introducing new automobile models to joint ventures.

The Group will promote energy-saving and emission reduction. The Group will comply with laws and regulations such as Atmospheric Pollution Prevention and Control Law 《大氣污染防治法》, Ambient Air Quality Standards 《環境空氣品質標準》, Environmental Quality Standard for Surface Water and Prevention 《地表水環境品質標準》 and Control of Environmental Pollution by Solid Waste 《固定廢物污染環境防治法》. The Group will also improve the environmental management system on the basis of energy-saving, consumption reduction, waste reduction and enhancement of efficiency. By modification of production line intensively and commenced promotion on energy-saving and emission reduction, the Group will strengthen energy-saving and emission reduction planning.

The Group will implement green culture. The Group will construct a green supply chain by active promotion of green culture and integration with high-efficiency development. A path towards green sustainable development can be achieved with promotion of green environmental protection education and commencement of green office.

4. Laws and regulations that have a significant impact on the Company

The Company strictly complies with domestic and overseas laws and regulations and industrial standards such as the Listing Rules, the SSE Listing Rules, the SFO, the Company Law, the Securities Law and the Regulations on the Supervision and Administration of Securities Companies.

5. Key relationships

Information regarding the Company’s key relationships with its employees, customers and suppliers is set out in the paragraph titled “EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR SUBSIDIARIES” under Chapter 10 – “Profiles of Directors, Supervisors, Senior Management and Employees” and in the paragraphs titled “Sale to major customers” and “Major suppliers” under Chapter 5 – “Operation Discussion and Analysis” of this report.

CHAPTER 7

Report of the Directors

INTERESTS OF DIRECTORS AND SUPERVISORS

During the period and at the end of the Company's financial year, there were no arrangements whose objects are, or one of whose objects is, to enable directors and supervisors of the Company to acquire benefits in shares or debentures of, the Company or any other body corporate.

DONATIONS

Details of charitable and other donations made by the Group during the year are set out in the paragraph titled "FULFILLMENT OF SOCIAL RESPONSIBILITY" under Chapter 5 – "Operation Discussion and Analysis" of this report.

ISSUE OF SHARES

In order to: 1. improve the Company's R&D ability for self-developed brand and the Company's core competitiveness; 2. satisfy the investment demand for new energy car project and enter the new energy car market; and 3. further optimise the capital structure, the Board resolved on 31 October 2016 to propose the non-public issuance of A shares whereby the Company will issue A shares to five specific subscribers to raise total funds of not more than RMB15 billion. The Company completed the non-public issue of 753,390,254 A shares on 16 November 2017.

ISSUE OF DEBENTURES, BONDS AND OTHER DEBT SECURITIES

The Company did not issue any debentures, bonds or other debt securities during the year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year. For the information of the equity-linked agreements entered into by the Company in prior financial years, please refer to the paragraph titled "SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER STAFF INCENTIVES OF THE COMPANY AND THEIR IMPACTS" under Chapter 6 – "Significant Events" of this report.

DIVIDENDS

During the year, an interim dividend of RMB0.10 per share (2016: RMB0.08) (tax inclusive) was distributed, totalling approximately RMB650,072,000 (2016: approximately RMB516,064,000). The Board recommends to distribute final dividend of RMB0.43 per share (2016: RMB0.22) (tax inclusive) for the year ended 31 December 2017, totalling approximately RMB3,136,172,000 (2016: approximately RMB1,429,960,000).

REASONS FOR RESIGNATION

During the year, no director or supervisor of the Company resigned or refused to stand for re-election in respect of which the Company has received a notice in writing from such director or supervisor specifying that the resignation or refusal is due to reasons relating to the affairs of the Company (whether or not other reasons are specified).

**DIRECTORS' AND SUPERVISORS' MATERIAL INTEREST IN TRANSACTIONS,
ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION
TO THE COMPANY'S BUSINESS**

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director or a supervisor and a connected entity of a director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Guangzhou, the PRC, 29 March 2018



CHAPTER 8

REPORT OF THE SUPERVISORY COMMITTEE



During the reporting period, the supervisory committee of the Company conducted its work with the spirit of holding itself accountable to all shareholders and duly performed its various duties and obligations. All members of the supervisory committee participated in the discussion in respect of the major operation decisions of the Company, and supervised the financial conditions and lawful operation of the Company and performance of directors and senior management according to law, through attending supervisory meetings, general meetings and Board meetings etc., in accordance with the Company Law, the Securities Law, the Listing Rules and the SSE Listing Rules and other laws and regulations and the requirements of the Articles of Association, which enhanced the internal control and standardised operation of the Company.

Supervisory committee was of the view that during the reporting period, the standardised operation of the Company was strictly in compliance with relevant laws and regulations such as the Listing Rules and the SSE Listing Rules and internal control systems such as the Articles of Association, while the directors and senior management of the Company performed their duties diligently and in compliance with the PRC laws and regulations, the Articles of Association and the system, and effectively safeguarded the interests of the Company and its shareholders. The work of the supervisory committee during the year is reported as follows:

(I) THE COMPOSITION AND CHANGES OF THE SUPERVISORY COMMITTEE

The fourth session of the supervisory committee of the Company comprises seven supervisors, namely Ji Li, Chen Jianxin, Wu Chunlin, Wang Junyang, Jiang Xiuyun (staff representative), He Jinpei (staff representative), Wang Lu (staff representative), among whom Ji Li acts as the chairman of the supervisory committee; term of office of this session of supervisory committee is from 25 June 2015 to 24 June 2018. There is no financial, business, family or other material or relevant relationship between the supervisors of the Company.

On 7 August 2017, as Gao Fusheng has reached the age of retirement, she applied to resign from her positions as supervisor and chairman of the supervisory committee. On 23 August 2017, the resolution on amendments to the Articles of Association, the resolution on the election of Ji Li as the supervisor of the fourth session of the supervisory committee of the Company and the resolution on the election of Chen Jianxin as the supervisor of the fourth session of the supervisory committee of the Company were considered and approved at the 2017 first extraordinary general meeting of the Company, amending the number of supervisors of the supervisory committee from 5 to 7 and electing Ji Li and Chen Jianxin as the supervisors of the fourth session of the supervisory committee of the Company. On the same day, Jiang Xiuyun was elected as a staff representative supervisor of the fourth session of the supervisory committee of the Company at the meeting of staff representatives of the Company. On 28 December 2017, He Jinpei was elected as staff representative supervisor of the fourth session of the supervisory committee of the Company and Ye Shanhu, the former staff representative supervisor, ceased to act as a supervisor.

(II) BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2017

Supervisory committee was of the view that the Board duly performed its operation in strict compliance with the requirements under the laws and regulations including the Company Law, the Articles of Association, the Listing Rules and the SSE Listing Rules etc. during the reporting period. By actively grasping the market opportunities, coping with transformation of the overall economic environment and overcoming the unfavorable situation that the industry growth is slowing down, with joint efforts of all staffs, the Group recorded excellent performance in its growth rate which was approximately 18% higher than the average growth rate of the industry, and the steady growth in overall operation business was realised with excellent achievement in each major financial indicator.

During the reporting period, the major business decision-making procedures of the Company were legitimate and effective. The directors and senior management of the Company duly performed their duties seriously, proactively and normatively conducted their work in accordance with the national laws, regulations, the Articles of Association and resolutions of the general meeting and of the Board. The supervisory committee had not found any acts of directors and senior management being in breach of laws and regulations and the Articles of Association or against the interests of the Company and the shareholders.

(III) MEETINGS OF SUPERVISORY COMMITTEE CONVENED

During the reporting period, the supervisory committee of the Company convened 11 supervisory meetings with the details as follows:

1. The 13rd meeting of the 4th session of the supervisory committee was held on 30 March 2017, at which the following resolutions were considered and approved:
 - (1) Resolution in respect of the annual report and its summary of 2016;
 - (2) Resolution in respect of the supervisory committee report of 2016;
 - (3) Resolution in respect of the financial report of 2016;
 - (4) Resolution in respect of the profit distribution plan of 2016;
 - (5) Resolution in respect of the self-evaluation report on internal control of 2016;
 - (6) Resolution in respect of internal control audit report of 2016;
 - (7) Resolution in respect of the report of deposit and the actual usage of proceeds from fund-raising activities;
 - (8) Resolution in respect of appointment of auditing institution for the year 2017;
 - (9) Resolution in respect of appointment of internal control auditing institution for the year 2017.

Report of the Supervisory Committee

2. The 14th meeting of the 4th session of the supervisory committee was held on 28 April 2017, at which the resolution in respect of the first quarterly report of 2017 was considered and approved.
3. The 15th meeting of the 4th session of the supervisory committee was held on 5 June 2017, at which the resolution in respect of adjustment to the exercise price of share option incentive scheme of Guangzhou Automobile Group Co., Ltd. was considered and approved.
4. The 16th meeting of the 4th session of the supervisory committee was held on 7 August 2017, at which the following resolutions were considered and approved:
 - (1) Resolution in respect of amendment to the Rules of Procedures of the Supervisory Committee of Guangzhou Automobile Group Co., Ltd.;
 - (2) Resolution in respect of re-election of Ji Li as the supervisor of the 4th session of the supervisory committee of the Company;
 - (3) Resolution in respect of Chen Jianxin as the supervisor of the 4th session of the supervisory committee of the Company.
5. The 17th meeting of the 4th session of supervisory committee was held on 23 August 2017, at which the following resolutions were considered and approved:
 - (1) Resolution in respect of the interim report of 2017;
 - (2) Resolution in respect of the profit distribution plan for the interim period of 2017;
 - (3) Resolution in respect of the report of deposit and usage of proceeds from fund-raising activities for the first half of 2017;
 - (4) Resolution in respect of adjustment to the exercise price of share option incentive scheme.
6. The 18th meeting of the 4th session of the supervisory committee was held on 23 August 2017, at which the resolution in respect of election of the chairman of the 4th session of the supervisory committee of the Company was considered and approved.
7. The 19th meeting of the 4th session of supervisory committee was held on 30 August 2017, at which the resolution in respect of the relevant matters of the second exercise period of the share option incentive scheme was considered and approved.
8. The 20th meeting of the 4th session of supervisory committee was held on 26 October 2017, at which the resolution in respect of the third quarterly report of 2017 was considered and approved.

CHAPTER 8

Report of the Supervisory Committee

9. The 21st meeting of the 4th session of the supervisory committee was held on 30 October 2017, at which the following resolutions were considered and approved:
 - (1) Resolution in respect of the Second Share Option Incentive Scheme (Draft) and its summary;
 - (2) Resolution in respect of the Second Share Option Incentive Scheme Performance Appraisal Measures.
10. The 22nd meeting of the 4th session of the supervisory committee was held on 12 December 2017, at which the resolution in respect of disclosure of list of incentive participants and auditing opinions of the Second Share Option Incentive Scheme was considered and approved.
11. The 23rd meeting of the 4th session of the supervisory committee was held on 18 December 2017, at which the resolution in respect of the relevant matters of the initial grant of the Second Share Option Incentive Scheme was considered and approved.

Save for the meetings above, the supervisory committee also supervised the convening, holding, consideration, voting procedures and poll results etc. of general meetings and Board meetings through attending general meetings and being present in Board meetings. The supervisory committee has made recommendations and supervised the legitimacy and compliance with national laws, regulations, the Articles of Association and resolutions of the Shareholder meetings as well as interests of the shareholders in respect of the regular reports, profit distribution, related party transactions and internal control etc.

(IV) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY

1. Operation of the Company in accordance with law

During the reporting period, the various work of the Board and senior management of the Company were in compliance with the relevant requirements of the Company Law, the Securities Law, the Listing Rules, the SSE Listing Rules, the Articles of Association, the Rules of Procedures of the Three Committees and the relevant provisions of various internal control systems etc., and the decision-making procedures were legitimate and effective. Directors and senior management of the Company performed in a diligent and responsible manner and the resolutions of the general meetings and the Board meetings were implemented faithfully. No acts were found to be in breach of laws and regulations, the Articles of Association and against the interests of the Company. Meanwhile, the Company has timely performed its disclosure obligations in strict compliance with the requirement of the Listing Rules and the SSE Listing Rules.

2. Internal control and risk management

Pursuant to the requirements of the Basic Principles for Internal Control of Enterprise, the Company consistently carried out its self-assessment on comprehensive risk management and internal control. Based on the work in previous year, the Company expanded its assessment on comprehensive risk management and internal control to 3 new investee companies. At the same time, the Company examined the rectification of the special audit in procurement of goods and services for 11 investees and supervised the implementation of the rectification plan; through carrying out the special audit, issues were identified and raised with rectification and implementation, which further improved the internal control management system.

The supervisory committee has reviewed the “Evaluation Report on Internal Control of the Company for 2017” and the establishment and implementation of internal control policies of the Company, and approved the “Evaluation Report on Internal Control for 2017” prepared by the Board.

3. Financial conditions of the Company

The supervisory committee examined the financial conditions of the Company seriously and carefully and reviewed the 2016 annual financial report and the first quarterly report, interim report and the third quarterly report of 2017 during the reporting period, and considered the profit distribution plan implemented by the Company during the reporting period.

The supervisory committee considered that the financial reports of the Company gave a full, true and objective view of the operation results and financial conditions of the Company, persons participating in the preparation and examination of the annual report were not found to have acted in breach of the rules of confidentiality; the financial report with unqualified opinions issued by the auditing firm was objective and fair.

4. Related-party transactions

The supervisory committee reviewed and audited the report of related-party transactions of the year. The supervisory committee considered that the Company had strictly abided by the relevant provisions of the A shares and H shares listing rules and the Articles of Association. The supervisory committee also considered that the procedures of the transactions were legal and price was fair and reasonable and was not aware of any circumstances which were prejudicial to the interests of the Company and the medium-sized and minority shareholders.

(V) WORKING PLAN

In 2018, by adhering to the general strategy of progress within stability and the new development concept, the supervisory committee will proactively perform its supervisory responsibilities under the laws and the Articles of Association. On the basis of corporate governance and focusing on financial supervision and risk prevention, the supervisory committee will continue to pay attention to and promote construction of the internal control and comprehensive risk system of the Company, strengthen the implementation of supervision functions of the supervisory committee, strictly implement the Rules of Procedures of the Supervisory Committee, organise and convene work meetings of the supervisory committee on a regular basis, attend the general meetings of shareholders and meetings of the Board of the Company according to law and be timely informed of and supervise the legality of the major decisions and decision-making procedures of the Company in order to safeguard the legitimate interests of shareholders, staff members and the Company and contribute to the achievement of the operation objectives of the Company.



CHAPTER 9

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS



Changes in Ordinary Shares and Information on Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Statement of changes in ordinary shares

1. Statement of changes in ordinary shares

	Before change		Increase/decrease in this change (+,-)					Unit: share After change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from contributed capital surplus	Others	Subtotal	Number	Percentage (%)
I. Restricted Shares	0	0	753,390,254	0	0	0	753,390,254	753,390,254	10.33
1. State-owned Shares									
2. Shares held by state-owned legal person									
3. Shares held by other domestic entities	0	0	753,390,254	0	0	0	753,390,254	753,390,254	10.33
Including: Shares held by domestic non-state-owned legal persons	0	0	753,390,254	0	0	0	753,390,254	753,390,254	10.33
Shares held by domestic natural persons									
4. Shares held by foreign entities Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
II. Non-restricted tradable shares	6,453,360,605	100	16,476,098			70,197,094	86,673,192	6,540,033,797	89.67
1. RMB-denominated ordinary shares	4,240,060,387	65.70	16,476,098			70,197,094	86,673,192	4,326,733,579	59.32
2. Domestically-listed foreign shares									
3. Overseas listed foreign shares	2,213,300,218	34.30						2,213,300,218	30.35
4. Others									
III. Total ordinary shares	6,453,360,605	100	769,866,352			70,197,094	840,063,446	7,293,424,051	100

2. *Explanation on changes in ordinary shares*

In January 2016, the Company issued A share convertible bonds amounting to RMB4,105,580,000, of which the conversion period commenced in July 2016. During this reporting period, an aggregate of 70,197,094 A shares have been converted.

On 19 September 2016, the first exercise period of the First Share Option Incentive Scheme of the Company commenced. On 19 September 2017, the second exercise period of the First Share Option Incentive Scheme of the Company commenced. During the reporting period, a total of 16,476,098 A shares were issued as result of exercise of options.

On 16 November 2017, the Company completed the non-public issue of 753,390,254 A shares.

3. *Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period*

The basic earnings per share and net assets per share for the year 2017 were RMB1.71 and RMB10.92 respectively disregarding the above changes in ordinary shares. The basic earnings per share and net assets per share for the year 2017 were RMB1.68 and RMB10.76 respectively taking into account the above changes in ordinary shares.

4. *Other disclosure deemed necessary by the Company or required by securities regulatory authorities*

Nil

Changes in Ordinary Shares and Information on Shareholders

(II) Changes in shares subject to trading moratorium

Name of shareholder	Number	Number of	Number of	Number	Reasons for trading moratorium	The date on which shares will be released from trading moratorium
	of shares with trading moratorium at the beginning of the year (shares)	shares released from trading moratorium for the year (shares)	additional shares with trading moratorium for the year (shares)	of shares with trading moratorium at the end of the year (shares)		
Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. (廣州匯垠天粵股權投資基金管理有限公司)	0	0	301,356,102	301,356,102	Non-public Issuance	16 November 2020
Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司)	0	0	150,678,051	150,678,051	Non-public Issuance	16 November 2020
Guangzhou Finance Holdings Assets Management Co., Ltd (廣州金控資產管理有限公司) – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣金資產財富管理優選3號私募投資基金)	0	0	150,678,051	150,678,051	Non-public Issuance	16 November 2020
Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司)	0	0	75,339,025	75,339,025	Non-public Issuance	16 November 2020
Suiyong Holdings Co., Ltd. (穗甬控股有限公司)	0	0	75,339,025	75,339,025	Non-public Issuance	16 November 2020
Total	0	0	753,390,254	753,390,254	/	/

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the reporting period

Unit: share Currency: RMB

Class of shares and their derivative securities stock	Date of issue	Issue price (or interest rate)	Number of		Number of shares	
			shares issued	Date of listing	traded with listing approval	Expiration date of trading
Type of ordinary shares						
Non-public issued A shares	16 November 2017	19.91	753,390,254	16 November 2020	753,390,254	N/A

(II) Changes in total number of ordinary shares and shareholders structure of the Company and changes in assets and liabilities structure of the Company

During the reporting period, as a result of conversion of A share convertible bonds, exercise of options granted under the First Share Option Incentive Scheme and non-public issue of A shares, an aggregate of 840,063,446 A shares were increased.

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Total number of shareholders

Total number of shareholders as at the end of the reporting period	29,118
Total number of shareholders as at the end of the month prior to the disclosure of the annual report	34,616

Note: Total number of shareholders as at the end of the reporting period was 29,118, among which total number of A share shareholders was 28,872 and total number of H share shareholders was 246. Total number of shareholders as at the end of the month prior to the disclosure of the annual report was 34,616, among which total number of A share shareholders was 34,374 and total number of H share shareholders was 242.

(II) Shareholding of top ten shareholders, top ten shareholders of circulating shares (or holders of shares not subject to trading moratorium) as at end of the reporting period

Unit: share

Name of shareholder (full name)	Shareholding of top ten shareholders			Number of shares held subject to trading moratorium	Pledged or frozen		Nature of shareholder
	Increase/ decrease during the reporting period	Number of shares held at end of the period	Percentage (%)		Status	Number	
Guangzhou Automobile Industry Group Co., Ltd. (Note 1)	0	3,912,671,384	53.65	0	Nil		State-owned legal person
HKSCC Nominees Limited (Note 2)	1,283,505	2,210,954,216	30.31	0	Unknown		Foreign legal person

Changes in Ordinary Shares and Information on Shareholders

Name of shareholder (full name)	Shareholding of top ten shareholders				Pledged or frozen		Nature of shareholder
	Increase/ decrease during the reporting period	Number of shares held at end of the period	Percentage (%)	Number of shares held subject to trading moratorium	Status	Number	
Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. (廣州匯垠天粵股權投資基金管理有限公司)	301,356,102	301,356,102	4.13	301,356,102	Nil		Other
Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司)	150,678,051	150,678,051	2.07	150,678,051	Nil		State-owned legal person
Guangzhou Finance Holdings Assets Management Co., Ltd (廣州金控資產管理有限公司) – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣金資產財富管理優選3號私募投資基金)	150,678,051	150,678,051	2.07	150,678,051	Nil		Other
Shanghai Pu-Xing Energy Limited (普星聚能股份公司)	-46,280,248	87,619,752	1.20	0	Nil		Domestic non-state-owned legal person
Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司)	75,339,025	75,339,025	1.03	75,339,025	Nil		State-owned legal person
Suiyong Holdings Co., Ltd. (穗甬控股有限公司)	75,339,025	75,339,025	1.03	75,339,025	Nil		Other
Huaxin Trust Co., Ltd. – Huaxin Trust • Yingtai No.31 Assembled Funds Trust Plan	54,745,725	54,745,725	0.75	0	Nil		Other
Changan Funds – ICBC-Changan Yuxiang No. 9 hierarchic asset management plan	513,397	37,043,691	0.51	0	Nil		Other

Particulars of shareholdings of the top ten holders of tradable shares not subject to trading moratorium

Name of shareholder (full name)	Number of tradable shares not subject to trading moratorium	Class and number of shares	
		Class	Number
Guangzhou Automobile Industry Group Co., Ltd. (Note 1)	3,912,671,384	A, H Shares	3,912,671,384
HKSCC Nominees Limited (Note 2)	2,210,954,216	Overseas listed foreign shares	2,210,954,216
Shanghai Pu-Xing Energy Limited (普星聚能股份公司)	87,619,752	RMB ordinary shares	87,619,752
Huaxin Trust Co., Ltd. – Huaxin Trust • Yingtai No.31 Assembled Funds Trust Plan	54,745,725	RMB ordinary shares	54,745,725
Changan Funds – ICBC-Changan Yuxiang No. 9 hierarchic asset management plan	37,043,691	RMB ordinary shares	37,043,691
Ningbo Mei Shan Baoshuigang Area Jincheng Shazhou Equity Investment Co., Ltd.	29,661,004	RMB ordinary shares	29,661,004
Huaxin Trust Co., Ltd. – Huaxin Trust • Gongxin No.28 Assembled Funds Trust Plan	26,805,699	RMB ordinary shares	26,805,699
China National Machinery Industry Corporation Limited	25,164,404	RMB ordinary shares	25,164,404
Huaxin Trust Co., Ltd. – Huaxin Trust • Yingtai No.66 Assembled Funds Trust Plan	9,266,215	RMB ordinary shares	9,266,215
Tibet Ying Sheng Industrial Co., Ltd.	7,960,000	RMB ordinary shares	7,960,000
Related relationship or concerted party relationship among the above shareholders	GAIG, the largest shareholder of the Company, is not related to any of the above shareholders, nor is it a party acting in concert with any of them, and it is not known to the Company whether other shareholders are related to each other or whether they are parties acting in concert.		

Note 1: GAIG held 3,705,129,384 A shares of the Company in total, representing approximately 72.93% of the A share capital of the Company. At the same time, GAIG and its wholly-owned subsidiary, GAC (HK) and “Southbound Transaction” held 207,542,000 H shares of the Company in total during the reporting period, representing approximately 9.38% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 3,912,671,384 shares, representing approximately 53.65% of the total share capital of the Company.

Note 2: H shares held by HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司), were held on behalf of a number of clients. H Shares of the Company held by GAC (HK) are also registered in trust with HKSCC Nominees Limited.

