



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)

H Share Stock Code: 2238

A Share Stock Code: 601238

2021
Annual Report

*Innovate for a
Green Life*



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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. There are no misrepresentations, misleading statements contained in or material omissions from the annual report and they shall assume joint and several responsibilities.**
- 2. All directors of the Company have attended the meeting of the Board.**
- 3. PricewaterhouseCoopers issued an unqualified auditors' report for the Company.**
- 4. Zeng Qinghong, the person in charge of the Company, Feng Xingya, the 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, accuracy and completeness of the financial statements contained in this annual report.**
- 5. The proposal for profit distribution or conversion of capital reserve into shares for the reporting period as resolved by the Board**

The Board proposed payment of final cash dividend of RMB1.7 per 10 shares (tax inclusive). Together with the cash dividend of RMB0.5 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 listed company for the year would be approximately 30.62%.

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 by the Company 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 in violation of the prescribed decision-making procedures.**

Chairman's Statement



Chapter 1

CHAIRMAN'S STATEMENT



ZENG Qinghong *Chairman*

Dear shareholders,

2021 is an extraordinary year. In the first year of the “14th Five-Year Plan”, we ushered in the 100th anniversary of the founding of the Communist Party of China. China embarked on a great new journey of comprehensively building a modernised socialist country. Meanwhile, in the past year, “Black swan” and “Grey rhino” events emerged and lingered around us. Faced with risks and challenges one after another, such as the impact of the pandemic, chip shortages, power outages and restriction, extreme weather and others, the Group had worked together to face the difficulties, stabilise growth, fight against the pandemic, ensure supply, seek innovation, and promote reforms. When confronted by mountains, we find a way through; when blocked by a river, we build a bridge to the other side. We achieved a good start of the “14th Five-Year Plan”. On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers, employees, partners and people from all walks of life.

Devoted all efforts to overcome difficulties, and the production and operation remained stable with progress. The Group adhered to make progress and improve quality amid stability, focus on the objectives and overcome the difficulties, and made all efforts to coordinate and mobilise resources to ensure stable supply. The main operating indicators were well achieved. During the year, the vehicle production and sales volume of the Group were 2,138,100 units and 2,144,400 units respectively, representing a year-on-year increase of 5.08% and 4.92% respectively, both of which outperformed the industry. Self-developed brands launched several star models, including GAC Trumpchi EMPow, Second-generation GS8, AION Y and AION S Plus. The product structure was continuously optimised, and the product power, marketing power and brand power were continuously enhanced. In 2021, the Group realised sales revenue of approximately RMB429.755 billion on an aggregate basis, representing

CHAIRMAN'S STATEMENT

an increase of approximately 8.66% as compared with that of the corresponding period of the previous year. The sales revenue of the Group amounted to approximately RMB75.676 billion, representing an increase of approximately 19.82% as compared with that of the corresponding period last year; the net profit attributable to owners of the parent company amounted to approximately RMB7.511 billion, representing an increase of approximately 25.94% as compared with that of the corresponding period last year; the basic earnings per share amounted to approximately RMB0.73, representing an increase of approximately 25.86% as compared with that of the corresponding period last year. GAC was included in the Fortune Global 500 List for the ninth consecutive year, with the highest ranking of No.176 among the years. For the purpose of giving practical returns to shareholders, the Board proposed to distribute to all shareholders a final dividend of RMB1.7 (including tax) for every 10 shares, together with an interim dividend of RMB0.5 (including tax) for every 10 shares, the total amount of dividends distributed throughout the year was approximately RMB2.3 billion.



Automobile
sales volume

2.1444
million units
↑4.92%



Automobile
production volume

2.1381
million units
↑5.08%



Sales revenue on an
aggregate basis

RMB429.755
billion
↑8.66%



Sales revenue

RMB75.676
billion
↑19.82%



Net profit attributable
to owners of the parent
company

RMB7.511 billion
↑25.94%



Total dividends
distributed throughout
the year

RMB2.3 billion

Facilitated the “Dual Carbon” strategy, and comprehensively promoted the “Green Low-carbon for Achieving Sustainable Success” plan. In order to facilitate the national goal of “Dual Carbon”, the Group launched the plan named “Green Low-carbon for Achieving Sustainable Success”, which aims to achieve carbon neutralisation in the whole-life cycle of products by 2050 while striving for completion by 2045, and proactively explored solutions for



| **GAC AION Smart Ecological Plant** |

CHAIRMAN'S STATEMENT

certain links along the whole cycle, including R&D, production and consumer utilisation. The first is to implement full-time management. Our system promotes full-cycle carbon emission management, from R&D to production and from purchase to recycle, and explores the establishment of carbon account for automobile consumers. The second is to build GAC AION as the first zero-carbon factory by 2023, and to establish a zero-carbon automobile industry zone supported by the GAC Zhilian New Energy Automotive Industrial Park. The third is to further increase the proportion of new energy automobile and energy-efficient cars with intelligent network connection. By 2025, new energy vehicles of self-developed brands will account for 50% of the sales, and by 2030, new energy vehicles will account for 50%. The Group will continue to develop alternative fuel models including hydrogen-powered category. At the same time, we will make every effort to promote the “2⁶ Energy Action”, that is to realise batteries being purchasable and leasable, rechargeable and replaceable, capable of slow-charging or fast-charging, with large or small capacity, applicable for long or short mileage, electricity being purchasable and saleable, recyclable and capable of cascade utilisation, accelerating the exploration and establishment of a new ecology for the use of new energy vehicles.

Made efforts in innovation and speeded up the improvement of the industrial ecology. In the field of intelligent networking and new energy, we continued to strengthen the R&D of core technologies and promote the self-reliance of technology. During the year, more than RMB5.1 billion was invested in R&D, and 2,580 new applications for patents were made, of which 1,108 were invention patents, amounting to a total of 10,620 patent applications, including 3,861 invention patents. Focusing on user pain points such as driving range, battery safety, and charging convenience related to new energy vehicles, the “Three Electric” technologies achieved new breakthroughs. Among them, the self-developed technologies of sponge silicone anode battery equipped onto the AION LX Plus was launched on the market, with a maximum driving range of 1,008 km (CLTC comprehensive operating conditions); ultra-speed battery technology and magazine battery system safety technology were applied in mass production. We conformed to the trend of software-driven automobile development and promoted the development of intelligent network integration. The centralised computing electronic and electrical architecture “Astral Architecture” equipped with vehicle-cloud integration was officially launched in the 2021 Guangzhou Automobile Exhibition; technologies such as AR HUD, Beyond Visual Range parking summoning, and Navigated Driving Assist (NDA) continue to be used in mass production successively; and the L4 automatic drive (Robotaxi) had commenced regular testing and demonstration operation. The Group accelerated the promotion of digital transformation from marketing, management and control to intelligent manufacturing and R&D. The industrial strategic cooperation continued to deepen, actively promoted the first vehicle model project jointly developed with Huawei, and completed the investment layout covering a number of “Specialised, Sophisticated, Special and New” enterprises in the new energy industry chain of intelligent network connection, such as Yuexin Semiconductor, Horizon, and WeRide, so as to further build the future industrial ecology.



CHAIRMAN'S STATEMENT

Emphasised on reform and stimulated the endogenous power of enterprises. We enhanced coordination while promoting and deepening the “Double-Hundred Reform”, the improvement campaign that benchmarked against world-class management and the three-year action for reform of state-owned enterprises. We comprehensively promoted tenure system and contractual management that cover all subsidiary enterprises at all levels, and achieved “requirement on tenure, fulfillment of responsibilities, realisation of performance goals and rectification against malpractice.” We deepened the mixed ownership reform, achieved capital injection and employee stock ownership in HYCAN Automobile and Juwan Technology Research. We initiated and promoted the mixed ownership reform on and introduction of strategic investment for GAC AION, and completed the internal reorganisation and integration of the Group’s R&D capabilities, businesses, assets and personnel in the field of new energy. We are in the process of actively promoting the employee stock ownership, technological talents stock ownership and the introduction of strategic investors for GAC AION, so as to promote the optimisation and consolidation of the Group’s new energy vehicle business by enhancing its core competitiveness and independent operating abilities.

At present, being in the midst of an unprecedented change in the world unseen in a century which has evolved rapidly due to the outbreak of COVID-19 pandemic, the global supply chain is experiencing a prolonged period of stagnancy led by virus variation while the global economic recovery has slowed down. Despite the economy of China being confronted with triple barriers, including shrinking demand, supply shock and weakening expectations, the fundamentals of the Chinese economy, characterised by long-term sustainability remain unchanged. With the thorough propulsion of domestic major cycle and the country’s strategies to expand domestic demand, it is expected that the automobile industry will continue to achieve recovery growth. In recent years, due to technological progress and industrial upgrading, the “New Four Modernisations” of the automobile industry have accelerated. At the same time, with the gradual implementation of the national “Dual Carbon” strategy, the domestic economic development model, energy structure, technological path, production and consumption methods will also undergo tremendous changes. In the face of the sweeping technological waves and industrial changes, the opportunities are obvious along with the more fierce competition. Only by being prepared for a protracted war can we be invincible.

2022 is the crucial year for the development of the “14th Five-Year Plan”, and also the first year for the



Group to implement a new tenure of professional managers and execute tenure system and contractual management on corporate managers of various enterprises. Centred on the vision for 2035 and the “14th Five-Year Plan” development plan, we will work earnestly and make breakthrough as a pioneer to forge a “growing, effective, quality, autonomous, technological, efficient and responsible GAC”. We will strive for the goal of a 15% year-on-year growth in automobile production and sales volume for the whole year, exploring new horizons for high-quality development of the Group.

CHAIRMAN'S STATEMENT

To stand on new development stages where “expressway” for transformation and upgrading will be completed. Focusing on product upgrades, we will formulate “dual-brand” differentiated strategies for our brand-new self-developed brands to improve the product matrix, accelerate brand upgrading, manifest brand personalities, and portray a technological, youthful and personalised brand image; strengthen marketing upgrades, further highlight digital marketing, deepen the characteristic service system, and gradually realise the value ecology co-created by users.

To excavate a green and low-carbon “moat” by thorough implementation of new development concepts. We will accelerate and promote the implementation of measures related to “Dual Carbon” planning, and make every effort to achieve sustainable development involving green products, green production, green supply chain, green travel, green finance and green community by fully promoting energy conservation and emission reduction and constructing a new green ecosystem covering the entire industrial chain, from R&D to production and from purchase to use.

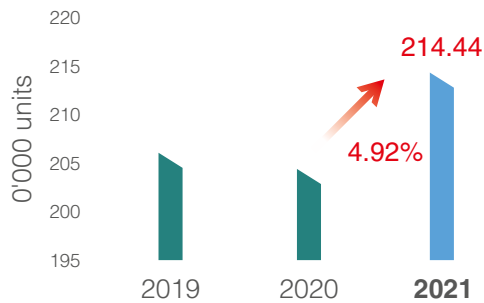
To construct a new development layout in order to shape the “ecosystem” covering the whole industrial chain. We will continue to promote technological self-reliance, enhance the technological innovation layout equipped with intelligent network connection and new energy industry chain, and spare no effort to break through the user pain points in the core technologies of new energy whole vehicles such as safety, high-efficiency energy consumption, scenario-based endurance, charging speed, thereby eliminating the shortcomings of the core technologies of intelligent network connection, and improving the autonomous and controllable ability of it. Strategical cooperation will continue to be deepened, technological innovation will be energised by way of industry investment, so as to construct an autonomous, secure and controllable supply ecosystem.

To promote high-quality development and consolidate the “cornerstone” for deepening reform. We will continue to promote the reforms of professional managers, and improve the salary assessment management mechanism for them. We will fully extend the tenure system and contractual management to enterprise managers, and effectively promote the implementation of the solid commitment to rewards and punishments based on assessment results. We will actively yet prudently push forward the mixed-ownership reform in investment enterprises, make every effort to promote the reform and innovative development of GAC AION's systems and mechanisms, and endeavour to transform the mechanism to increase vitality.

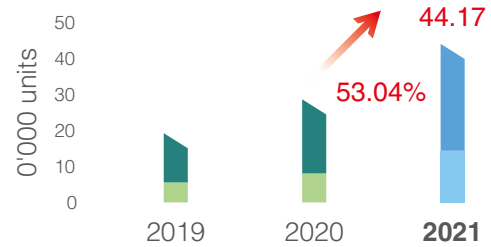
“A person may not be without ambition and perseverance, as he bears a heavy responsibility on a long road”. There will be challenges and opportunities coexisting, scenery alongside the risks on the new journey of comprehensively building a modern socialist country. The road ahead is long and we are ready to work harder. In the new year, we will embark on a new development stage, implement new development philosophy with integrity, accuracy and comprehensiveness, and accelerate the establishment of a new development layout. In order to construct the Group as a world-class enterprise which wins customers' trust, ensures staff's well-being and meets social expectation, and to achieve high-quality development of China's automobile industry, we will make unremitting endeavour day and night in exploring new horizons, so as to celebrate the opening of the 20th CPC National Congress with brilliant performance.

MAIN OPERATING INDICATORS

Vehicle sales volume of the Group

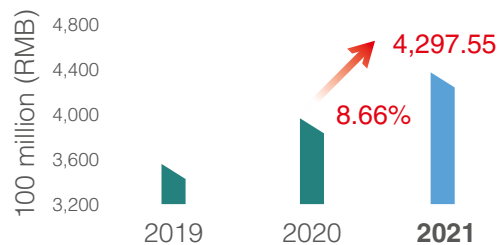


Energy-saving and new energy vehicle sales volume of the Group

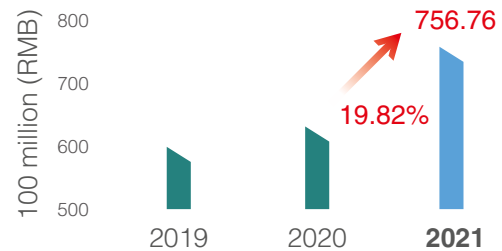


■ New energy vehicles ■ Energy-saving vehicles

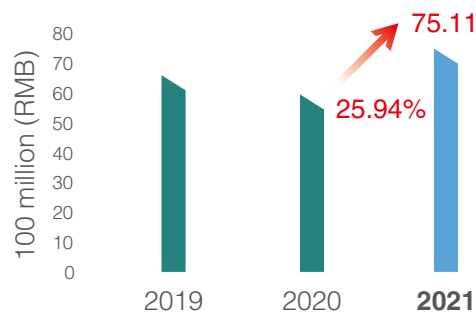
Sales revenue on an aggregated basis



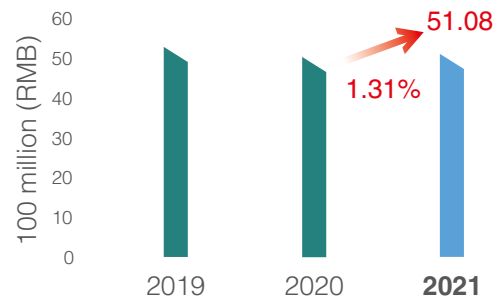
Sales revenue



Net profit attributable to owners of the parent company



Expenditures in research and development



*Corporate
Profile
and
Summary of
Business*



Chapter 2

CORPORATE PROFILE AND SUMMARY OF BUSINESS

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

	Company Secretary/Secretary to the Board
Name	Sui Li
Address	GAC Centre, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou
Telephone	020-83151139
Facsimile	020-83150319
E-mail	ir@gac.com.cn

III. BASIC INFORMATION

Registered address of the Company	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Office address of the Company	GAC Centre, 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	020-83151139 Ext.3

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Names of the media for annual report disclosure of the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of the SSE for annual report disclosure of the Company	www.sse.com.cn
Website of the Stock Exchange for annual report disclosure of the Company	www.hkexnews.hk
Place of inspection of the annual report of the Company	22/F, GAC Centre, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou

CORPORATE PROFILE AND SUMMARY OF BUSINESS

V. INFORMATION ON THE COMPANY'S SHARES

Class of shares	Stock exchange of listing shares	Stock abbreviation	Stock code
A shares	SSE	GAC GROUP	601238
H shares	Stock Exchange	GAC GROUP	02238

VI. OTHER RELEVANT INFORMATION

Auditors (domestic)	Name Business address Name of signatory accountants	ShineWing Certified Public Accountants LLP 8/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing Chen Jinqi, Ou Jinguang
Auditors (overseas)	Name Business address Name of signatory accountant	PricewaterhouseCoopers Certified Public Accountants and Registered PIE Auditor 22/F, Prince's Building, Central, Hong Kong Lam Wai Nang
Sponsor performing continuous supervisory duty during the reporting period	Name Business address Name of the chief signatory of financial advisors Period of continuous supervision	China International Capital Corporation Limited 27th Floor & 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing Zhou Jiaqi, Long Liang The Company completed the non-public issuance of A shares in November 2017, during which the corresponding continuous supervision period was from 17 November 2017 to 31 December 2018, and the sponsor continued to perform the relevant ongoing supervision obligations before the raised proceeds were fully utilised
H share registrar of the Company	Name Address of the registrar	Tricor Investor Services Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

CORPORATE PROFILE AND SUMMARY OF BUSINESS

VII. SUMMARY OF BUSINESS

The existing principal businesses of the Group consist of research and development, manufacture of vehicles (vehicles and motorcycles), parts and components, commercial services, financial services and mobility transportation, which form a complete closed-loop industry chain.

1. Research and development

The Group's R&D is based on GAEI, a directly funded and managed body of the Company, and also a subsidiary of the Company and a strategic business division operating relatively independently within the authorised scope. It is mainly responsible for the Group's general development plan of new products and new technologies, as well as implementation of material R&D projects.



2. Manufacture of vehicles

(1) **The manufacture of passenger vehicles is mainly conducted through subsidiaries, including GAMC, GAC AION and joint ventures, including GAC Honda, GAC Toyota, GAC FCA and GAC Mitsubishi.**

➤ **Products:**

The Group's passenger vehicles include 15 series of sedans, 28 series of SUV and 4 series of MPV.



Fuel-engined vehicle products of the Group mainly include:

- GAC Trumpchi (GA4, GA6, GA8, Empow, GS3, GS4, GS4 COUPE, GS4 PLUS, GS8, GS8S, M6, M8, etc.);
- GAC Honda Accord, Crider, Integra, Veluzel, Odyssey, Fit, Avancier, Breeze, Acura CDX, Acura RDX, etc.;
- GAC Toyota Camry, Highlander, Wildlander, Yaris L, Levin, Levin GT, C-HR, Sienna, etc.;
- GAC FCA JEEP Cherokee, JEEP Renegade, JEEP Compass, JEEP Grand Commander, etc.;
- GAC Mitsubishi ASX, Outlander, Eclipse Cross, etc.;

CORPORATE PROFILE AND SUMMARY OF BUSINESS

Energy conservation and new energy products of the Group include:

- GAC Trumpchi GS4 · PHEV, GS8 HEV;
- GAC AION AION S, AION LX, AION V, AION Y;
- GAC Honda Accord Sport Hybrid, Odyssey Sport Hybrid, Breeze Sport Hybrid, Crider Sport Hybrid, Acura CDX Hybrid, Breeze Sport Hybrid e+, VE-1, EA6;
- GAC Toyota Camry HEV, Highlander HEV, Wildlander HEV, high-performance Wildlander, Levin HEV, Levin PHEV, iA5, C-HR HEV, C-HR EV;
- GAC FCA JEEP Grand Commander · PHEV;
- HYCAN Automobile HYCAN (Hechuang) 007, Z03;

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

- **Production capacity:** During the reporting period, phase I of the GAC Toyota new energy expansion project with a vehicle production capacity of 200,000 units/year was completed and put into operation in July 2021. As at the end of the reporting period, the total vehicle production capacity amounted to 2,933,000 units/year.
- **Sales channel:** The Group conducts automobile sales through sales outlets and online channels. As at the end of the reporting period, the Company, together with its joint ventures and associated enterprises, had 2,558 passenger vehicle 4S sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC. In order to flexibly respond to market changes, especially in the field of new energy vehicles, the Group actively explored the innovation of marketing models and created a dual-track model of "Direct Sales+Distribution, Online+Offline, Automobile City+Commercial Supermarkets".

(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.

CORPORATE PROFILE AND SUMMARY OF BUSINESS

3. Commercial and mobility transportation services

Mainly through its subsidiary, GAC Business, its controlling and investee companies, Da Sheng Technology, and its associated company "ON TIME" (如祺出行) etc. in the upstream and downstream of the automobile industrial chain, the Group carried on businesses in vehicle sales, logistics, international trading, second-hand vehicles, end-of-life vehicles disassembling, resources recycling, supporting services, digitalisation and mobility transportation services, etc.



4. Parts and components

The Group's production of parts and components was mainly carried out through the controlling, jointly controlled, investee companies of its subsidiary, GAC Component, and GAC Toyota Engine and Shanghai Hino, the Group's associated companies. The parts and components include engines, gearboxes, car seats, micro motors, shifter, electric controller, interior and exterior decorations. The products were mainly whole vehicle accessories of the Group.



5. Finance

The Group carried on financial investment, insurance, insurance brokerage, finance lease, automobile credit, and other related businesses mainly through its subsidiaries, namely GAC Finance, China Lounge Investments, GAC Capital, Urtrust Insurance, and its joint venture, GAC-SOFINCO, etc.



CORPORATE PROFILE AND SUMMARY OF BUSINESS

VIII. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Group persisted in promoting development through innovation and reform, continued to deepen the reform on system and mechanism, took the lead in carrying out the pilot reform of professional managers among state-owned enterprises in Guangzhou, continued to optimise the functions of organisational structures, established and perfected diversified incentive mechanisms, steadily promoted the mixed ownership reform of investment enterprises, actively promoted digital transformation and core competitiveness was continuously enhanced.

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 and Northwest China 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 business, financial service and mobile mobility in the downstream, which is one of the automobile groups in the PRC with the most integrated industrial chain and the most optimised industry layout. The synergy in the upstream and downstream of the industrial chain progressed gradually, new profit growth points have been 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 excellence.

3. Continued to enrich product line and optimise product structure

The Group has a full range of products including sedans, SUV and MPV and continued to research and develop and introduce new models and product iterations to maintain market competitiveness of its products in order to meet changes in consumer demand. It maintained customer loyalty and a widely recognised brand reputation.

CORPORATE PROFILE AND SUMMARY OF BUSINESS

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

After years of introduction, digestion, absorption and innovation, the Group accumulated funds, technologies, talents and experience, and formulated a world-class production system. For R&D, through the integration of advantageous global resources and the establishment of a global R&D network, the Group has formed a cross-platform and modular-structured forward development system, and has been equipped with the advantage of integrated innovation, and owns nationally recognised enterprise technology center, overseas high-level talent innovation and entrepreneurship base, national talent introduction demonstration base, academician workstation, postdoctoral research workstation and other innovation platforms. Overall supervision system of vehicle models and incentive mechanism of model team were comprehensively implemented to form a system and mechanism for the integration of research, production and sale with high efficiency and mutual benefit.

5. Built a new energy and intelligent network technology system

For the new energy field, the Group has the leading purely electric powered vehicle exclusive platform GEP2.0, the first application of the deep-integrated “three-in-one” electric automobile system and two-gear dual-motor “four-in-one” integrated electric automobile system. The Group deeply engaged in the independent research and development as well as the industrial application of power battery and battery cells, self-developed power battery technologies such as sponge silicon anode battery technology, ultra-fast charging battery technology and the magazine battery system safety technology, creating the AION series, a new energy vehicle product system based on the new purely electric powered exclusive platform, and introduced a variety of new energy products to the joint ventures successfully. In the intelligent networking sector, ADiGO Smart Driving and Connected Ecosystem, which possesses intelligent driving system, IoT system, cloud platform and big data, and centralised computing electronic and electrical architecture “Astral Architecture” equipped with vehicle-cloud integration were self-developed by the Group.

6. Connection to worldwide capital operation platforms

The Group successfully built capital operation platforms in both A share and H share markets, which was favourable to the Group in adequately leveraging on investment and financing instruments in various forms from domestic and overseas capital markets to achieve effective resources allocation and realise the maximisation of capital appreciation and corporate value through the integration of internal and external growth. The Company explored structural reform in governance, continued to improve medium and long-term incentive mechanism and to expand its investment and financing sector, optimised financing structure, and the role of finance in supporting the main business has been significantly enhanced.

Management Discussion and Analysis



Chapter 3

MANAGEMENT DISCUSSION AND ANALYSIS

In order to facilitate the national goal of “Dual Carbon”, the Group launched the plan named “Green Low-carbon for Achieving Sustainable Success”, which aims to achieve carbon neutralisation in the whole-life cycle of products by 2050 while striving for completion by 2045.

Green 綠色

Low-Carbon 低碳

Achieving 實現

Sustainable 可持續

Success 成就

The “Green Low-carbon for Achieving Sustainable Success” plan

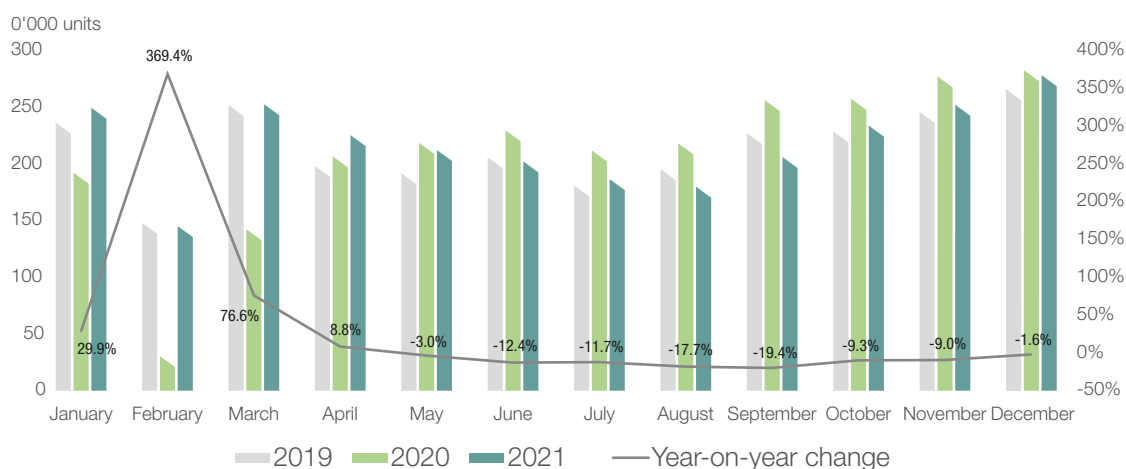


MANAGEMENT DISCUSSION AND ANALYSIS

I. ANALYSIS ON INDUSTRY ENVIRONMENT

In 2021, the world economy was still experiencing the severe challenges brought about by the recurrence of the COVID-19 pandemic, accompanied by multiple unfavorable factors such as chip shortage and high raw materials prices around the world, and the automobile industry was still subject to enormous challenges. At the same time, our country had firmly promoted the work of “six priorities” and “six stabilising forces” and strictly adopted measures to prevent and control the pandemic, so as to ensure the stability of market entities and industrial supply chain. As a result of the stimulating and timely introduction of policies on automobile consumption, market demand gradually recovered with continuous improvement in industry cycles and stable recovery of consumer market. The industry’s annual cumulative sales volume ended its negative growth for three consecutive years, achieving a sound growth trend while maintaining stability throughout the year. The annual production and sales volume of vehicles was 26,082,200 units and 26,274,800 units respectively, representing a year-on-year increase of 3.40% and 3.81% respectively. The production and sales volume continued to be the first in the world.

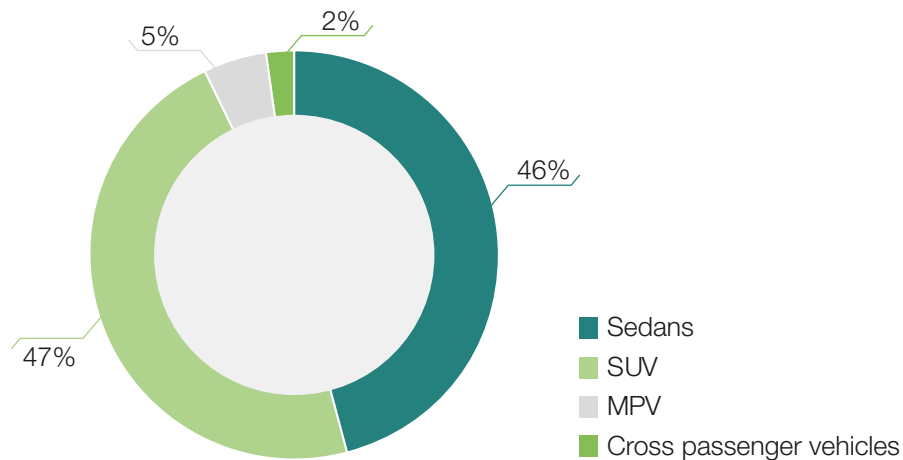
Monthly Automobile Sales Volume in China from 2019 to 2021



In terms of segment market, in 2021, the production and sales volume of passenger vehicles amounted to 21,408,000 units and 21,481,500 units respectively, representing a year-on-year increase of 7.07% and 6.46% respectively. Among which, the demand for high-end brand passenger vehicles was recovering vigorously, with a year-on-year increase of more than 20%, which far exceeded the overall demand for passenger vehicles. Among the major types of passenger vehicles, the annual production and sales volume of SUV remained the first, and recorded a year-on-year increase of 6.72% and 6.77% respectively; the production and sales volume of sedans recorded a year-on-year increase of 7.82% and 7.11% respectively; the production and sales volume of MPV recorded a year-on-year increase of 6.06% and 0.11% respectively; and the production and sales volume of cross passenger vehicles recorded a year-on-year increase of 0.58% and 0.85% respectively.

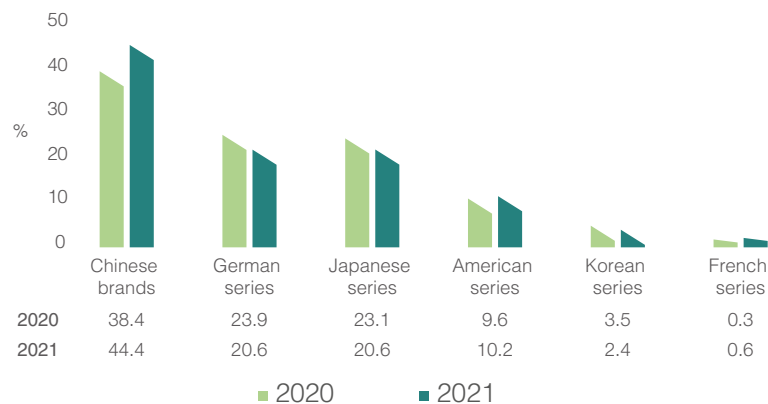
MANAGEMENT DISCUSSION AND ANALYSIS

Market Share of Passenger Vehicles by Models in China in 2021



Among which, 9,543,000 units of passenger vehicles of Chinese brands were sold, representing a year-on-year increase of 23.15%, accounting for 44.42% of the total sales volume of passenger vehicles, and 6.0% up from the same period last year. Among the major foreign brands, when compared with the previous year, the sales volume of passenger vehicles of French series and American series showed a rapid growth, while German series, Japanese series and Korean series were all on a declining curve.

Market Share of Passenger Vehicles by Series in China in 2021

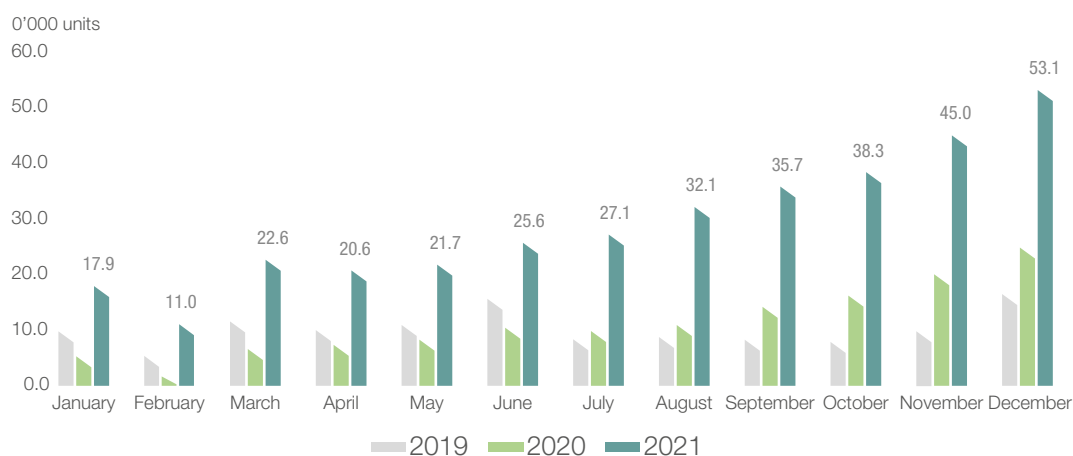


Driven by certain factors such as the elimination of National Standard III vehicles and infrastructure investment, the production and sales volume of commercial vehicles substantially increased in the first quarter, but overall sales volume fell throughout the year. In 2021, the production and sales volume of commercial vehicles was 4,674,300 units and 4,793,300 units respectively, representing a year-on-year decrease of 10.65% and 6.62% respectively.

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Since January, the rate of increase in monthly sales volume of new energy vehicles had significantly expanded year-on-year, and the production and sales volume for each month broke the historical record of that corresponding month, with a new record high in December. In 2021, the production and sales volume of new energy vehicles was 3,544,900 units and 3,520,500 units respectively, representing a year-on-year increase of 159.49% and 159.48% respectively, as growth rate increased significantly compared to the previous year.

Monthly Sales Volume of New Energy Vehicles in China from 2019 to 2021



Note: The above industry data was from CAAM.

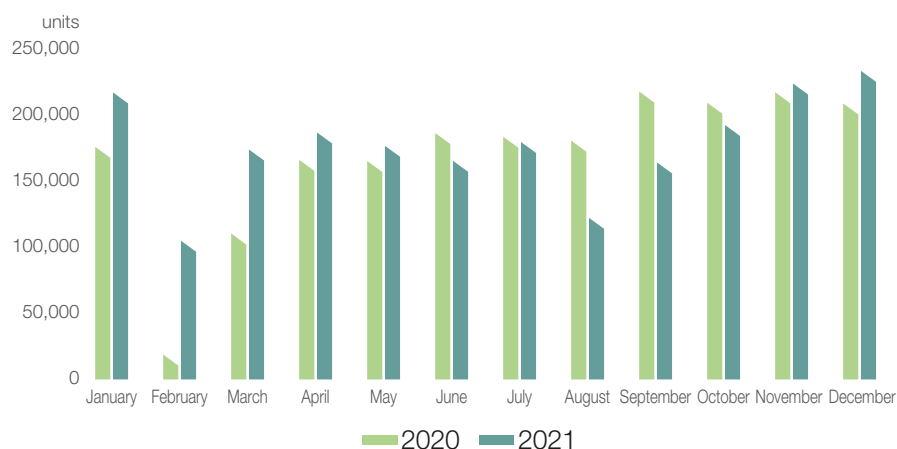
MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS ON OPERATION OF THE COMPANY

1. Production and operations remained stable while showing an upward trend

Overcoming various difficulties such as recurrence of pandemic, shortage of chip supply, and rising raw material prices, the Group achieved annual vehicle production and sales volume of 2,138,100 units and 2,144,400 units respectively, representing a year-on-year increase of 5.08% and 4.92% respectively. The growth rate of production and sales volume outperformed the general trend of the industry, while the domestic market share further increased to 8.16%.

Monthly Sales Volume of GAC Group



In 2021, the production and sales volume of the Group's passenger vehicles was 2,135,400 units and 2,141,700 units respectively, representing a year-on-year increase of 5.13% and 4.97% respectively. In terms of vehicle types, the sales volume of MPV model increased significantly by 38.84%, while the sales volume of sedans and SUV stably increased by 3.44% and 2.40% year-on-year. The production and sales volume of new energy vehicles continued to maintain rapid growth, and the annual production and sales volume was 144,700 units and 142,900 units respectively, representing a year-on-year increase of 88.68% and 77.35% respectively, while the proportion of energy-saving vehicles further increased, with an annual production and sales volume of 296,500 units and 298,800 units respectively, representing a year-on-year increase of 36.84% and 43.63% respectively.

2. Steadily pushed forward project investment

RMB30.46 billion had been invested in GAC Zhilian New Energy Automotive Industrial Park. Phase II of the new energy vehicle capacity expansion project for self-developed passenger car brands (an additional capacity of 100,000 units/year) was completed and commenced mass production in February 2022. GAC Toyota's new energy vehicle capacity expansion

MANAGEMENT DISCUSSION AND ANALYSIS

project (phase I) with production capacity of 200,000 units/year, construction project of GAEI's Hualong R&D Base, construction project of Times GAC Energy Battery (phase I), GAC Aisin Gearbox project, GAC Toyota Engine's construction project of TNGA series engines, construction project of GAC Component (Guangzhou) industrial park and other key projects had been completed and put into production on schedule. GAC Toyota's new energy vehicle capacity expansion project (phase II), production lines transformation project of I Factory Engine Phase III of Guangzhou Qisheng Powertrain Co., Ltd., Southern (Shaoguan) Intelligent Network New Energy Vehicle Testing Center (phase I), electric-driven project of Guangzhou Nidec and other projects are in steady progress.



| Phase I of GAC Toyota new energy vehicle capacity expansion project was completed and put into operation |



| Capacity expansion project (phase II) of GAC AION Smart Ecological Plant was completed and put into operation |

3. Self-developed brands sought stability and improvement

The adjustments on self-developed brands achieved preliminary effects. GAMC adhered to the product strategies of “smart appearance+high technology+ PVA leadership+ differentiated characteristics”, and had launched new or facelift models such as EMPOW, GS4 PLUS, second-generation GS8, M6 Pro this year, accumulating total sales amounting to 324,200 units throughout the year, with a year-on-year increase of 10.35%. Among them, the average monthly orders for our first sports sedan, the EMPOW, exceeded 10,000 units after being launched; M6 and M8 achieved a total sales volume of 114,600 units in the whole year, representing a year-on-year increase of 55.89%. M8 has been the top-seller for Chinese MPV luxury brand for 28 consecutive months. Steady progress had been achieved in internationalisation. Focusing on the “Belt and Road” initiative to develop core markets, GAC Trumpchi exported over 20,000 vehicles in total throughout the year, representing a year-on-year increase of over 70%. GAC AION launched three new products, namely AION Y, AION S Plus and AION V Plus, to further improve the model matrix of RMB100,000-350,000 new energy vehicles core market. The total sales volume for the year reached 120,200 units, representing a year-on-year increase of 101.80%. AION S, AION Y, and AION V retail sales volume all occupied the forefront of their respective PEV market segments.

MANAGEMENT DISCUSSION AND ANALYSIS



The second-generation GS8



AION Y



AION V Plus



Empow

MANAGEMENT DISCUSSION AND ANALYSIS

Integration and collaboration continued to deepen. The operation mechanism of the self-developed brand management committee was improved. Business coordination and decision-making around key tasks such as the deepening of institutional reform, the implementation of the overall supervision system, the improvement of incentive distribution, and the modularisation of the platform were carried out, which improved the synergy efficiency of the integration of research, production and sales. Realising the full coverage of the overall supervision system over the models under development, and implementing the model team incentive mechanism that was bound to the success of the vehicle models, we have better motivated and ensured the role of the team of the overall supervision over the models.

Marketing innovation accelerated. The functions and content operation of the GAC Trumpchi APP continued to improve, realising the whole process management for customer online experience, covering the whole ecosystem of users including brand, product, marketing and services. By introduction of measures such as the digital client manager system, customer experience continuously improved. GAC AION deepened its marketing reform, and explored the mode of “Auto City Store + Supermarket Display Center + Directly-operated Experience Center”, with the first directly-operated experience center in Guangzhou established.



| The first directly-operated experience center of GAC AION |

4. Joint venture brands continued to make growth

GAC Toyota’s newly launched or facelifted models, namely facelifted Camry, Fourth-Generation Highlander, Sienna, Levin GT and other models accumulated annual sales volume of 828,000 units, representing a year-on-year increase of 8.23%. Among them, Camry sold more than 210,000 units, representing a year-on-year increase of 17.08%, with its retail sales ranking first in the vehicle segment of mid-to-high end; the sales volume of Highlander and Wildlander both achieved substantial growth and ranked at the forefront of the segment; the first MPV model, Sienna entered the price range of over RMB400,000 for luxury brands. The cumulative annual production and sales volume of GAC Honda exceeded 780,000 units. It launched a variety of new or facelifted models such as the facelifted Accord, Integra, facelifted Crider, facelifted Odyssey, Breeze Sport Hybrid e+, etc. The sales volume of Accord, Fit, Vezele, Breeze, Odyssey and other models continued to be at the forefront of the market segment. In the annual J.D. Power selection, GAC Honda’s SSI (Sales Satisfaction Index), CSI (Customer Service Index), IQS (Initial Quality Study) and DAS (Dealer Attitude Study) ranked first among mainstream car brands. For the year, GAC FCA launched a facelifted Grand Commander to promote the “One Jeep” strategy and promote brand revitalisation.

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Sienna



**Facelifted
Camry**



Integra



**Facelifted
Accord**



**Facelifted Grand
Commander**



AIRTREK

MANAGEMENT DISCUSSION AND ANALYSIS

GAC Mitsubishi's new pure electric SUV AIRTREK officially commenced pre-sale at the 2021 Guangzhou Automobile Exhibition. Wuyang-Honda promoted the transformation of product structure by taking the launch of medium-displacement models as an opportunity, and its annual sales volume increased by 3.89% year-on-year.

5. Independent research and development achieved breakthroughs

In the field of energy preservation and new energy, the Group released the hybrid technology platform "Green Engine Technology" to comprehensively promote the application of dual-motor hybrid system. The second-generation GS8 hybrid version is equipped with the self-developed engine 2.0TM + Toyota's new fourth-generation large-capacity THS hybrid system for the first time. The independent and controllable core technologies of "Three Electric" were promoted. Among them, self-developed sponge silicone anode battery has the energy density and low-temperature characteristics leading the industry, which had been equipped on the AION LX Plus model for launch, becoming the first model with mileage of more than 1,000 kilometers announced by the Ministry of Industry and Information Technology; the ultra-fast battery technology had been equipped on AION V Plus for mass production application; the magazine battery system safety technologies passing the lithium iron phosphate battery pack needling test without fire generation had been installed on AION Y and other models; GAC's first hydrogen fuel cell vehicle based on proprietary fuel cell system had officially started demonstration operation.

In the field of intelligent network connection, investment in research and development continued to increase to steadily promote the research and development of various cutting-edge intelligent network connection technologies, and achieved periodical progress in the aspects of vehicle-cloud integrated electronic and electrical architecture, intelligent driving, and ADiGO (Intelligent Driving Interconnection) ecosystem. Among them, AR HUD had been installed in the second-generation GS8 and other models; Beyond Visual Range parking summoning had been installed on new models such as AION V Plus.

In the field of digitalisation, we took the launch of new models such as the EMPOW as an opportunity to explore digital marketing innovation, broke through the traditional marketing service chain, and formed a new "customer-centric" marketing service model by establishing direct connections between OEMs and customers. "Digital Innovation of GAC's Marketing Model" was the only auto enterprise winning the Annual Marketing Transformation Model Award in the "2021 Dingge Award for Chinese Digital Transformation Pioneer" selection.



| GAC's first hydrogen fuel cell vehicle had officially started demonstration operation |

MANAGEMENT DISCUSSION AND ANALYSIS

6. Various business segments advanced side by side

In the field of parts and components, the investment layout strengthened around the three major directions of chips, intelligent network connection and new energy. GAC Component and Zhuzhou CRRC Times Semiconductor Co., Ltd. jointly established a joint venture to promote independent technology research and development and industrial application in the field of IGBT (insulated-gate bipolar transistor); GAC Capital completed the investment in Horizon, Yuexin Semiconductor, ChangXin Memory Technologies and other companies to supplement and strengthen the supply chain.

In the field of business trade services, GAC Business actively promoted the construction of the outlet network, and completed the construction of 10 outlets in 2021. By strengthening the construction of digital marketing and building up a digital marketing platform, digital transformation from the management serving store to operation energising store was realised.

In the field of financial services, GAC-SOFINCO carried out in-depth cooperation with the Group's OEMs to create an exclusive cooperation model to provide financial service support to dealers and customers. Urtrust Insurance developed the "Worry-Free Car Use" service pack to provide customers with "one-stop" experience. GAC Finance innovatively developed the characteristic credit product "Production and Sales Loan", and expanded the business of inventory financing and remittance loans, which supported the Group's automobile sales.

In the field of mobility transportation services, ON TIME entered the markets in Zhuhai, Shenzhen and Dongguan, basically forming a travel network covering the Greater Bay Area, and key operational indicators continued to improve. In the monthly national online car-hailing operation data released by the Ministry of Transport in 2021, ON TIME's order compliance rate ranked first in the industry for 5 times.

7. Deepening reform gained fruitful results

Positive progress was made in the solid promotion of the three-year action for the reform of state-owned enterprises and improvement campaign that benchmarked against world-class management, major and difficult reforms such as tenure-based contractual management, professional manager reform, and the system reform in three aspects, namely labour, personnel and distribution. The Group's three-year action for state-owned enterprise reform had been substantially completed, which fully manifested benchmark role as a "Double-Hundred Enterprise". The State-owned Assets Supervision and Administration Commission of the State Council granted the highest Class A rating to the Group in the special evaluation of the three system reforms over "Double Hundred Enterprises". At the same time, the Group's digital transformation project (Plan G) was the only benchmark project in Guangdong being selected into establishment action of management benchmark for key state-owned enterprises by the State-owned Assets Supervision and Administration Commission of the State Council, by virtue of which the Group was recognised as a benchmark enterprise for this action.

MANAGEMENT DISCUSSION AND ANALYSIS

Standardised operations continuously improved compliance and governance. The achievements in the construction of the compliance and management system were consolidated and improved by further promoting the compliance and management relating to the “one enterprise, one policy” work, strengthening special inspection and supervision in key areas, innovatively carrying out compliance “fire drills”, and establishing a compliance assessment mechanism. The Group advanced audit management reform in an orderly manner, expanded the breadth and depth of economic responsibility audit and special audit supervision, steadily pushed forward various audit rectifications, established a reporting mechanism for major business risk events, and enhanced digital risk management and control.

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

During the reporting period, the Group realised sales revenue of approximately RMB429.755 billion on an aggregate basis, representing an increase of approximately 8.66% as compared with that of the corresponding period last year.

During the reporting period, the sales revenue of the Group amounted to approximately RMB75.676 billion, representing an increase of approximately 19.82% as compared with that of the corresponding period last year. The net profit attributable to owners of the parent company amounted to approximately RMB7.511 billion, representing an increase of approximately 25.94% as compared with that of the corresponding period last year. The basic earnings per share amounted to approximately RMB0.73, representing an increase of approximately RMB0.15 as compared with that of the corresponding period last year.