Changes in Ordinary Shares and Information on Shareholders

Unit: share

Number of shares subject to trading moratorium held by top 10 Shareholders and conditions of trading moratorium

No.	Name of shareholder subject to trading moratorium	The number of shares subject to trading moratorium held	Listing and trading of shares subject to trading moratorium		Conditions of trading moratorium
			Time for listing	Number of additional shares to be listed and traded	
1	Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd. (廣州匯垠天粵股權投資基金管理有限公司)	301,356,102	16 November 2020	301,356,102	Not transferrable within 36 months from the date of completion of the non-public issuance
2	Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司)	150,678,051	16 November 2020	150,678,051	Not transferrable within 36 months from the date of completion of the non-public issuance
3	Guangzhou Finance Holdings Assets Management Co., Ltd (廣州金控資產管理有限公司) – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣金資產財富管理優選3號私募投資基金)	150,678,051	16 November 2020	150,678,051	Not transferrable within 36 months from the date of completion of the non-public issuance
4	Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司)	75,339,025	16 November 2020	75,339,025	Not transferrable within 36 months from the date of completion of the non-public issuance
5	Suiyong Holdings Co., Ltd. (穗甬控股有限公司)	75,339,025	16 November 2020	75,339,025	Not transferrable within 36 months from the date of completion of the non-public issuance
Related relationship or concerted party relationship among the above shareholders		It is not known to the Company whether the above shareholders are related to each other or whether they are parties acting in concert.			

(III) Strategic investor or ordinary legal person becoming top 10 shareholders after placing of new shares

Nil

IV. STATUS OF CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(I) Controlling Shareholder

1. *Legal person*

Name	Guangzhou Automobile Industry Group Co., Ltd.
Responsible person of the institution or legal representative	Zeng Qinghong
Date of establishment	18 October 2000
Principal business	Investment in the research and development, manufacturing and marketing of automobile, motorcycle and components, automobile service trade and other relevant industries; Investment in automobile finance and other financial sectors; Investment in self-owned land development projects and related real estate projects and property management.
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	Nil
Other matters	Nil

2. *Special explanation on absence of a controlling shareholder of the Company*

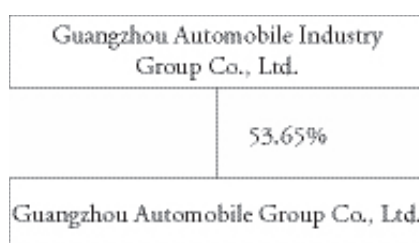
Nil

3. *Details of the index and the date of changes of the controlling shareholder during the reporting period*

Nil

Changes in Ordinary Shares and Information on Shareholders

4. *Chart showing the ownership and controlling relationship between the Company and the controlling shareholder*



(II) Ultimate Controller

1. *Legal person*

The ultimate controller of the Company is Guangzhou State-Owned Assets Administration Bureau, which is a department directly under the Guangzhou Municipal People's Government, and as authorised by the Guangzhou Municipal People's Government, it performs the obligation of the investor on behalf of the Guangzhou Municipal People's Government and is responsible for the supervision of municipal state-owned assets.

2. *Special explanation on absence of an ultimate controller of the Company*

Nil

3. *Details of the index and the date of changes of the ultimate controller during the reporting period*

Nil

4. *Chart showing the ownership and controlling relationship between the Company and the ultimate controllers*



5. *The ultimate controller controlled the Company through a trust or other asset management company*

Nil

(III) Other information of the controlling shareholder and the ultimate controller

Nil

Changes in Ordinary Shares and Information on Shareholders

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

As at the end of reporting period, there were no other corporate shareholders holding more than 10% shares of the Company.

VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

N/A

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

As at 31 December 2017, the names of the persons (other than directors and supervisors) entitled to exercise 5% or more of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are set out below:

Name	Class of shares	Capacity	Number of shares (Note 1)	Percentage in the class of issued share capital (%)	Percentage of total share capital (%)
GAIG (Note 2)	A Shares	Beneficial owner	3,679,503,529 (L)	72.43%	53.21%
	H Shares	Interest of a controlled corporation	201,112,000 (L)	9.09%	
BlackRock, Inc.	H Shares	Interest of a controlled corporation	151,330,338 (L) 1,216,000 (S)	6.84%	2.09%

Notes:

1. (L) – Long Position, (S) – Short Position, (P) – Lending Pool
2. The total number of A shares of the Company held by GAIG as at 31 December 2017 amounted to 3,705,129,384 shares, representing approximately 72.93% of the A share capital of the Company. At the same time, GAIG and its wholly-owned subsidiary, GAC (HK) and “Southbound Transaction” held 207,542,000 H shares of the Company in total during the reporting period, representing approximately 9.38% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 3,912,671,384 shares, representing approximately 53.65% of the total share capital of the Company.

VIII. 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.

IX. PRE-EMPTIVE RIGHTS AND PUBLIC FLOAT

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

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



CHAPTER 10

PROFILES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Name	Position	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration obtained payable by the Company during the reporting period (RMB '0,000)	Remuneration from related parties of the Company
Zeng Qinghong	Chairman and Party Secretary	Male	57	30 October 2016	24 June 2018	300,000	225,000	-75,000	Exercise of share options	118.98	No
Feng Xingya	Vice Chairman	Male	50	22 November 2016	7 August 2017	-	-	-	-	-	No
Feng Xingya	Director and General Manager	Male	50	25 June 2015	24 June 2018	253,333	443,333	190,000	Exercise of share options	114.51	No
Yuan Zhongrong	Vice Chairman	Male	60	25 June 2015	7 August 2017	0	-	-	-	60.04	No
Fu Yuwu	Independent Director	Male	73	25 June 2015	24 June 2018	0	0	0	-	15.00	No
Lan Hailin	Independent Director	Male	59	25 June 2015	24 June 2018	0	0	0	-	15.00	No
Li Fangjin	Independent Director	Male	56	25 June 2015	23 August 2017	0	0	0	-	10.00	No
Leung Lincheong	Independent Director	Male	64	25 June 2015	24 June 2018	0	0	0	-	15.00	No
Wang Susheng	Independent Director	Male	49	25 June 2015	24 June 2018	0	0	0	-	15.00	No
Yao Yiming	Director and Deputy Party Secretary	Male	60	25 June 2015	7 August 2017	246,666	-	-	-	73.94	No
						(A shares); 536,597 (H shares)					
Wu Song	Director	Male	54	25 June 2015	7 August 2017	-	-	-	-	-	No
Wu Song	Deputy General Manager	Male	54	8 August 2017	24 June 2018	246,666	431,666	185,000	Exercise of share options	102.60	No
						(A shares)	(A shares)	(A shares)			
Lu Sa	Director, Deputy General Manager and Secretary of the Board	Female	53	25 June 2015	30 March 2017	253,333	-	-	-	24.03	No
						(A shares); 20,000 (H shares)					
Yan Zhuangli	Director and Deputy Party Secretary	Male	49	23 August 2017	24 June 2018	0	0	0	-	40.41	No
Chen Maoshan	Director, chairman of the labor union	Male	53	25 June 2015	24 June 2018	246,666	431,666	185,000	Exercise of share options	102.44	No
						(A shares); 79,481 (H shares)	(A shares); 79,481 (H shares)	(A shares)			
Li Pingyi	Director	Male	50	25 June 2015	24 June 2018	0	0	0	-	0	No
Ding Hongxiang	Director	Male	52	25 June 2015	24 June 2018	0	0	0	-	0	No
Gao Fusheng	Chairman of the supervisory committee	Female	60	25 June 2015	7 August 2017	87	-	-	-	21.99	No
						(H shares)					
Ji Li	Chairman of the supervisory committee	Male	52	23 August 2017	24 June 2018	0	0	0	-	0	No
Chan Jianxin	Supervisor	Male	45	23 August 2017	24 June 2018	0	0	0	-	0	No
Jiang Xiuyun	Staff supervisor	Female	50	23 August 2017	24 June 2018	0	0	0	-	42.38	No

Profiles of Directors, Supervisors, Senior Management and Employees

Name	Position	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration obtained payable by the Company during the reporting period (RMB '0,000)	Remuneration from related parties of the Company
He Jinpei	Staff supervisor	Male	55	28 December 2017	24 June 2018	-	66,000 (H Shares)	-	-	12.61	No
Ye Shanhu	Staff supervisor	Male	40	25 June 2015	28 December 2017	0	0	0	-	104.71	No
Wu Chunlin	Supervisor	Male	44	25 June 2015	24 June 2018	0	0	0	-	0	No
Wang Junyang	Supervisor	Male	39	27 May 2016	24 June 2018	0	0	0	-	0	No
Wang Lu	Staff supervisor	Female	50	25 June 2015	24 June 2018	0	0	0	-	95.73	No
Li Shao	Deputy General Manager	Male	56	25 June 2015	24 June 2018	246,666 (A shares)	185,000 (A shares)	-61,666 (A shares)	Exercise of share options	95.42	No
Wang Dan	Deputy General Manager and person in charge of accounting function	Female	48	25 June 2015	24 June 2018	246,666 (A shares)	185,000 (A shares)	-61,666 (A shares)	Exercise of share options	98.57	No
Chen Hanjun	Deputy General Manager	Male	56	18 March 2016	24 June 2018	47,766 (A shares)	84,532 (A shares)	36,766 (A shares)	Exercise of share options	98.36	No
Zhang Qingsong	Deputy General Manager	Male	59	25 June 2015	24 June 2018	0	185,000 (A shares)	185,000 (A shares)	Exercise of share options	96.26	No
Xu Li	Secretary of the Board	Female	50	28 September 2017	24 June 2018	-	38,233 (A shares)	-	Exercise of share options	29.75	No
Qu Yongjian	Deputy General Manager	Male	59	25 June 2015	21 November 2017	0	-	-	-	94.39	No
Total	/	/	/	/	/	2,723,927			/	1,497.12	/

Note: The interests or short positions are the interests or short positions of the directors, supervisors and senior management of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as at 31 December 2017, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Main work experiences
Zeng Qinghong	<p>Chairman and party secretary of the Company. Currently, Mr. Zeng is also the chairman and party secretary of GAIG. He first joined the Company in 1997. He had served as the vice chairman of the Company from June 2005 to October 2016, general manager of the Company from June 2005 to November 2016, and supervisor of the Executive Committee of the Company from June 2013 to November 2016. Mr. Zeng was the vice chairman of GAIG from August 2008 to October 2016, general manager of GAIG from July 2013 to October 2016. He was the chairman of GAC Toyota, and vice chairman of GAC Toyota Engine from June 2013 to December 2016. He acted as a chairman of GAMC from August 2008 to June 2013, chairman of GAC Gonow from January 2011 to June 2013 and chairman of GAC FCA from January 2010 to June 2013. Prior to this, he held positions as chairman of GAC Business, GAC Component and GAC Hino, director and executive deputy general manager of GAC Honda and deputy general manager of GAIG. Mr. Zeng is a delegate of the 10th, 11th and 13th National People's Congress, a member of the 11th Guangdong Provincial Committee of Political Consultative Conference, a member of 11th Guangzhou Party Committee, the chairman of the 5th and 6th Automobile Industry Association of Guangdong Province (廣東省汽車工業協會) and vice chairman of Guangzhou Association for Science & Technology. Mr. Zeng graduated from South China University of Technology in 2009 and is a Ph.D. candidate in management science and engineering.</p>
Feng Xingya	<p>Vice chairman, general manager and director of the Executive Committee of the Company. He is also a director of GAIG, chairman of GAMC, GAC New Energy, GAC FCA, GAC FCA Sales, Guang Ai, Urtrust Insurance and Da Sheng Technology. Mr. Feng joined the Group in 2004, he has held positions as a deputy head of sales department, deputy general manager, executive deputy general manager and a director of GAC Toyota, a director of GAC Mitsubishi and vice chairman of Tong Fang Logistics. He has been the deputy general manager of the Company since 2008. Since 25 March 2015, he has been an executive director of the Company. Mr. Feng served as a deputy general manager in Zhengzhou Nissan Automobile Company Limited from June 1998 to December 2004. Mr. Feng graduated from Xi'an Jiaotong University with a bachelor's degree in engineering in July 1988 and a master's degree in business administration in July 2001.</p>
Fu Yuwu	<p>Independent director of the Company, chairman of the Remuneration and Assessment Committee of the Board, a member of the Strategy Committee of the Board, president of Society of Automotive Engineers of China (中國汽車工程學會), the chairman of China Automobile Talents Society (中國汽車人才研究會). From 1970 to 1999, Mr. Fu served the Harbin Transmission Factory of FAW Group as an executive vice director and chief engineer, and the Harbin Automotive Industry Corporation as vice president and president. Since 1999, he has been working in the Society of Automotive Engineers of China. From March 2010 to March 2016, he acted as the vice chairman of China Association of Automobile Manufacturers. He is currently an independent director of Ningbo Shenglong Automotive Powertrain System Co.,Ltd. (SSE stock code: 603178), Chongqing Sokon Industry Group Co., Ltd. (SSE stock code: 601127) and Hunan Corun New Energy Co., Ltd. (SSE stock code: 600478). He was an independent director of Beijing Automotive Group Co., Ltd. (stock code on the Stock Exchange: 01958). In 1969, he obtained a bachelor's degree from Beijing Institute of Machinery and became a senior engineer of professional level.</p>

Profiles of Directors, Supervisors, Senior Management and Employees

Name	Main work experiences
Lan Hailin	<p>Independent director of the Company, member of the Strategy Committee of the Board, a member of Audit Committee of the Board, professor and PhD supervisor of the School of Business Administration of South China University of Technology and the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology. From 1997 to 2007, he was the Associate Dean and Dean of the School of Business Administration of South China University of Technology. He currently serves as an independent director of Guangdong Sky Dragon Printing Ink Group Co., Ltd. (SZSE stock code: 300063), Guangdong Xinbao Electrical Appliances Holdings Co., Ltd. (SZSE stock code: 002705), Jiangsu Shuangxing Color Plastic New Materials Co., Ltd. (SZSE stock code: 002585) and Zhuhai Letong Chemical Co., Ltd. (SZSE stock code: 002319). Previously, he was an independent director of Guangdong Keda Industrial Co., Ltd. (SZSE stock code: 600499) and Zhongshan Vatti Gas Appliance Stock Co., Ltd. (SZSE stock code: 002035). He obtained a master's degree in business administration from the School of Business Administration of GANNON University in the United States and a doctoral degree in industrial economics from Jinan University in 1990 and 2004 respectively.</p>
Leung Lincheong	<p>Independent director of the Company, chairman of the Audit Committee of the Board, a member of the Remuneration and Assessment Committee of the Board, a member of the Nomination Committee of the Board and managing director of Union Registrars Limited and part-time tutor for a master's course of Hong Kong Open University. He is currently an independent non-executive director of Petro-King Oilfield Services Limited (stock code on the Stock Exchange: 02178). He was an independent director of Casablanca Group Limited (stock code on the Stock Exchange: 02223), the chief legal officer of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chief legal officer and company secretary of Shanghai Industrial Holdings Limited (stock code on the Stock Exchange: 0363). He obtained a master's degree in business administration from Brunel University and a master's degree in Laws from University of London in 1995 and 2006 respectively. He is a fellow member of Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and the Hong Kong Institute of Chartered Secretaries, and a founding member of Hong Kong Independent Non-Executive Director Association.</p>
Wang Susheng	<p>Independent director of the Company, chairman of the Nomination Committee of the Board, a member of the Audit Committee of the Board and president of Shenzhen Public Administration Institute (深圳市公共管理學會). From 1993 to 2001, he served as a project manager in Junan Securities Co., Ltd., manager of special region securities department and general manager of Yingda Securities (英大證券). From 2001 to 2002, he was the general manager of Zhongrui Fund Company (中瑞基金公司). From 2004 to 2016, he worked in the Harbin Institute of Technology Shenzhen Graduate School, and served as an independent director in Tianma Micro-electronics Co., Ltd. (SZSE stock code: 000050), Wedge Industrial Co., Ltd. (SZSE stock code: 000534) and Shahe Industrial Co., Ltd. (SZSE stock code: 000014). He was an independent director of Shenzhen Rapoo Technology Co., Ltd. (SZSE stock code: 002577), Shenzhen Terca Technology Co., Ltd. (SZSE stock code: 002213) and Shenzhen Kedali Industry Co., Ltd. (SZSE stock code: 002850). He obtained a master's degree in economics from Renmin University of China and a doctoral degree in law from Peking University in 1994 and 2000 respectively. He also obtained a master's degree in business administration from Chicago University in 2004. He is qualified as a solicitor, certified public accountant and chartered financial analyst.</p>

Name	Main work experiences
Yan Zhuangli	<p>Director and deputy party secretary of the Company. Mr. Yan is also the director and deputy party secretary of GAIG, the chairman of GAC Business and Guangzhou Motorcycle Group Co., Ltd. He previously served as the deputy general manager of the Company, the party secretary, secretary to the disciplinary committee and chairman of labour union of GAC Toyota, the director and party secretary of GAC Honda, the chairman of GAC Component, the director of GAC Hino (Shenyang) Motors Co., Ltd. and GAC Hino and the chairman of Guang Ai. Mr. Yan graduated with specialisation in ideological and political education from Social Science Studies of Central South University of Technology in 1991 and obtained a bachelor of laws degree. He graduated with specialisation in Business Administration from the School of Management of Sun Yat-Sen University in June 2003 and obtained an executive master of business administration degree.</p>
Chen Maoshan	<p>Director and chairman of the labor union of the Company. Mr. Chen is also a director and chairman of the labor union of GAIG, chairman of GAC Mitsubishi and chairman of GAC Component. He acted as deputy general manager of the Company from March 2011 to June 2013, and deputy director of the Executive Committee of the Company from June 2013 to December 2014. Prior to this, Mr. Chen acted as the head of general affair department of GAC Honda, deputy general manager of Honda (China), deputy general manager of Guangzhou Motorcycle Group Co., Ltd. and managing director and standing deputy general manager of Wuyang-Honda. Mr. Chen graduated from mechanical engineering department of Dalian University of Technology in mechanical manufacture in 1986, with a bachelor's degree in engineering. In 2003, he graduated from Murdoch University in Australia with a master's degree in business administration.</p>
Li Pingyi	<p>Director of the Company. He is also a director and general manager of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司) and an executive director of Wanxiang Electric Vehicle Co., Ltd. (萬向電動汽車有限公司). Prior to this, he served as general manager of Wangxiang Group Enterprise Development Corporation (萬向集團企業發展總公司), general manager of Wanxiang Lide Co., Ltd. (萬向納德股份有限公司), deputy manager of Development Division of Wanxiang Group Corporation Ltd. (萬向集團公司), deputy general manager of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司) and chairman of Shangqi Wanxiang New Energy Bus Co., Ltd. (上汽萬向新能源客車有限公司). Mr. Li graduated from Jilin Industry University with a bachelor's degree in agricultural machinery engineering in December 1988 and obtained a master degree in business management from Zhejiang University in July 2002.</p>
Ding Hongxiang	<p>Director of the Company and deputy general manager of China National Machinery Industry Corporation Limited (中國機械工業集團有限公司). Mr. Ding is vice president of China Association of Automobile Manufacturers, vice president of Society of Automotive Engineers of China. Mr. Ding graduated from Huazhong University of Science and Technology in 1986, and obtained master degree and doctoral degree and doctoral degree in western economics respectively from Huazhong Institute of Technology in 1989 and Huazhong University of Science and Technology in 2011 respectively.</p>

Profiles of Directors, Supervisors, Senior Management and Employees

Name	Main work experiences
Ji Li	Chairman of the supervisory committee of the Company and is also the chairman of the supervisory committees of GAIG, Guangzhou Communications Investment Group Co., Ltd. (廣州交通投資集團有限公司) and Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司). He was the officer of the financial settlement centre of the Guangzhou Municipal People's Government and the deputy director of the financial division of the Communications Commission of Guangzhou (廣州市交通委員會). He graduated from Xian Highway Institute (西安公路學院) in July 1989 and obtained a bachelor's degree in engineering. He graduated with specialisation in project management (master degree of engineering) from Guangdong University of Technology (廣東工業大學) in December 2007.
Chen Jianxin	Supervisor of the Company and the dedicated supervisor of GAIG and Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司). He was the head of the finance department of Guangzhou Transportation Group Co., Ltd. (廣州交通集團有限公司), the financial controller of Guangzhou Eryun Group Co., Ltd. (廣州二運集團有限公司) and the director and financial controller of Guangzhou Transportation Co., Ltd. (廣州市運輸有限公司). He graduated with specialisation in accounting (bachelor degree) from Jiangxi University of Finance and Economics in 2005.
Wu Chunlin	Supervisor of the Company and is also the general manager of Guangzhou Jinbang Hydraulic Die Forging Technology Co., Ltd. (廣州金邦液態模鍛技術有限公司). He was previously the head of planning and development department, the head of asset management department, the deputy head and senior staff of corporate planning department of Guangzhou Iron & Steel Enterprises Group Co., Ltd. Mr. Wu graduated from the Business School of Central South University with a master's degree in 2003.
Wang Junyang	Supervisor of the Company. He is also the deputy chief financial officer of Guangzhou Chime-Long Group Co., Ltd. Since March 2011, he worked in Guangzhou Chime-Long Group Co., Ltd., and served as deputy financial manager, management accounting manager and deputy group chief financial officer. Mr. Wang was a senior audit manager and a signatory accountant for listed companies of BDO China Li Xin Da Hua CPA Co., Ltd. He graduated from Zhongnan University of Economics and Law and obtained a bachelor degree in business administration in January 2006.
Jiang Xiuyun	Staff representative supervisor and head of the audit department of the Company. She is also the chairman of the supervisory committees of Guangzhou Motorcycle Group Co., Ltd. and Guangzhou Guangyue Assets Administration Co., Ltd. (廣州廣悅資產管理有限公司). She was director of the financial tax audit office of the Audit Bureau of Guangzhou Municipality (廣州市審計局財政稅務審計處). In 1988, she graduated with specialisation in auditing from the school of accounting of Guangdong University of Business Studies (廣東商學院) and obtained a diploma. In 2002, she graduated with specialisation in economics from Xiamen University and obtained a bachelor degree.

Name	Main work experiences
He Jinpei	Staff representative supervisor and head of the department of discipline inspection and supervision of the Company. He is also the chairman of the supervisory committee of GAC Business, supervisor of GAC Mitsubishi and GAC Changfeng. He joined the Group in 2007, and had been the party secretary and secretary of the disciplinary committee, chairman of the labor union of GAC FCA and the supervisor, deputy chairman of the labor union and the officer of the labor union office of the Company. Mr. He graduated from Guangzhou Workers Vocational College (廣州市職工業餘大學) with a college diploma in manufacturing of machinery in July 1990, and College of Administration and Management of Correspondence Institute of the Party School of C.C. of C.P.C. in December 2001, with qualification of senior administration engineer.
Wang Lu	Staff representative supervisor, deputy chairwoman of the labour union, head of the female workers committee and chairwoman of the headquarters of the labour union of the Company. With a bachelor degree, she joined the Group in 1992 and had been a member of the public relations division of the general manager's office of Guangzhou Peugeot Automobile Company (廣州標緻汽車有限公司) and Guangzhou Sedan Co., Ltd. (廣州轎車有限公司) and an officer of the labour union, a member and the chairwoman of the branch of the labour union, a party branch member and secretary and the head of the female workers union of GAC Honda, the deputy head of the office of the labour union of the Company and chairwoman of the labour union of the headquarter.
Wu Song	Standing deputy general manager and deputy director of the Executive Committee of the Company. Mr. Wu acted as deputy general manager of the Company from 2007 to June 2013. He has been a director of the Company since February 2015. He is also currently the chairman of GAC Toyota, vice chairman of GAC Toyota Engine and vice chairman of Tong Fang Logistics. Mr. Wu joined the Company in October 2003 and has held positions as a director and deputy general manager of Wuyang-Honda, a director of GAC Toyota and director and deputy general manager of GAC Toyota Engine, chairman and general manager of GAMC, a director of GAC FCA and chairman of GAMC Hangzhou. Mr. Wu previously acted as director and general manager of Yegang Group Co., Ltd. Mr. Wu obtained a bachelor's degree in engineering of Mechanical No. 1 Department from Engineering Institute of Central China (renamed as Huazhong University of Science and Technology) in July 1984. He graduated from Xi'an Jiaotong University in industrial engineering in 1989. He is a senior economist.

Profiles of Directors, Supervisors, Senior Management and Employees

Name	Main work experiences
Li Shao	Deputy general manager and deputy director of Executive Committee of the Company. He is also chairman of GAC Honda and Wuyang-Honda, and a director of GAC Changfeng. He joined GAC Group in June 1997 and has been the deputy general manager of the Company since 2007. Prior to this, Mr. Li had served as head of investment department and foreign economics, office director, assistant of general manager and deputy general manager of Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司), a director of GAC Bus, assistant to general manager and deputy general manager of GAIG, director of GAC Toyota, a director and an executive deputy general manager of GAC Hino and a director of Shanghai Hino, chairman of GAC Component, etc. Mr. Li graduated from South China University of Technology and obtained a bachelor's degree in engineering in metal material and heat treatment in July 1985 and he also obtained a master's degree in business administration from the Open University of Hong Kong in December 2002.
Wang Dan	Deputy general manager, chief financial officer, and deputy director of the Executive Committee of the Company. She is also chairwoman of GAC-SOFINCO and GAC Finance, and the chairwoman of the supervisory committees of GAMC, GAC Changfeng and GAC New Energy. Ms. Wang joined GAC Group in March 1999, and has been the Company's chief financial officer and financial controller since 2005. Prior to this, Ms. Wang served in the financial audit department of Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) and was the deputy head of the financial audit division of the Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司). Ms. Wang graduated from the Sun Yat-Sen University with a bachelor's degree in July 1992 and the School of Management of Zhongshan University with a senior executive master's degree in business administration in December 2005. She is a senior accountant and non-practicing registered accountant.
Chen Hanjun	Deputy general manager and deputy director of the Executive Committee of the Company. He is also the chairman of GAC Hino, GAC BYD, Shanghai Hino and a director of GAC Toyota. Prior to this, Mr. Chen served as the general manager of Guangzhou Automobile Technology Centre, the party secretary, a director and executive deputy general manager of GAC Hino and a director of GAC Hino (Shenyang) Automobile Co., Ltd. and Shanghai Hino. He graduated from School of Business Administration of South China University of Technology in 1989, majoring in industrial management, with a graduate diploma and a master's degree in business administration.
Zhang Qingsong	Deputy general manager and deputy director of the Executive Committee of the Company. He is also the chairman of Guangzhou Guangyue Assets Administration Co., Ltd. From 1998 to 2012, he held positions as the deputy director, director and director of disciplinary office of the administrative office of the Commission for Economy and Trade of Guangzhou, chairman of Committee of Guangzhou Municipal State-owned Assets Management Committee stationed in GAIG (廣州市國有資產管理委員會派駐廣汽工業集團), Guangzhou Iron & Steel Enterprises Group Co., Ltd. and Guangzhou Pearl River Piano Group Co., Ltd. (廣州珠江鋼琴集團股份有限公司). He was deputy general manager of GAIG from May 2012 to June 2013. He has a master's degree in business administration.

Name	Main work experiences
Xu Li	Secretary and the head of the office of the Board of the Company, as well as chairwoman of GAC Capital and a director of GAC Changfeng. Prior to this, she had served as the deputy head of the securities department, head of the investment department and head (senior assistant level) of the office of the Board of the Company. She had worked and served in the investment banking department of GF Securities Co., Ltd. (廣發證券股份有限公司) and the Office Secretariat of Guangzhou City People's Government (廣州市人民政府辦公廳秘書處). She graduated from the Macau University of Science and Technology in June 2011 as a postgraduate with a doctorate degree in business administration, and graduated from Jinan University in March 2001 with a master's degree in business administration. She also has the title of an economist.

(2) Share options granted to directors and senior management during the reporting period

Unit: share

Name	Position	Number of A-share options held at the beginning of the reporting period	Number of new A-share options granted during the reporting period	A-share options exercisable during the reporting period	A shares issued upon exercise of share options	Exercise price of A-share options (RMB)	Number of A-share options held at the end of the reporting period	Market price as at the end of reporting period (RMB)
Zeng Qinghong	Chairman, Party Secretary	600,000	800,000	300,000	-	See notes	1,400,000	
Feng Xingya	Vice Chairman, General Manager	506,667	760,000	253,333	253,333	See notes	1,013,334	6,247,191.78
Fu Yuwu	Independent Director	-	-	-	-	-	-	-
Lan Hailin	Independent Director	-	-	-	-	-	-	-
Leung Lincheong	Independent Director	-	-	-	-	-	-	-
Wang Susheng	Independent Director	-	-	-	-	-	-	-
Yan Zhuangli	Director, Deputy Party Secretary	-	760,000	-	-	See notes	760,000	
Chen Maoshan	Director, Chairman of Labour Union	493,334	720,000	246,666	246,666	See notes	966,668	6,082,783.56
Li Pingyi	Director	-	-	-	-	-	-	-
Ding Hongxiang	Director	-	-	-	-	-	-	-
Wu Song	Standing Deputy General Manager	493,334	720,000	246,666	246,666	See notes	966,668	6,082,783.56
Li Shao	Deputy General Manager	493,334	720,000	246,666	-	See notes	1,213,334	
Wang Dan	Deputy General Manager, person in charge of accounting function	493,334	720,000	246,666	-	See notes	1,213,334	
Chen Hanjun	Deputy General Manager	95,534	720,000	47,766	47,766	See notes	767,768	1,177,909.56
Zhang Qingsong	Deputy General Manager	740,000	720,000	493,332	246,666	See notes	1,213,334	6,082,783.56
Xu Li	Secretary of the Board	76,467	720,000	38,233	38,233	See notes	758,234	942,825.78
Total	/	3,992,004	7,360,000	2,119,328	1,079,330	/	10,272,674	/

Profiles of Directors, Supervisors, Senior Management and Employees

Notes:

- (1) The newly grated A-share options during the reporting period were granted on 18 December 2017 and registration of which was completed at Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 9 February 2018;
- (2) Adjustments were made to the exercise price as the Company has implemented the 2016 annual profit distribution and 2017 interim profit distribution, particulars are as follows: the exercise price from 1 January 2017 to 12 June 2017 was RMB7.16 per share; that from 13 June 2017 to 13 September 2017 was RMB6.94 per share; that from 14 September 2017 to 31 December 2017 was RMB6.84 per share.

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

(I) Term of office in shareholders' units

Name of staff	Name of shareholders' unit	Position held in shareholders' unit	Commencement date of term	Expiry date of term
Zeng Qinghong	GAIG	Chairman, Party Secretary	October 2016	
Feng Xinya	GAIG	Director	August 2017	
Yan Zhuangli	GAIG	Director	August 2017	
Chen Maoshan	GAIG	Director	March 2015	
Yuan Zhongrong	GAIG	Director, Standing Deputy General Manager	December 2014	August 2017
Ding Hongxiang	China Industry National Corporation Machinery Limited	Deputy General Manager	August 2011	
Gao Fusheng	GAIG	Chief Accountant	December 2014	April 2017
Gao Fusheng	GAC (HK)	Director, General Manager	April 2012	May 2017
Ji Li	GAIG	Chairman of the Supervisory Committee	June 2017	
Chen Jianxin	GAIG	Supervisor	June 2017	
Wang Junyang	Guangzhou Chime-Long Group Co., Ltd.	Deputy Chief Financial Officer	September 2014	
Term of office in shareholders' units	If expiry date of term is not stated, the appointment of the staff will continue and there is no fixed expiry date of term.			

(II) Term of office in other units

Name of staff	Name of other unit	Position held in other unit	Commencement date of term	Expiry date of term
Zeng Qinghong	Guangdong Automobile Industry Association	President	March 2009	
Zeng Qinghong	Energy-saving and New energy Automotive Technology Roadmap Steering Committee	Member	November 2016	
Zeng Qinghong	Guangzhou Headquarters Economy Association	President	November 2016	
Zeng Qinghong	Guangzhou Association For Science & Technology	Vice Chairman	May 2016	
Zeng Qinghong	China Association of Automobile Manufacturers	Vice President	March 2015	
Zeng Qinghong	Society of Automotive Engineers of Guangdong Province	Honorary President	February 2015	
Zeng Qinghong	China Tendering and Bidding Association	Standing Director	February 2015	
Yan Zhuangli	Guangzhou Continuing Education Association	Vice President	January 2014	
Fu Yuwu	Hunan Corun New Energy Co., Ltd.	Independent Director	August 2017	
Fu Yuwu	Chongqing Sokon Industry Group Co.,Ltd.	Independent Director	September 2016	
Fu Yuwu	Ningbo Shenglong Automotive PowertrainSystem Co.,Ltd.	Independent Director	December 2015	
Fu Yuwu	Society of Automotive Engineers of China	President	December 2012	
Fu Yuwu	China Automobile Talents Society	Chairman	November 2010	
Lan Hailin	Jiangsu Shuangxing Color Plastic New Materials Co., Ltd.	Independent Director	May 2016	
Lan Hailin	Letong Chemical Co., Ltd.	Independent Director	August 2016	
Lan Hailin	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd	Independent Director	January 2015	
Lan Hailin	Guangdong Sky Dragon Printing Ink Group Co., Ltd.	Independent Director	July 2013	
Leung Lincheong	Petro-King Oilfield Services Limited	Independent Non-Executive Director and chairman of the Audit Committee	June 2017	
Leung Lincheong	Hong Kong Open University	Part-time Tutor for a master's course	September 2016	

Profiles of Directors, Supervisors, Senior Management and Employees

Name of staff	Name of other unit	Position held in other unit	Commencement date of term	Expiry date of term
Leung Lincheong	Union Registrars Limited	Managing Director	May 2014	
Wang Susheng	Shahe Industrial Co., Ltd.	Independent Director	April 2017	
Wang Susheng	Shenzhen Terca Technology Co., Ltd.	Independent Director	November 2010	
Wang Susheng	Shenzhen Rapoo Technology Co., Ltd.	Independent Director	March 2008	
Wang Susheng	Shenzhen Public Administration Institute (深圳市公共管理學會)	President	January 2007	
Li Pinyi	Wanxiang Qianchao Co., Ltd.	General Manager	August 2013	
Li Pinyi	Wanxiang Electronic Automobiles Co., Ltd.	Executive Director	March 2010	
Ding Hongxiang	China Association of Automobile Manufacturers	Vice President	March 2016	
Ding Hongxiang	Society of Automotive Engineers of China	Vice President	December 2012	
Ji Li	Guangzhou Communication Investment Group Co., Ltd.	Chairman of the Supervisory Committee	July 2015	
Ji Li	Guangzhou Vanlead Group Co., Ltd.	Chairman of the Supervisory Committee	December 2014	
Chen Jianxin	Guangzhou Vanlead Group Co., Ltd.	Supervisor	August 2017	
Wu Chunlin	Guangzhou Jinbang Hydraulic Die Forging Technology Co., Ltd.	General Manager	October 2015	
Term of office in other units	If expiry date of term is not stated, the appointment of the staff will continue and there is no fixed expiry date of term.			

III. REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of the directors, supervisors and senior management

The Remuneration and Assessment Committee of the Board conducted appraisal of the remuneration of the senior management of the Company and formulated the incentive program, which shall be implemented after the approval of the Board. The allowance for independent directors is implemented after the approval of the Board and the general meeting. The remuneration of other directors and supervisors is determined in accordance with the related remuneration policy of the Company.

Basis for determination of the remuneration of the directors, supervisors and senior management

The remuneration of independent directors is implemented in accordance with the plan approved at the general meeting; the remuneration of other directors and supervisors are determined by both the formulated remuneration policy of the Company and the yearly assessment results. The remuneration of senior management is determined in accordance with the relevant assessment program combined with the annual results of the Company and their individual performance.

Actual payment of the remuneration of the directors, supervisors and senior management

The remuneration of independent directors is implemented in accordance with the plan approved at the general meeting; no other directors or supervisors have received remuneration from the Company merely in their capacity as directors or supervisors; the remuneration of senior management is implemented upon review and consideration by the Board and in accordance with relevant regulatory policies.

Total remuneration paid to all directors, supervisors and senior management as at the end of the reporting period

RMB14,971,200

Profiles of Directors, Supervisors, Senior Management and Employees

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

Name	Position	Way of Change	Reason for change
Yuan Zhongrong	Director	Resigned	Resigned
Li Fangjin	Director	Resigned	Resigned
Yan Zhuangli	Director	Election	Election
Wu Song	Director	Resigned	Resigned
Yao Yiming	Director	Resigned	Resigned
Lu Sa	Director, Deputy General Manager, Secretary of the Board	Resigned	Resigned
Qu Yongjian	Deputy General Manager	Resigned	Change of position
Gao Fusheng	Chairman of the Supervisory Committee	Resigned	Retired
Ji Li	Chairman of the Supervisory Committee	Election	Election
Chen Jianxin	Supervisor	Election	Election
Jiang Xiuyun	Supervisor	Election	Election
He Jinpei	Supervisor	Election	Election
Xu Li	Secretary of the Board	Appointment	Appointment
Ye Shanhu	Supervisor	Resigned	Resigned

V. INTERESTS OF DIRECTORS OR SUPERVISORS IN CONTRACTS

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

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director or a supervisor and a connected entity of a director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

VI. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

N/A

VII. EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR SUBSIDIARIES

(1) Employees

Number of existing employees of the Company	253
Number of existing employees of major subsidiaries	84,037
Total number of existing employees	84,290
Number of employees resigned or retired the pension of which the Company and major subsidiaries had to be responsible for	1,706
Total	84,290

Note: The number of existing employees of major subsidiaries includes the employees of major joint ventures and associated companies.

(2) Remuneration Policy

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

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

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

The Group will further improve the Company's remuneration system in terms of incentive and retaining talents. Timely and full contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes will be made. Investee enterprises under the Group are encouraged to further enhance the flexibility and protection of staff benefit system.

Profiles of Directors, Supervisors, Senior Management and Employees

(3) Training Program

During the reporting period, training work was focused on the “1513” strategic plan and annual key work in combination with personal ability enhancement and career development needs of employees. Through various forms of training programs, such as the integration of internal and external organisations and combination of general and specific items online and offline and combination of designations by the Company and employee self-determination, we actively provide employees with various knowledge update, vision development and skills improvement courses and training learning opportunities. During the reporting period, the number of staff of the Group trained was 468,000, representing a year-on-year increase of 10.8%, among which the number of management staff and professional technical staff trained was 158,100, representing 33.8% and production staff trained was 309,800, representing 66.2%. Total training expenses amounted to RMB 76.7 million, representing a year-on-year increase of 34.4%.

In 2018, the Group’s training will focus on improving the systemisation of training, strengthening the training in support of the business and the establishment of GAC University (廣汽大學) to make tremendous efforts to promote corporate cultural strategy, enhance employees’ cultural identification with GAC; build the qualification level curriculum system for employees at headquarters and the pre-and post-entry curriculum system for designated employees; expand and enrich the forms of training and learning to promote the effective operation and effectiveness of mobile classrooms based on the mobile learning platform which was initially completed in 2017; further enrich the internal lecturer team through combining competition with training and continue to hold the annual “Guangzhou Excellent Course Competition” to make outstanding and potential in-house training resources in various companies stand out and flow effectively to provide business support for demanding enterprises; and continue to organise the U.S. seminars for middle-level and senior leaders with the construction and development of international business as the theme to enhance the knowledge and reserve of core talents in international business development.

(4) Labor Outsourcing

Total working hours of labor outsourcing	15,386,000
Total remuneration paid for labor outsourcing	RMB624,688,289

Note: including joint ventures and associated enterprises

VIII. OTHERS

Production Safety

The Group adhered to the guidelines of “safety first with focus on prevention and comprehensive control” and seriously implemented accountability system for production safety, and performed its duties of supervising and monitoring the safety management of each investing enterprises.

During the reporting period, the Group and investing enterprises had experienced no serious injury or the above safety production accidents, and its safety production condition remained stable in general.



CHAPTER 11

CORPORATE GOVERNANCE



I. CORPORATE GOVERNANCE

The Group was in strict compliance with relevant corporate governance requirements under the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the SSE Listing Rules, the Listing Rules and the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Appendix 14 to the Listing Rules. The Group has formulated a series of internal control management policies such as Inside Information Management System and has relatively comprehensive governance structure.

During the reporting period, in order to cope with the sustainable development needs of the Company, 8 systems including Management Requirements On Fixed Assets and Intangible Assets, Accountability Measures Targeted at State-owned Enterprises’ Non-compliance Operations and Investments were formulated and at the same time, 24 systems including the Articles of Association, the Rules of Procedures of the Board were amended in accordance with the regulatory requirements, which further enhanced the governance structure the Company. During the reporting period, there was no deviation between the Company’s corporate governance and the requirements as specified in the Company Law, the relevant regulations of the CSRC and the Listing Rules of the SSE and the Stock Exchange.

The Company’s structure of corporate governance comprises the general meeting, the Board and its special committees, the supervisory committee, the management and the employees, each of which plays an important role in the corporate governance of the Company. The specific information is described below:

(1) General Meeting

The general meeting is the authoritative body of the Company and has legal power to decide on significant matters of the Company. The Company carries out policies of open and honest communication and fair disclosures. The Company has ability to ensure all shareholders, especially minority shareholders enjoy equal status and rights. Pursuant to Article 68 of the Articles of Association, if shareholders individually and jointly holding not less than 10% of the Company’s issued shares with voting rights request in writing to hold an extraordinary general meeting, an extraordinary general meeting shall be held within two months after receipt of such written request.

Pursuant to Article 70 of the Articles of Association, shareholders individually and jointly holding over 3% of the shares of the Company are entitled to propose extraordinary motions to the Company and submit them in writing to the convener ten days before the general meeting. The convener of the general meeting shall issue supplementary notice of the general meeting to announce the content of the extraordinary motions within two days after receiving the proposed motions. The Company formulates efficient channels of communication with shareholders. All shareholders have the right to be informed and to participate in significant events of the Company; shareholders may raise enquiries and express their view to the Board in writing at any time (Contact address: The office of the Board of GAC Group at Room 2202, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou (Postal code: 510623), Telephone: 020-83150281, Fax: 020-83150319, ir@gagc.com.cn).

CHAPTER 11

Corporate Governance

The Company has formulated the Rules of Procedures of the General Meeting, convened and held general meetings in strict compliance with regulatory requirements of listed companies so as to ensure that shareholders are able to fully exercise their rights; notice of the general meetings are despatched 45 days prior to the date of general meeting. The notice of general meeting containing an agenda, resolutions proposed and a voting form are announced in a timely manner and/or sent to all H shareholders whose shares are registered in the register of members by post in accordance with the requirements. All shareholders are encouraged to attend the general meetings. All registered shareholders on the record date are entitled to attend the general meeting. H shareholders who are unable to attend the general meeting can appoint their proxies or the chairman of the general meeting as their proxies to attend the general meeting on their behalves (the proxy form shall be completed and returned to the Company or the Company's H share registrar). All directors, supervisors and members of management of the Company are also requested to try their best to attend the general meetings; results of resolutions or poll results of the general meeting shall be timely announced in such manner as required by the Listing Rules. Lawyer attended each general meeting and issued legal opinion.

The controlling shareholders and ultimate controller of the Company conscientiously fulfilled their obligation in good faith. There was no act that interfered with the decisions and operations of the Company directly or indirectly, bypassing the general meeting, nor was there any damage to the interest of the Company and other shareholders. The related-party transactions of the Company were fair and reasonable, the pricing of which has been adequately disclosed and no conduct damaging interests of the Company was found.

During the reporting period, the Company convened 1 annual general meeting and 2 extraordinary general meetings, 1 class meeting for holders of A and H shares respectively, each procedure of which was in compliance with the requirements of the Company Law and its Articles of Association.

(2) Directors and the Board

1. *Directors and Composition of the Board*

Directors are elected or rotated at the general meeting. Currently, the Board consists of 10 directors (according to the Articles of Association, the Board shall consist of 11 directors), which include 2 executive directors, namely Zeng Qinghong (Chairman) and Feng Xingya; 4 non-executive directors, namely Yan Zhuangli, Chen Maoshan, Li Pingyi and Ding Hongxiang; and 4 independent non-executive directors, namely Fu Yuwu, Lan Hailan, Leung Lincheng and Wang Susheng. The members of the Board have different professional background and have extensive expertise and experience in different aspects. The composition of the Board is in compliance with the relevant laws and regulations and the requirements of the Articles of Association and the diversity requirements of Board members. The term of office of the directors (including non-executive directors) of the Company is three years from 25 June 2015 to 24 June 2018.

All directors have attended the meetings with an earnest and responsible attitude. They are familiar with the relevant laws and regulations and understand their rights, responsibilities and obligations as a director. The directors believed that, the Company has sufficient resources to continue its business in the foreseeable future and there are no material uncertainties which may adversely affect the Company's ability to operate as a going concern.

During the reporting period, the Company convened 28 Board meetings. The convening, holding and resolution procedures of the Board meetings have complied with the Company Law, the Articles of Association and the Rules of Procedures of the Board.

2. *Powers of the Board*

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

- (1) To convene general meetings and report its work at the general meetings;
- (2) To implement the resolutions of the general meetings;
- (3) To decide on the business plans and investment plans of the Company;
- (4) To formulate the mid-term and long-term development plans of the Company;
- (5) To formulate annual financial budgets and financial accounts of the Company;
- (6) To formulate the profit distribution plans and plans on making up losses of the Company;
- (7) To formulate proposals for increase or reduction of the registered capital of the Company and issue and listing of bonds or other securities of the Company;
- (8) To formulate plans for major acquisitions, purchase of shares of the Company or plans for merger, division, dissolution or alteration of corporate form of the Company;
- (9) To determine external investments, purchases and sales of assets, pledge of assets, external guarantees, loans, entrusted asset management, disposal of assets and connected transactions of the Company, save for the matters that are required to be resolved at the general meeting pursuant to the law, regulations, the Articles of Association and other regulatory documents;
- (10) To determine the establishment of the Company's internal management structure and manpower deployment;
- (11) To appoint or remove the general manager and the secretary to the Board based on the nomination by the chairman of the Board; to appoint or remove the deputy general manager, chief financial officer and other senior management of the Company based on the nomination by the general manager and to determine their remunerations and rewards and penalties;
- (12) To formulate the basic management system of the Company;
- (13) To formulate proposals for amendment to the Articles of Association;
- (14) To formulate the information disclosure system of the Company and to manage information disclosure of the Company;
- (15) To propose the appointment or removal of the Company's auditors at the general meeting;

- (16) To receive the work report and inspect the work of the general manager of the Company;
- (17) To formulate share incentive schemes;
- (18) To review and resolve other matters required to be decided by the Board pursuant to the laws, administrative regulations, departmental rules, the requirements of the place where the Company's shares are listed and the Articles of Association.

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

3. *Responsibilities of directors*

The directors acknowledge their responsibility for the preparation of annual financial statements and true and fair presentation of the Company's business results and financial conditions. The Board, which is responsible for overseeing the preparation of annual financial statements, receives the Company's monthly management accounts in respect of operation and updates on the Group's performance, financial position and prospects. In preparing the financial statements for the year ended 31 December 2017, the Board adopted appropriate accounting policies consistently, made prudent and reasonable judgements and estimates, and ensured that the financial statements were prepared on a going concern basis and show a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and of the financial performance and cash flows for the year.

4. *Corporate Governance Functions*

The Board of the Company has adopted the terms of reference for directors to perform its corporate governance functions, which include the formulation and review of the Company's corporate governance policy and practices and submission of proposals to the Board; review and overseeing the training and continuous professional development of the directors and senior management; review and overseeing the Company's policy and practices on compliance with law and regulations; formulate, review and overseeing the Code of Conduct and Compliance Manual for employees and directors, and review the Company's observance of the Corporate Governance Code and disclosures made in the Corporate Governance Report.

For the year 2017, the Board has performed the above corporate governance functions.

5. *Professional Training*

During the reporting period, the directors of the Company actively participated in the relevant trainings of corporate governance, directors' duties and operation management. All directors have also provided their relevant training records during the reporting period. Details regarding the training of directors during the reporting period are as follows:

Directors	Zeng Qinghong	Feng Xingya	Fu Yuwu	Lan Hailin	Leung Lincheong	Wang Susheng	Yan Zhuangli	Chen Maoshan	Li Pingyi	Ding Hongxiang
Training participated	BC	ABC	BC	BC	BC	BC	ABC	BC	BC	BC

Notes:

- A: Trainings on corporate governance of listed companies, directors' duties and the relevant trainings organised by stock exchange or securities regulatory authorities;
- B: Special training, seminars and conferences on aspects of economics, finance and corporate management;
- C: Reading materials related to corporate governance, directors' duties and regulations of internal risk management; and attending seminars, forums and conferences, etc.