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

1. China's economy continued to recover steadily. As a whole, the domestic automobile market remained stable, despite a series of influential factors comprising the recurrence of pandemic in certain areas of the country, the supply shortage of chips, the price increase of raw materials, and so on. Under such circumstances, with the “14th Five-Year Plan” as development and planning orientation, the Group proactively retrieved its loss and strived to push forward high-quality development. The annual sales volume of automobile increased by 4.92% year-on-year. The Group consistently persisted in positive research and development, independent innovation, accelerated the introduction of new products, and continuously enhanced the product power. During the reporting period, AION AION Y, Trumpchi EMPow, AION AION S Plus and Trumpchi GS4 PLUS, and other new, facelifted and annual vehicle models were launched, further enriching the star product portfolio of self-developed brands. Among which, the self-developed new energy vehicles continued to record impressive sales, with annual sales volume exceeding 120,000 units, representing a year-on-year increase of 101.80%.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Joint ventures launched new products and technologies which continuously enhanced overall competitiveness. Among which, GAC Toyota continued its upward progress, while the main vehicle models were undersupplied. Facelifted Camry, Levin GT, new Fourth-Generation Highlander (including HEV) and Sienna were newly launched. TNGA vehicle models were continuously enriched, and the structural proportion of new energy and energy-saving products continued to increase. GAC Honda's products remained hot sellers, and Breeze 2021 Version, EA6 pure electric vehicle, and Integra, etc. were launched successively. Continuous optimisation of product portfolio steadily improved our competitiveness.
3. Ancillary businesses in the upstream and downstream of the industrial chain such as financial services, vehicle components and commercial services were deeply promoted by closely revolving around the Group's strategy, and the synergistic effect among business segments continued to emerge which facilitated the development of principal businesses. Among which, the continuous deepening of cooperation between financial enterprises as well as the business expansion and innovation strongly supported the Group's automobile sales; "ON TIME" (如祺出行) continuously enriched its product business, improved the quality of services and extended the scope of services, and its market share steadily increased during the reporting period. Its operation business expanded to Zhuhai, Shenzhen and Dongguan successively. Both the number of users and annual orders exceeded twice that of 2020.

As at 31 December 2021, calculated based on the proportion of shareholdings of the Group in the joint ventures, the total liabilities and total revenues of jointly controlled entities amounted to RMB73.075 billion and RMB135.535 billion 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	Corresponding		Change (%)
	Current period	period last year	
Revenue	756.76	631.57	19.82
Costs of sales	717.77	608.61	17.94
Selling and distribution costs	43.40	36.41	19.20
Administrative expenses	45.56	38.50	18.34
Finance costs	4.25	4.40	-3.41
Interest income	3.16	4.32	-26.85
Share of profit of joint ventures and associates	114.04	95.71	19.15
Net cash flow generated from operating activities	-64.91	-36.71	-76.82
Net cash flow generated from investing activities	72.35	-29.38	346.26
Net cash flow generated from financing activities	7.77	-11.78	165.96

MANAGEMENT DISCUSSION AND ANALYSIS

1. Analysis on revenue and cost

During the reporting period, revenue of the Group amounted to approximately RMB75.676 billion, representing an increase of approximately 19.82% as compared with the corresponding period last year. This was mainly due to the combined effect of stable and improving domestic economy, the continuous positive growth of production and sales in the automobile industry despite its growth rate slowed down month by month in the second half of the year, and the increasingly enriched vehicle models under self-developed brands of the Group with ever-increasing sales volume, especially the significant increase in the sales volume of “AION” new energy vehicles.

During the reporting period, the Group recorded costs of sales of approximately RMB71.777 billion, representing an increase of approximately 17.94% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB3.899 billion, representing an increase of approximately RMB1.603 billion or approximately 69.82% as compared with the corresponding period last year. Gross profit margin increased by 1.51% as compared with the corresponding period last year, which was mainly due to the combined effect of overcoming the impact of the supply shortage of automotive chips and the increase in raw material prices, and the year-on-year increase in production and sales volume of vehicle models of the Group's self-developed brands, leading to corresponding increase in both costs and economies of scale.

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	491.80	478.67	2.67	29.63	27.03	292.65
Auto-parts manufacturing industry	31.88	30.27	5.05	6.30	3.98	72.35
Commercial services	211.10	198.41	6.01	7.21	6.51	11.50
Financial services and others	21.98	10.42	52.59	-13.12	-36.46	49.49
Total	756.76	717.77	5.15	19.82	17.94	41.48

MANAGEMENT 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	491.80	478.67	2.67	29.63	27.03	292.65
Vehicles related trades	242.98	228.68	5.89	7.09	6.17	16.40
Financial services and others	21.98	10.42	52.59	-13.12	-36.46	49.49
Total	756.76	717.77	5.15	19.82	17.94	41.48

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	737.89	702.83	4.75	18.83	17.43	31.22
Overseas	18.87	14.94	20.83	78.02	47.92	341.31
Total	756.76	717.77	5.15	19.82	17.94	41.48

MANAGEMENT DISCUSSION AND ANALYSIS

Principal business by sales model

Unit: 100 million Currency: RMB

By sales model	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 (%)
Distributor sales model	491.80	478.67	2.67	29.63	27.03	292.65
Others	264.96	239.10	9.76	5.06	3.15	20.64
Total	756.76	717.77	5.15	19.82	17.94	41.48

Analysis of sales and production volume

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	122,334	121,399	2,915	117.44	116.58	54.72
SUV	201,228	208,402	5,871	-7.45	-7.16	-51.44
MPV	121,065	114,555	8,709	67.60	55.89	298.76

Illustration on production and sales volume: mainly the production and sales data of GAMC and GAC AION within the scope of consolidation.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales to major customers

Unit: 100 million Currency: RMB

Customers	Revenue	Ratio to revenue (%)
Total sales to top 5 clients	24.79	3.30

Major Suppliers

Unit: 100 million Currency: RMB

Suppliers	Amount of procurement	Ratio to total procurement (%)
Total procurement from the top 5 suppliers	108.78	15.73

Amount of procurement fees paid to the largest supplier of the Group accounted for 6.84% 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. Expenses

- (1) The year-on-year increase of approximately RMB699 million in selling and distribution costs was mainly attributable to the combined effect of the increase in advertising and promotion expenditures, and corresponding increase in aftersales service charge with the increase of sales volume during the reporting period.
- (2) The year-on-year increase of approximately RMB706 million in administrative expenses was mainly attributable to the combined effect of amortisation of equity incentive expenses during the reporting period.
- (3) The year-on-year decrease of approximately RMB15 million in finance costs was mainly attributable to the combined effect of the changes in borrowing structure which led to a decrease in interest expenses during the reporting period as compared with the corresponding period last year.
- (4) The year-on-year decrease of approximately RMB116 million in interest income was mainly attributable to the combined effect of the impact of decrease in cash deposits which led to a decrease in interest income during the reporting period as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

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	8.27
Capitalised research and development expenses for the period	42.81
Total research and development expenditures	51.08
Percentage of total research and development expenditures over total revenue (%)	6.75
Number of research and development staff	5,529
Number of research and development staff over total number of staff (%)	17.31
Percentage of capitalised research and development expenditures (%)	83.81

(2) During the reporting period, expenditures in research and development amounted to approximately RMB5.108 billion, representing a year-on-year increase of RMB66 million, which was mainly attributable to the continuous enhancement of independent research and development and innovation capacity to improve the quality system, along with the simultaneous propulsion of the development projects of traditional energy vehicle models and new energy vehicle models and research and development of core parts and components during the reporting period.

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 amounted to approximately RMB11.404 billion, representing a year-on-year increase of approximately RMB1.833 billion, which was mainly attributable to the combined effect of the increase in profit of Japanese series joint ventures.

5. Cash flows

(1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB6.491 billion, representing an increase in net outflow of approximately RMB2.820 billion as compared with the net cash outflow of approximately RMB3.671 billion in the corresponding period last year, which was mainly attributable to the combined effect of the decrease in net deposit of non-consolidated companies in GAC Finance as compared with the corresponding period last year and the increase in the expenditures on purchase of commodities for finance lease business during the reporting period;

(2) During the reporting period, net cash inflow generated from investing activities amounted to approximately RMB7.235 billion, representing a decrease of net outflow of approximately RMB10.173 billion as compared with net cash outflow of approximately RMB2.938 billion in the corresponding period last year, which was mainly due to the combined effect of the increase in profits distribution from investment enterprises and recovery of financial assets invested by financial enterprises as compared with the corresponding period last year during the reporting period;

MANAGEMENT DISCUSSION AND ANALYSIS

- (3) During the reporting period, net cash inflow generated from financing activities amounted to approximately RMB777 million, representing an increase of net inflow of approximately RMB1.955 billion as compared with the net cash outflow of approximately RMB1.178 billion in the corresponding period last year, which was mainly attributable to the combined effect of the increase in borrowings and securitisation financing used for finance lease business as compared with the corresponding period last year during the reporting period;
- (4) As at 31 December 2021, cash and cash equivalent of the Group amounted to approximately RMB17.235 billion, representing an increase of approximately RMB1.444 billion as compared with approximately RMB15.791 billion as at 31 December 2020.

6. Others

Income tax amounted to approximately RMB154 million, representing a year-on-year increase of approximately RMB202 million, which was mainly attributable to changes in profit of certain enterprises during the reporting period.

To sum up, the Group's net profit attributable to owners of the parent company for the reporting period amounted to approximately RMB7.511 billion, representing a year-on-year increase of approximately 25.94%. Basic earnings per share amounted to approximately RMB0.73, representing a year-on-year increase of approximately RMB0.15.

(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 (%)
Trade and other receivables – current	251.10	16.28	196.16	13.73	28.01
Prepayments and long-term receivables	80.09	5.19	50.56	3.54	58.41
Financial assets at fair value through profit or loss – non-current	19.46	1.26	43.75	3.06	-55.52
Borrowings – current	98.89	6.41	65.04	4.55	52.04
Contract liabilities	26.27	1.70	14.93	1.05	75.95

MANAGEMENT DISCUSSION AND ANALYSIS

2. Analysis on change

- (1) Trade and other receivables – current: mainly due to the combined effect of the increase in production and sales volume which led to the corresponding increase in trade receivables during the reporting period;
- (2) Prepayments and long-term receivables: mainly due to the combined effect of the increase of finance leasing business and the increase in non-current loans made during the reporting period;
- (3) Financial assets at fair value through profit or loss – non-current: mainly due to the combined effect of the decrease in investment in financial products by financial enterprises during the reporting period;
- (4) Borrowings – current: mainly due to the combined effect of the increased capital demand for business development of certain enterprises during the reporting period;
- (5) Contract liabilities: mainly due to the combined effect of the increase in production and sales volume and supply shortage of vehicle chips during the reporting period which led to the increase in products not yet delivered.

(III) Analysis of Financial Position

1. Financial indicators

As at 31 December 2021, the Group's current ratio was approximately 1.25 times, representing a decrease from approximately 1.33 times as at 31 December 2020, and quick ratio was approximately 1.08 times, representing a decrease from approximately 1.18 times as at 31 December 2020, which were within reasonable range.

2. Financial resources and capital structure

As at 31 December 2021, the Group's current assets amounted to approximately RMB61.192 billion, current liabilities amounted to approximately RMB49.133 billion and current ratio was approximately 1.25 times.

As at 31 December 2021, total borrowings amounted to approximately RMB17.415 billion, mainly consisting of corporate bonds issued by the Group with nominal value of RMB3 billion, convertible bonds with closing balance of approximately RMB2.374 billion, receivables targeted asset-backed notes with closing balance of approximately RMB688 million, asset-backed securities with closing balance of approximately RMB950 million and borrowings from bank and financial institutions with closing balance of approximately RMB10.153 billion, etc. The above borrowings and bonds are payable upon maturity. The Group generally funds its business and operational capital needs with its own operating cash flow.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, the Group's gearing ratio was approximately 15.82% (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

3. Foreign exchange risk

As the Group mainly conducts its business in the PRC and the sales and procurement 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 2021, third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2020 was RMB0; as at 31 December 2021, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2020 was RMB0.

(IV) Analysis of Automobile Manufacturing Industry Operation

1. Production capacity

Existing production capacity

Names of major factories	Designed	Production	Production
	production	capacity	
	capacity	during the	utilisation
	(ten	reporting	rate
	thousand	period	(%)
	units)	(ten	
		thousand	
		units)	
GAC Honda	77	78.71	102.22
GAC Toyota	80	82.33	120.08
GAMC (including GAC AION)	82	44.76	54.59
GAC Mitsubishi	20	6.11	30.55
GAC FCA	32.8	1.63	4.97
GAC Hino	1	0.21	21.00
GAC BYD	0.5	0.06	12.00
Total	293.3	213.81	75.86

MANAGEMENT DISCUSSION AND ANALYSIS

Note:

1. Production capacity during the reporting period refers to the actual production volume during the reporting period.
2. GAC Toyota completed production capacity of 200,000 units/year which was put into operation in July 2021, and the production capacity utilisation rate has been converted according to the actual production progress.

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
Smart ecological plant of GAC AION	409,430	28,350	369,357	February 2022	200,000 units
GAC Toyota new energy vehicle expansion project (phase II)	634,200	132,007	343,145	2022	200,000 units
GAC Honda new energy vehicle (120,000 units/year) production capacity expansion	349,510	25,708	25,708	2024	120,000 units

Note:

1. Phase I of the new energy vehicle production capacity expansion project of GAC's self-developed brand for passenger vehicles (100,000 units) was completed and put into operation in 2019, and phase II (100,000 units) was completed in February 2022.
2. Phase I of GAC Toyota new energy vehicle expansion project was officially completed in July 2021, and phase II is scheduled to be completed in 2022.

Production capacity calculation standards

Calculated based on standard production capacity and two production shifts.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Sales and production 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 total sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in total production volume compared with the corresponding period last year (%)
Passenger vehicle	2,141,675	2,040,313	4.97	2,135,377	2,031,206	5.13
Sedans	1,012,823	979,099	3.44	1,007,616	976,355	3.20
MPV	160,712	115,751	38.84	166,519	114,945	44.87
SUV	968,140	945,463	2.40	961,242	939,906	2.27
Commercial vehicle	2,712	3,443	-21.23	2,750	3,628	-24.20
Total vehicles	2,144,387	2,043,756	4.92	2,138,127	2,034,834	5.08

By regions

Vehicle types	Domestic sales (units)			Overseas sales (units)		
	Total number for the year	Total number for last year	Changes in total sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in total sales volume compared with the corresponding period last year (%)
Passenger vehicle	2,120,992	2,023,964	4.79	20,683	16,349	26.51
Sedans	1,003,099	973,742	3.01	9,724	5,357	81.52
MPV	160,101	115,318	38.83	611	433	41.11
SUV	957,792	934,904	2.45	10,348	10,559	-2.00
Commercial vehicle	2,712	3,443	-21.23	-	-	-
Total vehicles	2,123,704	2,027,407	4.75	20,683	16,349	26.51

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. New energy vehicle business

Production capacity of new energy vehicles

Name of major factory	Designed production capacity (units)	Production capacity during the reporting period (units)	Production capacity utilisation rate (%)
Smart ecological plant (phase I) of GAC AION	100,000	121,400	121.40

Note: Production capacity during the reporting period refers to the actual production volume during the reporting period.

Sales and production volume of new energy vehicles

Vehicle types	Sales volume (units)			Production volume (units)		
	Total number for the year	Total number for last year	Changes in total sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in total production volume compared with the corresponding period last year (%)
Passenger vehicle	120,690	60,915	98.13	121,811	61,052	99.52

Income and subsidies for new energy vehicles

Unit: '0,000 Currency: RMB

Vehicle types	Income	Subsidy for new energy vehicle	Ratio of subsidy (%)
Passenger vehicles	1,732,804	175,693	10.14

MANAGEMENT DISCUSSION AND ANALYSIS

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, GAMC and GAC AION are the key joint ventures and subsidiaries of the Group. During the reporting period, they made every effort to overcome the impact and challenges of chip shortages, rising raw material prices, and resurgence of pandemic, and achieved steady growth in production and sales volume throughout the year; meanwhile, through measures such as product structure adjustment and strengthening of cost control, steady improvement in operating efficiency was achieved.

The production and sales volume of GAC Honda were 787,109 units and 780,266 units respectively, representing year-on-year decreases of 2.29% and 3.17% respectively; operating income was RMB114,810.25 million, representing a year-on-year decrease of approximately 3.05%;

The production and sales volume of GAC Toyota were 823,296 units and 828,000 units respectively, representing year-on-year increases of 7.62% and 8.23% respectively; operating income was RMB129,464.53 million, representing a year-on-year increase of approximately 16.89%;

The production and sales volume of GAMC were 323,245 units and 324,201 units respectively, representing year-on-year increases of 13.30% and 10.35% respectively; operating income was RMB52,885.12 million, representing a year-on-year increase of approximately 26.02%.

The production and sales volume of GAC AION were 121,382 units and 120,155 units respectively, representing year-on-year increases of 102.51% and 101.80% respectively; operating income was RMB17,265.22 million, representing a year-on-year increase of approximately 84.27%.

MANAGEMENT DISCUSSION AND ANALYSIS

VIII. STRUCTURED ENTITIES UNDER THE CONTROL OF THE COMPANY

Nil.

IX. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Industry Layout and Trend

In 2021, the automotive industry overcame unfavourable factors such as the resurgence of the pandemic, chip shortage, continuously rising raw material prices and power restrictions, and showed a stable but increasing development trend in the annual automotive production and sales, demonstrating strong development resilience and momentum. In terms of full-year developments, vehicle production and sales showed a year-on-year growth in 2021, ending the three consecutive years of decline since 2018. New energy vehicles were shifting from policy-driven to policy and market driven prospects.

Looking ahead to 2022, the implementation of China's strategy to expand domestic demand will play a good role in supporting the stability of automobile consumption. However, the global economic recovery and the COVID-19 outbreak are still unstable and uncertain, and supply chain risks such as chip supply shortages and rising raw material prices still exist, and the automotive industry will face certain challenges. According to the China Association of Automobile Manufacturers, total vehicle sales volume in China are expected to reach 27.5 million units in 2022, representing a year-on-year increase of approximately 5.4%.

At the same time, the vehicle market presents a new pattern and new changes. Firstly, new energy vehicles enters a new stage by shifting from policy-driven to market-driven. With the introduction of the national "Dual Carbon" strategy, the advancement of new energy technologies, and the continuous enrichment of products, the new energy vehicle market has entered a stage of explosive growth. According to data from the China Association of Automobile Manufacturers, the domestic new energy vehicle market share increased to 13.4% in 2021, which was 8% higher than the previous year. Secondly, the proportion of joint venture brands and independent brands has changed, benefitting from the combined effect of multiple factors such as the overall upward force of independent brands in recent years, the evolution of the trend of electrification and intelligentisation, and the iteration of consumption concepts of the new generation, the market share of independent brands has continued to increase. According to data from the China Association of Automobile Manufacturers, the market share of Chinese passenger vehicles brands reached 44.4% in 2021, representing an increase of about 6% compared with the previous year. Thirdly, product personalisation and differentiation have become the trend, and intelligentisation has become the cognitive focus of consumers. Consumers prefer products with individuality and differentiated labels, and pay more attention to iterative upgrades of OTA functions and

MANAGEMENT DISCUSSION AND ANALYSIS

intelligent experience based on scenarios. Vehicles have gradually become a part of personal intelligent life from a mere means of transportation.

(II) Corporate Development Strategy

During the period of the “14th Five-Year Plan”, the Group will adhere to the development principle of “internal collaborative innovation and external open cooperation” to implement the “1615” development strategy, namely, to achieve one goal, which is to, by the end of “14th Five-Year Plan” period, challenge the production and sales volume of vehicles of 3.5 million units with new energy vehicles of self-developed brands accounting for 50% of the sales volume of the self-developed brands, and to become an advanced mobile mobility service provider in the industry; to consolidate six major segments by strengthening the six major segments including R&D, manufacture of vehicle, parts and components, commercial services, financial services and mobility transportation services; to highlight one key point by fully improving independent innovation capabilities to achieve high quality development of the Group; and to achieve five major improvements by fully realising the five major improvements in electrification, intelligent networking, digitalisation, sharing and internationalisation.

With the vision for 2035, GAC Group will strive to become a world-class enterprise with global competitiveness which is trusted by customers, brings employees happiness and is anticipated by the society, and continuously create value for the colourful mobile life of mankind.

To support the implementation of the national “Dual Carbon” target, the GAC Group will implement the “GLASS Plan” to achieve full life-cycle carbon neutrality of its products by 2050 (challenge to achieve the target in 2045).

(III) Operational Plan

In 2022, the Group will adhere to the general tone of seeking progress while maintaining stability, thoroughly apply the new development philosophy, actively construct a new development layout, and focus on the vision for 2035 and the “14th Five-Year” development plan, so as to build a “growing, effective, quality, autonomous, scientific, efficient and responsible GAC” and work hard to achieve the Group’s high-quality development.

In 2022, the Group will strive for the goal of a 15% year-on-year growth in annual automobile sales. Aiming at further improving the product structure and enhancing the overall competitiveness, the Group plans to launch more than 10 new and facelifted models, mainly including GAC Trumpchi EMKOO, upgraded M8, EMPOW HEV, GAC AION AION LX Plus, AION Y Plus, GAC Honda Integra Sport Hybrid, facelifted Breeze, facelifted Vezel, brand new SUV, e:NP1 (the first PEV of Honda), GAC Toyota Frontlander, Venza, bZ4X, GAC Mitsubishi AIRTREK, upgraded Outlander etc.

MANAGEMENT DISCUSSION AND ANALYSIS

The major operational measures are as follows:

- (1) Focus on strategic implementation, fulfill business objectives, and create a growing GAC. On the general basis of making progress while ensuring stability, fully explore business potential, digest the impact of rising raw material prices, build a safe and controllable supply system, and make every effort to achieve the target for the whole year.
- (2) Focus on customer experience, make innovation on products and services, and create a quality GAC. With precise product orientation, aim to create star products; do well in customer operation, innovate marketing methods, speed up the construction of a new marketing “golden triangle” digital system, create a characteristic service system, enhance customer experience, improve customer stickiness and customer satisfaction; actively give full play to the advantages of trade and business, deepen the combination of industry and finance, expand the service ecological chain, and drive the development of the major business.
- (3) Focus on the quality of development, vigorously reduce losses and turn losses, and create an effective GAC. Dedicate to increasing revenue and reducing expenditure, strengthen the coordination of resources, speed up reform and innovation, assist loss-making enterprises to enhance their core competence, and improve operation performance.
- (4) Focus on the second take-off, promote synergy, and build an autonomous GAC. Self-developed brands continue to improve the decision-making and coordination ability of the integration of R&D, production and marketing to improve the operation mechanism of the overall supervision. Adhere to “smart appearance + high technology + PVA leadership + differentiated characteristics”, improve the product matrix, continue to deepen the reform of marketing innovation and double-track operation of “direct marketing + distribution”, promote the modular architecture design of the platform, continuously improve the generalisation rate of platform parts, and focus on key markets to steadily promote international business.
- (5) Focus on the Four Modernisations, speed up integration and innovation, and create a technological GAC. Continue to promote the industrialised installment of self-developed battery cells, integrated electric drives and integrated controllers, proactively promote the construction of the pilot line of self-developed batteries, consolidate the advantages of electrification, speed up the making up of the shortcomings of the core technologies of intelligent network connection, enhance the independent controllable ability of intelligent network connection, use industrial investment to energise technological innovation, actively invest in hard-tech enterprises in the fields such as new energy, intelligent network connection and chips, accelerate the digital transformation, promote the construction of GAC intelligent network big data platform and user operation platform; explore the development of sharing, and expand the after-market car service ecology of “ON TIME” (如祺出行).