All directors of the Company may timely access the relevant laws, regulations and other information relating to their continuing obligations through the secretary and the office of the Board. The Company ensures that all directors keep abreast of business development of the Company, the competitive and regulatory environment, as well as the development of the industry environment through provision of materials, conferences and seminars, which help directors understand their responsibilities and make right decisions and conduct effective supervision. The Company has adopted the Model Code as the code of conduct for securities transactions by directors. There is no financial, business, family or other material or related relationship existing among the directors.

After making specific enquiries with all directors, all directors have confirmed that they have fully complied with the rules as required by the Model Code throughout the year of 2017.

6. *Independence of Directors*

The number of independent non-executive directors represents one-third of the total number of members of the Board. The Company's independent non-executive directors have knowledge of the rights and obligations of the directors and independent directors of listed companies.

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

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

The Company has reported to the independent non-executive directors the production and operation situation of the Company and the progress of significant events, submitted the annual reports and audit work schedule in compliance with the relevant requirements of the CSRC and the SSE concerning annual reports. Independent non-executive directors have communicated with the Company's auditors in respect of the related issues of the audit process.

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

7. *Special Committees of the Board*

The Board has set up Strategy Committee, Audit Committee, Remuneration and Assessment Committee and Nomination Committee. Compositions of each of the committees of the Board are as follows:

- (1) Strategy Committee comprises 6 directors, namely Zeng Qinghong, Feng Xingya, Fu Yuwu, Lan Hailin, Li Pingyi and Ding Hongxiang, among whom, Fu Yuwu and Lan Hailin are independent directors and Zeng Qinghong is the chairman of the committee. The committee is mainly responsible for conducting research and making recommendations on the long-term development strategy and major investment decision of the Company. 1 meeting of the Strategy Committee was held during the year and all members attended the meeting, at which each committee member gave their opinions in respect of the matters considered.

- (2) Audit Committee comprises 3 independent directors, namely Leung Lincheong, Lan Hailin and Wang Susheng, among whom Leung Lincheong is the chairman of the committee. Their primary duties are to supervise and review the annual audit work and internal audit system of the Company, the financial information and disclosure of the Company. During the year, 4 meetings of the Audit Committee were held and all members attended the meetings. The Audit Committee mainly reviewed the regular report and results, profit distribution and appointment of auditing institution and also timely reviewed the internal control system at the meetings.
- (3) Remuneration and Assessment Committee comprises 3 directors, namely Fu Yuwu, Leung Lincheong and Li Pingyi, among whom, Fu Yuwu and Leung Lincheong are independent directors and Fu Yuwu is the chairman of the committee. Their primary duties are to formulate the assessment criteria and appraise the directors and senior management of the Company, formulate and review the remuneration policies and proposals of directors and senior management of the Company. During the year, 7 meetings of the Remuneration and Assessment Committee were held in total and all members attended the meetings. The Remuneration and Assessment Committee reviewed the remuneration and appraisal proposal of senior management for the year 2016 and the appraisal plan relating to the second exercise period of the First Share Option Incentive Scheme of the Company, and recommendations were provided to the Board.
- (4) Nomination Committee comprises 3 directors, namely Wang Susheng, Leung Lincheong and Ding Hongxiang, among whom, Wang Susheng and Leung Lincheong are independent directors and Wang Susheng is the chairman of the committee. Their duties are to make recommendations regarding the candidates of senior management, the selection standards and procedures as well as being responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge. During the year, 3 meetings of the Nomination Committee were held in total and all members attended the meetings, at which the matters with respect to the appointment and dismissal of senior management were considered and reviewed and recommendations were provided.

(3) Supervisors and supervisory committee

The supervisory committee strictly performed its supervisory function in accordance with the requirements of relevant laws and regulations and the Articles of Association.

At present, the supervisory committee comprises 7 supervisors, namely Ji Li, Chen Jianxin, Wu Chunlin, Wang Junyang, Jiang Xiuyun, He Jinpei and Wang Lu, among whom Ji Li is chairman of the supervisory committee, Jiang Xiuyun, He Jinpei and Wang Lu are supervisors representing staff and workers.

Constitution of such committee was in compliance with requirements of laws and regulations and the Articles of Association.

During the reporting period, the supervisory committee convened 11 meetings, the convening, holding and procedures of which are in compliance with relevant requirements under the Articles of Association and the Rules of Procedures of the Supervisory Committee. All supervisors attended the meetings of the supervisory committee held this year and performed their duties conscientiously.

(4) The Management

The appointment, dismissal of and rewards and punishment for the senior management of the Company were in strict compliance with the provisions of relevant laws, regulations and Articles of Association. The Company has clearly defined the roles and division of work between the Board and the management as well as the respective responsibilities of the chairman of the Board and the general manager in its Articles of Association, ensuring the independence of the Board in decision-making and the independence of the management in managing the daily operations. The management of the Company mainly exercise the following daily operation rights under the authorisation of the Board:

- (1) to be responsible for the Company's production, operation and management, to organise resources to carry out the Board's resolutions, and to report to the Board;
- (2) to organise the implementation of the Company's annual business plan and investment plan;
- (3) to draft plans for the establishment of the Company's internal management structure;
- (4) to formulate the Company's basic management system;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to propose the appointment or dismissal of the Company's deputy general manager(s) and chief financial officer;
- (7) to decide on the appointment or dismissal of management personnel and staff other than those required to be appointed or dismissed by the Board;
- (8) to propose the convening of extraordinary board meeting; and
- (9) to exercise other powers conferred by the Articles of Association or the Board.

(5) Company Secretary

During the reporting period, the company secretaries of the Company are Ms. Xu Li, senior management of the Company, and Mr. Leung Chong Shun, a practicing solicitor in Hong Kong and external service provider. The primary contact person of the Company is Ms. Xu Li of the office of secretary to the Board. The company secretaries have received relevant professional training which fulfilled the requirements of Rule 3.29 of the Listing Rules.

(6) Appointment and Remuneration of External Auditor

The external auditor appointed by the Company is PricewaterhouseCoopers. The auditor's remuneration is disclosed in the paragraph titled "APPOINTMENT OR DISMISSAL OF ACCOUNTANTS" under Chapter 6 – "Significant Events" of this report.

(7) **Investor Relations**

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

(8) **Amendments to the Articles of Association**

The Company has made amendments to the relevant provisions in the Articles of Association based on the Guidelines for the Articles of Association of Listed Companies (Amended in 2016) (CSRC Announcement [2016] No. 23), the relevant Party building requirements and the practical operational needs of the Company. The relevant amendments were passed by way of special resolution at the 2017 first extraordinary general meeting of the Company. Please refer to the circular of the Company dated 7 July 2017 for details.

II. GENERAL MEETINGS

Session of the meeting	Date	Enquiry index of the designated website for the publication of the resolutions	Date of disclosure of the publication of the resolutions
2016 annual general meeting	19 May 2017	Websites of SSE and Stock Exchange	19 May 2017
2017 first extraordinary general meeting	23 August 2017	Websites of SSE and Stock Exchange	23 August 2017
2017 second extraordinary general meeting, 2017 first class meeting for holders of A and H shares respectively	18 December 2017	Websites of SSE and Stock Exchange	18 December 2017

Convening of the general meetings of the Company were in strict compliance with the requirements of the Articles of Association and the Rules of Procedures of the General Meeting. The proposal and voting procedures were in compliance with the relevant requirements of laws and regulations. General meetings held during this reporting period were all witnessed by lawyers who issued legal opinions. The Company disclosed the general meeting's resolutions in a timely, complete and accurate manner after the general meeting.

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(1) Directors' Attendance in Board Meetings and General Meetings

Name of directors	Independent director or not	Mandatory attendance in Board meetings during the year	Board meeting(s)				General meeting(s)	
			Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absent in person for two consecutive times or not	Attendance in general meetings
Zeng Qinghong	No	28	28	24	0	0	No	3
Feng Xingya	No	28	28	24	0	0	No	3
Yuan Zhongrong (resigned on 7 August 2017)	No	13	13	12	0	0	No	1
Fu Yuwu	Yes	28	28	24	0	0	No	2
Lan Hailin	Yes	28	28	26	0	0	No	2
Li Fangjin (resigned on 23 August 2017)	Yes	14	14	13	0	0	No	0
Leung Lincheong	Yes	28	28	24	0	0	No	3
Wang Susheng	Yes	28	28	25	0	0	No	2
Yao Yiming (resigned on 7 August 2017)	No	13	13	12	0	0	No	1
Wu Song (resigned on 7 August 2017)	No	13	13	12	0	0	No	1
Yan Zhuangli	No	15	15	12	0	0	No	1
Lu Sa (resigned on 30 March 2017)	No	5	4	4	1	0	No	0
Chen Maoshan	No	28	28	24	0	0	No	3
Li Pingyi	No	28	28	24	0	0	No	1
Ding Hongxiang	No	28	28	24	0	0	No	1

Explanation on absence in person in Board meetings for two consecutive times

Nil

Number of Board meetings held during the year	28
Of which: Number of physical meetings	4
Number of meetings held via communication	24
Number of meetings held by way of combination of both	4

(2) Independent Directors' Objections to Relevant Matters of the Company

Nil

IV. MAJOR COMMENTS AND SUGGESTIONS PROPOSED BY SPECIAL COMMITTEES OF THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD AND DETAILS OF ANY DISAGREEMENTS

Nil

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

Nil

VI. STATEMENTS OF THE COMPANY ON INABILITY TO MAINTAIN THE INDEPENDENCE OR THE ABILITY OF INDEPENDENT OPERATIONS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDERS WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANISATION AND FINANCE

Nil

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

According to the Remuneration and Performance Management Scheme for Senior Management, the Company set up appraisal mechanism and medium and long-term incentive mechanism. During the reporting period, according to the progress of implementation of annual performance contract signed with senior management, the Remuneration and Assessment Committee of the Board performed annual remuneration appraisal for the senior management, and the resolution in respect of the appraisal results was considered and approved by the Board.

VIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries during the reporting period. The said review covers all material aspects of control, including financial, operational and compliance controls. No material defects and important defects in internal control have been identified in 2017. The Board considers such systems effective and sufficient.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In accordance with the provisions of the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》), its ancillary guidelines and other internal control regulatory requirements (the "Internal Control System for Enterprises"), together with the internal control system and evaluation methods of the Company, the Board has reviewed the effectiveness of the internal control of the Company as at 31 December 2017 (reference date of the internal control evaluation report) on the basis of daily supervision and special supervision of internal control.

The Company determined the main units, business, items and high-risk areas to be included in the scope of the evaluation in accordance with the risk-oriented principle. The main business included in the scope of evaluation includes the R&D and manufacturing of automobiles and related products, as well as equity investment, asset management, logistics services, automobile insurance, automobile finance and automobile sales related to automobile business. There were sixteen items included in the scope of evaluation which include corporate governance, organisational structure and internal supervision. High-risk areas of focus included areas of strategic risk, market risk, brand and reputation risk, procurement risk, sales activity risk, fund management risk, investment risk, related-party transaction risk, integrity risk, information system risk, product development risk and quality risk.

The Company organised and conducted internal control evaluation work on the basis of daily supervision of internal control in accordance with the internal control system and the "Internal Control Manual" promulgated by the Company. The Board distinguished the internal control of financial report and non-financial report and studied to determine the criteria for identifying internal control defects applicable to the Company as in line with that in last year with reference to factors such as the scale of the Company, the characteristics of the industry, the risk preference and the degree of risk tolerance according to the requirements of the Internal Control System for Enterprises in respect of material defects, important defects and general defects.

According to the recognition of major defects in the internal control of the Company's financial report, there was no major defect in the internal control of financial report as at the reference date of the internal control evaluation report. The Board believes that the Company has maintained effective internal control in financial reporting in compliance with the requirements of the Company's internal control system and related regulations. According to the Company's identification of major defects in internal control of non-financial report, no major defects in internal control of non-financial report as at the reference date of the internal control evaluation report were found.

During the reporting period, the Company found general defects in the internal control of individual financial report through evaluation tests. The Company has formulated rectification schemes and plans in a timely manner, implemented rectification measures and responded to the existence of compensatory controls in all aspects of its business operations to keep the related risks under control as a whole, which had no effects on the realisation of the control objectives and no substantive effects on the internal control of the Company's financial report. During the reporting period, the Company found general defects in the internal control of individual non-financial report through evaluation tests. The Company has formulated rectification schemes and plans in a timely manner, implemented rectification measures and responded to the existence of compensatory controls in all aspects of its business operations to keep the related risks under control as a whole, which had no effects on the realisation of the control objectives and no substantive effects on the internal control of the Company's non-financial report.

The Company has a disciplinary inspection and supervision department and an audit department. The disciplinary inspection and supervision department supervises major operational and management activities as well as management personnel and is responsible for establishing anti-corruption and integrity-promotion mechanisms, supervision and prevention of integrity risk, verifying petitions, disciplinary review and so on. The Company created the “3161 Corruption Prevention System” E-platform and petition reporting mechanism as a channel for employees to report corruption or fraud cases. The Company has established a series of anti-corruption measures such as “Measures for Implementation of the Supervision of the Disciplinary Inspection Commission”, “Comprehensive Supervision and Management Measures” and “Administrative Measures on the Prevention and Control of Corruption Risks” to strengthen the anti-corruption system of the Company and supervise the integrity of the Company’s management personnel to guard against the risk of corruption. During the reporting period, the Disciplinary Committee of the Company continued to sort out and optimise the current disciplinary inspection and supervision system and revised the “Supervision Work System for the Disciplinary Inspection and Supervision Cadre” and “Regulations for Disciplinary Inspection” to promote performance of duties according to the law by the disciplinary inspection and supervision department and disciplinary inspection and supervision cadres at various levels. The audit department is directly accountable to the Board and the management and conducts internal audit work independently according to the law. Through risk assessment, economic responsibility audit, special audit, construction project audit and etc., it comprehends the risks faced by the Company, formulates the responsive measures, strengthens system construction, optimises the business process and internal control procedures so as to propel the construction of internal control system within the enterprise and to enhance the Company’s ability to identify, evaluate, prevent and respond to risks. During the reporting period, the Company and its investment enterprises further deepened the construction of risks control system, actively explored the innovation of audit reform, expanded the scope of internal audit work based on its own business characteristics, promoted the full coverage of economic responsibility audit, strengthened the audit quality control, which allowed audit to play an important role in improving the internal control system, strengthening risks control and create a good corporate governance environment.

For full text of the self-evaluation report on internal control, please refer to the relevant announcement published on the website of SSE (www.sse.com.cn) of even date.

IX. INTERNAL CONTROL AND AUDIT REPORT

The Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP for independent audit of effectiveness of its internal control in 2017, which issued an opinion that “the internal control over financial report of the Company was in compliance with the Basic Principles for Internal Control of Enterprises and relevant requirements and was effective in all significant aspects as at 31 December 2017 (for full text of the audit report, please refer to the announcement disclosed on the website of the SSE (www.sse.com.cn) of even date).



CHAPTER 12

CORPORATE BONDS



CHAPTER 12 Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of Bond	Abbreviation	Code	Date of Issue	Due Date	Balances	Interest Rate (%)	Repayment of Interest Principal and Interest	Trading Place
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (5 years)	12GAC01	122242	2013-03-20	2018-03-20	1,000,000,000	4.89%	Simple interest per annum	SSE
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (10 years)	12GAC02	122243	2013-03-20	2023-03-20	3,000,000,000	5.09%	Simple interest per annum	SSE
Corporate Bonds (Phase two) of Guangzhou Automobile Group Co., Ltd. in 2012	12GAC03	122352	2015-01-19	2020-01-19	2,000,000,000	4.7%	Simple interest per annum	SSE

Interest Payment of Corporate Bonds

During the reporting period, the interest in respect of “12GAC01”, “12GAC02” and “12GAC03” was timely paid in accordance with the terms set out in the prospectus. The coupon rate of “12GAC01” is 4.89%; one board lot of “12GAC01” with par value of RMB1,000 was entitled to interest of RMB48.90 (tax inclusive). The coupon rate of “12GAC02” is 5.09%; one board lot of “12GAC02” with par value of RMB1,000 was entitled to interest of RMB50.90 (tax inclusive). The coupon rate of “12GAC03” is 4.7%; one board lot of “12GAC03” with par value of RMB1,000 was entitled to interest of RMB47 (tax inclusive).

On 20 March 2018, the principal and interest of Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (5 years) were fully settled and delisted.

Other information of Corporate Bonds

Nil

II. CONTACT PERSON OF CUSTODIAN OF THE CORPORATE BONDS AND ITS CONTACT METHODS AND THE CONTACT METHODS OF THE CREDIT RATING AGENCY

Bond Custodian	Name	China International Capital Corporation Limited
	Office Address	27th Floor and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Contact Person	Chang Daming, Wang Chao
	Contact Number	010-65051166
Credit Rating Agency	Name	United Credit Ratings Co., Ltd.
	Office Address	12th Floor, PICC Office Tower, 2 Jianguomenwai Avenue, Beijing

III. USE OF FUNDS RAISED FROM THE CORPORATE BONDS

The proceeds were fully utilised as supplementary liquidity of the Company in accordance with the use of proceeds as set out in the prospectus.

IV. INFORMATION OF THE CREDIT RATING OF THE CORPORATE BONDS

On 26 May 2017, United Credit Ratings Co., Ltd. provided continuous credit rating for the 2012 corporate bonds issued by the Company in 2013 and 2015, which maintained the AAA long-term credit rating of the Company (as issuer) with stable outlook rating, and maintained the AAA credit rating of “12GAC01”, “12GAC02” and “12GAC03”.

V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHERS DURING THE REPORTING PERIOD

1. Credit Enhancement Mechanism

During the reporting period, there was no change in the credit enhancement mechanism of corporate bonds. GAIG provided guarantee for the 2012 corporate bonds issued by the Company in 2013 and 2015 respectively. Status of the guarantor as at the end of the reporting period was as follows:

Unit: Yuan Currency: RMB

Key indicators	At the end of the reporting period (Unaudited)	Year-on-year increase or decrease (%)
Net assets	38,195,805,691	43.04
Gearing ratio	42.40%	-9.77
Return on net assets	17.72%	17.20
Current ratio	1.70	27.50
Quick ratio	1.61	47.77
Cumulative balance of external guarantees	6,929,500,000	0.46
Proportion of cumulative balance of external guarantees to net assets	18.14%	-29.77

2. Debt Repayment Plans and Debt Repayment Protective Measures

During the reporting period, there had been no change in the debt repayment plans and debt repayment protective measures. The Company has paid interest and repaid principal to bondholders in strict compliance with principal and interest repayment arrangements prescribed in the prospectus.

VI. MEETINGS OF HOLDERS OF CORPORATE BONDS

Nil

VII. PERFORMANCE OF DUTIES OF THE CUSTODIAN OF THE CORPORATE BONDS

During the term of the corporate bonds, the bonds trustee manager conscientiously complied with the agreement in the Bonds Trustee Management Agreement (《債券受託管理協議》) and conducted a continuous follow-up on the Company's rating, management and use of proceeds raised from the bonds, and condition of capital repayment with interest of the Company. The bonds trustee manager also supervised the performance of the obligations set out in the prospectus by the Company and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders.

Report of Trustee Management Affairs (《受託管理事務報告》) during the reporting period was disclosed by the trustee manager on 28 April 2017. For details, please see the website of SSE (<http://www.sse.com.cn>).

VIII. COMPANY'S ASSETS AS AT END OF REPORTING PERIOD

For details, please refer to Chapter 13 – “Financial Statements” of this report.

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Issuer	Debt Financing Instruments	Amount (RMB '00 million)	Term	Date of issue	Due Date	Repayment status
GAC Group	07GACBONDS	6.00	10 years	2007-12-11	2017-12-11	Repaid on schedule
GAC Group	16GACGCP001	23.00	366 days	2016-1-26	2017-1-28	Repaid on schedule

X. BANK CREDIT WITHIN THE REPORTING PERIOD

During the reporting period, the total amount of bank credit obtained by the Company was RMB38.120 billion.

XI. FULFILLMENT OF COMMITMENT IN THE COMPANY'S PROSPECTUS IN RESPECT OF THE BONDS DURING THE REPORTING PERIOD

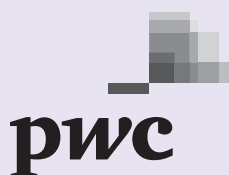
During the reporting period, the Company strictly complied with and fulfilled the relevant commitments and undertakings in the prospectus and there was no adverse effect on the bondholders.

XII. IMPACT OF MAJOR EVENTS TO OPERATING STATUS AND SOLVENCY OF THE COMPANY

During the reporting period, there was no major event which may affect the solvency or bond price of the Company.

FINANCIAL STATEMENTS

Independent Auditor's Report



羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 159 to 281, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Warranty provisions
- Impairment of capitalised development costs
- Impairment assessment on the goodwill included in investment in a joint venture

Key Audit Matter

How our audit addressed the Key Audit Matter

Warranty provisions

Refer to Note 4 (Critical accounting estimates and judgements) and Note 27 (Provisions) to the consolidated financial statements.

As at 31 December 2017, the warranty provisions of the Group amounted to approximately RMB915 million (Note 27). The Group's joint ventures were accounted for using equity method. The warranty provisions relating to the Three Significant Joint Ventures were considered significant to the Company's consolidated financial statements.

The Group mainly produced and sold passenger vehicles through its joint ventures GAC Honda Automobile Co., Ltd. ("GAC Honda"), GAC Toyota Motor Co., Ltd. ("GAC Toyota") and GAC Fiat Chrysler Automobiles Co., Ltd. ("GAC Fiat Chrysler") (collectively "Three Significant Joint Ventures") and its subsidiary, Guangzhou Automobile Group Motor Co., Ltd. ("GAC Motor").

Provision for warranties granted by the Group's Three Significant Joint Ventures and GAC Motor for the passenger vehicles sold are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.

We have met management of the Company, the Three Significant Joint Ventures and GAC Motor and have discussed with them and evaluated the impact on the Group's financial statements of warranty provision relating to Three Significant Joint Ventures and GAC Motor.

(a) Procedures performed on warranty provisions of GAC Toyota and GAC Motor, included:

- We tested management's controls over recording provision for product warranties.
- We evaluated management's warranty provisions model and tested the calculations therein. This included evaluating the key assumptions through reviewing the legal and contractual terms, comparing the assumptions to the historical data, analysing the expected unit cost of repair and returns of each vehicle type at each year of the warranty period, testing sales volume of each vehicle type to the supporting documents and recalculating the warranty provisions.

FINANCIAL STATEMENTS

Independent Auditor's Report

Key Audit Matter

Warranty provisions (continued)

We focused on this area because the estimation of costs in respect of future warranty claims required significant management judgement.

How our audit addressed the Key Audit Matter

- In respect of the provision for warranties previously recorded and subsequently settled during the year, we compared the provision amount with the settlement amount and investigated, if significant variance existed, the reasonableness of the reassessment of the adequacy of the provision for warranties previously made by the management. We also discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to the year-end that would significantly affect the estimates of the year end warranty provision.

- (b) GAC Fiat Chrysler and GAC Honda are significant joint ventures of the Group and are audited by non-PricewaterhouseCoopers auditors (“Component Auditors”). Procedures performed on warranty provisions of GAC Fiat Chrysler and GAC Honda included:
 - We have discussed with Component Auditors about their audit approach and work result for warranty provisions.
 - We have obtained and reviewed Component Auditors’ reporting to us in accordance with our instructions.

We found that management judgement and estimates associated with GAC Motor’s warranty provisions were supported by available evidence.

We found that, in the context of our audit of consolidated financial statements of the Company, Three Significant Joint Ventures’ management judgement and estimates associated with their respective warranty provisions in respect of the Group’s share of the profit and net assets of Three Significant Joint Ventures were supported by available evidence.

FINANCIAL STATEMENTS

Independent Auditor's Report

Key Audit Matter

Impairment of capitalised development costs

Refer to Note 4 (Critical accounting estimates and judgements) and Note 10 (Intangible assets) to the consolidated financial statements.

As at 31 December 2017, the carrying amount of the Group's capitalised development costs, after considering the impairment provision, which arose from development expenditure on the Group's various types of self-developed passenger vehicle projects and were classified as intangible assets on the consolidated balance sheet, amounted to approximately RMB4,909 million. An impairment charge of approximately RMB1,084 million has been recognised for capitalised development costs of certain types of passenger vehicles in the consolidated statement of comprehensive income for the year ended 31 December 2017.

Capitalised development costs not yet in use are tested for impairment annually. Capitalised development costs in use are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Management has assessed the recoverable amount of capitalised development costs for each type of passenger vehicles to be their value in use in order to determine the impairment charge, if any.

We focused on this area because management assessment of impairment involved complex and subjective judgements and assumptions, such as future cash flow projections using revenue, gross margin, long-term growth rate of revenue and discount rate.

How our audit addressed the Key Audit Matter

We understood and evaluated management's process to identify the impairment indicators for capitalised development costs in use.

The recoverable amount of the capitalised development costs subject to impairment testing was determined based on value in use, which was the present value of the future cash flows expected to be derived, and we performed following procedures:

We obtained and understood management's calculations of value in use and assessed the methodology applied.

We tested the consistency and assessed the reasonableness of the data used and management's key assumptions adopted in the future cash flow projections, mainly in relation to:

- the budgeted sales and gross margin, by comparing them with actual performance and historical financial data, if any. For the budgeted sales, we also compared to the Group's strategic plan, future market growth as forecasted and sourced from independent parties;
- the long-term growth rate of revenue, by comparing it with the relevant economic and industry forecasts, including certain forecasts sourced from independent parties; and
- discount rate, by comparing it with the cost of capital of comparable companies.

We also performed sensitivity analysis on the key assumptions of the cash flow forecasts by considering the likelihood of such a movement in those key assumptions arising.

We found key assumptions made by the management in relation to the value in use calculations to be reasonable based on the available evidence.

FINANCIAL STATEMENTS

Independent Auditor's Report

Key Audit Matter

Impairment assessment on the goodwill included in investment in a joint venture

Refer to Note 4 (Critical accounting estimates and judgements) and Note 11 (Investments in joint ventures and associates) to the consolidated financial statements.

As at 31 December 2017, the Group has goodwill of approximately RMB2,895 million in relation to its investment in a joint venture – GAC Mitsubishi Motors Co., Ltd. (“GAC Mitsubishi”) in 2012.

Management has concluded that there was no impairment in respect of the goodwill included in the investment in GAC Mitsubishi. This conclusion was based on fair value less cost of disposal model, applying discounted cash flow method, which involved significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth.

How our audit addressed the Key Audit Matter

We obtained and understood management's impairment assessment to assess whether or not the recoverable amount of the investment in GAC Mitsubishi was below its carrying value.

We assessed the methodology applied and the appropriateness of the key assumptions used in the management's cash flow forecast, including comparing the revenue growth rates with historical results and published industrial forecasts issued by recognised third party industry analysts.

We also assessed the discount rate by evaluating the cost of capital for the investment in GAC Mitsubishi and selected comparable companies with the involvement of our internal valuation specialists.

We also performed sensitivity analysis on the key assumptions of the cash flow forecasts by considering the likelihood of such a movement in those key assumptions arising.

We found the key assumptions made by the management in relation to the fair value less cost of disposal calculations to be reasonable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

FINANCIAL STATEMENTS

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

FINANCIAL STATEMENTS

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Zee, Ho Sum.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2018

FINANCIAL STATEMENTS

Consolidated Balance Sheet

	Note	As at 31 December	
		2017	2016
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights	7	3,716,582	2,308,959
Property, plant and equipment	8	13,405,384	11,856,013
Investment properties	9	1,339,996	1,311,433
Intangible assets	10	5,861,045	5,319,222
Investments in joint ventures and associates	11	25,743,137	22,658,119
Deferred income tax assets	13	1,123,418	789,875
Available-for-sale financial assets	14	2,205,196	2,024,359
Prepayments and long-term receivables	15	1,776,264	933,059
		<u>55,171,022</u>	<u>47,201,039</u>
Current assets			
Inventories	16	3,346,598	2,493,564
Trade and other receivables	17	10,638,090	8,371,237
Available-for-sale financial assets	14	423,852	2,098,856
Held-to-maturity investments		–	59,964
Financial assets at fair value through profit or loss	18	608,929	604,551
Time deposits	19	10,113,301	7,189,931
Restricted cash	20	2,155,899	1,547,528
Cash and cash equivalents	21	37,198,750	12,579,571
		<u>64,485,419</u>	<u>34,945,202</u>
Total assets		<u>119,656,441</u>	<u>82,146,241</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	7,293,423	6,453,360
Other reserves	24	28,329,822	11,848,133
Retained earnings	24	33,801,023	25,554,660
		<u>69,424,268</u>	<u>43,856,153</u>
Non-controlling interests		<u>1,043,725</u>	<u>1,037,308</u>
Total equity		<u>70,467,993</u>	<u>44,893,461</u>

FINANCIAL STATEMENTS

Consolidated Balance Sheet

	Note	As at 31 December	
		2017	2016
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	25	141,431	30,801
Borrowings	26	8,272,573	10,346,462
Deferred income tax liabilities	13	107,517	71,952
Provisions	27	915,212	371,641
Government grants	28	3,133,278	2,158,642
		<u>12,570,011</u>	<u>12,979,498</u>
Current liabilities			
Trade and other payables	25	33,070,690	19,128,114
Current income tax liabilities		907,470	667,415
Borrowings	26	2,640,277	4,477,753
		<u>36,618,437</u>	<u>24,273,282</u>
Total liabilities		<u>49,188,448</u>	<u>37,252,780</u>
Total equity and liabilities		<u>119,656,441</u>	<u>82,146,241</u>

The notes on pages 166 to 281 are an integral part of these financial statements.

The financial statements on pages 159 to 281 were approved by the Board of Directors on 29 March 2018 and were signed on its behalf:

Zeng Qinghong
Director

Feng Xingya
Director

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2017	2016
		RMB'000	RMB'000
Revenue	6	71,574,939	49,417,676
Cost of sales	29	(58,716,478)	(41,961,379)
Gross profit		12,858,461	7,456,297
Selling and distribution costs	29	(5,250,070)	(3,396,393)
Administrative expenses	29	(4,021,804)	(2,738,874)
Interest income	32	342,643	488,696
Other gains – net	31	562,459	331,196
Operating profit		4,491,689	2,140,922
Interest income	32	52,676	97,240
Finance costs	33	(646,477)	(962,927)
Share of profit of joint ventures and associates	11	8,296,387	5,774,362
Profit before income tax		12,194,275	7,049,597
Income tax expense	34	(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	36	1.68	0.98
– diluted	36	1.65	0.97

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2017	2016
		RMB'000	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	35	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

The notes on pages 166 to 281 are an integral part of these financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance as at 1 January 2016	6,435,019	11,321,467	20,890,023	38,646,509	844,811	39,491,320
Comprehensive income						
Profit for the year	-	-	6,287,542	6,287,542	7,713	6,295,255
Other comprehensive income – available-for-sale financial assets, net of tax	-	(19,520)	-	(19,520)	570	(18,950)
Total comprehensive income/(loss)	-	(19,520)	6,287,542	6,268,022	8,283	6,276,305
Transactions with owners in their capacity as owners						
Appropriation to statutory surplus reserve fund	-	334,639	(334,639)	-	-	-
Dividend declared by the Company and subsidiaries	-	-	(1,288,266)	(1,288,266)	(48,420)	(1,336,686)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	154,450	154,450
Employee share option scheme						
- Value of employee services	-	24,070	-	24,070	-	24,070
- Proceeds from shares issued	16,725	104,157	-	120,882	-	120,882
Changes in ownership interests in subsidiaries without change of control	-	(342,706)	-	(342,706)	80,658	(262,048)
Convertible bonds						
- Issuance of convertible bonds	-	387,578	-	387,578	-	387,578
- Conversion of convertible bonds	1,616	29,994	-	31,610	-	31,610
Disposal of a subsidiary	-	-	-	-	(3,379)	(3,379)
Others	-	8,454	-	8,454	905	9,359
Total transactions with owners in their capacity as owners	18,341	546,186	(1,622,905)	(1,058,378)	184,214	(874,164)
Balance as at 31 December 2016	6,453,360	11,848,133	25,554,660	43,856,153	1,037,308	44,893,461
Balance as at 1 January 2017	6,453,360	11,848,133	25,554,660	43,856,153	1,037,308	44,893,461
Comprehensive income						
Profit for the year	-	-	11,004,671	11,004,671	35,345	11,040,016
Other comprehensive income, net of tax	-	187,396	-	187,396	5,484	192,880
Total comprehensive income	-	187,396	11,004,671	11,192,067	40,829	11,232,896
Transactions with owners in their capacity as owners						
Appropriation to statutory surplus reserve fund	-	586,092	(586,092)	-	-	-
Appropriation to general reserve fund	-	92,184	(92,184)	-	-	-
Dividend declared by the Company and subsidiaries	-	-	(2,080,032)	(2,080,032)	(44,584)	(2,124,616)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	19,700	19,700
Non-public issuance of A share (Note 22(a))	753,390	14,158,385	-	14,911,775	-	14,911,775
Changes in ownership interests in subsidiaries without change of control	-	(18,995)	-	(18,995)	(10,120)	(29,115)
Employee share option scheme (Note 23)						
- Value of employee services	-	31,538	-	31,538	-	31,538
- Proceeds from shares issued	16,476	96,655	-	113,131	-	113,131
Convertible bonds (Note 26(g))						
- Conversion of convertible bonds	70,197	1,333,686	-	1,403,883	-	1,403,883
Others	-	14,748	-	14,748	592	15,340
Total transactions with owners in their capacity as owners	840,063	16,294,293	(2,758,308)	14,376,048	(34,412)	14,341,636
Balance as at 31 December 2017	7,293,423	28,329,822	33,801,023	69,424,268	1,043,725	70,467,993

The notes on pages 166 to 281 are an integral part of these financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2017	2016
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	38(a)	16,106,000	5,744,009
Interest received		293,644	531,332
Interest paid		(523,139)	(658,535)
Income tax paid		(1,216,752)	(706,885)
		<u>14,659,753</u>	<u>4,909,921</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Purchases of property, plant and equipment, land use rights, and intangible assets		(6,209,260)	(5,211,563)
Proceeds from sales of property, plant and equipment, land use rights, investment properties and non-current assets held for sale		138,305	179,518
Consideration paid for acquisition		(25,609)	(262,048)
Additional capital injection in joint ventures		(558,556)	(723,500)
Additional capital injection in associates		(99,109)	(47,545)
Set-up of joint ventures		(254,597)	(278,300)
Set-up of associates		(29,551)	(44,040)
Proceeds from capital reduction in an associate		–	104,566
Disposal of subsidiaries, net of cash disposed		7,536	–
Consideration received from disposal of an associate		198,104	–
Acquisition of available-for-sale financial assets, held-to-maturity investments and loans and receivables		(11,477,931)	(27,839,058)
Disposal of available-for-sale financial assets, held to maturity investments and loans and receivables		13,133,006	26,166,739
Proceeds from investment income from financial instruments		190,134	267,347
Granting of entrusted loans		(399,128)	(865,760)
Proceeds from repayment of entrusted loans		900,735	677,234
Receipt of government grants related to assets		1,114,852	1,205,162
Dividends received		5,212,314	4,725,620
Increase in time deposits		(2,906,915)	(3,070,311)
Decrease/(increase) in restricted cash		1,000,000	(1,000,000)
Prepayment for investment deposits		–	(98,000)
		<u>(65,670)</u>	<u>(6,113,939)</u>
Net cash used in from investing activities			

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

	<i>Note</i>	Year ended 31 December	
		2017	2016
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from the non-public issuance of A shares, net of transaction costs already paid		14,917,493	–
Proceeds from issues of ordinary shares under employee share option scheme		113,131	120,882
Contribution from non-controlling shareholders of subsidiaries		19,700	154,450
Other payments of financing expenses		(4,871)	–
Dividend paid to shareholders of the Company		(2,080,032)	(1,347,975)
Dividend paid to non-controlling interests in subsidiaries		(44,584)	–
Proceeds from borrowings		2,179,348	9,933,113
Repayments of borrowings		(5,008,926)	(6,666,355)
Payments to bond holders upon conversion of convertible bonds		(37)	(1)
		<u>10,091,222</u>	<u>2,194,114</u>
Net cash generated from financing activities		10,091,222	2,194,114
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		12,579,571	11,548,480
Exchange (losses)/gains on cash and cash equivalents		(66,126)	40,995
		<u>37,198,750</u>	<u>12,579,571</u>
Cash and cash equivalents at end of the year		37,198,750	12,579,571

The notes on pages 166 to 281 are an integral part of these financial statements

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and automotive parts. The 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 RMB 1 each to its shareholders. After the capital injection and as at 31 December 2009, the Company’s total issued domestic shares were 3,934,757,457.

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

The Company previously held 29% interests in GAC Changfeng Motor Co., Ltd. (“GAC Changfeng”, which was listed on the Shanghai Stock Exchange (“SSE”). Subsequent to the approval by the Company’s shareholders and China Securities Regulatory Commission (“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.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with 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.

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

2.1.1 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 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, see note 38(c).

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

Certain new and amended 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 Notes (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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

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.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

(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.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

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

Impact (continued)

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 adopted the HKFRS 9 and applied the new rules retrospectively, with the practical expedients permitted under the standard from 1 January 2018. Comparatives for 2017 will not be restated.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

(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 RMB416,783,000 (Note 39). 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.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) *Business combination between entities under common control*

In applying merger accounting, the consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurred as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that are to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

(c) *Changes in ownership interests in subsidiaries without change of control*

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(d) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, deducting the accumulated impairment losses.

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates (continued)

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

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

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

2.4 Joint ventures

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

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

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

2.5 Segment reporting

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

(c) *Group companies*

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(d) Disposal of foreign operation and partial disposal

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Land use rights

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

2.8 Property, plant and equipment

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment (continued)

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

	Useful lives	Residual rate
– Buildings	20-50 years	0%-10%
– Machinery	5-15 years	0%-10%
– Vehicles	4-12 years	0%-10%
– Moulds	3-5 years	0%-10%
– Office and other equipment	3-20 years	0%-12%
– Leasehold improvements	2-20 years	0%

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

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

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

2.9 Construction in progress

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investment properties

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

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

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

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

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

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

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Intangible assets (continued)

(b) Patent, proprietary technology and franchise right.

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

(c) Computer software

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

(d) Research and development costs

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

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

2.12 Impairment of non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

2.14 Financial assets

2.14.1 Classification

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

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

2.14.1 Classification (continued)

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

(d) Held-to-maturity investments

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

2.14.2 Recognition and measurement

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

When the fair value of unlisted equity investments recognized as available-for-sale financial assets cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

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

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

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.16 Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets (continued)

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through profit or loss.

2.17 Inventories

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

2.18 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.14.2 for further information about the Group's accounting for trade receivables and Note 2.16 for a description of the Group's impairment policies.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Cash and cash equivalents

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

2.20 Share capital

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

2.21 Trade payables

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

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

2.22 Borrowings

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

The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Borrowing costs

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

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

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

2.24 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee.

2.25 Current and deferred income tax

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

(a) *Current income tax*

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Current and deferred income tax (continued)

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

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

(c) *Offsetting*

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Provisions

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

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

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

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

2.27 Employee benefits

(a) *Defined contribution employee retirement schemes*

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

(b) *Termination benefits*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Share-based payment

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Revenue recognition

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

(a) *Sales of products*

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

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

(b) *Rendering of service*

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

(c) *Interest income*

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

(d) *Rental income*

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

(e) *Dividend income*

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Operating leases

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

(a) *As a lessee*

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

(b) *As a lessor*

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

2.31 Dividend distribution

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

2.32 Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) *Market risk*

(i) *Foreign exchange risk*

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

As at 31 December 2017 and 2016, the Group is not exposed to significant foreign exchange risk.

(ii) *Cash flow and fair value interest rate risk*

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

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

As at 31 December 2017, the Group's borrowings at variable rates were denominated in RMB. If interest rates on bank borrowings had been 100 basis point higher/lower respectively with all other variables held constant, post-tax profit would have been RMB12,422,000 (2016: RMB6,360,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2017, approximately RMB9,251,463,000 (2016: RMB13,976,182,000) of the Group's borrowings bore interests at fixed rates. The fair value of the Group's borrowings are disclosed in Note 26.

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

(b) Credit risk

The carrying amounts of time deposits, cash and cash equivalents, restricted cash, trade and other receivables, financial assets at fair value through profit or loss, available-for-sale investments in debt instruments and held-to-maturity investments included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial risk.

As at 31 December 2017 and 2016, most of the time deposits, restricted cash, and cash and cash equivalent are deposited in state-owned banks and other financial institutions without significant credit risks. Management does not expect any losses from non-performance by these state-owned banks and financial institutions.

The Group furnishes investment mandates to commercial banks, trust companies and asset management companies. These mandates require them to invest in financial products with high market credit rating, liquidity and stable return.

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2017				
Borrowings	3,038,449	563,737	5,979,665	3,155,976
Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants)	29,245,348	141,431	–	–
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2016				
Borrowings	4,958,691	1,789,992	3,003,995	7,619,855
Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants)	16,103,382	30,692	110	–

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

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

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

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total borrowings (<i>Note 26</i>)	10,912,850	14,824,215
Less: cash and cash equivalents (<i>Note 21</i>)	(37,198,750)	(12,579,571)
Net (credit)/debt	(26,285,900)	2,244,644
Total equity	70,467,993	44,893,461
Total capital	44,182,093	47,138,105
Gearing ratio	N/A	5%

3.3 Fair value estimation

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

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

The following table presents the Group's assets that are measured at fair value at 31 December 2017.

	Level 1 RMB'000 <i>Note (a)</i>	Level 2 RMB'000 <i>Note (b)</i>	Level 3 RMB'000 <i>Note (c)</i>	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Bond investments	68,933	–	–	68,933
– Stocks	539,996	–	–	539,996
	<u>608,929</u>	<u>–</u>	<u>–</u>	<u>608,929</u>
Available-for-sale financial assets				
– Bond investments	219,138	–	–	219,138
– Fund investments	21,128	300,471	–	321,599
– Financial products	–	–	417,657	417,657
– Trust products	–	–	175,000	175,000
– Stocks	108,270	–	1,239,322	1,347,592
	<u>348,536</u>	<u>300,471</u>	<u>1,831,979</u>	<u>2,480,986</u>
Total assets	<u>957,465</u>	<u>300,471</u>	<u>1,831,979</u>	<u>3,089,915</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

	Level 1 RMB'000 <i>Note (a)</i>	Level 2 RMB'000 <i>Note (b)</i>	Level 3 RMB'000 <i>Note (c)</i>	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Bond investments	99,216	–	–	99,216
– Fund investments	–	55,946	–	55,946
– Stocks	449,389	–	–	449,389
	548,605	55,946	–	604,551
Available-for-sale financial assets				
– Bond investments	146,412	–	–	146,412
– Fund investments	22,138	618,917	–	641,055
– Financial products	–	–	1,796,380	1,796,380
– Trust products	–	–	190,000	190,000
– Stocks	170,766	–	1,050,400	1,221,166
	339,316	618,917	3,036,780	3,995,013
Total assets	887,921	674,863	3,036,780	4,599,564

(a) Financial instruments in level 1

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

(c) Financial instrument in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2017.

	Available-for-sale financial assets			Total RMB'000
	Stocks RMB'000	Financial products RMB'000	Trust products RMB'000	
Opening balance	1,050,400	1,796,380	190,000	3,036,780
Purchase	–	10,094,003	175,000	10,269,003
Gains for the period recognised in other comprehensive income	188,922	66,863	6,065	261,850
Disposal	–	(11,539,589)	(196,065)	(11,735,654)
Closing balance	<u>1,239,322</u>	<u>417,657</u>	<u>175,000</u>	<u>1,831,979</u>
Total gains or losses for the year included in profit or loss, under “other gains – net”	<u>30,000</u>	<u>66,863</u>	<u>6,065</u>	<u>102,928</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) *Financial instrument in level 3 (continued)*

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

	Fair value at 31 December 2017 RMB'000	Valuation technique(s)	Unobservable input	Range (weighted average)
Available-for-sale financial assets				
– Financial products	417,657	Discounted cash flow	Expected interest rate per annum	2.70%-5.36%
– Trust products	175,000	Discounted cash flow	Expected interest rate per annum	6.00%-6.35%
– Stocks (<i>Note (i)</i>)	558,696	Discounted cash flow	Discount rate Expected dividend yield	3.90%-3.92% 6%
– Stocks (<i>Note (i)</i>)	680,626	Comparable transaction approach	Recent market transaction	USD110-120 per share

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instrument in level 3 (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2016.

	Stocks RMB'000	Available-for-sale financial assets		Total RMB'000
		Financial products RMB'000	Trust products RMB'000	
Opening balance	554,400	207,080	–	761,480
Purchase	518,100	25,438,900	280,000	26,237,000
Gains/(losses) for the period recognised in other comprehensive income	(22,100)	144,820	1,891	124,611
Disposal	–	(23,994,420)	(91,891)	(24,086,311)
Closing balance	<u>1,050,400</u>	<u>1,796,380</u>	<u>190,000</u>	<u>3,036,780</u>
Total gains or losses for the year included in profit or loss, under “other gains – net”	<u>30,000</u>	<u>144,820</u>	<u>1,891</u>	<u>176,711</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) *Financial instrument in level 3 (continued)*

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

	Fair value at 31 December 2016 RMB'000	Valuation technique(s)	Unobservable input	Range (weighted average)
Available-for-sale financial assets				
– Financial products	1,796,380	Discounted cash flow	Expected interest rate per annum	2.10%-4.30%
– Trust products	190,000	Discounted cash flow	Expected interest rate per annum	4.30%-5.30%
– Stocks (<i>Note (i)</i>)	532,300	Discounted cash flow	Discount rate	3.90%-3.92%
			Expected dividend yield	6%
– Stocks (<i>Note (i)</i>)	518,100	Comparable transaction approach	Recent market transaction	USD 110-120 per share

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Current and deferred income taxes

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

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

(c) Impairment of goodwill

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

(d) Impairment of investments in joint ventures and associates

The Group determines at each reporting date whether there is any objective evidence that the investments in the joint ventures and associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and associates and their carrying value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

If the investments in joint ventures and associates include goodwill, the Group should test the amount of impairment at least once a year. No impairment charge arose in one joint venture (Note 11.1(c)) with significant goodwill arising from an acquisition during the year 2012 after assessment. The recoverable amounts of the investments have been determined based on fair value less cost of disposal estimated using the discounted cash flow method. In arriving at fair value less cost of disposal, post-tax discount rates of 12.5% to 14.5% have been applied to the post-tax cash flows expressed in real terms. Fair value less cost of disposal was determined by estimating cash flows for a period of five years. The cash flow projections are based on financial budgets approved by management covering a five-year periods. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the fifth year, incorporating an annual real-term growth rate of 3%. These calculations require the use of estimates.

If the budgeted revenue used in the fair value less cost of disposal calculation for this joint venture had been 10% lower than management's estimates at 31 December 2017, the Group would not recognise any impairment of investment. If the estimated post-tax discount rate for the joint venture had been 1% higher than management's estimates, the Group would not recognise an impairment against investment. If the estimated gross profit margins for the joint venture had been 1% lower than management's estimates, the Group would not recognise an impairment against investment.

(e) Warranty provisions

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

(f) Impairment of trade and other receivables

The management of the Group assesses whether the trade and other receivables should be impaired at each reporting date based on the accounting policies stated in Note 2.16. The assessment will be made considering the credibility and financial conditions of the customers, as well as the market situations. Even though the management of the Group has made the best estimate about the impairment loss predicted to occur and provided allowance for impairment, the impairment assessment may still be significantly changed due to the change of customers' financial conditions and market situations.