MANAGEMENT DISCUSSION AND ANALYSIS

- (6) Focus on reform and empowerment, optimise the system and mechanism, and build up an efficient GAC. Carry forward a tenure system and contract-based management for managers of enterprises at all levels, speed up the mixed-ownership reform and the introduction of strategic investment for GAC AION and other enterprises, and promote business process re-engineering and efficiency improvement. Optimise the construction of compliance management system, continuously improve the audit management system, and strengthen risk management and control.
- (7) Focus on brand upgrading, be an excellent corporate citizen, and build up a responsible GAC. Accelerate its construction of brand culture and the implementation of the “14th Five-Year Plan” special brand plan, improve the efficiency of talent teams, and speed up the introduction of high-end talents in the “New Four Modernisations” and other fields; proactively perform social responsibilities, make all efforts to promote the implementation of “Green Low-carbon for Achieving Sustainable Success” through coordinating and forming a series of measures on peaking carbon dioxide emissions and carbon neutralisation, and solidly carry forward rural revitalisation and industrial assistance.

(IV) Possible Risks

1. Risk of supply chain

Due to the uncertainty of the COVID-19 pandemic worldwide, the global chips supply is expected to remain tight. Domestic automobile enterprises are exposed to greater supply chain risks since the local replacement process in chips is slow. Although the Company has reduced losses caused by shortage in chips supply through strengthening cooperation with chips manufacturers and optimising the production schedule of vehicle models, if the shortage in supply of chips continue, it will have a relatively significant impact on the Company's production and operation. Meanwhile, if geopolitical conflicts in international regions intensify continuously, the suspension of the global supply chain might continue to extend, which would have an impact on our production and operation.

2. Risk of rising raw material cost

Since 2021, the market price of raw materials has remained stable after rising to a high level, without a significant decline. Combined with the rising unit price of energy, automobile companies are facing greater cost pressure. Although the Company actively takes cost control measures, greater cost pressure caused by prevailing high raw materials prices brings uncertainties to the attainment of the Company's profit targets.



MANAGEMENT DISCUSSION AND ANALYSIS

3. Risks of policies

In order to adapt to increasingly stringent emission standards and meet the requirements of the “Dual Credit” policy, every automobile manufacturing enterprise must make reasonable adjustments to their product development initiatives and product portfolios. Under the adverse impact such as the further decrease in new energy vehicle subsidies, new energy vehicle enterprises shall further control costs while continuing to enhance product competitiveness and reduce dependence on subsidy policies, thereby facing greater operating pressure.

4. Risk of pandemic resurgence

The continuous recurrence of the COVID-19 pandemic may block the flow of people and logistics, and will have certain impacts on the operation of the macro economy and the consumption capacity of residents, which in turn will have an impact on the production and sales of automobile enterprises.

Chapter 4

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 its Appendix 14, the Corporate Governance Code. The Group constantly optimised the structure of corporate governance, regulated operation of the general meeting, the Board and the Supervisory Committee in an orderly manner, and disclosed information in compliance with laws and regulations so as to establish a modern corporate governance system with sound scientific norms, effective checks and balances, and efficient operation. During the year, the Group has completed the election of the sixth session of the Board and the Supervisory Committee in accordance with the provisions on the term of office of directors and supervisors for three years under the Articles of Association; a total of 22 Board meetings and 12 meetings of special committees of the Board were held during the year; in addition, in order to constantly improve governance, the Company has reviewed and revised the internal management system from time to time, formulated 12 systems such as Administrative Measures on Authority Delegation, and revised 36 systems such as Administrative Measures on Investment during the year, which further optimised the governance structure and improved its governance.

There was no deviation by the Company's corporate governance from the requirements as specified in the existing laws and regulations, and the listing rules of the SSE and the Stock Exchange during the year. The Company was committed to continuous improvements on corporate governance, and firmly believed that good governance was crucial for long stability and sustainable development of the Company.

The Company's structure of corporate governance comprises the general meetings, 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:

(I) 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 can ensure all shareholders, especially minority shareholders enjoy equal status and rights. Pursuant to Article 69 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.

CORPORATE GOVERNANCE

Pursuant to Article 71 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: 020-83150319, Fax: 020-83150319, Email: ir@gac.com.cn).

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. When the Company convenes an annual general meeting, written notice shall be given to all shareholders twenty business days prior to the convening of the meeting. When convening an extraordinary general meeting, written notice shall be given to all shareholders ten business days or fifteen days prior to the convening of the meeting, whichever is longer. 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 by H shareholders 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 and the SSE Listing Rules. Lawyer attended each general meeting and issued legal opinion.

The controlling shareholders and ultimate controller of the Company conscientiously fulfilled their obligations in good faith. There was no act that interfered with the decisions and operations of the Company directly or indirectly, by passing 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 1 extraordinary general meeting, the procedures of the meetings were in compliance with the requirements of the Company Law and its Articles of Association.

CORPORATE GOVERNANCE

(II) Directors and the Board

1. Directors and Composition of the Board

Directors of the Company are elected or rotated at the general meeting. The sixth session of the Board consists of 11 directors, including 2 executive directors, namely Zeng Qinghong (Chairman), Feng Xingya (General Manager); 5 non-executive directors, namely Chen Xiaomu, Chen Maoshan, Ding Hongxiang, Chen Jun (resigned on 8 October 2021), Han Ying (resigned on 8 October 2021), Guan Dayuan (appointed on 8 October 2021), Liu Zhijun (appointed on 8 October 2021); and 4 independent directors, namely Zhao Fuquan, Xiao Shengfang, Wong Hakkun and Song Tiebo. Independent directors account for over one-third of the total number of members of the Board; independent directors from different areas and countries have diverse professional backgrounds such as automobile industry, legal compliance, audit finance and strategic management respectively, whereas certain independent directors have work experience as senior management in well-established enterprises of various countries and areas, achieving the Board diversity of the Company in age, professional knowledge, work experience and region. In the future, the Company will further promote the diversity construction of the Board in more aspects such as gender.

All directors have attended the meetings with an earnest and responsible attitude all the time. 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 22 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;



CORPORATE GOVERNANCE

- (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;

CORPORATE GOVERNANCE

- (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 2021, 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 2021 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 oversee the training and continuous professional development of the directors and senior management; review and oversee the Company's policy and practices on compliance with law and regulations; formulate, review and oversee 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 Chapter 4 – "Corporate Governance" of this report.

For the year 2021, the Board has performed the above corporate governance functions.

CORPORATE GOVERNANCE

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. The secretary to the Board and company secretary, Ms. Sui Li and joint company secretary, Mr. Leung Chong Shun have complied with the professional training requirement under rule 3.29 of the Listing Rules. 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	Feng	Zhao	Xiao	Wong	Song	Chen	Chen	Ding	Guan	Liu	Chen Jun	Han Ying
	Qinghong	Xingya	Fuquan	Shengfang	Hakkun	Tiebo	Xiaomu	Maoshan	Hongxiang	Dayuan	Zhijun	(Resigned on 8 October 2021)	(Resigned on 8 October 2021)
Training participated	ABC	ABC	BC	BC	BC	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 to the Board, the company 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 trend of the industry 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 2021.

CORPORATE GOVERNANCE

6. Independence of Directors

The Company's independent 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 on the Stock Exchange, the Company has received the annual confirmation of independence from each of the independent directors. The Company considers that they are independent.

During the reporting period, the independent directors have discharged their duties with good faith, integrity and diligence according to the requirements of relevant laws and regulations. The independent 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 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 directors have communicated with the Company's auditors in respect of the related issues of the audit process.

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

Except for regular Board meetings, the Chairman has met with the independent directors without the presence of other directors during the year ended 31 December 2021.

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, Zhao Fuquan, Song Tiebo, Guan Dayuan and Ding Hongxiang, among whom, Zhao Fuquan and Song Tiebo 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. No Strategy Committee meeting was held during the reporting period.

CORPORATE GOVERNANCE

- (2) Audit Committee comprises 3 independent directors, namely Wong Hakkun, Xiao Shengfang and Song Tiebo, among whom Wong Hakkun 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, and compliance supervision. During the reporting period, 5 meetings of the Audit Committee were held and all members attended the meetings. The Audit Committee mainly reviewed the regular reports 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 Xiao Shengfang, Song Tiebo and Ding Hongxiang, among whom, Xiao Shengfang and Song Tiebo are independent directors and Xiao Shengfang 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, 5 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 2020 and the appraisal plan relating to the share option incentive schemes of the Company, and recommendations were provided to the Board.
- (4) Nomination Committee comprises 3 directors, namely Xiao Shengfang, Song Tiebo and Ding Hongxiang, among whom, Xiao Shengfang and Song Tiebo are independent directors and Xiao Shengfang 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, 2 meetings of the Nomination Committee were held in total and all members attended the meetings, at which the matters with respect to the new session of the Board and the appointment and dismissal of senior management were considered and reviewed and recommendations were provided.

8. Board Diversity Policy

According to the Board diversity policy of the Company (the "Diversity Policy"), when determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, gender, educational background, ethnicity, professional experience, skills, knowledge and term of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination

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Committee of the Company will disclose the composition of the Board annually in the annual report and monitor the implementation of the Diversity Policy. The Nomination Committee will review the Diversity Policy, when appropriate, to ensure the effectiveness of the Diversity Policy, and will recommend any such revisions to the Board for consideration and approval.

The sixth session of the Board consists of 11 directors, among which external directors account for nearly two-thirds. 4 independent non-executive directors from different areas and countries have diverse professional backgrounds such as automobile industry, legal compliance, audit finance and strategic management respectively, whereas certain independent directors have work experience as senior management in well-established enterprises of various countries and areas, achieving the Board diversity of the Company in age, professional knowledge, work backgrounds and region. In the future, the Company will further promote the diversity construction of the Board in more aspects such as gender.

9. Nomination Policy

According to the nomination policy (the "Nomination Policy") of the Company, in evaluating and selecting candidates for directorship, the Nomination Committee shall:

- (1) review the structure and composition (including the skills, knowledge and experience) of the Board, with reference to the operations, assets scale and shareholding structure of the Company, annually and make recommendations to the Board on any proposed changes concerning the directors in line with the implementation of the Company's strategy;
- (2) study the selection criteria and procedures of the directors and senior management and to make recommendations to the Board;
- (3) search extensively for the qualified candidates of the directors and senior management;
- (4) review and make recommendations to the Board on the candidates of the directors and senior management;
- (5) review and make recommendations on the other senior management who would be submitted to the Board for appointment;
- (6) assess the independence of independent directors;
- (7) give due regard to the benefits of diversity on the Board against objective criteria with reference to the Diversity Policy when performing the duties set out above;

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- (8) review the Diversity Policy where appropriate, review the measurable objectives and the progress of attainment under the Diversity Policy, and to disclose its review in the annual report each year to ensure effective implementation;
- (9) recommend to the Board on the appointment or reappointment of directors and the succession plan for directors, in particular the chairman and the general manager; and
- (10) other matters conferred by the Board.

The selection procedures of the directors and senior management are as follows:

- (1) the Nomination Committee shall actively communicate with the relevant departments of the Company to study the demand of the Company for new directors and senior management and to produce the result in writing;
- (2) the Nomination Committee may extensively look for candidates of the directors and senior management within the Company and its controlling (investee) enterprises as well as in the labour market;
- (3) to obtain information about the occupation, education background, job title, detailed information in relation to the work experience and all the part-time positions of the preliminary proposed candidates and to produce the result in writing;
- (4) to seek the nominees' approval on the nomination, otherwise he/she shall not be nominated as the candidates of the directors and senior management;
- (5) to convene meetings of the Nomination Committee and to review the qualification of the preliminary proposed candidates according to the job criteria of the directors and senior management;
- (6) to recommend and to provide materials about the candidates of the directors and senior management to the Board one to two months prior to the election of new directors and the appointment of new senior management;
- (7) to conduct other follow up work according to the decisions and feedbacks of the Board.

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(III) 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 6 supervisors, namely Chen Tian, Cao Xiandong, Huang Cheng, Shi Lei, Wang Lu and Huang Zhuo, among whom Shi Lei, Wang Lu and Huang Zhuo are staff representative supervisors.

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 9 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.

(IV) 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;

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- (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.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management by band for the year 2021 is set out below:

Remuneration bands (RMB)	Number of persons
1,000,001 to 2,000,000	8
2,000,001 to 3,000,000	1
Total	9

(V) Company Secretary

During the reporting period, the company secretaries of the Company are Ms. Sui 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. Sui 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.

(VI) 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 8 – "Significant Events" of this report.

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(VII) 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.

(VIII) Amendments to the Articles of Association

Nil.

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	Resolutions of meetings
2020 annual general meeting	14 May 2021	Websites of SSE and the Stock Exchange	14 May 2021	Resolutions of the annual general meeting of 2020
2021 first extraordinary general meeting	8 October 2021	Websites of SSE and the Stock Exchange	8 October 2021	Resolutions of the First Extraordinary General Meeting of 2021

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 meetings' resolutions in a timely, complete and accurate manner after the general meetings.

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III. PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Particulars About Changes in the Shareholding and Remuneration of Incumbent and Resigned Directors, Supervisors and Senior Management During the Reporting Period

Unit: A share

Name	Position ^(Note)	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year ^(Note)	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	60	8 October 2021	8 October 2024	707,000	531,000	-176,000	Share Option Scheme	119.44	No
Feng Xingya	Director and General Manager	Male	52	8 October 2021	8 October 2024	1,021,533	766,533	-255,000	Share Option Scheme	316.62	No
Zhao Fuquan	Independent Director	Male	58	8 October 2021	8 October 2024	0	0	--		15.00	No
Xiao Shengfang	Independent Director	Male	52	8 October 2021	8 October 2024	0	0	--		15.00	No
Wong Hakkun	Independent Director	Male	55	8 October 2021	8 October 2024	0	0	--		15.00	No
Song Tiebo	Independent Director	Male	56	8 October 2021	8 October 2024	0	0	--		15.00	No
Chen Xiaomu	Director and Deputy Party Secretary	Male	46	8 October 2021	8 October 2024	98,467 (A shares) 98,000 (H shares)	97,367 (A shares) 98,000 (H shares)	-1,100	Share Option Scheme	114.91	No
Chen Maoshan	Staff Director and chairman of the labour union	Male	57	8 October 2021	8 October 2024	782,368 (A shares) 111,274 (H shares)	586,868 (A shares) 111,274 (H shares)	-195,500	Share Option Scheme	271.73	No
Ding Hongxiang	Director	Male	55	8 October 2021	8 October 2024	0	0	--		--	No
Guan Dayuan	Director	Male	58	8 October 2021	8 October 2024	0	0	--		--	No
Liu Zhijun	Director	Male	58	8 October 2021	8 October 2024	0	0	--		--	No
Chen Jun	Director	Male	46	23 August 2018	8 October 2021	0	0	--		--	No
Han Ying	Director	Male	43	23 August 2018	8 October 2021	0	0	--		--	No
Chen Tian	Supervisor	Female	44	8 October 2021	8 October 2024	0	0	--		--	No
Cao Xiandong	Supervisor	Male	41	8 October 2021	8 October 2024	0	0	--		--	No
Huang Cheng	Supervisor	Male	47	8 October 2021	8 October 2024	0	0	--		--	No
Shi Lei	Staff supervisor	Male	48	8 October 2021	8 October 2024	120,395	120,395	--		90.31	No
Wang Lu	Staff supervisor	Female	53	8 October 2021	8 October 2024	0	0	--		84.00	No
Huang Zhuo	Staff supervisor	Male	41	8 October 2021	8 October 2024	0	0	--		73.61	No
Long Yong	Supervisor	Male	47	23 August 2018	8 October 2021	0	0	--		--	No
Wang Junyang	Supervisor	Male	43	23 August 2018	8 October 2021	0	0	--		--	No
Wu Song	Standing Deputy General Manager	Male	58	8 October 2021	1 May 2023	794,300	595,800	-198,500	Share Option Scheme	271.68	No
Li Shao	Deputy General Manager	Male	59	8 October 2021	25 September 2022	794,267	595,767	-198,500	Share Option Scheme	272.43	No
Yan Zhuangli	Deputy General Manager	Male	53	8 October 2021	8 October 2024	260,000	260,000	--		263.65	No
Wang Dan	Deputy General Manager and person in charge of accounting function	Female	51	8 October 2021	8 October 2024	953,668	715,868	-237,800	Share Option Scheme	270.78	No
Gao Rui	Deputy General Manager	Male	42	8 October 2021	8 October 2024	160,000	160,000	--		264.79	No
Chen Hanjun	Deputy General Manager	Male	59	8 October 2021	24 August 2022	365,220	274,220	-91,000	Share Option Scheme	270.42	No
Sui Li	Secretary of the Board and company secretary	Female	53	8 October 2021	26 August 2023	325,353	295,353	-30,000	Share Option Scheme	262.79	No
Jiang Xiuyun	Chief accountant	Female	54	8 October 2021	8 October 2024	0	0	--		243.94	No
Total	/	/	/	/	/	/	/	/	/	3,251.08	/

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Notes:

1. The number of shares held at the end of the reporting period includes the granted restricted shares;
2. During the reporting period, the Company completed the election of the new session of the Board and the Supervisory Committee on 8 October 2021;
3. Since 3 February 2021, Ms. Jiang Xiuyun ceased to be a supervisor of the fifth session of the supervisory committee of the Company; since 10 February 2021, she has been appointed as the chief accountant of the Company.

(II) Interests Required to be Disclosed Under the SFO

The following are the interests or short positions of the current and resigned 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 2021, 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, to be notified to the Company and the Stock Exchange:

Name	Position	Class of shares	Capacity	Number of shares held	Number of interests in underlying shares held under equity derivatives	Total	Percentage in the class of issued share capital (%)	Percentage of total share capital (%)
Zeng Qinghong	Chairman and Party Secretary	A shares	Beneficial owner	531,000	0	531,000	0.0073	0.0051
Feng Xingya	Director and General Manager	A shares	Beneficial owner	766,533	290,000	1,056,533	0.0145	0.0102
Chen Xiaomu	Director and Deputy Party Secretary	A shares	Beneficial owner	97,367	0	97,367	0.0013	0.0009
		H shares	Beneficial owner	98,000	0	98,000	0.0032	0.0009
Chen Maoshan	Staff Representative Director and chairman of the labour union	A shares	Beneficial owner	586,868	245,000	831,868	0.0114	0.0080
		H shares	Beneficial owner	111,274	0	111,274	0.0036	0.0011
Shi Lei	Staff Representative Supervisor	A shares	Beneficial owner	120,395	0	120,395	0.0017	0.0012
Wu Song	Standing Deputy General Manager	A shares	Beneficial owner	595,800	260,000	855,800	0.0118	0.0083
Li Shao	Deputy General Manager	A shares	Beneficial owner	595,767	260,000	855,767	0.0118	0.0083
Yan Zhuangli	Deputy General Manager	A shares	Beneficial owner	260,000	260,000	520,000	0.0072	0.0050
Wang Dan	Deputy General Manager and person in charge of accounting function	A shares	Beneficial owner	715,868	260,000	975,868	0.0134	0.0094
Gao Rui	Deputy General Manager	A shares	Beneficial owner	160,000	160,000	320,000	0.0044	0.0031
Chen Hanjun	Deputy General Manager	A shares	Beneficial owner	274,220	260,000	534,220	0.0073	0.0052
Sui Li	Secretary of the Board and company secretary	A shares	Beneficial owner	295,353	245,000	540,353	0.0074	0.0052

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(III) Share Options Granted to Directors and Senior Management During the Reporting Period

Unit: share (A 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	Shares issued upon exercise of A share options during the reporting period	Number of share options cancelled during the reporting period	Number of share options lapsed during the reporting period	Weighted average closing price immediately before the exercise date of the A share options (RMB)	Number of A share options held at the end of the reporting period
Zeng Qinghong	Chairman and Party Secretary	373,336	0	0	0	373,336	0	N/A ^(note1)	0
Feng Xingya	Director and General Manager	644,668	0	0	0	354,668	0	N/A ^(note1)	290,000
Chen Xiaomu	Director and Deputy Party Secretary	261,336	0	0	0	261,336	0	N/A ^(note1)	0
Chen Maoshan	Staff Representative Director and chairman of the labour union	581,000	0	0	0	336,000	0	N/A ^(note1)	245,000
Wu Song	Standing Deputy General Manager	596,000	0	0	0	336,000	0	N/A ^(note1)	260,000
Li Shao	Deputy General Manager	596,000	0	0	0	336,000	0	N/A ^(note1)	260,000
Yan Zhuangli	Deputy General Manager	614,668	0	0	0	354,668	0	N/A ^(note1)	260,000
Wang Dan	Deputy General Manager and person in charge of accounting function	596,000	0	0	0	336,000	0	N/A ^(note1)	260,000
Gao Rui	Deputy General Manager	496,000	0	0	0	336,000	0	N/A ^(note1)	160,000
Chen Hanjun	Deputy General Manager	596,000	0	0	0	336,000	0	N/A ^(note1)	260,000
Sui Li	Secretary of the Board and company secretary	581,000	0	0	0	336,000	0	N/A ^(note1)	245,000
Total	/	5,936,008	0	0	0	3,696,008	0	N/A ^(note1)	2,240,000

Note:

- As the performance conditions stipulated in the share incentive scheme had not been satisfied, options exercisable during the third exercise period for the initial grant of the 2017 Incentive Scheme and in the second and third exercise periods of reserved options have been cancelled in December 2021.
- For the grant date, validity period, exercise period and the exercise price of the above A share options, please refer to the section titled "X. Share Option Scheme, Employee Stock Ownership Scheme or Other Staff Incentives of the Company and Their Impact" under Chapter 8 – "Significant Events" of this report.