(g) Impairment of inventory

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2017 particulars of principal subsidiaries, joint ventures and associates are as follows:

Name	Place of incorporation and operations	Legal status	Principal activities	Particulars of registered capital/ issued share capital	Interest held	
					Direct	Indirect
Subsidiaries						
Guangzhou Automobile Group Auto Bus Co., Ltd. ("GAC Bus") 廣州汽車集團客車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobiles	US\$49,900,000	50%	50%
Guangzhou Automobile Group Motor Co., Ltd. ("GAC Motor") 廣州汽車集團乘用車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobiles	RMB8,270,947,594	100%	–
Guangzhou Automobile Group Component Co., Ltd. ("GAC Component") 廣州汽車集團零部件有限公司	Mainland China	Limited liability company	Manufacture and sale of automotive parts	RMB107,211,000	51%	49%
Guangzhou Automobile Group Business Co., Ltd. ("GAC Business") 廣州汽車集團商貿有限公司	Mainland China	Limited liability company	Trading of automobiles, automotive parts and steel	RMB3,241,512,000	100%	–
GAC Motor Hangzhou Co., Ltd. ("GAC Motor Hangzhou") 廣州汽車集團乘用車(杭州)有限公司	Mainland China	Limited liability company	Manufacture and sale of automobile	RMB3,931,280,000	51%	49%
GAC Capital Co., Ltd. ("GAC Capital") 廣汽資本有限公司	Mainland China	Limited liability company	Investment and investment management	RMB1,500,000,000	100%	–
GAC Finance Co., Ltd. ("GAC Finance") 廣州汽車集團財務有限公司	Mainland China	Limited liability company	Financial services	RMB1,000,000,000	90%	10%

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

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

Name	Place of incorporation and operations	Principal activities	Particulars of registered capital/ issued share capital	Interest held	
				Direct	Indirect
Joint ventures					
GAC Honda Automobile Co., Ltd. ("GAC Honda") 廣汽本田汽車有限公司	Mainland China	Manufacture parts and sale of automobile and automotive parts	US\$541,000,000	50%	–
GAC Toyota Motor Co., Ltd. ("GAC Toyota") 廣汽豐田汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US\$680,526,100	50%	–
GAC Hino Motors Co., Ltd. ("GAC Hino") 廣汽日野汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB1,720,000,000	50%	–
GAC-SOFINCO Automobile Finance Co., Ltd ("GAC Sofinco") 廣汽菲理汽車金融有限公司	Mainland China	Provision of automotive financing services	RMB1,600,000,000	50%	–
GAC Fiat Chrysler Automobiles Co., Ltd. ("GAC Fiat Chrysler") 廣汽菲亞特克萊斯勒汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB6,000,000,000	50%	–
Wuyang-Honda Motors (Guangzhou) Co., Ltd. ("Wuyang-Honda") 五羊·本田摩托(廣州)有限公司	Mainland China	Manufacture and sale of motorcycle and motorcycle parts	US\$49,000,000	50%	–
GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") 廣汽三菱汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB1,947,000,000	50%	–

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

6. SEGMENT INFORMATION

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

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

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

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

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

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.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

6. SEGMENT INFORMATION (continued)

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

6. SEGMENT INFORMATION (continued)

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	<u>22,394,703</u>	<u>3,348,434</u>	<u>-</u>	<u>-</u>	<u>25,743,137</u>
Total liabilities	<u>32,898,935</u>	<u>32,707,001</u>	<u>(28,323,979)</u>	<u>11,906,491</u>	<u>49,188,448</u>
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	<u>6,527,217</u>	<u>928,386</u>	<u>-</u>	<u>-</u>	<u>7,455,603</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

6. SEGMENT INFORMATION (continued)

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
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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

6. SEGMENT INFORMATION (continued)

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 RMB'000	2016 RMB'000
Mainland China	71,572,413	49,414,863
Hong Kong	2,526	2,813
	71,574,939	49,417,676

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

6. SEGMENT INFORMATION (continued)

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

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

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
	<u>71,574,939</u>	<u>49,417,676</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

7. LAND USE RIGHTS

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year		
Cost	2,540,759	2,004,398
Accumulated amortisation and impairment	(231,800)	(184,696)
Net book amount	<u>2,308,959</u>	<u>1,819,702</u>
For the year ended		
Opening net book amount	2,308,959	1,819,702
Additions	1,470,563	643,211
Transferred to investment properties (Note 9)	–	(55,183)
Disposal	–	(42,714)
Disposal of subsidiaries	(1,984)	–
Amortisation charge	(60,956)	(56,057)
Closing net book amount	<u>3,716,582</u>	<u>2,308,959</u>
End of the year		
Cost	4,002,705	2,540,759
Accumulated amortisation and impairment	(286,123)	(231,800)
Net book amount	<u>3,716,582</u>	<u>2,308,959</u>

- (a) The amount of amortisation of the Group was primarily charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.
- (b) As at 31 December 2017, certain bank borrowings (Note 26(a)) were secured by the Group's land use rights with the carrying value of approximately RMB28,604,000 (2016: RMB29,567,000).
- (c) As at 31 December 2017, the Group is in the process of applying for the title certificates of certain of its land use rights with an aggregate carrying value of approximately RMB622,906,000 (2016: RMB802,573,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those land use rights.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Moulds RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2016								
Opening net book amount	4,801,942	2,228,199	235,987	588,795	100,185	237,590	2,388,510	10,581,208
Additions	13,956	185,852	109,527	231,577	61,971	81,220	2,844,417	3,528,520
Disposals	(41,634)	(43,783)	(30,387)	(3,368)	(1,247)	-	-	(120,419)
Transfer from investment properties (Note 9)	17,220	-	-	-	-	-	-	17,220
Transfer to investment properties (Note 9)	-	-	-	-	-	-	(973,939)	(973,939)
Transfers	1,380,798	2,064,509	15,667	191,898	4,520	-	(3,657,392)	-
Depreciation charge (Note 29)	(252,612)	(374,625)	(81,460)	(260,429)	(36,569)	(83,786)	-	(1,089,481)
Impairment charge	(23,581)	(36,308)	(2,723)	(23,264)	(197)	-	(1,023)	(87,096)
Closing net book amount	5,896,089	4,023,844	246,611	725,209	128,663	235,024	600,573	11,856,013
As at 31 December 2016								
Cost	6,928,609	5,515,129	532,046	1,402,079	325,802	527,539	601,596	15,832,800
Accumulated depreciation and impairment	(1,032,520)	(1,491,285)	(285,435)	(676,870)	(197,139)	(292,515)	(1,023)	(3,976,787)
Net book amount	5,896,089	4,023,844	246,611	725,209	128,663	235,024	600,573	11,856,013
Year ended 31 December 2017								
Opening net book amount	5,896,089	4,023,844	246,611	725,209	128,663	235,024	600,573	11,856,013
Additions	12,839	380,858	236,822	128,919	72,138	71,265	2,472,949	3,375,790
Disposals	(46,274)	(55,682)	(49,243)	(1,373)	(4,839)	-	-	(157,411)
Disposal of subsidiaries	(7,629)	(150)	(28)	-	(29)	-	-	(7,836)
Transfer to investment properties (Note 9)	(83,785)	-	-	-	-	-	(10,377)	(94,162)
Transfers	556,426	1,067,948	11,219	354,199	21,666	-	(2,011,458)	-
Depreciation charge (Note 29)	(251,466)	(566,854)	(91,467)	(206,672)	(33,409)	(106,484)	-	(1,256,352)
Impairment charge	-	(81,441)	-	(229,217)	-	-	-	(310,658)
Closing net book amount	6,076,200	4,768,523	353,914	771,065	184,190	199,805	1,051,687	13,405,384
As at 31 December 2017								
Cost	7,280,358	6,788,445	671,002	1,882,428	404,607	598,804	1,052,710	18,678,354
Accumulated depreciation and impairment	(1,204,158)	(2,019,922)	(317,088)	(1,111,363)	(220,417)	(398,999)	(1,023)	(5,272,970)
Net book amount	6,076,200	4,768,523	353,914	771,065	184,190	199,805	1,051,687	13,405,384

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of sales	994,148	776,084
Selling and distribution costs	20,959	26,019
Administrative expenses	241,245	287,378
	<u>1,256,352</u>	<u>1,089,481</u>

- (b) As at 31 December 2017, certain bank borrowings (Note 26(a)) were secured by the Group's property, plant and equipment with the carrying value of approximately RMB127,117,000 (2016: RMB122,831,000).
- (c) As at 31 December 2017, the Group is in the process of applying for the title certificates of certain of its property with an aggregate carrying value of approximately RMB1,190,565,000 (2016: RMB1,912,929,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.
- (d) During the year, the Group capitalised borrowing costs amounting to RMB446,000 (2016: RMB8,463,000) on qualifying assets (construction in progress). Borrowing costs were capitalised at rate of its general borrowings of 3.06%-5.12% (2016: 4.35%-5.35%).

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

9. INVESTMENT PROPERTIES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year		
Cost	1,412,150	414,497
Accumulated depreciation	(100,717)	(70,539)
Net book amount	<u>1,311,433</u>	<u>343,958</u>
For the year ended		
Opening net book amount	1,311,433	343,958
Transfer from land use rights (<i>Note 7</i>)	–	55,183
Transfer from property, plant and equipment (<i>Note 8</i>)	94,162	973,939
Transfer to property, plant and equipment (<i>Note 8</i>)	–	(17,220)
Disposal	(3,277)	(1,125)
Depreciation charge (<i>Note 29</i>)	(62,322)	(43,302)
Closing net book amount	<u>1,339,996</u>	<u>1,311,433</u>
End of the year		
Cost	1,510,362	1,412,150
Accumulated depreciation	(170,366)	(100,717)
Net book amount	<u>1,339,996</u>	<u>1,311,433</u>

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Mainland China	1,324,679	1,295,964
Hong Kong	15,317	15,469
	<u>1,339,996</u>	<u>1,311,433</u>

(b) As at 31 December 2017, the Group is in the process of applying for the title certificates of certain of its investment properties with an aggregate carrying value of approximately RMB128,139,000 (2016: RMB958,167,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

10. INTANGIBLE ASSETS

	Patent, proprietary technology and franchise right RMB'000	Computer software RMB'000	Goodwill RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2016					
Opening net book amount	586,303	112,919	328,436	3,799,244	4,826,902
Additions	10,527	74,108	–	1,993,053	2,077,688
Amortisation charge (<i>Note 29</i>)	(123,165)	(31,721)	–	(839,593)	(994,479)
Impairment charge	(344)	–	–	(590,545)	(590,889)
Closing net book amount	<u>473,321</u>	<u>155,306</u>	<u>328,436</u>	<u>4,362,159</u>	<u>5,319,222</u>
As at 31 December 2016					
Cost	1,074,786	277,925	328,436	7,372,600	9,053,747
Accumulated amortisation and impairment	<u>(601,465)</u>	<u>(122,619)</u>	<u>–</u>	<u>(3,010,441)</u>	<u>(3,734,525)</u>
Net book amount	<u>473,321</u>	<u>155,306</u>	<u>328,436</u>	<u>4,362,159</u>	<u>5,319,222</u>
Year ended 31 December 2017					
Opening net book amount	473,321	155,306	328,436	4,362,159	5,319,222
Additions	215,290	107,172	–	2,489,749	2,812,211
Amortisation charge (<i>Note 29</i>)	(54,229)	(43,143)	–	(859,420)	(956,792)
Impairment charge and write-off	(28,280)	–	(201,337)	(1,083,871)	(1,313,488)
Disposal	–	(108)	–	–	(108)
Closing net book amount	<u>606,102</u>	<u>219,227</u>	<u>127,099</u>	<u>4,908,617</u>	<u>5,861,045</u>
As at 31 December 2017					
Cost	1,290,076	383,873	127,099	9,862,349	11,663,397
Accumulated amortisation and impairment	<u>(683,974)</u>	<u>(164,646)</u>	<u>–</u>	<u>(4,953,732)</u>	<u>(5,802,352)</u>
Net book amount	<u>606,102</u>	<u>219,227</u>	<u>127,099</u>	<u>4,908,617</u>	<u>5,861,045</u>

(a) Amortisation of the Group's intangible assets mainly charged to cost of sales and administrative expenses.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

10. INTANGIBLE ASSETS (continued)

(b) Goodwill arose from acquisition of businesses:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Business acquired by GAC Motor Hangzhou (formerly known as “GAC Gonow Co.,Ltd.” (“GAC Gonow”)) (Note (ii))	–	201,337
Denway	90,299	90,299
Others	36,800	36,800
	127,099	328,436

- (i) Goodwill is allocated to the passenger vehicles and related operations and automotive parts segment, which is operated in Mainland China. Impairment testing is performed at each year end, and there was no material impairment for goodwill as at year end except that set out in Note(i) below.
- (ii) Due to the restructuring of GAC Gonow business, goodwill amounting to RMB201,337,000 was written off in 2017.
- (c) During the year 2017, the Group capitalised borrowing costs amounting to RMB42,240,000 (2016: RMB46,819,000) on qualifying assets (development costs). Borrowing costs were capitalised at rate of its general borrowings of 5.09%-5.19% (2016: 5.09%-5.19%).

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

11. 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
	<u>25,743,137</u>	<u>22,658,119</u>

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 (<i>Note (i)</i>)	6,738,406	4,685,223
Share of profit of associates (<i>Note (i)</i>)	1,557,981	1,049,556
Government grants to compensate share of loss of a joint venture	–	39,583
	<u>8,296,387</u>	<u>5,774,362</u>

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

11.1 Investments in Joint Ventures

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

- (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 (<i>Note (i)</i>)	817,559	1,003,340
Share of profits	6,726,133	4,680,016
Dividends declared	(5,072,490)	(1,919,058)
End of the year	<u>19,201,981</u>	<u>16,730,779</u>

- (i) The addition in 2017 mainly represents the Company's contribution of additional capital of RMB558,556,000 to GAC Toyota in proportion to its interest held.
- (b) Set out below are the joint ventures of the Group as at 31 December 2017, which in the opinion of the directors, are material to the Group. The joint ventures as listed below are held directly by the Group; the country of incorporation or registration is also their principal place of business.

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

Note 1: GAC Honda, GAC Toyota, GAC Fiat Chrysler, GAC Mitsubishi, GAC Hino are companies manufacturing and selling of automobiles and automotive parts, GAC Sofinco is a company providing automotive financing services, and Wuyang-Honda is a company manufacturing and selling of motorcycles and motorcycle parts. All of them are unlisted companies.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

(c) Summarised financial information for joint ventures

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

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

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

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

Name of joint ventures	Assets		Liabilities		Revenue		Dividends received	
	As at 31 December		As at 31 December		Year ended 31 December		Year ended 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GAC Honda	36,930,220	32,519,192	28,710,625	24,807,557	92,011,310	75,833,723	1,755,000	1,491,398
GAC Toyota	26,257,366	24,097,735	16,412,427	15,838,287	60,400,154	57,760,200	2,205,946	2,216,145
GAC Fiat Chrysler	16,289,098	16,434,253	11,867,168	12,938,930	31,500,599	24,053,528	–	–
GAC Mitsubishi	10,706,876	7,852,154	8,540,519	6,452,192	17,095,402	9,780,021	–	–
GAC Hino	1,651,464	1,513,589	1,644,110	1,441,866	949,317	688,134	–	–
GAC Sofinco	31,287,798	25,364,443	27,852,789	22,508,802	2,583,891	2,076,256	–	50,000
Wuyang-Honda	3,064,262	3,757,140	1,740,335	2,462,953	5,395,010	5,629,348	101,332	74,655
Total	126,187,084	111,538,506	96,767,973	86,450,587	209,935,683	175,821,210	4,062,278	3,832,198

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

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

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Assets	126,187,084	111,538,506
Less: Liabilities	(96,767,973)	(86,450,587)
Non-controlling interests	(17,053)	(18,520)
Net assets excluding non-controlling interests	29,402,058	25,069,399
Percentage of ownership interest	50%	50%
Interests in material joint ventures	14,701,029	12,534,700
Goodwill	2,916,552	2,916,552
– GAC Mitsubishi	2,895,293	2,895,293
– Wuyang-Honda	21,259	21,259
Carrying amount of investments in material joint ventures	17,617,581	15,451,252

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.2 Investments in Associates

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Unlisted companies	6,541,156	5,927,340

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	5,927,340	5,511,677
Additions	131,518	96,144
Share of profits	1,559,197	1,050,328
Capital reduction	–	(104,895)
Dividends declared	(1,076,899)	(625,914)
End of the year	6,541,156	5,927,340

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Associates		
Profit from continuing operations	1,557,981	1,049,556
Other comprehensive income	–	–
Total comprehensive income	1,557,981	1,049,556

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

12. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Loans and receivables		
– Trade and other receivables (excluding prepayments and Value added tax recoverable) (<i>Note 15 and Note 17</i>)	9,887,282	7,682,390
– Time deposits (<i>Note 19</i>)	10,113,301	7,189,931
– Restricted cash (<i>Note 20</i>)	2,155,899	1,547,528
– Cash and cash equivalents (<i>Note 21</i>)	37,198,750	12,579,571
Financial assets at fair value through profit or loss (<i>Note 18</i>)	608,929	604,551
Held-to-maturity investments	–	59,964
Available-for-sale financial assets (<i>Note 14</i>)	2,629,048	4,123,215
	<u>62,593,209</u>	<u>33,787,150</u>

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Financial liabilities at amortised cost		
– Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants) (<i>Note 25</i>)	29,386,779	16,134,184
– Borrowings (<i>Note 26</i>)	10,912,850	14,824,215
Total	<u>40,299,629</u>	<u>30,958,399</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

13. DEFERRED INCOME TAX

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	163,173	215,642
– to be recovered within 12 months	960,245	574,233
	<u>1,123,418</u>	<u>789,875</u>
Deferred tax liabilities:		
– to be settled after more than 12 months	(105,665)	(71,756)
– to be settled within 12 months	(1,852)	(196)
	<u>(107,517)</u>	<u>(71,952)</u>
Deferred tax assets-net	<u>1,015,901</u>	<u>717,923</u>

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	717,923	398,931
Tax recognised in profit or loss (<i>Note 34</i>)	302,548	319,467
Tax charge relating to components of other comprehensive income	(4,570)	(475)
End of the year	<u>1,015,901</u>	<u>717,923</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

13. DEFERRED INCOME TAX (continued)

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

Deferred tax assets	Impairment provision RMB'000	Amortisation of pre- operating expenses RMB'000	Accrued expenses and provisions RMB'000	Tax losses RMB'000	Total RMB'000
Year ended 31 December 2016					
Opening book amount	34,682	451	322,397	83,008	440,538
Recognised in profit or loss	32,221	939	324,731	(8,554)	349,337
Closing book amount	66,903	1,390	647,128	74,454	789,875
Year ended 31 December 2017					
Opening book amount	66,903	1,390	647,128	74,454	789,875
Recognised in profit or loss	58,105	259	293,914	(18,735)	333,543
Closing book amount	125,008	1,649	941,042	55,719	1,123,418

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

13. DEFERRED INCOME TAX (continued)

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

Deferred tax liabilities	Accrued bank interest income RMB'000	Accelerated taxation depreciation RMB'000	Revaluation of available-for- sale financial assets and financial assets at fair value through profit or loss RMB'000	Fair value gains arisen from business combination RMB'000	Share of profit of an associate RMB'000	Total RMB'000
Year ended 31 December 2016						
Opening book amount	(435)	(357)	(400)	(16,748)	(23,667)	(41,607)
Recognised in profit or loss	240	(18,025)	88	776	(12,949)	(29,870)
Tax charge relating to components of other comprehensive income	-	-	(475)	-	-	(475)
Closing book amount	<u>(195)</u>	<u>(18,382)</u>	<u>(787)</u>	<u>(15,972)</u>	<u>(36,616)</u>	<u>(71,952)</u>
Year ended 31 December 2017						
Opening book amount	(195)	(18,382)	(787)	(15,972)	(36,616)	(71,952)
Recognised in profit or loss	(1,657)	(27,722)	(4)	755	(2,367)	(30,995)
Tax charge relating to components of other comprehensive income	-	-	(4,570)	-	-	(4,570)
Closing book amount	<u>(1,852)</u>	<u>(46,104)</u>	<u>(5,361)</u>	<u>(15,217)</u>	<u>(38,983)</u>	<u>(107,517)</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

13. DEFERRED INCOME TAX (continued)

- (d) In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2017, the Group did not recognise deferred tax assets in respect of losses amounting to RMB9,481,704,000 (2016: RMB8,321,301,000), as it is uncertain that future taxable profit of group companies will be available against which the tax losses can be utilised. These tax losses will expire between 2018 and 2022.

Expire year	Unused tax losses for which no deferred tax asset was recognised RMB'000
2018	1,630,686
2019	1,734,429
2020	1,728,638
2021	1,918,295
2022	2,469,656
	9,481,704

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Unlisted equity investment at cost, net of impairment (<i>Note (a)</i>)	148,062	128,202
Other investment at fair value		
– Listed (<i>Note (b)</i>)	922,300	886,838
– Unlisted (<i>Note (b)</i>)	1,558,686	3,108,175
	2,629,048	4,123,215
Less: non-current portion	(2,205,196)	(2,024,359)
Current portion	423,852	2,098,856

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Available-for-sale financial assets are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	1,948,422	3,605,115
USD	680,626	518,100
	<u>2,629,048</u>	<u>4,123,215</u>

- (a) Available-for-sale financial assets measured at cost are equity investment, where the Group does not have control, joint control or significant influence over the investee. These investments do not have a quoted market price in an active market and their fair values cannot be reliably measured.
- (b) Available-for-sale financial assets measured at fair value are bonds, funds, financial products, trust products and stocks (Note 3.3).
- (c) The maximum exposure to credit risk at the reporting date is the carrying value of available-for-sale debt.

15. PREPAYMENTS AND LONG-TERM RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Prepayments	599,624	472,270
Loans relating to financing services (Note 17(d))	487,500	–
Other loan and receivables	689,140	460,789
	<u>1,776,264</u>	<u>933,059</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

16. INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Raw materials and consumables	1,058,428	1,008,931
Work-in-progress	87,201	74,061
Finished goods and merchandise	2,415,775	1,723,969
	<u>3,561,404</u>	<u>2,806,961</u>
Less: provision for impairment	(214,806)	(313,397)
	<u>3,346,598</u>	<u>2,493,564</u>

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB48,432,610,000 (2016: RMB34,539,182,000).

As at 31 December 2017, certain bank borrowings (Note 26(a)) and notes payable were secured by the Group's inventories with the carrying value of approximately RMB313,075,000 (2016: RMB168,311,000) and RMB338,201,000 (2016: RMB188,784,000) respectively.

17. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables (<i>Notes (a), (b) and (c)</i>)	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 (<i>Notes (d) and 40(b)</i>)	146,250	–
Entrusted loans to related parties (<i>Notes (e) and 40(b)</i>)	373,200	859,560
Value added tax recoverable	717,686	370,415
Prepayments	1,209,762	779,221
Dividends receivable (<i>Note 40(b)</i>)	2,757,269	1,820,194
Other receivables	1,413,448	1,046,550
	<u>10,638,090</u>	<u>8,371,237</u>

17. TRADE AND OTHER RECEIVABLES (continued)

- (a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 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
	<u>1,633,554</u>	<u>1,341,432</u>

As at 31 December 2017, most of the trade receivables overdue by more than 1 year were impaired and provided for. The individually impaired receivables were mainly related to customers of the Group with long outstanding balances which arose prior to the conversion of the Company into a joint stock limited liability company.

- (b) As at 31 December 2017, trade receivables of RMB42,357,000 (2016: RMB32,425,000) were past due but not impaired because these trade receivables relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	<u>42,357</u>	<u>32,425</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

17. TRADE AND OTHER RECEIVABLES (continued)

- (c) As at 31 December 2017, trade receivables of RMB436,974,000 (2016: RMB536,291,000) were impaired and provided for. The amount of the provision was RMB259,744,000 (2016: RMB186,685,000). The individually impaired receivables were mainly related to customers with unexpected difficult economic situations. It was assessed that only a portion of these receivables is expected to be recovered. The ageing of these trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	181,082	341,971
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
	436,974	536,291

Movements of the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	186,685	160,310
Net impairment loss recognized for trade receivables	73,059	26,375
End of the year	259,744	186,685

The addition and release of provision for impaired receivables have been included in “selling and distribution costs” in the consolidated statement of comprehensive income (Note 29). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

17. TRADE AND OTHER RECEIVABLES (continued)

- (d) The balance represents loans to related parties in relation to provision of financing services by a subsidiary of the Group. The effective interest rate as at 31 December 2017 is 3.92%-5.55%.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Gross loan balance	650,000	—
Less: provision for impairment	(16,250)	—
	633,750	—
Less: current portion	(146,250)	—
Non-current portion (<i>Note 15</i>)	487,500	—

Movements of impairment allowances are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	—	—
Provision for impairment loss	16,250	—
At 31 December	16,250	—

- (e) The entrusted loans are mainly lent to related parties through financial institutions, which will be due in 2018. The effective interest rate as at 31 December 2017 is 4.48% (2016: 4.27%).
- (f) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	10,630,490	8,364,047
USD	5,868	622
HKD	1,732	6,568
	10,638,090	8,371,237

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Listed bond investments	68,933	99,216
Fund investments		
– Unlisted	–	55,946
Listed stocks	539,996	449,389
	<u>608,929</u>	<u>604,551</u>

19. TIME DEPOSITS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Denominated in:		
– RMB	10,080,630	7,155,246
– USD	32,671	34,685
	<u>10,113,301</u>	<u>7,189,931</u>

The initial term of time deposits was over three months.

20. RESTRICTED CASH

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deposits for letters of credit and bank notes	482,884	230,107
Security and other deposits	12,517	1,017,421
Capital guarantee deposits for a subsidiary operating insurance business	300,000	300,000
Mandatory reserve deposits with the People's Bank of China ("PBOC") (<i>Note (a)</i>)	1,360,498	–
	<u>2,155,899</u>	<u>1,547,528</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

20. RESTRICTED CASH (continued)

- (a) A subsidiary of the Group is required to place mandatory reserve deposits with the PBOC for its provision of financing service. Those deposits with the PBOC are not available for use in the Group's daily operations.

The carrying amount of the Group's restricted cash are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	2,154,160	1,546,004
HKD	1,739	1,523
USD	–	1
	<u>2,155,899</u>	<u>1,547,528</u>

21. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Denominated in:		
– RMB	36,012,767	11,568,634
– HKD	16,466	18,542
– USD	1,162,175	985,512
– JPY	6,366	5,876
– EUR	707	–
– Others	269	1,007
	<u>37,198,750</u>	<u>12,579,571</u>

As at 31 December 2017 and 2016, the Group's cash and cash equivalents includes cash in hand, deposits held at call with banks and bank deposits with original maturities of three months or less.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

21. CASH AND CASH EQUIVALENTS (continued)

- (a) As at 31 December 2017 and 2016, the Group's cash and cash equivalents, restricted cash (Note 20) and time deposits (Note 19) were deposited in financial institutions without significant credit risk. Detail ratings of these financial institutions, as published by Shanghai Purang Financial service Co., Ltd, are set out as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
AAA	49,440,221	19,660,849
AA+	11,234	–
Others and cash on hand	16,495	1,656,181
Total	49,467,950	21,317,030
Representing		
– 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
	49,467,950	21,317,030

22. SHARE CAPITAL

	RMB ordinary shares of RMB 1 each		Foreign ordinary shares listed outside mainland China of RMB 1 each		Total	
	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000
As at 31 December 2016	4,240,060	4,240,060	2,213,300	2,213,300	6,453,360	6,453,360
Non-public issuance of A Shares (Note (a))	753,390	753,390	–	–	753,390	753,390
Employee share option scheme:						
– Proceeds from share issued (Note 23)	16,476	16,476	–	–	16,476	16,476
Conversion of convertible bonds (Note 26(g)):	70,197	70,197	–	–	70,197	70,197
As at 31 December 2017	5,080,123	5,080,123	2,213,300	2,213,300	7,293,423	7,293,423

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

22. SHARE CAPITAL (continued)

- (a) On 16 November 2017, the Company completed the non-public issuance of A shares, under which the Company issued 753,390,254 RMB denominated ordinary shares. All proceeds were paid in by cash in RMB with a total amount of approximately RMB15 billion. After deducting the issuance expenses, RMB753,390,000 and RMB14,158,385,000 were recorded as share capital and share premium (Note 24) respectively.

23. SHARE-BASED PAYMENTS

(a) Equity-settled share-based payment – the First A Share Options Scheme

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

The exercise price of SOs-I was determined by reference to the Company's stock closing price one trading day before the announcement of the First A Share Options Scheme.

The exercise price will be adjusted when there is transfer from capital surplus to paid-in capital, distribution of dividends, share split, allotment of shares and share consolidation etc.

Each one third of the SOs-I granted to the Recipients-I will become exercisable once per year in three years starting two years from the Grant Date I, subject to achieving the performance conditions as set out in the First A Share Options Scheme.

The options have a contractual option term of five years starting from the Grant Date I. The Company has no legal or constructive obligation to purchase or settle the SOs-I in cash.

The weighted average fair value of SOs-I, as estimated at the Grant Date I, was RMB1.836 per share option. This was calculated using the Black-Scholes share option pricing model.

On 19 September 2016, one third of the SOs-I ("Batch I of SOs-I") became exercisable. Up to 31 December 2017, an accumulative total of 18,674,402 units of Batch I SOs-I were exercised by the Recipients-I. The Company issued 16,724,653 shares and 1,949,749 shares accordingly in year 2016 and 2017 respectively. As of 31 December 2017, there is no outstanding Batch I SOs-I.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

23. SHARE-BASED PAYMENTS (continued)

(a) Equity-settled share-based payment – the First A Share Options Scheme (continued)

On 19 September 2017, the second one third of the SOs-I (“Batch II of SOs-I”) became exercisable. Up to 31 December 2017, an accumulative total of 14,526,349 units of Batch II SOs-I were exercised by the Recipients-I. The Company issued 14,526,349 shares accordingly in 2017.

The Company received capital contribution of RMB113,131,000 in cash from the Recipients-I for exercise of Batch I of SOs-I and Batch II of SOs-I in 2017 and increased share capital and share premium with the amount of RMB16,476,000 and RMB126,908,000 respectively. At the same time, the Company derecognised the accumulative employee share option scheme reserve relating to exercised share options of RMB30,253,000 and transferred this amount to share premium.

Movements in the number of SOs-I outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Average exercise price in RMB per share option	Number of share options (thousands)	Average exercise price in RMB per share option	Number of share options (thousands)
At 1 January	7.16	38,531	7.60	64,349
Exercised – Batch I of SOs-I	7.06	(1,950)	7.23	(16,725)
Exercised – Batch II of SOs-I	6.84	(14,526)	–	–
Forfeited	7.00	(1,765)	7.23	(9,093)
At 31 December	6.84	20,290	7.16	38,531

(b) Equity-settled share-based payment – the Second A Share Options Scheme

According to the resolution of the extraordinary shareholders’ meeting held on 18 December 2017, total 403,335,400 A Share Options (“SOs-II”) were granted to 2,358 individuals, including directors, senior management and selected key employees (the “Recipients-II”). Each share option represents the right granted to the Recipients-II to acquire one share of the Company at pre-determined exercise price and conditions in the validity period as set out in the Second A Share Options Scheme. The grant date is 18 December 2017 (the “Grant Date II”).

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

23. SHARE-BASED PAYMENTS (continued)

(b) Equity-settled share-based payment – the Second A Share Options Scheme (continued)

The exercise price of SOs-II was determined by reference to the Company's stock average price one trading day before the announcement of the Second A Share Options Scheme.

The exercise price will be adjusted when there is transfer from capital surplus to paid-in capital, distribution of dividends, share split, allotment of shares and share consolidation etc.

Each one third of the options granted to the Recipients-II will become exercisable once per year in three years starting two years from the Grant Date II, subject to achieving the performance conditions as set out in the Second A Share Options Scheme.

The options have a contractual option term of six years starting from the Grant Date II. The Company has no legal or constructive obligation to purchase or settle the SOs-II in cash.

The weighted average fair value SOs-II, as estimated at the Grant Date II, was RMB 3.85 per share option. This was calculated using the Black-Scholes share option pricing model.

The significant inputs into the model are listed as follow:

Exercise price determined at the Grant Date II	RMB 28.40
Expected option life (years)	4 years
Share price at Grant Date II	RMB 24.06
Estimated volatility of the share price	24.43%
Estimated dividend yields	1.24%
Annual risk-free interest rate during the option life	3.80%

No SOs-II was forfeited or exercised in 2017.

(c) Total expenses recognised in the consolidated statement of comprehensive income for SOs-I and SOs-II in 2017 are RMB31,538,000 (2016: RMB24,070,000).

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

24. RESERVES

	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	General reserve RMB'000	Available- for-sale investments RMB'000	Foreign currency translation RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Statutory surplus reserve fund RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2016	17,503,791	(8,582,211)	8,150	-	63,675	-	56,890	-	2,271,172	11,321,467	20,890,023	32,211,490
Profit for the year	-	-	-	-	-	-	-	-	-	-	6,287,542	6,287,542
Appropriation to statutory surplus reserve fund	-	-	-	-	-	-	-	-	334,639	334,639	(334,639)	-
Dividend declared by the Company	-	-	-	-	-	-	-	-	-	-	(1,288,266)	(1,288,266)
Revaluation – gross	-	-	-	-	144,962	-	-	-	-	144,962	-	144,962
Reclassification to profit or loss	-	-	-	-	(164,197)	-	-	-	-	(164,197)	-	(164,197)
Deferred tax	-	-	-	-	(285)	-	-	-	-	(285)	-	(285)
Employee share option scheme												
– Value of employee services	-	-	-	-	-	-	24,070	-	-	24,070	-	24,070
– Proceeds from shares issued	134,876	-	-	-	-	-	(30,719)	-	-	104,157	-	104,157
Changes in ownership interests in subsidiaries without change of control	-	(342,706)	-	-	-	-	-	-	-	(342,706)	-	(342,706)
Convertible bonds (Note 26(g))												
– Issue of convertible bonds	-	-	-	-	-	-	-	387,578	-	387,578	-	387,578
– Conversion of convertible bonds	33,330	-	-	-	-	-	-	(3,336)	-	29,994	-	29,994
Others	-	5,800	2,654	-	-	-	-	-	-	8,454	-	8,454
As at 31 December 2016	17,671,997	(8,919,117)	10,804	-	44,155	-	50,241	384,242	2,605,811	11,848,133	25,554,660	37,402,793

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

24. RESERVES (continued)

	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	General reserve RMB'000	Available- for-sale investments RMB'000	Foreign currency translation RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Statutory surplus reserve fund RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2017	17,671,997	(8,919,117)	10,804	-	44,155	-	50,241	384,242	2,605,811	11,848,133	25,554,660	37,402,793
Profit for the year	-	-	-	-	-	-	-	-	-	-	11,004,671	11,004,671
Appropriation to statutory surplus reserve fund	-	-	-	-	-	-	-	-	586,092	586,092	(586,092)	-
Appropriation to general reserve fund	-	-	-	92,184	-	-	-	-	-	92,184	(92,184)	-
Dividend declared by the Company	-	-	-	-	-	-	-	-	-	-	(2,080,032)	(2,080,032)
Revaluation – gross	-	-	-	-	270,597	-	-	-	-	270,597	-	270,597
Reclassification to profit or loss	-	-	-	-	(79,273)	-	-	-	-	(79,273)	-	(79,273)
Deferred tax	-	-	-	-	(2,742)	-	-	-	-	(2,742)	-	(2,742)
Other currency translation differences	-	-	-	-	-	(1,186)	-	-	-	(1,186)	-	(1,186)
Non-public issuance of A Shares (Note 22(a))	14,158,385	-	-	-	-	-	-	-	-	14,158,385	-	14,158,385
Employee share option scheme (Note 23)												
– Value of employee services	-	-	-	-	-	-	31,538	-	-	31,538	-	31,538
– Proceeds from shares issued	126,908	-	-	-	-	-	(30,253)	-	-	96,655	-	96,655
Changes in ownership interests in subsidiaries without change of control (Note 41)	-	(18,995)	-	-	-	-	-	-	-	(18,995)	-	(18,995)
Convertible bonds (Note 26(g))												
– Conversion of convertible bonds	1,476,904	-	-	-	-	-	-	(143,218)	-	1,333,686	-	1,333,686
Others	-	7,266	7,482	-	-	-	-	-	-	14,748	-	14,748
As at 31 December 2017	33,434,194	(8,930,846)	18,286	92,184	232,737	(1,186)	51,526	241,024	3,191,903	28,329,822	33,801,023	62,130,845

- (a) In accordance with the relevant rules and regulations in the PRC, except for Sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory surplus reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory surplus reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

25. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)	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 (<i>Note (b)</i>)	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 (<i>Note (c)</i>)	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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

25. TRADE AND OTHER PAYABLES (continued)

- (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
	<u>11,517,046</u>	<u>8,999,168</u>

- (b) Balances of other taxes include value-added tax payables, consumption tax payables and other taxes payable.
- (c) The balance represents deposits mainly placed by customers to a subsidiary of the Group in relation to its provision of financing service. The interest rate as at 31 December 2017 is adjusted to the prevailing savings interest rate published by the PBOC.
- (d) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	33,156,909	19,099,454
HKD	47,878	56,628
USD	47	2,811
JPY	7,256	–
Others	31	22
	<u>33,212,121</u>	<u>19,158,915</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

26. BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current		
Borrowings from banks and other financial institutions		
– secured (<i>Note (a)</i>)	72,534	–
– unsecured	496,283	625,674
	568,817	625,674
Convertible bonds (<i>Note (g)</i>)	2,432,556	3,759,379
Corporate bonds – guaranteed (<i>Notes (b), (i) and (j)</i>)	4,971,634	5,961,409
Debentures-unsecured (<i>Note (l)</i>)	299,566	–
	8,272,573	10,346,462
Total non-current borrowings		
Current		
Borrowings from banks and other financial institutions		
– secured (<i>Note (a)</i>)	344,850	192,199
– unsecured	1,195,939	1,287,463
	1,540,789	1,479,662
Corporate bonds-guaranteed (<i>Notes (i)</i>)	999,488	598,914
Entrusted loans from related parties – unsecured	100,000	100,000
Short-term debentures (<i>Note (k)</i>)	–	2,299,177
	2,640,277	4,477,753
Total current borrowings		
	10,912,850	14,824,215
Total borrowings		

- (a) As at 31 December 2017, the Group's borrowings were secured by the Group's restricted cash, inventories, property, plant and equipment, land use rights, long-term receivables, financial assets at fair value through profit or loss and available-for-sale financial assets.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

26. BORROWINGS (continued)

- (b) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	2,832,468	4,674,872
Between 1 and 5 years	5,099,410	3,412,101
Over 5 years	2,980,972	6,737,242
	<u>10,912,850</u>	<u>14,824,215</u>

- (c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	2,640,277	4,477,753
Between 1 and 2 years	249,250	1,440,140
Between 2 and 5 years	5,042,351	2,169,081
Over 5 years	2,980,972	6,737,241
	<u>10,912,850</u>	<u>14,824,215</u>

- (d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	<u>10,912,850</u>	<u>14,824,215</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

26. BORROWINGS (continued)

- (e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2017	2016
Borrowings from banks and other financial institutions	4.91%	4.64%
Corporate bonds	5.12%	5.22%
Debentures	5.11%	–
Convertible bonds	3.06%	3.53%
Entrusted loans	2.25%	2.10%
Short-term debentures	–	2.85%

- (f) As at 31 December 2017, the fair value of the non-current borrowings is RMB8,410,309,000 (2016: RMB10,746,868,000). The fair values of the Group's current borrowings approximate to their carrying amounts.

- (g) Convertible bonds

On 22 January 2016, the Group issued 41,055,800 units of convertible bonds at a total par value of RMB4,105,580,000, with an interest rate of 0.20% in the first year, 0.50% in the second year, 1.00% in the third year, 1.50% in the fourth year, 1.50% in the fifth year and 1.60% in the sixth year. The bonds mature six years from the issue date at their par value of RMB4,105,580,000 or can be converted into shares at the holder's option. At the time of issuance, after netting of transaction cost of RMB44,546,000 (transaction cost was allocated proportionally to liability component and equity component of convertible bonds), the Company determined the value of the liability component (RMB3,672,418,000) and the equity component (RMB387,578,000). The fair value of the liability component of convertible bonds included in non-current borrowings was calculated using a market interest rate for equivalent non-convertible bonds. The liability component is subsequently stated at amortised cost until the bonds are converted to shares or the maturity of the bonds. The residual amount, representing the value of the equity component, is included in other reserves of shareholders' equity.

The conversion price of convertible bonds will be adjusted upon occurrence of issuance of bonus shares, transfer of reserve to share capital, issuance of new shares (excluding issue of new shares upon conversion of convertible bonds), share allotment and distribution of cash dividends. As at 31 December 2017, the conversion price has been adjusted to RMB21.24 per share from the initial conversion price of RMB21.99 per share due to distribution of cash dividends and the non-public issuance of A shares in 2017.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

26. BORROWINGS (continued)

(g) Convertible bonds (continued)

The convertible bonds recognised in the balance sheet is calculated as follows:

	2016 RMB'000
Par value of convertible bonds issued on 22 January 2016	4,105,580
Transaction cost	(45,584)
Equity component (<i>Note 24</i>)	(387,578)
Liability component on initial recognition on 22 January 2016	3,672,418
Conversion of convertible bonds	(31,611)
Interest expense	126,245
Interest included in trade and other payables	(7,673)
Liability component as at 31 December 2016	3,759,379
	2017 RMB'000
Liability component as at 1 January 2017	3,759,379
Conversion of convertible bonds	(1,403,920)
Interest expense	89,595
Interest included in trade and other payables	(12,498)
Liability component at 31 December 2017	2,432,556

In 2017, certain convertible bond holders partially converted the convertible bonds in the principal amount of RMB1,517,098,000 into shares of the Company. The Company allotted and issued a total of 70,197,094 shares to such convertible bond holders at conversion prices ranging from RMB21.24 to RMB21.75 per share. Upon the conversion, the Company derecognised the liability component of RMB1,403,920,000 and transferred this amount with equity component (convertible bonds reserve) of RMB143,218,000 into share capital and share premium with the amount of approximately RMB70,197,000 and RMB1,476,904,000, respectively, and the difference of RMB37,000 was paid by the Company to the convertible bond holders in cash.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

26. BORROWINGS (continued)

- (h) In December 2007, the Company issued corporate bonds with par value of RMB600,000,000 at the weighted average effective interest rate of 6.21% per annum. The related interest is payable on an annual basis. These corporate bonds were guaranteed by a state-owned financial institution and fully redeemed at par in November 2017.
- (i) In March 2013, the Company issued five-year period corporate bonds with par value of RMB1,000,000,000 and ten-year period corporate bonds with par value of RMB3,000,000,000 at the weighted average effective interest rate of 5.14% and 5.23% per annum respectively. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in March 2018 and March 2023 respectively, and are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG.
- (j) In January 2015, the Company issued five-year period corporate bonds with par value of RMB2,000,000,000 at the weighted average effective interest rate of 4.95% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in January 2020, and is with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG.
- (k) In January 2016, the Company issued one tranche of short term debentures with a principal of RMB2,300,000,000 and interest rate of 2.85% with a maturity of 366 days. The short-term debentures were fully repaid with principal and interest in 2017.
- (l) In August 2017, the Company issued debentures with principals of RMB300,000,000 at the weighted average effective interest rate of 5.11%. The related interest is payable on an annual basis. These debentures will be fully redeemed at par in 18 August 2020. The net proceeds of these debentures, after deducting the transaction costs, amounted to RMB299,508,000.

27. PROVISIONS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Warranty provisions	915,212	371,641

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

28. GOVERNMENT GRANTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	2,158,642	1,076,795
Additions	1,114,852	1,205,162
Amortisation	(140,216)	(123,315)
End of the year	3,133,278	2,158,642

29. EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Auditors' remuneration	8,546	6,835
Depreciation and amortisation (<i>Notes 7, 8, 9 and 10</i>)	2,336,422	2,183,319
Impairment charges of property, plant and equipment (<i>Note 8</i>)	310,658	87,096
Impairment charges of intangible assets (<i>Note 10</i>)	1,112,151	590,889
Impairment charges of available-for-sale financial assets	36,132	2,174
Impairment charges of inventories	38,906	206,205
Provision for impairment loss of trade and other receivables	78,978	96,655
Employee benefit expenses (<i>Note 30</i>)	6,415,439	4,523,304
Changes in inventories of finished goods, merchandise and work-in-progress	(788,456)	(513,180)
Raw materials, goods and consumables used	49,221,066	35,052,362
Consumption tax, sales tax and other taxes	2,547,748	1,553,469
Transportation	2,304,521	1,613,431
Advertising and promotion	2,202,266	1,435,771
Warranty expenses	1,007,837	427,506
Research costs	495,586	393,899
Amortisation of government grants	(140,216)	(83,732)
Operating lease expenses	249,623	146,334
Other expenses	551,145	374,309
Total cost of sales, selling and distribution costs and administrative expenses	67,988,352	48,096,646

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

30. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Wages and salaries	4,995,563	3,477,893
Pension scheme and other social security costs (<i>Note (a)</i>)	536,397	433,062
Employee share option scheme (<i>Note 23</i>)	31,538	24,070
Housing benefits (<i>Note (b)</i>)	342,704	209,647
Welfare, medical and other expenses	509,237	378,632
	6,415,439	4,523,304

- (a) The Group's employees in the PRC are covered by certain defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC, pursuant to which the municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and retired employees. The contributions to the scheme are expensed as incurred.
- (b) The Group's contributions to the defined contribution housing fund scheme administered by a government agency are determined at a certain percentage of the salaries of the employees. The contributions to the scheme are expensed as incurred.
- (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 include 5 directors and supervisors (2016: 5 directors) whose emoluments are reflected in the analysis presented in Note 44.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

31. 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)	–
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

32. INTEREST INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest income from time deposits	342,643	488,696
Interest income from restricted cash, cash and cash equivalents	52,676	97,240
	395,319	585,936

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

33. 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

34. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax	1,456,807	1,073,809
Deferred tax (<i>Note 13</i>)	(302,548)	(319,467)
	1,154,259	754,342

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

34. INCOME TAX EXPENSE (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	12,194,275	7,409,597
Notional tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (<i>Note (i)</i>)	2,428,605	1,412,624
Share of profit of joint ventures and associates	(2,057,176)	(1,430,642)
Fair value gains on financial assets at fair value through profit or loss	(22,351)	(13,143)
Expenses not deductible for corporate income tax	63,970	65,769
Utilisation of previously unrecognised tax losses	(1,223)	(3,573)
Unused tax losses and deductible temporary differences for which no deferred tax asset was recognised	748,852	723,307
Super deduction of research and development expenses	(8,332)	–
The impact of change in tax rate applicable to a major subsidiary	1,914	–
Income tax expense	1,154,259	754,342

- (i) 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.