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In 11 December 2020, the Company completed the registration of grant for the 2020 A share option and restricted share incentive scheme. According to the proposed scheme and the annual results of operations in 2021, the Company will enter the first exercise period for options and an unlocking period of restricted shares on 11 December 2022, with the exercisable and unlockable options in proportion of 40%. At the end of the reporting period, the number of unexercised options and restricted shares not yet unlocked held by directors and senior management are as follows:

Name	Position	Number of options held at the end of the reporting period	Number of restricted shares held at the end of the reporting period
Feng Xingya	Director and General Manager	290,000	290,000
Chen Maoshan	Director	245,000	245,000
Wu Song	Standing Deputy General Manager	260,000	260,000
Li Shao	Deputy General Manager	260,000	260,000
Yan Zhuangli	Deputy General Manager	260,000	260,000
Wang Dan	Deputy General Manager and person in charge of accounting function	260,000	260,000
Gao Rui	Deputy General Manager	160,000	160,000
Chen Hanjun	Deputy General Manager	260,000	260,000
Sui Li	Secretary of the Board	245,000	245,000

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Name	Main work experiences
Zeng Qinghong	<p>A senior engineer and a Ph.D. candidate in management science and engineering. Currently, Mr. Zeng is the Chairman of the Company, party secretary and Chairman of the Strategy Committee of the Board. He 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 director 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 has been serving the current positions since 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 Automobile Co., Ltd. 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 and GAC Group. Mr. Zeng is a delegate of the 10th, 11th and 13th National People's Congress.</p>
Feng Xingya	<p>Director of the Company, general manager, director of the Executive Committee and member of the Strategy Committee of the Board . He is also a director of GAIG, chairman of GAMC, chairman of GAC AION and a delegate of the 16th People's Congress in Guangzhou. 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 a director of the Company. He was the chairman of GAC FCA, GAC FCA Sales, Guang Ai Insurance Brokers Limited, Urtrust Insurance and Da Sheng Technology. Mr. Feng served as a deputy general manager in Zhengzhou Nissan Automobile Company Limited from June 1998 to June 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>

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Name	Main work experiences
Zhao Fuquan	<p>Independent non-executive director of the Company and a member of the Strategy Committee of the Board. He is a professor and PhD supervisor of the School of Vehicle and Mobility of Tsinghua University, dean of Tsinghua Automotive Strategy Research Institute (TASRI), permanent honorary Chairman of the International Federation of Automotive Engineering Societies (FISITA), fellow of the first Academy of Technical Leadership and a member of the Society of Automotive Engineers of China and America. He has served as the research director of USA DaimlerChrysler, the vice president and general manager of the R&D center of Shenyang Brilliance Jinbei Automobile Co., Ltd., vice president of Zhejiang Geely Holding Group Co., Ltd. and an executive director of Geely Automobile Holdings Limited, a director of BMW Brilliance Automotive Ltd., chairman of the board of Australia DSI Holdings Ltd., a director of Manganese Bronze Holdings and an independent director of BAIC Motor Corporation Limited. Mr. Zhao graduated from Jilin University of Technology as an undergraduate with a bachelor's degree in Internal Combustion Engine in July 1985. He graduated from Hiroshima University as a postgraduate with a master's degree in mechanical engineering in March 1989, and graduated from Hiroshima University as a postgraduate with a doctorate degree in mechanical engineering in March 1992.</p>
Xiao Shengfang	<p>Independent non-executive director of the Company, chairman of the Remuneration and Assessment Committee of the Board, chairman of the Nomination Committee of the Board and a member of the Audit Committee of the Board. He is the supervisor of Guangdong Sino-Win Law Firm, an expert in complicated civil and commercial dispute resolution, a representative of the National People's Congress, vice president of the All China Lawyers Association, chairman of the Guangdong Lawyers Association, a special supervisor of the Supreme People's Court and the Supreme People's Procuratorate, vice chairman of the Guangdong Province Law Society, a member of the Guangdong Provincial Judges and Prosecutors Disciplinary Committee, an arbitrator of the Guangzhou Arbitration Commission, and the vice chairman of the Guangzhou Law Society; and an independent director of Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Municipal Construction Group Co., Ltd. (廣州市建築集團有限公司), Guangdong Fenghua High-tech Co., Ltd. (廣東風華高新科技股份有限公司) and Kingfa Scientific and Technological Co., Ltd.(金發科技股份有限公司). He once served as the vice president of Guangzhou Lawyers Association and the deputy director of the Labor Law Professional Committee of All China Lawyers Association. He obtained a master's degree in business administration from Jinan University in 2002.</p>

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Name	Main work experiences
Wong Hakkun	<p>Independent non-executive director of the Company and chairman of the Audit Committee of the Board. He is a member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Management Accountants and the Institute of Chartered Secretaries and Administrators, an independent director and chairman of the Audit Committee of Haier Smart Home Co., Ltd. (a company listed on the Stock Exchange, stock code: 6690), an independent non-executive director and chairman of audit committee of Yue Yuen Industrial (Holdings) Limited (a company listed on the Stock Exchange, stock code: 0551), an independent non-executive director and chairman of audit committee of Lung Kee (Bermuda) Holdings Limited (a company listed on the Stock Exchange, stock code: 255), and an independent non-executive director and chairman of audit committee of Hangzhou SF Intra-city Industrial Co., Ltd. (a company listed on the Stock Exchange, stock code: 9699). He served as an independent non-executive director and chairman of audit committee of Zhejiang Cangnan Instrument Group Company Limited from June 2018 to 24 July 2021. He was an audit partner of Deloitte China from 1992 to 2013 and a national audit and assurance leading partner and a member of the management leadership team of Deloitte China from 2013 to 2017. Mr. Wong has extensive experience in auditing, assurance and management. He graduated from the Faculty of Social Sciences of the University of Hong Kong as an undergraduate with a bachelor's degree in social sciences majoring in economics and management in May 1980.</p>
Song Tiebo	<p>Independent non-executive director of the Company, a member of the Strategy 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 a member of the Audit Committee of the Board. He is a professor and doctoral tutor of the China Enterprises Strategic Management Research Center of the South China University of Technology. He has been focusing on teaching and researching in the field of enterprise strategic management for a long time. He has recently focused on the research on the collaborative evolution of Chinese enterprises strategies and institutional environment. Mr. Song currently serves as an independent director of Guangdong Xinbao Electrical Appliances Holdings Co., Ltd., Guangzhou Zhujiang Brewery Group Co., Ltd. and Guangdong Sky Dragon Technology Group Co., Ltd. He graduated from South China University of Technology as an undergraduate with a bachelor's degree in inorganic nonmetallic materials science and engineering in June 1988. In December 1993, he graduated from South China University of Technology as a postgraduate with a master's degree in management science and engineering, and graduated from South China University of Technology as a postgraduate with a doctorate degree in enterprise management in July 2005.</p>

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Name	Main work experiences
Chen Xiaomu	<p>Non-executive director of the Company, deputy party secretary and the head of party work department of the Company. Mr. Chen is also a director of GAIG. He served as the head of human resources department of the Company, the party secretary, secretary to the disciplinary committee, chairman of labour union and the director of GAC Mitsubishi, and the director of GAC Mitsubishi (廣汽三菱). He graduated from Jilin University of Technology majoring in international trade in 1999 as an undergraduate with a bachelor's degree in engineering. In 2011, Mr. Chen graduated from the School of Business Administration, South China University of Technology majoring in business administration as a postgraduate with a master's degree in business administration. He graduated from Jilin University majoring in business administration in 2018 as a postgraduate with a doctorate degree in management.</p>
Chen Maoshan	<p>Non-executive director of the Company (staff representative) and chairman of the labour union of the Company. Mr. Chen is also a director (staff representative), general manager and chairman of the labour union of GAIG, chairman of GAC Mitsubishi, chairman of GAC Mitsubishi Sales and chairman of Wuyang-Honda. 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 February 2015. Prior to this, Mr. Chen acted as the head of general affair department of GAC Honda, deputy general manager of Honda Automobile (China) Co., Ltd., deputy general manager of Guangzhou Motorcycle Group Co., Ltd., managing director and standing deputy general manager of Wuyang-Honda and the chairman of GAC Component.</p>
Ding Hongxiang	<p>Non-executive director of the Company, a member of the Strategy Committee of the Board, a member of the Remuneration and Assessment Committee of the Board, and a member of the Nomination Committee of the Board, 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 (undergraduate) in 1986, and obtained a master's degree and a doctoral degree in western economics from Huazhong Institute of Technology in 1989 and Huazhong University of Science and Technology in 2011, respectively.</p>

CORPORATE GOVERNANCE

Name	Main work experiences
Guan Dayuan	Non-executive director of the Company, a member of the Strategy Committee of the Board. Mr. Guan is currently the chairman of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司), chairman of the board of supervisors of Shunfa Hengye Co.,Ltd. (順發恒業股份公司), and chairman of Wanxiang Resources Co., Ltd. (萬向資源有限公司). He once served as an assistant to general manager and director of the general manager's office of Wanxiang Group Corporation Ltd. (萬向集團公司), general manager of Shenzhen Wanxiang Investment Co., Ltd. (深圳萬向投資有限公司), and senior executive vice president of Wanxiang Group Corporation Ltd. (萬向集團公司). He holds a master's degree, and is a senior economist.
Liu Zhijun	Non-executive director of the Company. Mr. Liu currently serves as deputy party secretary, general manager and legal representative of Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司), party branch secretary, chairman and legal representative of Guangzhou Financial Innovation Investment Holding Co., Ltd. (廣州科技金融創新投資控股有限公司), and co-chairman of Guangzhou Private Equity Association(廣州私募基金協會). He once served as head of the social, science and technology division, head of the industry division and head of the investment division of the Guangzhou Statistics Bureau, deputy director of Guangzhou Productivity Promotion Center, general manager of Guangzhou Keda Industrial Development Co., Ltd. (廣州市科達實業發展公司), chairman of Guangzhou Science and Technology Venture Capital Co., Ltd. (廣州科技風險投資有限公司), deputy general manager of Guangzhou Industrial Investment Fund Management Co.,Ltd.(廣州產業投資基金管理有限公司), and chairman of Guangzhou Financial Innovation Investment Holding Co., Ltd. (廣州科技金融創新投資控股有限公司). He is a Ph.D. candidate at the Guangzhou Institute of Geochemistry, Chinese Academy of Sciences.
Chen Tian	Supervisor of the Company. She was a designated supervisor of Guangzhou Communication Investment Group Co., Ltd., a senior staff of the supervision office, office and legal department of the Guangzhou Municipal Commission of Commerce (Guangzhou Foreign Trade and Economic Cooperation Bureau). She graduated from Sun Yat-sen University majoring in law (undergraduate) in 2002 and a master's degree in economic law from Sun Yat-sen University in 2008.

CORPORATE GOVERNANCE

Name	Main work experiences
Cao Xiandong	Supervisor of the Company. Mr. Cao is currently the party secretary, general manager and legal representative of Wanli Tire Co., Ltd. (萬力輪胎股份有限公司), and also deputy head of the auto parts division of Guangzhou Industrial Investment Holding Group Co., Ltd.(廣州工業投資控股集團有限公司). He once served as deputy general manager of the strategic planning department and deputy director of the general office of Guangzhou Industrial Investment Holding Group Co., Ltd.(廣州工業投資控股集團有限公司), and deputy party secretary, director and general manager of Wanli Tire Co., Ltd. (萬力輪胎股份有限公司).
Huang Cheng	Supervisor of the Company. He currently serves as general manager of the investment management department of Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), chairman and legal representative of Guangzhou Jinkong Fund Management Co., Ltd. (廣州金控基金管理有限公司), and a director of Guangdong Equity Exchange Co., Ltd. (廣東股權交易中心股份有限公司). He graduated from the School of Business Administration, South China University of Technology majoring in management science and engineering as a postgraduate with a doctorate degree in management.
Shi Lei	Staff representative supervisor of the Company. He is also a member of the disciplinary committee, the deputy secretary, the director of the disciplinary committee and the general office of the commissioner of discipline inspection office of the Company. He previously served as the deputy secretary of the party committee, secretary of the disciplinary committee and chairman of the labor union of GAMC (Hangzhou) Co., Ltd. and the assistant to the general manager, director of the party committee office and director of the office of GAMC. Mr. Shi graduated from the Department of Business Administration of Huazhong University of Science and Technology with a bachelor's degree in engineering, majoring in industrial engineering and management in July 1996, and obtained a master's degree in business administration from Sun Yat-sen University in July 2002.
Wang Lu	Staff representative supervisor of the Company, deputy chairwoman of the labour union, auditing officer and chairwoman of the headquarters of the labour union of the Company. With a bachelor's 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, chairwoman of the labour union of the headquarter, a general party branch member and secretary of the headquarters.

CORPORATE GOVERNANCE

Name	Main work experiences
Huang Zhuo	Staff representative supervisor, and deputy head of each of the audit department and the risk control department of the Company. He concurrently acts as chairman of the supervisory committee of GAC Finance and Da Sheng Technology, a supervisor of GAC Capital, GAC Honda Automobile Sales Co., Ltd. (廣汽本田汽車銷售有限公司) and GAC BYD, and a member of the audit committee of the GAC-SOFINCO. Mr. Huang previously served as chief financial officer of GAEI and audit manager of KPMG Huazhen LLP Guangzhou branch. In 2007, he graduated from the University of Wollongong majoring in accounting and obtained a postgraduate degree and a master's degree in accounting.
Wu Song	Standing deputy general manager and a member of the Executive Committee of the Company. He is also currently the chairman of GAC Toyota, GAC Toyota Automobile Sales Co., Ltd. (廣汽豐田汽車銷售有限公司), vice chairman of GAC Toyota Engine, a director of GAMC and GAC AION and co-chairman of HYCAN Automobile. Mr. Wu joined the Company in August 2002 and acted as deputy general manager of the Company from 2007 to June 2013. He was a director of the Company from February 2015 to August 2017. Mr. Wu 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, chairman of GAMC (Hangzhou) and vice chairman of Tong Fang Logistics. 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 (later renamed to Huazhong University of Science and Technology) in July 1984. He graduated from Xi'an Jiaotong University majoring in industrial engineering in 1989. He is a senior economist.

CORPORATE GOVERNANCE

Name	Main work experiences
Li Shao	<p>Deputy general manager and a member of Executive Committee of the Company. He is also chairman of GAC Honda and GAC Honda Sales and a director of GAMC and GAC AION. 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 director of automobile planning department of Guangzhou municipal government, head of investment department and foreign economics, office director, assistant to general manager and deputy general manager of GAC Group, deputy party secretary 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, chairman of GAC Component and Wuyang-Honda 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 June 2002. He is a senior economist and senior engineer.</p>
Yan Zhuangli	<p>Deputy general manager of the Company. He is also the chairman of GAC FCA, a director of GAMC and GAC AION. He previously served as a director and the deputy party secretary of the Company, a director of GAIG, the chairman of Zhicheng Industry and GAC Business, the party secretary of GAC Toyota, a director of GAC Honda, the chairman of GAC Component and a director of GAC Hino. He has successively studied in the department of social sciences of Central South Industrial University and the master of business administration in the School of Management of Sun Yat-sen University, and obtained a university diploma, a bachelor's degree in law and a master's degree in business administration, respectively. He is a senior economist.</p>

CORPORATE GOVERNANCE

Name	Main work experiences
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Wang Dan	Deputy general manager, chief financial officer, and a member of the Executive Committee of the Company. She is also chairwoman of GAC SOFINCO, GAC Finance and Zhicheng Industry and a director of GAMC and GAC AION. 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 Company, and the chairwoman of the supervisory committees of GAMC, GAC Changfeng and GAC AION, the chairwoman of Guangyue assets. 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 June 2005. She is a senior accountant and non-practicing registered accountant.
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Gao Rui	Master of Business Administration, deputy general manager, a member of the Executive Committee and the head of the public relations and publicity department of the Company. He also acts as the chairman of Guangzhou Chenqi Mobility Technology Co., Ltd. (廣州宸祺出行科技有限公司) and Guangzhou Chenqi Automobile Service Co., Ltd. (廣州宸祺汽車服務有限公司). He served as the head of the assets management department of the Company, the chairman and general manager of China Lounge Investments and Guangzhou Auto Group (Hong Kong) Limited, a director and general manager of Denway Motors Limited.
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Chen Hanjun	Deputy general manager, chief legal counsel and a member of the Executive Committee of the Company. He is also the chairman of GAC Hino and a director of GAC Toyota. Prior to this, Mr. Chen served as the department head of investment management department and assistant of general manager of Guangzhou Junda Automobile Group, the chairman of Guangzhou Huade Automobile Spring Co., Ltd., the general manager of Guangzhou Automobile Technology Centre, the party secretary, a director and executive deputy general manager of GAC Hino and chairman of GAC Hino (Shenyang) Motors Co., Ltd., Shanghai Hino and GAC BYD. He graduated from the department of mechanical engineering of South China University of Technology with a bachelor's degree in engineering in 1984. 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. He went to the University of Coventry to study advanced manufacturing management technology in 2000. He is a senior engineer and senior economist.
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CORPORATE GOVERNANCE

Name	Main work experiences
Sui Li	<p>Secretary of the Board (H-share company secretary) and the head of the financing business department of the Company, and chairwoman of GAC Capital, a subsidiary of the Company. Prior to this, she had served as the head of the securities department, head of the investment department and head (senior assistant level) of the office of the Board of the Company and a director of GAC Changfeng. She had served as regional general manager of Guangzhou district 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 Jinan University in March 2001 with a master's degree in business administration and graduated from the Macau University of Science and Technology in June 2011 as a postgraduate with a doctorate degree in business administration. She is a senior economist and a Guangzhou high-level financial talent (senior management talent). She is currently the vice chief supervisor of the China Association of Public Companies, the director and chairman of the fourth council of the Listed Companies Branch of the China Association of Automobile Manufacturers; a fellow member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.</p>
Jiang Xiuyun	<p>Chief accountant of the Company. She once served as a staff representative supervisor, deputy head of compliance department, head of risk control department and head (senior assistant level) of the audit department of the Company, chairman of the supervisory committees of Guangzhou Zhicheng Industry Co., Ltd. and Guangzhou Guangyue Assets Administration Co., Ltd. (廣州廣悅資產管理有限公司), 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 a major in economics from Xiamen University and obtained a bachelor's degree.</p>

CORPORATE GOVERNANCE

(IV) Terms of Office of Incumbent and Resigned Directors, Supervisors and Senior Management During the Reporting Period

1. 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	October 2016	
Feng Xingya	GAIG	Director	August 2017	
Chen Xiaomu	GAIG	Director	March 2020	
Chen Maoshan	GAIG	Director and Chairman of the Labour Union	March 2015	
Chen Maoshan	GAIG	General Manager	June 2019	
Ding Hongxiang	China Industry National Corporation Machinery Limited	Deputy General Manager	August 2011	
Liu Zhijun	Guangzhou Industrial Investment Fund Management Co., Ltd.	Deputy General Manager and Deputy Party Secretary	December 2018	
Cao Xiandong	Guangzhou Industrial Investment Holdings Group	Vice Minister of Autopart Division	December 2020	
Huang Cheng	Guangzhou Jinkong Fund Management Co., Ltd.	Chairman	June 2021	
Wu Song	GAIG	Director	June 2019	
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.			

CORPORATE GOVERNANCE

2. 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	Energy-saving and New energy Automotive Technology Roadmap Steering Committee	Member	November 2016	
Zeng Qinghong	Guangzhou Headquarters Economy Association	President	November 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	
Feng Xingya	Guangdong Automobile Industry Association	President	September 2020	
Zhao Fuquan	BAIC Motor Corporation Limited	Independent director	December 2014	March 2021
Xiao Shengfang	Guangdong Lawyers Association	Chairman	December 2016	
Xiao Shengfang	Guangzhou Lingnan International Enterprise Group Co., Ltd.	Independent director	March 2015	
Xiao Shengfang	Guangzhou Municipal Construction Group Co., Ltd.	Independent director	January 2020	
Xiao Shengfang	Guangdong Fenghua High-tech Co., Ltd.	Independent director	November 2021	
Xiao Shengfang	Kingfa Technology Co., Ltd.	Independent director	January 2021	
Wong Hakkun	Haier Smart Home Co., Ltd.	Independent director	June 2020	
Wong Hakkun	Yue Yuen Industrial (Holdings) Limited	Independent director	June 2018	
Wong Hakkun	Lung Kee (Bermuda) Holdings Limited	Independent director	June 2018	
Wong Hakkun	Hangzhou SF Intra-city Industrial Co., Ltd.	Independent director	November 2021	
Wong Hakkun	Zhejiang Cangnan Instrument Group Company Limited	Independent director	June 2018	July 2021
Song Tiebo	Guangzhou Zhujiang Brewery Group Co., Ltd.	Independent director	October 2016	
Song Tiebo	Guangdong Sky Dragon Technology Group Co., Ltd.	Independent director	July 2019	
Song Tiebo	Guangdong Xinbao Electrical Appliances Co., Ltd.	Independent director	August 2020	
Guan Dayuan	Wanxiang Qianchao Co., Ltd.	Chairman of the Board	November 2017	
Guan Dayuan	Shunfa Hengye Corporation	Chairman of the Supervisory Committee	May 2021	
Liu Zhijun	Guangzhou Financial Innovation Investment Holding Co., Ltd.	Chairman of the Board	April 2016	
Liu Zhijun	Guangzhou Private Equity Council	Co-chairman	May 2019	
Cao Xiandong	Wanli Tire Co., Ltd.	Director, party secretary and general manager	April 2021	
Huang Cheng	Guangdong Equity Exchange Center Co., Ltd.	Director	June 2021	
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.			

CORPORATE GOVERNANCE

(V) 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 non-executive 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	RMB32.5108 million

CORPORATE GOVERNANCE

(VI) Changes of Directors, Supervisors and Senior Management of the Company

Name	Position	Way of Change	Reason for change
Guan Dayuan	Director	Election	Election of new session of the Board
Liu Zhijun	Director	Election	Election of new session of the Board
Chen Jun	Director	Resignation	Election of new session of the Board
Han Ying	Director	Resignation	Election of new session of the Board
Cao Xiandong	Supervisor	Election	Election of new session of the Supervisory Committee
Huang Cheng	Supervisor	Election	Election of new session of the Supervisory Committee
Long Yong	Supervisor	Resignation	Election of new session of the Supervisory Committee
Wang Junyang	Supervisor	Resignation	Election of new session of the Supervisory Committee

(VII) 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.

(VIII) Punishments Imposed by Securities Regulatory Authorities in the Last Three Years

Applicable N/A

CORPORATE GOVERNANCE

IV. BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Session of the meeting	Date	Resolutions of the meeting
The 59th meeting of the 5th session of the Board	5 January 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 60th meeting of the 5th session of the Board	10 February 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 61st meeting of the 5th session of the Board	25 March 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 62nd meeting of the 5th session of the Board	7 April 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 63rd meeting of the 5th session of the Board	25 April 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 64th meeting of the 5th session of the Board	29 April 2021	The meeting only reviewed the first quarterly report. For the text of the detailed quarterly report, please refer to the announcement published on the SSE website and designated media for information disclosure on the same day.
The 65th meeting of the 5th session of the Board	26 May 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.

CORPORATE GOVERNANCE

Session of the meeting	Date	Resolutions of the meeting
The 66th meeting of the 5th session of the Board	16 June 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 67th meeting of the 5th session of the Board	8 July 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 68th meeting of the 5th session of the Board	9 August 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 69th meeting of the 5th session of the Board	30 August 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 70th meeting of the 5th session of the Board	13 September 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 71st meeting of the 5th session of the Board	16 September 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 1st meeting of the 6th session of the Board	8 October 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 2nd meeting of the 6th session of the Board	25 October 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.

CORPORATE GOVERNANCE

Session of the meeting	Date	Resolutions of the meeting
The 3rd meeting of the 6th session of the Board	29 October 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 4th meeting of the 6th session of the Board	5 November 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 5th meeting of the 6th session of the Board	12 November 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 6th meeting of the 6th session of the Board	29 November 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 7th meeting of the 6th session of the Board	14 December 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 8th meeting of the 6th session of the Board	23 December 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.
The 9th meeting of the 6th session of the Board	31 December 2021	For details about the resolutions, please refer to the resolution announcement published on the SSE website and designated media for information disclosure on the same day.

CORPORATE GOVERNANCE

V. DIRECTORS' PERFORMANCE OF THEIR DUTIES

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

Name of directors	Independent non-executive director or not	Mandatory attendance in Board meetings during the year	Board meeting(s)				Absent in person for two consecutive times or not	General meeting(s) Attendance in general meetings
			Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence		
Zeng Qinghong	No	22	22	18	0	0	No	2
Feng Xingya	No	22	22	18	0	0	No	2
Zhao Fuquan	Yes	22	22	21	0	0	No	2
Xiao Shengfang	Yes	22	22	19	0	0	No	1
Wong Hakkun	Yes	22	22	22	0	0	No	2
Song Tiebo	Yes	22	22	19	0	0	No	1
Chen Xiaomu	No	22	22	18	0	0	No	2
Chen Maoshan	No	22	22	18	0	0	No	2
Ding Hongxiang	No	22	22	21	0	0	No	1
Guan Dayuan (Appointed on 8 October 2021)	No	9	8	7	1	0	No	1
Liu Zhijun (Appointed on 8 October 2021)	No	9	8	7	1	0	No	1
Chen Jun (Resigned on 8 October 2021)	No	13	13	13	0	0	No	0
Han Ying (Resigned on 8 October 2021)	No	13	13	13	0	0	No	0

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

Applicable N/A

Number of Board meetings held during the year	22
Of which: Number of physical meetings	4
Number of meetings held via telecommunication	18
Number of meetings held by way of combination of both	4

CORPORATE GOVERNANCE

(II) Directors' Objections to Relevant Matters of the Company

Applicable N/A

VI. SPECIAL COMMITTEES OF THE BOARD

(I) Members of Special Committees of the Board

Types of committee	Name
Audit Committee	Wong Hakkun, Xiao Shengfang and Song Tiebo
Nomination Committee	Xiao Shengfang, Song Tiebo and Ding Hongxiang
Remuneration and Assessment Committee	Xiao Shengfang, Song Tiebo and Ding Hongxiang
Strategy Committee	Zeng Qinghong, Feng Xingya, Zhao Fuquan, Song Tiebo, Guan Dayuan and Ding Hongxiang

(II) Audit Committee's Five Meetings During the Reporting Period

Date	Contents	Important opinions & advices	Other performance of duty
23 March 2021	To review on matters such as the annual financial report, the profit distribution plan, the annual connected transaction report, the internal control evaluation report and internal control audit report, the appointment of auditor, the report on deposit and use of raised funds, the annual risk management and compliance management report and plan, the annual audit work summary and plan, and the performance of duties of the Audit Committee	All members agreed to submit the matter to the meeting for deliberation, and agreed to submit the same to the Board for deliberation.	Nil

CORPORATE GOVERNANCE

Date	Contents	Important opinions & advices	Other performance of duty
27 April 2021	To review the Q1 Report	All members agreed to submit the matter to the meeting for deliberation, and agreed to submit the same to the Board for deliberation.	Nil
26 August 2021	To review on matters such as the interim report, the interim profit distribution plan, the report on the deposit and use of the raised funds, and the adjustment of the audit plan	All members agreed to submit the matter to the meeting for deliberation, and agreed to submit the same to the Board for deliberation.	Nil
25 October 2021	To review the Q3 Report	All members agreed to submit the matter to the meeting for deliberation, and agreed to submit the same to the Board for deliberation.	Nil
10 December 2021	To review and amend the Internal Control Management Measures	All members agreed to revise the Internal Control Management Measures and submit the same to the Board for deliberation.	Nil

CORPORATE GOVERNANCE

(III) Nomination Committee's Two Meetings During the Reporting Period

Date	Contents	Important opinions & advices	Other performance of duty
7 February 2021	To review the appointment of chief accountant	The nomination of the chief accountant was approved and submitted to the Board for deliberation.	Nil
13 September 2021	To review on matters related to the general election of new session of the Board	All members agreed to nominate the list of candidates for the new session of the Board and submit the same to the Board for deliberation.	Nil

(IV) Remuneration and Assessment Committee's Five Meetings During the Reporting Period

Date	Contents	Important opinions & advices	Other performance of duty
18 March 2021	To review the 2020 annual professional managers and senior management remuneration assessment	All members agreed to the assessment results and submitted the same to the Board for deliberation.	Nil
20 May 2021	To review the adjustments of the option exercise price and restricted share repurchase price under share option schemes	All members agreed to adjust the exercise price and restricted share repurchase price according to the annual profit distribution plan, and agreed to submit the same to the Board for deliberation.	Nil

CORPORATE GOVERNANCE

Date	Contents	Important opinions & advices	Other performance of duty
9 September 2021	To review the adjustments of the option exercise price and restricted share repurchase price under share option schemes	All members agreed to adjust the exercise price and restricted share repurchase price according to the interim profit distribution plan, and agreed to submit the same to the Board for deliberation.	Nil
12 October 2021	To review professional managers' tenure assessment and performance fulfilled	All members agreed to the assessment results and submitted the same to the Board for deliberation.	Nil
9 December 2021	To review the cancellation of share options for the third exercise period under the Second Share Option Scheme and the second and third exercise period of reserved options	All members agreed to cancel share options for the third exercise period of the Second Share Option Scheme and the second and third exercise period of reserved options due to the failure to meet the performance assessment conditions and submit the same to the Board for deliberation.	Nil

(V) Details of any Objections

Applicable N/A

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

The Supervisory Committee has no objection to the supervision matters during the reporting period.

CORPORATE GOVERNANCE

VIII.EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

Number of existing employees of the parent company	273
Number of existing employees of major subsidiaries	96,716
Total number of existing employees	96,989
Number of employees resigned or retired the pension of which the parent company and major subsidiaries had to be responsible for	293
Professional composition	
Category of professional composition	Number of employees
Production personnel	57,960
Salesperson	6,059
Technician	14,025
Financial staff	1,813
Administrative staff	3,751
Finance and insurance	1,842
Others	11,539
Total	96,989
Education level	
Category of education level	Number of employees
Doctorate	120
Master's degree	4,422
Undergraduate (including double bachelor's degree)	22,045
Tertiary	21,451
Secondary school and below	48,951
Total	96,989

Note: The number of employees of joint ventures and associated companies are included.

(II) 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 level while strengthening the Group's total payroll control. By studying and analysing the market remuneration data, CPI growth rate and industry benchmark, it reviewed its remuneration level where the total payroll was linked to the economic benefit index, so as to ensure that the remuneration system plays an incentive role in retaining talents while striving to improve labor efficiency.

CORPORATE GOVERNANCE

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 restraints.

Timely and full contributions to various social insurances were made in accordance with the requirements of national and provincial laws and regulations on labour 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.

(III) Training Program

During the reporting period, the staff training of the Group was guided by the principle of “promoting strategies, building various platforms, focusing on key points and guiding to professional”, which promoted all kinds of work in an orderly manner. Meanwhile, the Group actively responded to the adverse impact resulting from the COVID-19 pandemic on personnel training, innovated and enriched training methods, strengthened the awareness of serving enterprises, and coordinated the pandemic prevention and control and personnel training work, in order to promote the construction of the Group's learning-oriented organization and provide talent guarantee for high-quality development of the Group. An annual aggregate number of training attendance was 1,186,400.

In 2022, the Group will continue to carry out its staff training in accordance with the work policy, benchmarked against world-class companies, and guided by the Group's “14th Five-Year Plan” and the planning blueprint of GAC Training Center (Party School), to establish broad platforms and professional guidance, so as to provide strong talent support for the strategic implementation of the Group.

CORPORATE GOVERNANCE

(IV) Labour Outsourcing

Total working hours of labour outsourcing	20,538,000
Total remuneration paid for labour outsourcing	RMB1,101,405,851

Note: including joint ventures and associated enterprises.

(V) Production Safety

During the reporting period, the Group persisted in following the guidance of Xi Jinping's new era of socialism with Chinese characteristics, adhered to General Secretary Xi Jinping's important expositions and instructions in respect of emergency management, production safety, disaster prevention, mitigation and relief, and upheld the idea of "To address problems on both symptoms and root causes by giving priority to people and safety, so as to achieve a scientific development". In accordance with the annual production safety target control indicator plan approved by the Board at the beginning of the year, subject to the requirements of "Guangzhou Automobile Group Co., Ltd.'s Comprehensive Management System on Safety Production", the Group closely focused on the annual work emphases on safety production based on the improvement of the safety production responsibility system with dual construction of preventive mechanism as the core and the safety production management targets as the foothold, and earnestly performed the main responsibility of enterprises for production safety and investment. In accordance with the work procedures of supervision, guidance and service, the Group will continue to promote the strict implementation of the main responsibility of safety production by all investee enterprises, and promote the synchronization of enterprise safety production management and business development. During the reporting period, the Group had experienced no major (or above) safety production accidents, and its production remained generally stable and was in an orderly manner.

In 2022, in accordance with the requirements under the new Production Safety Law and other regulations, the Group will continue to improve its safety production system, and promote each investee enterprise to continuously improve and implement the safety production responsibility system in accordance with the principle of "three managements and three musts", and strictly perform the main responsibility of safety production; continue to promote safety production responsibility target management and strengthen management and control over safety production process; conscientiously carry out enterprise safety production standardisation work; intensify efforts to carry out safety informatization work, and carry out the construction of the Group's safety informatisation management system platform; earnestly carry out the construction of a dual prevention mechanism for enterprise safety risk grading management and control and investigations and rectification of hidden hazards, and strictly implement accident treatment and accountability to prevent the occurrence of major safety accidents.

CORPORATE GOVERNANCE

IX. PROPOSED PROFIT DISTRIBUTION PLAN OR CONVERSION OF CAPITAL RESERVES

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

During the reporting period, the Group strictly complied with the requirements of the Articles of Association and the dividend distribution plans for shareholders (2021-2023) of Guangzhou Automobile Group Co., Ltd. During the reporting period, profit distribution plans for the year of 2020 and for the interim period of 2021 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) 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 2021, the Company's reserves available for distribution to shareholders amounted to RMB35,332,425,000 (2020: RMB25,563,568,000).

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

According to the formulated Administrative Measures for Salary Assessment of Professional Managers, 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.

CORPORATE GOVERNANCE

XI. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

During the reporting period, the Administrative Measures for the Reporting of Major Operational Risk Events (Trial) was formulated, and the Audit Working Paper Specifications, Internal Audit Report Specifications, Internal Control Management Measures and other systems were revised to further promote the Company's internal control and risk management work for standardisation, routinisation and normalisation.

Explanation on material deficiencies in internal control during the reporting period

Applicable N/A

XII. SELF-EVALUATION REPORT ON INTERNAL CONTROL

The Board conducted review of the effectiveness of the internal control system of the Company and its subsidiaries during the reporting period at least once annually. The said review covers all material aspects of control, including financial, operational and compliance controls. No material defects and important defects in internal control were identified in 2021. The Board considers such systems effective and sufficient.

XIII. AUDIT REPORT ON INTERNAL CONTROL

The Company engaged ShineWing Certified Public Accountants (Special General Partnership) for independent audit of effectiveness of its internal control in 2021, 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 2021" (for full text of the audit report, please refer to the announcement disclosed on the website of the Stock Exchange in form of overseas regulatory announcement on 30 March 2022).

XIV. DIVIDEND POLICY

Since 2012, the Company has started to formulate dividend distribution plans for shareholders, which have been strictly implemented until now. To further improve the scientific, continuous and stable dividend distribution decisions and supervisory mechanism of the Company for higher transparency and practicability of profit distribution decisions, and to give guidance to investors to establish a concept of long-term and rational investment, pursuant to the "Regulatory Guidelines for Listed Companies No. 3 – Cash Dividends Distribution of Listed Companies" issued by the CSRC and the requirements of the Company's dividend distribution policy set out in the Articles of Association, the Board has formulated the "Dividend Distribution Plan for Shareholders of Guangzhou Automobile Group Co., Ltd. (2021-2023)" (the "Distribution Plan"), specific details of which are as follows:

CORPORATE GOVERNANCE

1. Factors Considered by the Company in Formulating the Distribution Plan

The Company focuses on long term and sustainable development. After considering factors such as the profitability, operation planning, returns for shareholders, capital requirement for investment in future projects, social capital costs and financing environment, a continuous, stable and scientific distribution plan and mechanism for the investors are to be established, so that a systematic arrangement can be made for profit distribution in order to ensure continuity and stability of the profit distribution policy.

2. The Principle of the Distribution Plan Formulation

The formulation of the Distribution Plan shall conform with the relevant national laws and regulations and the relevant provisions relating to profit distribution in the Articles of Association. The Company shall focus on stable and reasonable returns to the investors while at the same time fully consider the actual operation and sustainable development of the Company. On the basis of giving full consideration to the interests of shareholders and managing the relationship between short-term interests and long-term development of the Company, the Company shall determine a reasonable profit distribution proposal, and pursuant to which, formulate a plan to implement the profit distribution policy in a certain period to ensure continuity and stability of the profit distribution policy.

3. The Frequency of the Distribution Plan Formulation and Relevant Decision Making Mechanism

The Board shall formulate the Distribution Plan in accordance with the profit distribution policy stipulated in the Articles of Association. In the event that the Company needs to adjust the profit distribution policy due to the significant changes in the external operating environment and its internal operating conditions, the protection of the interest of shareholders (especially the public shareholders) shall be of the first priority and detailed argumentation and reasons shall be given. Further, detailed explanation regarding the adjustments of the dividend distribution policy shall be given in the regular report of the Company with stringent implementation of the decision making procedures. The Board shall ensure that the Distribution Plan will be reviewed every three years in order to ensure the content of the Distribution Plan conforms with the profit distribution policy as stipulated in the Articles of Association.

CORPORATE GOVERNANCE

4. The Distribution Plan to Shareholders of the Company From 2021 to 2023

- (a) The Company may distribute profits by cash, shares, and combination of cash and shares.
- (b) The Company shall give priority to profit distribution by way of cash, i.e. profit distribution shall be made in the form of cash dividends if the cash dividend conditions subsist.
- (c) According to the laws and regulations in the Company Law and the provisions in the Articles of Association, provided that the profit and cash of the Company are able to fulfill the needs for continuous operation and long term development of the Company, the profit distributed in cash in each of the years between 2021 to 2023 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 such three years.
- (d) In principle, cash dividend shall be distributed by the Company annually from 2021 to 2023. The Board may propose to distribute interim cash dividend based on the profitability and the capital requirements of the Company.
- (e) From 2021 to 2023, depending on the cumulative distributable profits, reserves and the condition of cash flow, the Company may distribute profits by way of shares to match share capital expansion with business growth provided that the minimum cash dividend payout ratio and a reasonable scale of share capital of the Company are maintained.

Chapter 5

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 2021.

DIRECTORS AND SUPERVISORS

The details of the directors and supervisors of the Company for the year are set out in the paragraph titled “III. Profiles of Directors, Supervisors, and Senior Management – Particulars About Changes in the Shareholding and Remuneration of Incumbent and Resigned Directors, Supervisors and Senior Management During the Reporting Period” under Chapter 4 – “Corporate Governance” 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 2 – “Corporate Profile and Summary of Business” of this report. Such section forms part of this report of the directors.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged appropriate liability insurance cover for its directors and relevant management personnel during the reporting period. The permitted indemnity provisions were in force for the benefit of the directors and relevant management personnel of the Company 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 3 – “Management Discussion and Analysis” of this report. Such sections form part of this report of the directors.

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 always adheres to the development concept of green development, energy conservation and emission reduction and considers environmental protection as an important task for enterprises. The Group strictly complies with various environmental laws and regulations, adheres to the scientific development concept as guidance, strengthens the responsibility system for environmental protection targets, and increases efforts in energy conservation and emission reduction, actively promotes energy conservation and emission reduction from technical innovation, production organisation and daily management. The environmental protection facilities are in normal, stable and continuous operation with satisfactory treatment results. No major environmental pollution incidents occurred.

The Group strictly abides by various environmental protection laws and regulations stipulated by the Government and strictly controls all kinds of pollutants generated. The Group strictly implements the environmental impact assessment system and the “Three Simultaneous” system during the project construction (the environmental protection facilities must be designed, constructed and commenced operation with the construction project simultaneously).

In order to conscientiously implement the national environmental protection and safety laws and regulations, ensure timely control after unexpected environmental incidents, prevent the spread and pollution of major accidents, effectively organise post-incident relief and rescue, and protect the personal safety of employees and the safety of the Company’s properties, pursuant to the relevant documents such as the National Environmental Emergency Plan, and the actual situation of the enterprise, in line with the principle of “focus on prevention, focus on self-help, unified command, division of labour”, the Group has prepared corresponding emergency plans for unexpected environmental incidents, and notified the relevant environmental protection departments. The Group organises regular publicity and training within the enterprise and annual emergency drills and reviews which would improve the ability of enterprises to respond to unexpected environmental pollution accidents and prevent and control the occurrence of environmental pollution accidents effectively.

In order to consciously fulfill the obligations to environmental protection, the Group actively accepts social supervision, and develops self-monitoring programs in accordance with the requirements of national construction regulations and standards. All the monitoring results have met the standard.

REPORT OF THE DIRECTORS

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 4 – "Corporate Governance" and in the paragraphs titled "Sales to major customers" and "Major suppliers" under Chapter 3 – "Management Discussion and Analysis" of this report.

INTERESTS OF DIRECTORS AND SUPERVISORS

Save as disclosed in the sections titled "III. Profiles of Directors, Supervisors, Senior Management – (III) Share Options Granted to Directors and Senior Management During the Reporting Period" under Chapter 4 – "Corporate Governance" and "X. Share Option Scheme, Employee Stock Ownership Scheme or Other Staff Incentives of the Company and Their Impacts" under Chapter 8 – "Significant Events" of this report, 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 section titled "III. Details on Performance of Consolidation of Anti-poverty Achievements and Rural Revitalization" under Chapter 7 – "Environmental and Social Responsibility" of this report.

ISSUE OF SHARES

During the reporting period, as a result of conversion of A share convertible bonds, exercise of share options granted under the share option incentive schemes and capitalisation of the capital reserve from profit distribution, an aggregate of 20,896,008 A shares were increased with a total consideration of RMB258,868,109.80 received.

ISSUE OF DEBENTURES, BONDS AND OTHER DEBT SECURITIES

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

REPORT OF THE DIRECTORS

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 or Other Staff Incentives of the Company and Their Impacts” under Chapter 8 – “Significant Events” of this report.

DIVIDENDS

During the year, an interim dividend of RMB0.05 per share (2020: RMB0.03) (tax inclusive) was distributed, totalling approximately RMB517,816,555.50 (2020: approximately RMB307,137,874.14). The Board recommends to distribute a final dividend of RMB0.17 per share (2020: RMB0.15) (tax inclusive) for the year ended 31 December 2021, totalling approximately RMB1,778,872,801.69 (2020: approximately RMB1,552,648,932.30).

REASONS FOR RESIGNATION

Since 3 February 2021, Ms. Jiang Xiuyun (“Ms. Jiang”) has resigned as the staff representative supervisor of the Supervisory Committee of the Company due to work reallocation. Ms. Jiang confirmed that she had no disagreement with the Board, the Supervisory Committee and the Company, and there were no matters in respect of her resignation that need to be brought to the attention of the shareholders of the Company. Ms. Jiang was appointed as Chief Financial Officer of the Company on 10 February 2021.

Save as disclosed above, during the year, no director or supervisor of the Company resigned or refused to stand for re-election in respect of which the Company had 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.

REPORT OF THE DIRECTORS

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the shares.

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

Guangzhou, the PRC, 30 March 2022

Chapter 6

REPORT OF THE SUPERVISORY COMMITTEE

In 2021, 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 other laws and regulations and the requirements of the Articles of Association, which enhanced the internal control and standardised operation of the Company.

The 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

Due to the expiration of the term of the fifth session of the Supervisory Committee, as reviewed and approved by the 2021 first extraordinary general meeting held on 8 October 2021 and elected at the staff representatives' meeting, the sixth session of the Supervisory Committee is currently composed of Chen Tian, Cao Xiandong, Huang Cheng, Shi Lei (staff representative supervisor), Wang Lu (staff representative supervisor) and Huang Zhuo (staff representative supervisor), with a vacancy of one supervisor. The term of office of this session of the Supervisory Committee will expire on 8 October 2024.

II. BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2021

The 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. During the reporting period, the Company made concerted efforts to always maintain composure strategically, and made every effort to overcome the impacts and challenges led by chip shortage, rising raw materials price and repeated pandemic, which brought about steady growth in production and sales volume throughout the year; meanwhile, through product structure adjustment, cost control enhancement and other measures, steady improvement of operating efficiency was achieved.

REPORT OF THE SUPERVISORY COMMITTEE

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 as well as in accordance with the PRC 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 9 supervisory meetings with the details as follows:

1. The 23rd meeting of the 5th session of the Supervisory Committee was held on 25 March 2021, at which the following resolutions were considered and approved:
 - (1) Resolution in respect of the annual report and its summary of 2020;
 - (2) Resolution in respect of the supervisory committee report of 2020;
 - (3) Resolution in respect of the financial report of 2020;
 - (4) Resolution in respect of the profit distribution plan of 2020;
 - (5) Resolution in respect of the self-evaluation report on internal control of 2020;
 - (6) Resolution in respect of internal control audit report of 2020;
 - (7) Resolution in respect of the report of deposit and the actual utilisation of proceeds from fund-raising activities;
 - (8) Resolution in respect of the appointment of auditors of 2021;
 - (9) Resolution in respect of the appointment of internal control auditors of 2021;
 - (10) Resolution in respect of the 2020 Annual Risk Management Work Report and the 2021 Work Plan;
 - (11) Resolution in respect of 2020 Annual Compliance Management Work Report and 2021 Work Plan.

REPORT OF THE SUPERVISORY COMMITTEE

2. The 24th meeting of the 5th session of Supervisory Committee was held on 29 April 2021, at which the resolution in respect of the first quarterly report of 2021 was considered and approved.
3. The 25th meeting of the 5th session of Supervisory Committee was held on 26 May 2021, at which the resolution in respect of the adjustment on exercise price of share option and repurchase price of restricted shares was considered and approved.
4. The 26th meeting of the 5th session of Supervisory Committee was held on 30 August 2021, at which the following resolutions were considered and approved:
 - (1) Resolution in respect of the interim report of 2021;
 - (2) Resolution in respect of the profit distribution plan for the interim period of 2021;
 - (3) Resolution in respect of the report of deposit and utilisation of proceeds from fund-raising activities for the first half of 2021.
5. The 27th meeting of the 5th session of Supervisory Committee was held on 13 September 2021, at which the resolution in respect of the adjustment on exercise price of share option and repurchase price of restricted shares was considered and approved.
6. The 28th meeting of the 5th session of Supervisory Committee was held on 16 September 2021, at which the resolution in respect of the election of new session of the supervisory committee of the Company was considered and approved.
7. The 1st meeting of the 6th session of Supervisory Committee was held on 8 October 2021, at which the resolution in relation to the election of the tentative convener of the supervisory committee was considered and approved.
8. The 2nd meeting of the 6th session of Supervisory Committee was held on 29 October 2021, at which the resolution in respect of the third quarterly report of 2021 was considered and approved.
9. The 3rd meeting of the 6th session of Supervisory Committee was held on 14 December 2021, at which the resolution in respect of cancellation of share options for the third exercise period of initial grant and the second and third exercise periods of reserved options under the Second Share Option Scheme was considered and approved.

REPORT OF THE SUPERVISORY COMMITTEE

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 requirements of the Listing Rules and the SSE Listing Rules. During the reporting period, the Supervisory Committee has reviewed and given opinions in relation to the share option incentive schemes.

2. Internal Control and Risk Management

Pursuant to the relevant requirements, the Company consistently carried out its self-assessment on comprehensive risk management and internal control. During the reporting period, the Company continued to strengthen the implementation of internal control, enhance the supervision and inspection on internal control by the internal audit team, and make targeted internal control diagnosis and improvement in high-risk sectors and fields of business management. At the same time, the Company closely tracked key risk areas by conducting risk interviews, risk research and industry benchmarking, so as to improve the accuracy of risk assessment and formulate targeted risk management measures to enhance the level of prevention and response to different types of risks and challenges, and ensure the realisation of corporate objectives.