The Group's subsidiaries, China Lounge Investment Ltd. and Denway, are recognised as PRC resident taxpayer by Guangzhou Yuexiu District Local Taxation Bureau, and are subject to the PRC Enterprise Income Tax Law.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

35. OTHER COMPREHENSIVE INCOME, NET OF TAX

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Change in fair value of available-for-sale financial assets	198,636	(18,475)
Tax charge relating to components of other comprehensive income	(4,570)	(475)
Exchange difference on translation of foreign operations	(1,186)	–
Other comprehensive income, net of tax	<u>192,880</u>	<u>(18,950)</u>

36. 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)	<u>6,551,074</u>	<u>6,439,235</u>
Basic earnings per share (RMB per share)	<u>1.68</u>	<u>0.98</u>

(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.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

36. EARNINGS PER SHARE (continued)

(b) Diluted (continued)

	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

37. 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.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

38. CASH FLOWS INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the year	11,040,016	6,295,255
Adjustments for:		
– Income tax expense (<i>Note 34</i>)	1,154,259	754,342
– Depreciation (<i>Notes 8 and 9</i>)	1,318,674	1,132,783
– Amortisation (<i>Notes 7 and 10</i>)	1,017,748	1,050,536
– Amortisation of government grants	(140,216)	(123,315)
– Impairment provision	1,576,825	983,019
– Losses on disposal of property, plant and equipment, land use right, intangible assets, investment properties and non-current assets held for sale (<i>Note 31</i>)	52,107	16,368
– Loss on write-off of goodwill (<i>Note 31</i>)	201,337	–
– Interest income (<i>Note 32</i>)	(395,319)	(585,936)
– Finance costs (<i>Note 33</i>)	646,477	962,927
– Gains on disposal of subsidiaries, joint ventures and associates (<i>Note 31</i>)	(93,729)	(1,659)
– Foreign exchange losses/(gains) on cash and cash equivalents	66,126	(40,995)
– Share of profit of joint ventures and associates (<i>Note 11</i>)	(8,296,387)	(5,774,362)
– Net investment income relating to financial assets (<i>Note 31</i>)	(194,103)	(111,561)
– Fair value gains on financial assets at fair value through profit or loss (<i>Note 31</i>)	(89,387)	(52,220)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(880,883)	(768,347)
– Trade and other receivables	3,007,524	994,051
– Restricted cash	(1,608,371)	289,566
– Trade and other payables	7,184,109	700,749
– Provisions	543,571	140,828
– Financial assets at fair value through profit or loss	(4,378)	(118,020)
Cash generated from operations	16,106,000	5,744,009

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

38. CASH FLOWS INFORMATION (continued)

(b) Non-cash transaction

During the year ended 31 December 2017, the principal non-cash transactions was the conversion of the convertible bonds. Upon the conversion, liability component of convertible bonds, amounting to RMB1,403,920,000 (2016: RMB31,610,000) was transferred from borrowings to share capital and share premium, and equity component of convertible bonds, amounting to RMB143,218,000 (2016: RMB3,336,000), was transferred from convertible bonds reserve to share premium (Note 26(g)).

(c) Reconciliation of liabilities

The reconciliation of liabilities arising from financing activities is as follows:

	Liabilities from financing activities			Total RMB'000
	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Dividends Payable RMB'000	
Net debt as at 1 January 2017	(4,477,753)	(10,346,462)	–	(14,824,215)
Financing cash flows	3,387,146	(557,531)	2,124,616	4,954,231
Others	(234,185)	–	–	(234,185)
Reclassification	(1,314,399)	1,314,399	–	–
Non-cash changes:				
– Interest charge	(1,086)	(86,899)	–	(87,985)
– Conversion of convertible bonds	–	1,403,920	–	1,403,920
– Accrued dividends payable	–	–	(2,124,616)	(2,124,616)
Net debt as at 31 December 2017	(2,640,277)	(8,272,573)	–	(10,912,850)

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

39. COMMITMENTS

(a) Capital commitments

The capital commitments as at each of the balance sheet dates during the year are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	1,242,749	1,470,738
– Authorised but not contracted for	173,391	583,248
	1,416,140	2,053,986
Intangible assets		
– Contracted but not provided for	190	–
– Authorised but not contracted for	2,785,118	1,264,732
	2,785,308	1,264,732
Investments		
– Contracted but not provided for (<i>Notes (i), (ii), (iii)</i>)	1,419,945	983,941
	5,621,393	4,302,659

- (i) In 2017, the Board of Directors of the Company approved an additional capital contribution to GAC Toyota, a joint venture of the Company, with an amount of RMB242,450,000, 254,370,000 and USD35,225,000 (equivalent to RMB217,050,000) respectively, according to the proportion of shares. Up to 31 December 2017, none of the amount has been paid.
- (ii) In 2017, the Board of Directors of the Company approved an additional capital contribution of RMB3,600,000,000 to GAC Fiat Chrysler, a joint venture of the Company, according to the proportion of shares. Up to 31 December 2017, none of the amount has been paid.
- (iii) In 2017, the Board of Directors of the Company approved an additional capital contribution to GAC Mitsubishi, a joint venture of the Company, with an amount of RMB266,605,000 and 79,470,000 respectively, according to the proportion of shares. Up to 31 December 2017, none of the amount has been paid.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

39. COMMITMENTS (continued)

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	71,230	68,303
Between 1 and 5 years	211,150	232,508
Over 5 years	134,403	179,218
	416,783	480,029

40. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("state-owned enterprises") are regarded as related parties of the Group.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, during the year.

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sales of goods		
Sales of automotive parts and steels		
– Joint ventures	1,524,963	919,998
– Associates	270,385	282,293
	<u>1,795,348</u>	<u>1,202,291</u>
Sales of passenger vehicles		
– Joint ventures	162,308	–
– Associates	735	1,989
	<u>163,043</u>	<u>1,989</u>
Sales of production facility		
– Joint ventures	8,966	17,541
	<u>1,967,357</u>	<u>1,221,821</u>
Interest on loan received from related parties (Note 17(d))		
– Joint ventures	12,705	–
– Associates	259	–
	<u>12,964</u>	<u>–</u>
Rendering of labour and insurance services		
– Joint ventures	1,187,399	903,324
– Associates	393,433	395,149
– GAIG	267	–
– Subsidiaries of GAIG	1,287	338
	<u>1,582,386</u>	<u>1,298,811</u>
Income of trustee management of equity assets		
– GAIG (Note (i))	2,128	–

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Purchases of goods		
Purchases of automotive parts and materials		
– Joint ventures	1,912,983	3,245,098
– Associates	1,027,143	335,517
	<u>2,940,126</u>	<u>3,580,615</u>
Purchases of passenger vehicles		
– Joint ventures	6,723,094	5,664,957
	<u>9,663,220</u>	<u>9,245,572</u>
Interest on customer deposits		
– Joint ventures	12,533	–
– Associates	689	–
	<u>13,222</u>	<u>–</u>
Purchases of labour services and settlement of insurance claims		
– Joint ventures	47,442	35,404
– Associates	118,196	89,808
– Subsidiaries of GAIG	27,398	19,533
	<u>193,036</u>	<u>144,745</u>
Rental received from related parties		
– Joint ventures	238,565	234,060
– Associates	970	6,852
– GAIG	967	1,361
– Subsidiaries of GAIG	11,738	1,695
	<u>252,240</u>	<u>243,968</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Rental paid to related parties		
– Joint ventures	2,343	1,453
– Associates	13	–
– GAIG	8,731	1,670
– Subsidiaries of GAIG	3,206	2,526
	14,293	5,649
Provision of entrusted loans to related parties		
– Joint ventures	384,568	808,800
– Associates	10,000	85,760
	394,568	894,560
Repayment of entrusted loans from related parties		
– Joint ventures	810,168	633,100
– Associates	70,760	70,000
	880,928	703,100
Interest on entrusted loans received from related parties		
– Joint ventures	23,953	27,262
– Associates	2,192	2,366
	26,145	29,628
Entrusted loans from a related party		
– An associate	50,000	100,000
Repayment of entrusted loans to related parties		
– An associate	50,000	100,000

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest on entrusted loans paid to related parties		
– Associates	2,184	577
Borrowings from a related party		
– A joint venture	3,705,303	3,140,468
Repayment of borrowings to a related party		
– A joint venture	3,538,683	3,187,649
Interest on borrowings paid to a related party		
– A joint venture	45,959	108,579
Guarantee fees paid to a related party		
– GAIG	6,000	6,000
Purchase of land use right and property, plant and equipment		
– A joint venture	49,200	–
Waiver of debt		
– A joint venture	31,449	–

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Trade receivables		
– Joint ventures (<i>Note (ii)</i>)	639,264	513,464
– Associates	88,618	60,951
– GAIG	20	–
– Subsidiaries of GAIG	4	–
	727,906	574,415
Interest receivable		
– Joint ventures	9,326	639
– Associates	76	–
	9,402	639
Other receivables and prepayments		
– Joint ventures	323,155	348,960
– Associates	25,082	12,824
– GAIG	2,461	–
– Subsidiaries of GAIG	2,414	2,706
	353,112	364,490
Dividend receivable		
– Joint ventures	2,722,930	1,773,929
– Associates	34,339	46,265
	2,757,269	1,820,194
Entrusted loans due from		
– Joint ventures	363,200	788,800
– Associates	10,000	70,760
	373,200	859,560

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Loan and receivables to related parties-current		
– Joint ventures	97,500	–
– Associates	48,750	–
	<u>146,250</u>	<u>–</u>
Loan and receivables to related parties-non current		
– Joint ventures	487,500	–
	<u>487,500</u>	<u>–</u>
Long-term receivables		
– Joint ventures	31,346	6,289
– Associates	15,176	507
	<u>46,522</u>	<u>6,796</u>
Trade payables		
– Joint ventures	450,258	751,565
– Associates	466,427	216,268
	<u>916,685</u>	<u>967,833</u>
Advances from customers and other payables		
– Joint ventures	64,799	33,980
– Associates	20,907	18,524
– GAIG	506,356	398
– Subsidiaries of GAIG	7,369	1,459
	<u>599,431</u>	<u>54,361</u>
Notes payable		
– Joint ventures	222,884	275,437

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Customer deposits (Note 25(c))		
– Joint ventures	7,866,853	–
– Associates	329,936	–
	<u>8,196,789</u>	<u>–</u>
Short-term borrowings		
– A joint venture (Note (iii))	314,245	147,625
	<u>314,245</u>	<u>147,625</u>
Entrusted loans due to		
– Associates	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Interest payable		
– Joint ventures	3,343	5,879
– Associates	450	–
	<u>3,793</u>	<u>5,879</u>

- (i) On 11 November 2017, the Board of Directors of the Company passed a resolution in relation to the Company being entrusted by its controlling shareholder GAIG to manage certain equity investments held by GAIG. The period of the entrusted management is three years. The annual management fee is made up of basic and floating portions, with an annual limit of RMB49,000,000.
- (ii) As at 31 December 2017, the Group recorded provision of RMB6,437,000 (2016: RMB6,437,000) for impairment of trade receivables from related parties.
- (iii) Borrowings from a joint venture, which is a financial institution, are interest bearing. As at 31 December 2017, borrowings from a joint venture were secured by the Group's inventories with carrying value of approximately RMB246,972,000 (2016: RMB144,119,000).

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and other short-term employee benefits	14,971	13,587

In addition, expense recognised in the consolidated statement of comprehensive income for share options granted to the key management for the year ended 31 December 2017 is RMB2,012,000 (2016: RMB4,541,000).

(d) Transactions and balances with other state-owned enterprises in the PRC

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

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

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions and balances with other state-owned enterprises in the PRC (continued)

(i) Balances with state-owned financial institutions

As at 31 December 2017 and 2016, majority part of the Group's bank balances and borrowings were deposited in or financed from various state-owned financial institutions. The Directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

(ii) Guarantees given by state-owned enterprises and GAIG

As at 31 December 2017 and 2016, information of borrowings secured by guarantees given by a state-owned financial institution and GAIG is presented in Note 26(h), 26(i) and 26(j).

(e) Guarantees to an associate

As at 31 December 2017, the Company provided financial guarantees of approximately RMB45,000,000 (2016: RMB85,710,000) to an associate (Note 41).

41. FINANCIAL GUARANTEES

As at 31 December 2017, the financial guarantees provided by the Company to the associate within the Group amounted to approximately RMB45,000,000 (2016: RMB85,710,000).

As at 31 December 2017, the Group provided no financial guarantees to third parties (2016: RMB5,463,000).

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

42. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2018, the Company held the seventieth meeting of forth session of the Board, at which the proposal for profit distribution for 2017 was considered and passed. The Company proposed to pay the 2017 final dividends of RMB0.43 per share (tax inclusive) in cash to the shareholders whose names are on the register of shareholders on the record date. Being affected by the conversion and exercise of the Company's convertible bonds and share options with respect to the share incentive scheme, the total share number of the Company cannot be estimated on the A shares record date. Calculation made hereinafter is temporarily based on the total share number of the Company of 7,293,424,051 shares as at 31 December 2017, by which the total amount of final dividend will be RMB3,136,172,000 (such distribution would be made to A shareholders in RMB, and be made to H shareholders in HKD). Such proposal for profit distribution is subject to the consideration and approval at the 2017 annual general meeting of the Company.

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

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	<i>Note</i>	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Land use rights		444,695	113,998
Property, plant and equipment		2,231,739	2,230,245
Investment properties		538,423	554,327
Intangible assets		2,543,108	2,449,001
Investments in subsidiaries		23,198,398	20,144,798
Investments in joint ventures and associates		19,067,547	16,887,359
Prepayments and long-term receivables		8,261	14,806
Available-for-sale financial assets		601,696	587,300
		<u>48,633,867</u>	<u>42,981,834</u>
Current assets			
Inventories		54,192	60,748
Trade and other receivables		5,641,339	7,757,700
Time deposits		119,000	5,294,000
Cash and cash equivalents		18,192,944	7,999,924
		<u>24,007,475</u>	<u>21,112,372</u>
Total assets		<u>72,641,342</u>	<u>64,094,206</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		7,293,424	6,453,360
Other reserves	<i>(a)</i>	36,995,605	20,762,853
Retained earnings	<i>(a)</i>	14,184,211	10,989,418
Total equity		<u>58,473,240</u>	<u>38,205,631</u>

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Balance sheet of the Company (continued)

	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	7,404,190	9,720,787
Government grants	611,924	510,410
	<u>8,016,114</u>	<u>10,231,197</u>
Current liabilities		
Trade and other payables	5,152,500	15,058,464
Borrowings	999,488	598,914
	<u>6,151,988</u>	<u>15,657,378</u>
Total liabilities	<u>14,168,102</u>	<u>25,888,575</u>
Total equity and liabilities	<u>72,641,342</u>	<u>64,094,206</u>

The balance sheet of the Company was approved by the Board of Directors on 29 March 2018 and was signed on its behalf:

Zeng Qinghong
Director

Feng Xingya
Director

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company

	Share premium RMB'000	Other capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Available- for-sale investments RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2016	17,503,791	16,251	2,271,172	54,400	56,890	-	19,902,504	9,265,937	29,168,441
Profit for the year	-	-	-	-	-	-	-	3,346,386	3,346,386
Other comprehensive income-available-for-sale financial assets	-	-	-	(22,100)	-	-	(22,100)	-	(22,100)
Appropriation to statutory surplus reserve fund	-	-	334,639	-	-	-	334,639	(334,639)	-
Dividend declared by the Company	-	-	-	-	-	-	-	(1,288,266)	(1,288,266)
Employee share option scheme									
- Value of employee services	-	-	-	-	24,070	-	24,070	-	24,070
- Proceeds from shares issued	134,876	-	-	-	(30,719)	-	104,157	-	104,157
Convertible bonds									
- Issuance of convertible bonds	-	-	-	-	-	387,578	387,578	-	387,578
- Conversion of convertible bonds	33,330	-	-	-	-	(3,336)	29,994	-	29,994
Others	-	2,011	-	-	-	-	2,011	-	2,011
As at 31 December 2016	17,671,997	18,262	2,605,811	32,300	50,241	384,242	20,762,853	10,989,418	31,752,271

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company (continued)

	Share premium RMB'000	Other capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Available- for-sale investments RMB'000	Employee share option scheme RMB'000	Convertible bonds RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2017	17,671,997	18,262	2,605,811	32,300	50,241	384,242	20,762,853	10,989,418	31,752,271
Profit for the year	-	-	-	-	-	-	-	5,860,917	5,860,917
Revaluation-gross	-	-	-	81,097	-	-	81,097	-	81,097
Reclassification to profit or loss	-	-	-	(54,701)	-	-	(54,701)	-	(54,701)
Appropriation to statutory surplus reserve fund	-	-	586,092	-	-	-	586,092	(586,092)	-
Dividend declared by the Company	-	-	-	-	-	-	-	(2,080,032)	(2,080,032)
Non-public issuance of A shares	14,158,385	-	-	-	-	-	14,158,385	-	14,158,385
Employee share option scheme									
– Value of employee services	-	-	-	-	31,538	-	31,538	-	31,538
– Proceeds from shares issued	126,908	-	-	-	(30,253)	-	96,655	-	96,655
Convertible bonds									
– Conversion of convertible bonds	1,476,904	-	-	-	-	(143,218)	1,333,686	-	1,333,686
As at 31 December 2017	33,434,194	18,262	3,191,903	58,696	51,526	241,024	36,995,605	14,184,211	51,179,816

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

44. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors', supervisors' and general manager's emoluments

The remuneration of every director, supervisor and the general manager for the year ended 31 December 2017 is set out as below:

Name	Fees RMB'000	Basic salaries, housing fund and other allowances RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Remunerations	Total RMB'000
					paid or receivable in respect of accepting office as director RMB'000	
Name of director						
Zeng Qinghong	-	536	192	462	-	1,190
Feng Xingya	-	536	159	450	-	1,145
Yuan Zhongrong (note (i))	-	328	59	213	-	600
Fu Yuwu	-	-	-	-	150	150
Lan Hailin	-	-	-	-	150	150
Li Fangjin (note (i))	-	-	-	-	100	100
Liang Nianchang	-	-	-	-	150	150
Wang Susheng	-	-	-	-	150	150
Yao Yiming (note (i))	-	329	111	299	-	739
Wu Song (note (i))	-	493	233	300	-	1,026
Lu Sa (note (i))	-	125	39	76	-	240
Yan Zhuangli (notes (i))	-	206	31	167	-	404
Chen Maoshan	-	494	151	379	-	1,024
Li Pingyi	-	-	-	-	-	-
Ding Hongxiang	-	-	-	-	-	-
Name of supervisor						
Gao Fusheng (notes (ii))	-	121	21	78	-	220
Ji Li (notes (ii))	-	-	-	-	-	-
Chen Jianxin (note (ii))	-	-	-	-	-	-
He Jinpei (note (ii))	-	91	14	21	-	126
Jiang Xiuyun (note (ii))	-	276	53	95	-	424
Ye Shanhul (note (ii))	-	656	122	269	-	1,047
Wu Chunlin	-	-	-	-	-	-
Wang Junyang	-	-	-	-	-	-
Wang Lu	-	552	100	305	-	957

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

44. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

The remuneration of every director, supervisor and the general manager for the year ended 31 December 2016 is set out as below:

Name	Fees RMB'000	Basic salaries, housing fund and other allowances RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Total RMB'000
Name of director						
Zeng Qinghong	-	551	154	404	-	1,109
Feng Xingya	-	516	140	280	-	936
Yuan Zhongrong	-	-	-	256	-	256
Fu Yuwu	-	-	-	-	150	150
Lan Hailin	-	-	-	-	150	150
Li Fangjin	-	-	-	-	150	150
Liang Nianchang	-	-	-	-	150	150
Wang Susheng	-	-	-	-	150	150
Yao Yiming	-	507	141	328	-	976
Wu Song	-	624	158	37	-	819
Lu Sa	-	514	143	273	-	930
Chen Maoshan	-	509	148	166	-	823
Li Pingyi	-	-	-	-	-	-
Ding Hongxiang	-	-	-	-	-	-
Name of supervisor						
Gao Fusheng	-	-	-	-	-	-
Wu Chunlin	-	-	-	-	-	-
Wang Junyang	-	-	-	-	-	-
Su Zhanpeng	-	-	-	-	-	-
Ye Shanhu	-	650	109	50	-	809
Wang Lu	-	556	95	43	-	694

The above emoluments do not include the fair value of share options granted under SOs-I in 2014 or SOs-II in 2017.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

44. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

Expense recognised in the consolidated statement of comprehensive income for share options granted to the above directors, supervisors and the general manager for the year ended 31 December 2017 and 2016 is set out as below:

Name	Year ended 31 December		Year ended 31 December	
	2017	Expense recognised for the share options granted RMB'000	2016	Expense recognised for the share options granted RMB'000
Name of director				
Zeng Qinghong	1,700,000	380	900,000	505
Feng Xingya	1,520,000	339	760,000	426
Yuan Zhongrong	1,530,000	342	810,000	455
Yao Yiming	740,000	165	740,000	415
Wu Song	1,460,000	326	740,000	415
Lu Sa (<i>notes (iv)</i>)	253,333	57	760,000	426
Yan Zhuangli	760,000	170	–	–
Chen Maoshan	1,460,000	326	740,000	415

- (i) In 2017, Ms. Lu Sa, Mr. Yuan Zhongrong and Mr. Yao Yiming submitted their resignation to the board of directors. Mr. Yan Zhuangli was appointed as director, Mr. Li Fangjin resigned from the independent director. Mr. Wu Song resigned from the director position, but he continues to stay on executive vice president. Except Mr. Wu Song paid with the full year remuneration, the executives described above were paid with the remuneration in their director terms.
- (ii) In 2017, Ms. Gao Fusheng submitted her resignation to the board of supervisors. Mr. Gi Li and Mr. Chen Jianxin were appointed as supervisors, Ms. Jiang Xiuyun was appointed as staff supervisor. In December 2017, Mr. Ye Shanhu was no longer as a supervisor, and Mr. He Jinpei was appointed as the staff supervisor.
- (iii) The amount represented emoluments throughout their terms of directors or supervisors in 2017.
- (iv) Upon retirement of Ms. Lu Sa in 2017, the unexercised 507 thousand units of share options granted to her have lapsed. The expenses of RMB 57,000 disclosed above represent share option expenses, which relate to 253 thousand units of exercised share options, charged to profit or loss in 2017.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

44. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

- (v) Share option expenses totalling RMB930,000 recognised in prior years were reversed in 2017 due to the lapse of the share options granted.
- (vi) In 2017 and 2016, there was no emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits for the year ended 31 December 2017 (2016: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2017 (2016: Nil).

(d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2017, the Group did not pay consideration to any third parties for making available directors' services (2016: Nil)

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2017, there are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors (2016: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

FINANCIAL STATEMENTS

Five-Year Financial Summary

A summary of the published financial results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below:

	Year ended 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Revenue	71,574,939	49,417,676	29,418,223	22,383,424	18,824,199
Cost of sales	(58,716,478)	(41,961,379)	(25,974,620)	(19,831,167)	(16,829,736)
Gross profit	12,858,461	7,456,297	3,443,603	2,552,257	1,994,463
Selling and distribution costs	(5,250,070)	(3,396,393)	(1,866,537)	(1,841,370)	(1,070,813)
Administrative expenses	(4,021,804)	(2,738,874)	(2,037,088)	(1,882,183)	(1,712,901)
Interest income	342,643	488,696	411,556	317,678	373,577
Other gains/(losses) – net	562,459	331,196	435,386	362,765	(432,824)
Operating profit/(loss)	4,491,689	2,140,922	386,920	(490,853)	(848,498)
Finance costs	(646,477)	(962,927)	(849,396)	(745,415)	(645,305)
Interest income	52,676	97,240	127,955	120,960	102,745
Share of profit of joint ventures and associates	8,296,387	5,774,362	4,720,117	4,181,213	4,020,350
Profit before income tax	12,194,275	7,049,597	4,385,596	3,065,905	2,629,292
Income tax expense	(1,154,259)	(754,342)	(400,067)	(130,587)	(100,784)
Profit for the year	11,040,016	6,295,255	3,985,529	2,935,318	2,528,508
Profit attributable to:					
Owners of the Company	11,004,671	6,287,542	4,211,553	3,194,160	2,652,837
Non-controlling interests	35,345	7,713	(226,024)	(258,842)	(124,329)
	11,040,016	6,295,255	3,985,529	2,935,318	2,528,508
	As at 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Assets, liabilities and non-controlling interests					
Total assets	119,656,441	82,146,241	67,219,688	62,462,723	57,843,281
Total liabilities	49,188,448	37,252,780	27,728,368	26,213,576	23,727,085
Non-controlling interests	1,043,725	1,037,308	844,811	795,956	805,005