Evaluation Report on Internal Control of the Company for 2021 comprehensively, truthfully, accurately and objectively reflects the construction and operation of the internal control system.

3. Financial Conditions of the Company

The Supervisory Committee examined the financial conditions of the Company seriously and carefully and reviewed the 2020 annual financial report and the first quarterly report, interim report and the third quarterly report of 2021 during the reporting period, and considered the profit distribution plan implemented by the Company during the reporting period.

The Supervisory Committee considered that the Company has a sound financial system, standardised financial operations, and healthy financial status; 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 audit report with unqualified opinions issued by the auditing firm was objective and fair.

REPORT OF THE SUPERVISORY COMMITTEE

4. Utilisation and Management of Proceeds

The Supervisory Committee inspected the utilisation and management of proceeds of the Company during the reporting period and was of the opinion that: the Company's proceeds were strictly in compliance with the SSE Listing Rules, the Administrative Measures for Funds Raised by Companies Listed on the Shanghai Stock Exchange, the Articles of Association and Measures for the Management of Proceeds of the Company. There were no violations regarding the Company's management of proceeds. Proceeds were deposited in designated accounts and were used for designated projects, and there were no changes to the use of proceeds. There were no circumstances in which the interests of the shareholders had been damaged, and there were no violations regarding the Company's use of proceeds.

5. 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 transaction prices were fair and reasonable and was not aware of any circumstances which were prejudicial to the interests of the Company and the small-and medium-sized and minority shareholders.

V. WORKING PLAN

In 2022, the Supervisory Committee will continue to proactively perform its supervisory responsibilities under the laws, the listing rules of Hong Kong and China and the Articles of Association. On the basis of corporate governance and focusing on financial supervision and risk prevention, the Supervisory Committee will strengthen the follow-up of key projects and continue to pay attention to the Company's business development, promote construction and perfection of the internal control and comprehensive risk system of the Company, and implement supervisory 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, Board meetings and other important meetings 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, faithfully and diligently perform supervisory duties, strive to excel in every task, further promote the overall improvement of corporate governance of the Company, and facilitate the high-quality and sustainable development of the Company.

Chapter 7

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. ENVIRONMENTAL INFORMATION

The Company and every enterprise strictly abided by environmental protection laws and regulations, and actively took measures to implement the concept of environmental protection and green development in order to build a green, low-carbon and environmentally-friendly environment.

- (1) In the field of products, more energy-saving and new energy vehicle models were launched, considerably reducing fuel consumption and exhaust emissions per vehicle;
- (2) In the field of production, the Company continued to increase investment in construction of environmental protection, adopted greener and more energy-efficient facilities, and introduced more advanced technologies to reduce energy consumption;
- (3) In the field of energy, various enterprises developed solar power generation with tremendous efforts through proactively making use of resources in our factories so as to boost the “green electricity” share in the production link;
- (4) In the field of supply chain, the Company put forward requirements for environmental protection, energy conservation and emission reduction towards suppliers of the whole supply chain, and included them into evaluation;
- (5) In the field of public and employees, the Company actively carried out various advertising activities for environmental protection and pollution control in order to raise environmental protection awareness and build a green homeland together.

For details about the policies and measures on the environmental protection of the Group, please refer to the full text of the “2021 Environmental, Social and Governance Report” disclosed on the website of the Stock Exchange on 31 March 2022.

II. FULFILLMENT OF SOCIAL RESPONSIBILITY

With the goal of “developing into a public company trusted by the society”, the Group always advocates green culture, builds a green supply chain, develops green offices, realises sustainable development and actively performs social responsibility. For details about the fulfillment of social responsibilities by the Group, please refer to the full text of the “2021 Social Responsibilities Report” disclosed on the website of the Stock Exchange (in form of overseas regulatory announcement) on 30 March 2022.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

III. DETAILS ON PERFORMANCE OF CONSOLIDATION OF ANTI-POVERTY ACHIEVEMENTS AND RURAL REVITALIZATION

During the reporting period, the Group firmly implemented the decisions and deployments of the central, provincial and municipal government to consolidate and extend the achievements of poverty alleviation to effectively connect with rural revitalization, vigorously propelled industry aid, education aid, consumption aid and employment aid, so as to strengthen the weakness of people's wellbeing, develop engineering benefit for people, stimulate endogenous motivation and establish a layout of "all-round aids" with GAC characteristics.

1. Successful Fulfillment of the Poverty Alleviation Task

The Group conducted targeted poverty alleviation in Lianyi Village, Baishi Village and Silian Village in Jiubei Town, Lianzhou City, Qingyuan. After poverty alleviation, the Group successfully fulfilled the poverty alleviation task in 2021. All 3 poverty-stricken villages for 229 poverty-stricken households with a total of 581 poverty-stricken people have overcome poverty with disposable income per capita of over RMB20,000, whilst the village collective income have exceeded RMB300,000. The Group has completed files arrangement for poverty alleviation and handled the handover with the new village support team; convened a summary commendation for poverty alleviation and a deployment meeting for rural revitalization in the GAC Group to praise advanced collectives and individuals and deploy its rural revitalization.

2. Deep Involvement in Eastern and Western Coordination

In 2021, the Group volunteered to dispatch 1 cadre, and input the support fund of RMB3,770,000 to participate in assistance pairing activities for 1 country and 10 villages in Nayong County, Bijie City, of which 1,030 poverty-stricken households with a total of 5,095 poverty-stricken people have overcome poverty. Through implementing the program "Guangdong Technician", the Group jointly opened the intensive "GAC class" with Bijie Vocational and Technical College and Taijiang County Secondary Vocational School, Qiandongnan City, and recruited professional technical personnel with directed education for automobile industry of 4 classes with a total of 146 students. The Group initiated a support program for rural revitalization in Kudongguan Township, Nayong County – Wooden Comb Miao Village in Lizi Village, so as to develop a rural revitalization demonstration point with eastern and western coordination. The Group expanded its coordination field to establish a GAC industrial base in the plateau full of fragrance, and implemented the program "Automobiles Full of Fragrance and Love" to drive the development of fragrance industry in Bijie City. The Group propelled the consumption aid with tremendous efforts through "Qian products out of villages", and boosted the "GAC Project for Education Dream" through setting up funds and carrying out special funding for education oriented towards orphans and children in difficulty.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

3. Active Participation in Rural Revitalization

According to the decisions and deployments of the provincial and municipal government, the Group participated in assistance pairing activities in Dongshi Town, Pingyuan County, Meizhou associated with the Culture, Radio, Television and Tourism Bureau, Sports Bureau and Statistics Bureau in Guangzhou. In accordance with the requirements of “industrial revitalization, talent revitalization, cultural revitalization, ecological revitalization, and organizational revitalization”, the Group made solid progress on rural revitalization in provinces and cities, and schemed a support programme through selecting outstanding cadres, surrounding the main task and actively mating operation with poverty-stricken areas and planning design teams. At the same time, the Group continued to implement assistance work in Aotou Town, Conghua District, Guangzhou City and rural revitalization.

4. Support of the Development and Revitalization of Eastern Guangdong and Northwest China

The Group proactively advanced industrial assistance work in eastern Guangdong and Meizhou, and increased the introduction of significant and high-quality projects and investment implementation. 14 enterprises were successfully introduced, whilst the accumulated investment of approximately RMB1,020 million was completed. It is expected that the annual operating income will amount to RMB760 million, whereas the annual tax revenue will be RMB17.13 million, with 1,084 job vacancies created.

Next step, the Group will make great efforts to the new assistance task for rural revitalization and make sure of its work programme and implementation, deepen eastern and western coordination to continuously advance the construction of “GAC class” and the rural revitalization demonstration point in Lizi Village, and continue to devote greater efforts to consumption aid for the purpose of integrating and optimizing agricultural product resources in poverty-stricken areas. The Group will continue to develop and propel industrial assistance items in Meizhou, Guangdong and Xinjiang in order to support the development and revitalization of eastern Guangdong and Northwest China. Through the proposal of “Support of rural revitalization by forestry carbon sequestration” to the National People’s Congress by Zeng Qinghong, the party secretary of the Group and delegate of the National People’s Congress, the Group will innovate the rural revitalization style and combine with the development situation of “Double Carbon”, so as to help people that have shaken off poverty towards overall revitalization and common prosperity.

Chapter 8

SIGNIFICANT EVENTS

I. 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
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 2021 and 2023 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.	2021-2023	Yes	Yes

SIGNIFICANT EVENTS

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

SIGNIFICANT EVENTS

(II) EXPLANATION ON WHETHER THE COMPANY HAS ACHIEVED ITS PROFIT FORECAST IN RELATION TO ASSETS OR PROJECTS, IF THERE IS ANY PROFIT FORECAST IN RELATION TO THE COMPANY'S ASSETS OR PROJECTS, AND THE REPORTING PERIOD IS WITHIN THE PROFIT FORECAST PERIOD

Met Unmet N/A

II. APPROPRIATION OF FUNDS OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR NON-OPERATIONAL ACTIVITIES DURING THE REPORTING PERIOD

Applicable N/A

III. ILLEGAL GUARANTEE

Applicable N/A

SIGNIFICANT EVENTS

IV. APPOINTMENT OR DISMISSAL OF ACCOUNTANTS

Unit: Yuan Currency: RMB

Currently appointed

Name of domestic accounting firm	ShineWing Certified Public Accountants LLP	
Remuneration of domestic accounting firm		950,000
Audit years of domestic accounting firm		1
Name of overseas accounting firm	PricewaterhouseCoopers	
Remuneration of overseas accounting firm		3,100,000
Audit years of overseas accounting firm		11

	Name	Remuneration
Internal control auditor	ShineWing Certified Public Accountants LLP	380,000
Financial advisor		
Sponsor		

EXPLANATION ON APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

As considered and approved at the 61st meeting of the 5th session of the Board, the 23rd meeting of the 5th session of the Supervisory Committee and the 2020 annual general meeting of the Company, the Company appointed ShineWing Certified Public Accountants LLP and PricewaterhouseCoopers as auditors of the Company for the year 2021.

CHANGE OF ACCOUNTING FIRM DURING THE AUDITING PERIOD

Applicable N/A

SIGNIFICANT EVENTS

V. DESCRIPTION OF RISKS OF DELISTING

Applicable N/A

VI. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable N/A

VII. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company had no material litigation and arbitration during the year.

VIII. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS AND RELEVANT RECTIFICATIONS FOR SUSPECTED VIOLATION OF LAWS AND REGULATIONS

Applicable N/A

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

Applicable N/A

X. SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER STAFF 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.

SIGNIFICANT EVENTS

RESTRICTED SHARES

Restricted shares represent a certain number of A shares of the Company granted to the participants by the Company under the conditions and at the price as stipulated in the incentive scheme, which are subject to the lock-up period and can only be unlocked for trading when the unlocking conditions under the incentive scheme are satisfied. The source of the underlying shares shall be the ordinary A shares to be issued by the Company to the participants.

(I) 2017 SECOND A SHARE OPTION INCENTIVE SCHEME (THE “2017 INCENTIVE SCHEME”)

1. Objective

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 2017 Incentive Scheme was formulated by the Company 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.

2. Scheme Participants

The participants under the initial grant pursuant to the 2017 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 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 were considered and approved by the Board and confirmed within 12 months after consideration and approval of the 2017 Incentive Scheme at the shareholders' meetings and did not duplicate with any participant under the initial grant.

SIGNIFICANT EVENTS

3. Number of Granted Options and Exercise Price

On 18 December 2017, the Company granted a total of 403,335,400 A share options to 2,358 participants under the initial grant, with the exercise price of RMB28.40 per share, which was determined with reference to the highest of the following and shall not be less than the nominal value of A Share: (1) the closing price of the A shares of the Company on the last trading day immediately preceding the date of the proposal announcement (i.e. 30 October 2017); (2) the average trading price of the A shares of the Company on the last trading day immediately preceding the date of the proposal announcement; (3) the average closing price of the A shares of the Company for the last 30 trading days immediately preceding the date of the proposal announcement; and (4) one of the average trading prices of the A shares of the Company for the last 20, 60 or 120 trading days immediately preceding the date of the proposal announcement. The closing price of the A shares of the Company immediately prior to the date of initial grant was RMB24.06 per share.

On 17 December 2018, the Company completed the grant of reserved share options for 2017 Incentive Scheme, which granted a total of 62,336,900 A share options to 457 participants, with the exercise price of RMB10.61 per share, which was determined with reference to the highest of the following and shall not be less than the nominal value of A share: (1) the closing price of the A shares of the Company on the last trading day immediately preceding the date of the Board resolutions announcement for approving the relevant grant of reserved share options; (2) the average trading price of the A shares of the Company on the last trading day immediately preceding the date of the Board resolutions announcement; (3) the average closing price of the A shares of the Company for the last 30 trading days immediately preceding the date of the Board resolutions announcement; and (4) one of the average trading prices of the A shares of the Company for the last 20, 60 or 120 trading days immediately preceding the date of the Board resolutions announcement. The closing price of the A shares of the Company immediately prior to the date of grant of reserved share options was RMB10.49 per share.

The exercise price would be adjusted in accordance with the relevant requirements under the 2017 Incentive Scheme in the event of conversion of capital reserve into shares, bonus issue, subdivision, right issue or consolidation of shares of the Company which had taken place prior to any exercise. Since the implementation of the 2017 Incentive Scheme, the exercise price has been adjusted according to the final profit distribution plans and the interim profit distribution plans over the years. The details of the exercise price adjustment during the reporting period are as follows:

SIGNIFICANT EVENTS

- Since 8 June 2021, as a result of the implementation of the final profit distribution plan for 2020, the exercise price of the initial grant and the reserved share options of the 2017 Incentive Scheme was adjusted to RMB19.22/A share and RMB9.95/A share correspondingly. For details, please refer to the “Announcement on Adjusting the Exercise Price of the Share Option and Restricted Share Repurchase Price” (Announcement No.: Lin 2021-034) disclosed on the websites of SSE and the Stock Exchange on 26 May 2021.
- Since 22 September 2021, as a result of the implementation of the interim profit distribution plan for 2021, the exercise price of the initial grant and the reserved share options of the 2017 Incentive Scheme was adjusted to RMB19.17/A share and RMB9.90/A share correspondingly. For details, please refer to the “Announcement on Adjusting the Exercise Price of the Share Option and Restricted Share Repurchase Price” (Announcement No. Lin 2021-066) disclosed on the websites of SSE and the Stock Exchange on 13 September 2021.

Within any 12-month period, the aggregate number of shares issued and to be issued by the exercise of the share options (including exercised and unexercised share options) granted to each incentive participant through all valid incentive plans of the Company shall not exceed 1% of the total A share capital of the Company from time to time. No amount is payable by the participants on application or acceptance of the A share options under the 2017 Incentive Scheme.

4. Validity period, vesting period and exercise period

The 2017 Incentive Scheme lasts for 6 years and is effective until December 2023 with remaining life of approximately one year and seven months. The vesting period was 24 months. After the vesting period, if the exercise conditions stipulated in the scheme are met, the incentive participants shall exercise the option in installments within the next 36 months. The participants shall complete the exercise of share options within the validity period. If the conditions of exercise are not fulfilled, the A share options for that period shall not be exercised. If the conditions of exercise are fulfilled but not all of the relevant A share options for that period have been exercised, such portion of the A share options shall lapse automatically and shall be cancelled by the Company.

SIGNIFICANT EVENTS

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

Exercise arrangement	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 initial 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 initial 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 initial grant	1/3

The first exercise period for the initial grant was from 18 December 2019 to 17 December 2020, during which no option was exercised. The second exercise period for the initial grant was from 18 December 2020 to 17 December 2021, options were cancelled according to the rules as the performance conditions had not been satisfied. As the performance conditions stipulated in the 2017 Incentive Scheme had not been satisfied, all of the options exercisable in the third exercise period for the initial grant have been cancelled in December 2021.

SIGNIFICANT EVENTS

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

Exercise arrangement	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 first exercise period of the reserved share options was from 17 December 2020 to 16 December 2021. During the reporting period, a total of 8,130,265 options have been exercised, and a total of 17,795,352 options have been exercised in the whole exercise period.

As the performance conditions stipulated in the 2017 Incentive Scheme had not been satisfied, all of the options exercisable in the second and third exercise periods of reserved options have been cancelled in December 2021.

The total issuable securities under the 2017 Incentive Scheme was 0.

SIGNIFICANT EVENTS

(II) 2020 A SHARE OPTION AND RESTRICTED SHARE INCENTIVE SCHEME (THE “2020 INCENTIVE SCHEME”)

1. Objective

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, other management personnel who has a direct impact on the Company's operating performance and key core technical (business) personnel of the Company, and effectively bond the interests of the shareholders, the Company and individuals of core teams together, making all parties to attend to the long-term development of the Company, on the premise of fully protecting the interests of the shareholders and on the principle of income equivalent to contribution, the 2020 Incentive Scheme was formulated by the Company and passed at the 2020 second extraordinary general meeting and the 2020 first class meetings for holders of A and H shares of the Company held on 13 November 2020.

2. Scheme Participants

The participants under the 2020 Incentive Scheme shall be the directors, senior management, other management personnel who has a direct impact on the Company's operating performance and key core technical (business) personnel of the Company.

3. Number of Granted Options and Restricted Shares and Exercise Price

A total of 102,101,330 A share options and 102,101,330 restricted shares were granted to 2,872 participants on 4 December 2020, and the exercise price was RMB9.98 per share, which was determined with reference to the highest of the following and shall not be lower than the nominal amount of the A shares: (1) the average trading price of the A shares of the Company on the trading day preceding the date of the proposal announcement (i.e. 24 September 2020) which is RMB9.91; and (2) one of the average trading prices of the A shares of the Company for 20 trading days, 60 trading days or 120 trading days preceding the date of the proposal announcement. The grant price of the restricted shares was RMB4.99 per share. The closing price of the Company's A shares on the day immediately preceding the date of grant of 2020 Incentive Scheme was RMB13.29 per share.

SIGNIFICANT EVENTS

The details of the exercise price adjustment since the implementation of the 2020 Incentive Scheme are as follows:

- Since 8 June 2021, as a result of the implementation of the final profit distribution plan for 2020, the exercise price of share options under the 2020 Incentive Scheme was adjusted to RMB9.83/A share accordingly. For details, please refer to the “Announcement on Adjusting the Exercise Price of the Share Option and Restricted Share Repurchase Price” (Announcement No.: Lin 2021-034) disclosed on the websites of SSE and the Stock Exchange on 26 May 2021.
- Since 22 September 2021, as a result of the implementation of the interim profit distribution plan for 2021, the exercise price of the 2020 Incentive Scheme was adjusted to RMB9.78/A share correspondingly. For details, please refer to the “Announcement on Adjusting the Exercise Price of the Share Option and Restricted Share Repurchase Price” (Announcement No.: Lin 2021-066) disclosed on the websites of SSE and the Stock Exchange on 13 September 2021.

Within any 12-month period, the aggregate number of share options to be granted to each above participant under all effective share option incentive schemes of the Company and held throughout the validity period does not exceed 1% of the total A share capital of the Company. No amount is payable by the participants on application or acceptance of the A share options under the 2020 Incentive Scheme.

4. Validity period, vesting period and exercise period

The 2020 Incentive Scheme shall be effective from the date on which the share options have been granted and registered, and end on the date on which all the share options granted to the participants have been exercised or cancelled, which shall not exceed 60 months until December 2025 with remaining life of approximately three years and eight months. The vesting period was 24 months, 36 months, 48 months from the date on which the share options were granted and registered.

The total number of securities issuable under the 2020 Incentive Scheme was 102,101,330 shares, representing 0.98% of the total issued shares of the Company as the date of this annual report.

SIGNIFICANT EVENTS

The arrangements of exercise period and each period of exercise time for the share options are as follows:

Exercise arrangement	Exercise period	Exercisable Proportion
First exercise period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of the share options and ending on the last trading day of the 36-month period from the date of completion of registration of the share options	40%
Second exercise period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of the share options and ending on the last trading day of the 48-month period from the date of completion of registration of the share options	30%
Third exercise period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of the share options and ending on the last trading day of the 60-month period from the date of completion of registration of the share options	30%

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

SIGNIFICANT EVENTS

The unlocking periods and unlocking schedule for the restricted shares are as follows:

Unlocking arrangement	Unlocking period	Unlocking proportion
First unlocking period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of the restricted shares and ending on the last trading day of the 36-month period from the date of completion of registration of the restricted shares	40%
Second unlocking period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of the restricted shares and ending on the last trading day of the 48-month period from the date of completion of registration of the restricted shares	30%
Third unlocking period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of the restricted shares and ending on the last trading day of the 60-month period from the date of completion of registration of the restricted shares	30%

For restricted shares that unlocking has not been applied for or unlocking cannot be applied for due to failure to meet the unlocking conditions during the unlocking periods, the Company will repurchase and cancel such restricted shares in accordance with the principles of the 2020 Incentive Scheme.

The shares obtained by the participants by way of grant of the restricted shares arising from capitalisation issue, bonus issue and share subdivision shall be subject to locking, and shall not be sold in the secondary market or otherwise transferred. The unlocking periods of such shares are the same as that of the restricted shares. If the Company repurchases the restricted shares that are yet to be unlocked, such shares shall be repurchased altogether.

SIGNIFICANT EVENTS

Relevant information regarding the abovementioned incentive schemes is set out in note 23 to the consolidated financial statements. The calculation of the value of A 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 A 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 “III. Profiles of Directors, Supervisors, and Senior Management – (I) Particulars About Changes in the Shareholding and Remuneration of Incumbent and Resigned Directors, Supervisors and Senior Management During the Reporting Period” under Chapter 4–“Corporate Governance” of this report. Details of A share options granted to other participants are set out in the following table:

Currency: RMB

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	Number of A share options exercisable during the reporting period	Shares issued upon exercise of A share options during the reporting period	Number of A share options lapsed/ cancelled during the reporting period	Exercise price of A share options (Yuan) (Note 3)	Weighted average closing price immediately before the dates on which the A share options were exercised (Yuan)	Number of A share options held at the end of the reporting period
2017 Incentive Scheme (initial grant)									
/	Middle level and other core businesses, technical and management key personnel (2,130 people in total)	168,950,844	0	168,950,844	0	lapsed: 0 cancelled: 168,950,844	19.17	N/A ^(note 4)	0
2017 Incentive Scheme (reserved grant)									
/	Middle level and other core businesses, technical and management key personnel (391 people in total)	44,018,173	0	8,183,763	8,130,265	lapsed: 53,498 cancelled: 35,834,410	9.90	14.37	0
2020 Incentive Scheme									
/	Middle level and other core businesses, technical and management key personnel (2,863 people in total)	102,101,330	0	0	0	lapsed: 0 cancelled: 0	9.78	N/A ^(note 4)	102,101,330

SIGNIFICANT EVENTS

Notes:

1. All participants must be employed by the Company pursuant to employment contracts during the appraisal period of the 2017 Incentive Scheme or the 2020 Incentive Scheme (as the case may be) 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.
2. The aggregate number of share options to be granted to any of the above participants within any 12 months under all effective share option incentive schemes of the Company and held throughout the validity period does not exceed 1% of the total A share capital of the Company.
3. During the reporting period, corresponding adjustments were made to the exercise prices of the A share options in accordance with the Company's profit distribution plan (please refer to the previous paragraphs on pages 115 and 119 for details in relation to the respective exercise price adjustments of each incentive scheme).
4. As the performance conditions stipulated in the 2017 Incentive Scheme had not been satisfied, options exercisable in the third exercise period for the initial grant of the 2017 Incentive Scheme and in the second and third exercise periods of reserved options have been cancelled in December 2021; During the reporting period, the 2020 Incentive Scheme has not yet commenced to exercise and unlock.

XI. MATERIAL CONNECTED TRANSACTIONS

1. Certain categories of related party transactions as disclosed in note 41 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. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SIGNIFICANT EVENTS

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 2021 financial year, the principal joint ventures of the Company were GAC Toyota, GAC Honda, GAC-SOFINCO and GAC Mitsubishi.

(B) Continuing connected transactions

For the year ended 31 December 2021, GAC Group and its associates (as defined in the Listing Rules) had entered into the following continuing connected transactions:

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

For the year ended 31 December 2021, each of the JV Partner Group provided transport and logistics services (the “JV Partner Logistics Services”) in respect of vehicle products and vehicle parts and components to the Company, its subsidiaries and the principal joint ventures (including GAC Toyota and GAC Honda) according to the following pricing terms on a regular basis. The Company’s principal joint ventures purchase raw materials and components from the relevant joint venture partners, as well as selling some products to the relevant joint venture partners. The relevant joint venture partners will provide transportation and logistics services to complete the entire process. Such service will continue during the term of the joint ventures.

SIGNIFICANT EVENTS

On 26 April 2019:

- (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(s) of JV Partner”) with Guangzhou Guanqi Commercial Logistics Co., Ltd. (廣州廣汽商貿物流有限公司) and Hunan Shun Jie Logistics Co., Ltd. (湖南順捷物流有限公司) of the Group, so as to continue with the JV Partner Logistics Services, with validity period from 1 January 2019 to 31 December 2021. 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 Guangzhou Automobile Hunan NYK Logistics Co., Ltd. (湖南廣汽商貿日郵物流有限公司), so as to proceed with the JV Partner Logistics Services, with validity period from 1 January 2019 to 31 December 2021. 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 JV Partner Logistics Services, with validity period from 1 January 2019 to 31 December 2021. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.
- (iv) GAC 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 JV Partner Logistics Services, with validity period from 1 January 2019 to 31 December 2021. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

Pursuant to the Framework Agreements 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 JV Partner Logistics Services within the validity period of the Framework Agreements of JV Partner and the New Agreement of JV Partner based on the terms, conditions and principles of the Framework Agreements of JV Partner and the New Agreement of JV Partner.

SIGNIFICANT EVENTS

The remunerations or service fees charged by all service providers to all service recipients for the JV Partner Logistics 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 logistics 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 logistics services from time to time to ensure that the payment received by all service providers for the logistics services shall be the prevailing market price for the logistics services. To ensure that products or services are obtained at the most favorable price, the Group will consider the market price for at least two equivalent services to ensure that the price will remain a reasonable and competitive one prior to selecting the service providers for the logistics 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 Agreements of JV Partner and the New Agreement of JV Partner between the Group and joint venture 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 logistics services.

For the year ended 31 December 2021, the total amount of the consideration paid by the Group for the JV Partner Logistics Services was RMB2,576,122,750.

In relation to the transactions, the directors consider that the annual transaction amount of each transaction under the JV Partner Logistics Services should not be disclosed. The provision of transportation and logistics services is an important part of entering into cooperation arrangements with joint venture parties and their associates. They are a key part of the supply chain management and sales business of automobile production. Disclosing the annual transaction amount for each transaction under the JV Partner Logistics Services will disclose commercially sensitive information relating to the operation of the relevant joint ventures, which is not in the interest of the Group or the related joint ventures.

SIGNIFICANT EVENTS

The Company has applied to the Stock Exchange for and was granted a waiver from compliance with the annual cap requirement 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. However, the exemption expired before the Framework Agreements of JV Partner and the New Agreement of JV Partner were entered into.

During the reporting period, the Company has applied for, and was granted by the Stock Exchange a revised waiver from strict compliance with the annual reporting and annual caps requirements under the Listing Rules in respect of such transactions to the extent that the Company is still required to set aggregate caps for the Framework Agreements of JV Partner and the New Agreement of JV Partner and disclose the total annual consideration of such transactions in the annual report.

For details, the annual cap and the basis for determination of the Framework Agreements of JV Partner and the New Agreement of JV Partner, please refer to the Company's announcement dated 26 April 2019.

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 2021, 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.

SIGNIFICANT EVENTS

- (b) For the year ended 31 December 2021, 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 joint ventures 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.

SIGNIFICANT EVENTS

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.

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 2021, 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 license 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.

SIGNIFICANT EVENTS

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 2021, 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 Group entered into several technology license agreements and trademark license 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.

SIGNIFICANT EVENTS

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 license 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, labour 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 license 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.

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 intellectual property rights 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.

SIGNIFICANT EVENTS

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 memorandum 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 deputy 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 deputy general manager respectively in turn and when the general manager is nominated by the Group, the deputy general manager will be nominated by the joint venture partner and vice versa.

SIGNIFICANT EVENTS

(D) Confirmation by the Independent Non-executive Directors

The independent non-executive directors of the Company confirm that for the year ended 31 December 2021, 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.

(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 2021, 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;
- (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; and
- (4) the annual caps (in respect of the Framework Agreement of JV Partner and the New Agreement of JV Partner) have not been exceeded.

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

SIGNIFICANT EVENTS

XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) TRUSTS, CONTRACTS AND LEASE ARRANGEMENTS

1. Trusts

Applicable N/A

2. Contracts

Applicable N/A

3. Lease arrangements

Applicable N/A

SIGNIFICANT EVENTS

(II) GUARANTEE

Unit: Yuan Currency: RMB

External Guarantee of the Company (excluding those provided to subsidiaries)	
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)	0
Guarantee provided to subsidiaries by the Company and its subsidiaries	
Total guarantee provided to subsidiaries of the Company during the reporting period	240,000,000
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)	256,600,000
Total guarantee of the Company (including those provided to subsidiaries)	
Total guarantee (A+B)	256,600,000
Proportion of total guarantee in the net assets of the Company (%)	0.28
Including:	
Amount of guarantees provided to shareholders, beneficial controllers and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided for guaranteed parties with the gearing ratio exceeding 70% (D)	0
Amount of the total guarantees exceeding 50% of net assets (E)	0
Total amount of above three guarantees (C+D+E)	0
Description on unexpired guarantees that may be subject to joint liability	N/A
Description of guarantee	Guarantee provided to subsidiaries during the reporting period mainly represented the guarantee for customs duty issued by GAC Finance to GAMC

SIGNIFICANT EVENTS

(III) ENTRUSTED CASH ASSETS MANAGEMENT

1. Entrusted wealth management

Applicable N/A

2. Entrusted loans

As at 31 December 2021, the undue entrusted loans amounted to RMB521.85 million, details of which are shown in the table below.

Unit: 0'000 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	Amount of provision for impairment (if any)
GAC FCA	25,000	2021-7-27	2022-7-27	3.85%	Undue	
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd. (杭州依維柯汽車傳動技術有限公司)	8,000	2021-11-9	2022-9-5	4.35%	Undue	
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd. (杭州依維柯汽車傳動技術有限公司)	16,000	2021-4-9	2022-4-8	4.35%	Undue	
Changsha Magna Automobile Exterior Decoration Co., Ltd. (長沙麥格納汽車外飾有限公司)	735	2021-10-16	2022-10-16	3.85%	Undue	
Changsha Magna Automobile Exterior Decoration Co., Ltd. (長沙麥格納汽車外飾有限公司)	490	2021-4-12	2022-4-12	3.85%	Undue	
Changsha Magna Automobile Exterior Decoration Co., Ltd. (長沙麥格納汽車外飾有限公司)	980	2021-11-4	2022-11-4	3.85%	Undue	
Changsha Magna Automobile Exterior Decoration Co., Ltd. (長沙麥格納汽車外飾有限公司)	980	2021-12-7	2022-12-7	3.85%	Undue	
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)	3,000	2016-12-20	2021-3-15	6.18%	Repaid	
GAC Toyota Logistics Co., Ltd. (廣汽豐田物流有限公司)	7,000	2020-04-23	2021-04-23	2.25%	Repaid	

SIGNIFICANT EVENTS

Name of the borrower	Amount of entrusted loan	Commencement date of entrusted loans	Termination date of entrusted loans	Annualised rate of return	Actual recovery	Amount of provision for impairment (if any)
GAC FCA	50,000	2020-12-24	2021-12-24	3.85%	Repaid	
HYCAN Automobile	246.12	2020-12-24	2021-12-23	3.85%	Repaid	
HYCAN Automobile	583.27	2020-12-29	2021-12-23	3.85%	Repaid	
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd. (杭州依維柯汽車傳動技術有限公司)	8,500	2019-04-12	2021-04-09	4.35%	Repaid	
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd. (杭州依維柯汽車傳動技術有限公司)	7,500	2019-10-25	2021-04-09	4.35%	Repaid	
Hangzhou HAVECO Automobile Transmission Technology Co., Ltd. (杭州依維柯汽車傳動技術有限公司)	8,000	2019-11-15	2021-11-14	4.35%	Repaid	
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)	2,225	2016-10-20	2021-3-15	6.18%	Repaid	11

As at the end of the reporting period, the entrusted loans provided to the associates and joint ventures by the Company amounted to approximately RMB522 million, mainly for providing liquidity to the invested entities on the basis of shareholding percentage.

SIGNIFICANT EVENTS

(IV) OTHER MATERIAL CONTRACTS

Applicable N/A

XIII. UTILISATION OF PROCEEDS FROM NON-PUBLIC ISSUANCE OF A SHARES

The non-public issuance of A shares of the Company was completed in November 2017 (details of which are set out in the announcement of the Company dated 17 November 2017).

The shares issued under the non-public issuance of A shares are RMB denominated ordinary shares (A shares) with a nominal value of RMB1.00 per share listed on the SSE. The number of shares issued was 753,390,254 shares with an issue price of RMB19.91/A share. The net price to the Company of each security was RMB19.80. The five target subscribers for the non-public issuance of A shares are Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd, Guangzhou State-owned Assets Development Holdings Co., Ltd., GFHAM Wealth Management Select No.3 Private Investment Fund, Guangzhou Light Industry and Trade Group Co., Ltd. and Suiyong Holdings Co., Ltd. The closing price of A shares under the non-public issuance of A shares on 17 October 2017, being the date on which the Company received the relevant approval from the CSRC, was RMB19.03.

The actual amount of gross proceeds raised was RMB14,999,999,957.14 and the actual amount of net proceeds raised, after deducting the issuance expenses of RMB83,050,000.00 was RMB14,916,949,957.14.

Proceeds from non-public issuance of A shares facilitated the comprehensive and sustainable development of the Company's business. The implementation of the investment projects using the proceeds from the non-public issuance, on one hand, further strengthened the research and development capability of the Company's self-developed brands, promoted the establishment of its range of self-developed brands and enriched the product mix under such brands, while on the other hand, enabled the Company to keep abreast of future trend in new energy development of the vehicle industry, laying a solid foundation for the Company to seize a share in the new energy vehicle market. In addition, the proceeds from the non-public issuance optimised the Company's capital structure and lowered the gearing ratio, which reduced the Company's financial risk and cost of debt financing.

Details of utilisation of the proceeds raised as at 31 December 2021 are set out below.

As at 31 December 2021

As at 31 December 2021, the amount of proceeds brought forward was RMB2,435,564,478.70 whereas the total cumulative amount of utilised proceeds was RMB12,848,882,145.46 (inclusive of issuance expenses). There was no inconsistency between the utilisation of the proceeds and the original intended use.

SIGNIFICANT EVENTS

Details of utilisation of the proceeds raised are set out below:

Unit: 0'000 Currency: RMB

No.	Investment project	Total amount of investment commitment from the proceeds raised	Amount invested for this year	Cumulative amount invested	Estimated time of completion
1	New energy vehicles and R&D of prospective technology project	480,000.00	86,217.73	479,422.30	Completed
2	GAEI phase 1 base construction project	60,000.00	13,098.11	45,097.39	2023
3	GAEI phase 2 base construction project	100,000.00	3,267.35	70,370.73	2022
4	GAC proprietary brand project of Xinjiang	80,000.00	0.00	22,782.95	Completed
5	GAC improvement project of Hangzhou	220,000.00	0.00	152,350.38	Completed
6	GAC proprietary brands technological reformation project	250,000.00	5,904.40	212,165.20	Completed
7	GAC proprietary brands vehicle models projects	215,000.00	533.99	201,784.36	Completed
7.1	GAMC A16 project	20,000.00	0.00	18,780.34	Completed
7.2	GAMC A35 project	35,000.00	509.36	32,329.64	Completed
7.3	GAMC A5H project	30,000.00	0.00	30,547.98	Completed
7.4	GAMC A10 project	40,000.00	24.63	36,841.51	Completed
7.5	GAMC A30 project	15,000.00	0.00	15,000.00	Completed
7.6	GAMC A32 project	10,000.00	0.00	10,000.00	Completed
7.7	GAMC A06 project	35,000.00	0.00	35,140.89	Completed
7.8	GAMC A7M project	30,000.00	0.00	23,144.00	Completed
8	GAMC engine project	50,000.00	310.98	48,581.73	Completed
9	GAMC gearbox project	30,000.00	962.93	29,028.18	Completed
10	P6 gearbox development project	15,000.00	0.00	15,000.00	Completed
	Issuance expenses	-	0.00	8,305.00	-
	Total	1,500,000.00	110,295.49	1,284,888.22	

The Group expects to continue to invest the unused proceeds raised from the non-public issuance in each of the above unfinished projects in accordance with the respective amount of investment commitment and expected time of completion, and in order taking into account the importance and urgency of each project.

For further information on the utilisation of proceeds raised from the non-public issuance, please refer to the "2021 Specific Report on the Deposit of the Proceeds and the Utilisation of the Proceeds by Guangzhou Automobile Group Co., Ltd." published by the Company on 30 March 2022 by way of overseas regulatory announcement.

Chapter 9

Changes in Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

(I) STATEMENT OF CHANGES IN SHARES

Unit: share

	Before change		Increase/decrease in the change (+, -)				After change		
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from contributed capital surplus	Others	Subtotal	Number	Percentage (%)
I. Restricted Shares	102,101,330	0.99						102,101,330	0.98
1. State-owned Shares									
2. Shares held by state-owned legal person									
3. Shares held by other domestic entities	102,101,330								
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons	102,101,330								
4. Shares held by foreign entities									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
II. Non-restricted tradable shares	10,247,595,487	99.01				20,896,008	20,896,008	10,268,491,495	99.02
1. RMB-denominated ordinary shares	7,148,975,182	69.07				20,896,008	20,896,008	7,169,871,190	69.14
2. Domestically-listed foreign shares									
3. Overseas listed foreign shares	3,098,620,305	29.94						3,098,620,305	29.88
4. Others									
III. Total shares	10,349,696,817	100				20,896,008	20,896,008	10,370,592,825	100

Changes in Shares and Information on Shareholders

Explanation on changes in shares

During the reporting period, as a result of the exercise of share option incentive scheme and conversion of convertible corporate bonds, an aggregate of 20,896,008 A shares were increased.

Effect of changes in shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period (if any)

Applicable N/A

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

Applicable N/A

(II) CHANGES IN SHARES SUBJECT TO TRADING MORATORIUM

Applicable N/A

II. ISSUE AND LISTING OF SECURITIES

(I) ISSUE OF SECURITIES DURING THE REPORTING PERIOD

Applicable N/A

(II) CHANGES IN TOTAL NUMBER OF 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 exercise of options granted under the share option incentive scheme and conversion of convertible corporate bonds, 20,896,008 A shares were increased.

Changes in Shares and Information on Shareholders

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) TOTAL NUMBER OF SHAREHOLDERS

Total number of shareholders of ordinary shares as at the end of the reporting period ^{Note 1}	127,199
Total number of shareholders of ordinary shares as at the end of the month prior to the disclosure of the annual report	132,594

Note 1: Total number of shareholders as at the end of the reporting period was 127,199, among which 126,940 holders are holders of A shares and 259 holders are holders of H shares. Total number of shareholders of shares as at the end of the month prior to the disclosure of the annual report was 132,594, among which 132,337 holders are holders of A shares and 257 holders are holders of H shares.

(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, tagged or frozen		Nature of shareholder
	Increase/decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)		Status	Number	
GAIG ^{Note 2}	800,000	5,499,940,069	53.03%	0	Nil		State-owned legal person
HKSCC Nominees Limited ^{Note 3}	-505,548	3,094,798,718	29.84%	0	Unknown		Foreign legal person
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)	-24,671,201	397,227,342	3.83%	0	Pledged	210,949,271	State-owned legal person
Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司)	-58,873,672	152,075,600	1.47%	0	Nil		State-owned legal person
Guangzhou Finance Holdings Assets Management Co., Ltd. - CFHAM Wealth Management Select No. 3 Private Investment Fund (廣州金控資產管理有限公司-廣金資產財富管理優選3號私募投資基金)	-70,161,536	140,738,735	1.36%	0	Nil		Other
Shanghai Pu-Xing Energy Limited (普星聚能股份公司)	3,130,000	103,190,000	1.00%	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)	-52,737,316	52,737,319	0.51%	0	Nil		State-owned legal person
Ningbo Meishan Baoshuigang Area Jincheng Shazhou Equity Investment Co., Ltd. (寧波梅山保稅港區錦程沙洲股權投資有限公司)	-6	41,852,300	0.40%	0	Nil		Domestic non-state-owned legal person
Yuan He	-	24,786,241	0.24%	0	Nil		Domestic natural person
Hong Kong Securities Clearing Company Limited	631,538	22,061,284	0.21%	0	Nil		Foreign legal person

Changes in Shares and Information on Shareholders

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

Name of shareholder	Number of tradable shares not subject to trading moratorium	Class and number of shares	
		Class	Number
GAIG ^{Note 2}	5,499,940,069	A shares, H shares	5,499,940,069
HKSCC Nominees Limited ^{Note 3}	3,094,798,718	Overseas listed foreign shares	3,094,798,718
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)	397,227,342	RMB ordinary shares	397,227,342
Guangzhou State-owned Assets Development Holdings Co., Ltd. (廣州國資發展控股有限公司)	152,075,600	RMB ordinary shares	152,075,600
Guangzhou Finance Holdings Assets Management Co., Ltd. – GFHAM Wealth Management Select No. 3 Private Investment Fund (廣州金控資產管理有限公司-廣金資產財富管理優選3號私募投資基金)	140,738,735	RMB ordinary shares	140,738,735
Shanghai Pu-Xing Energy Limited (普星聚能股份公司)	103,190,000	RMB ordinary shares	103,190,000
Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司)	52,737,319	RMB ordinary shares	52,737,319
Ningbo Meishan Baoshuigang Area Jincheng Shazhou Equity Investment Co., Ltd. (寧波梅山保稅港區錦程沙洲股權投資有限公司)	41,852,300	RMB ordinary shares	41,852,300
Yuan He	24,786,241	RMB ordinary shares	24,786,241
Hong Kong Securities Clearing Company Limited	22,061,284	RMB ordinary shares	22,061,284
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 2: GAIG held 5,206,932,069 A shares of the Company in total, representing approximately 71.60% of the A share capital of the Company. At the same time, GAIG, through Southbound Trading of Shanghai-Hong Kong Stock Connect and Guangzhou Auto Group (Hong Kong) Limited (a wholly-owned subsidiary) held 293,008,000 H shares of the Company in total, representing approximately 9.46% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 5,499,940,069 shares, representing approximately 53.03% of the total share capital of the Company.

Note 3: H shares held by HKSCC Nominees Limited were held on behalf of a number of clients. H shares of the Company held by Guangzhou Auto Group (Hong Kong) Limited are also registered in trust with HKSCC Nominees Limited.

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

Applicable N/A

Changes in Shares and Information on Shareholders

(III) STRATEGIC INVESTOR OR ORDINARY LEGAL PERSON BECOMING TOP 10 SHAREHOLDERS AFTER PLACING OF NEW SHARES

Applicable N/A

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. Natural person

Applicable N/A

3. Special explanation on absence of a controlling shareholder of the Company

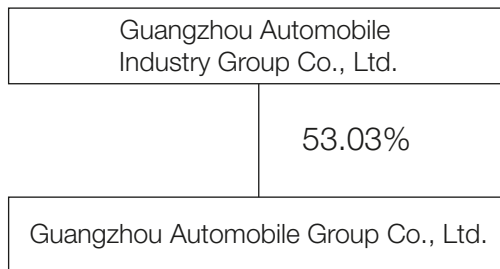
Applicable N/A

4. Explanation of changes of the controlling shareholder during the reporting period

Applicable N/A

Changes in Shares and Information on Shareholders

5 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 Natural person

Applicable N/A

3 Special explanation on absence of an ultimate controller of the Company

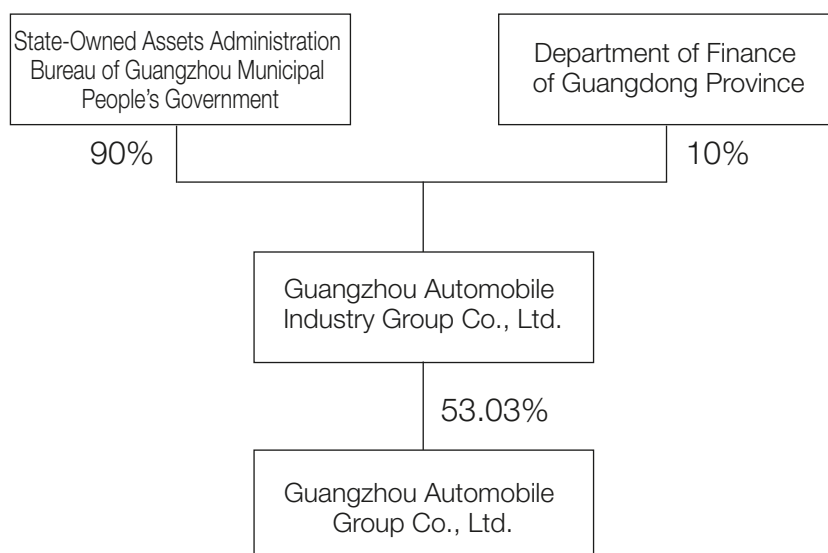
Applicable N/A

4 Details about changes of control over the Company during the reporting period

Applicable N/A

Changes in Shares and Information on Shareholders

5 Chart showing the ownership and controlling relationship between the Company and the ultimate controller



6 The ultimate controller controlled the Company through a trust or other asset management company

Applicable N/A

(III) OTHER INFORMATION OF THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

Applicable N/A

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

Applicable N/A

VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

Applicable N/A

VII. SPECIFIC IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Applicable N/A

Changes in Shares and Information on Shareholders

VIII. INTERESTS REQUIRED TO BE DISCLOSED UNDER THE SFO

As at 31 December 2021, 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 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	5,191,015,530 (L)	71.38	50.06
	H shares	Interest of a controlled corporation	292,208,000 (L)	9.43	2.82
JPMorgan Chase & Co.	H shares	Investment manager	263,979,799 (L)	8.52	2.55
			25,020,635 (S)	0.81	0.24
			36,274,744 (P)	1.17	0.35
FMR LLC	H shares	Interest of a controlled corporation	156,135,432 (L)	5.04	1.51

Notes:

- (L) – Long Position, (S) – Short Position, (P) – Lending Pool
- As at 31 December 2021, the total number of A shares of the Company actually held by GAIG was 5,206,932,069 shares, representing approximately 71.60% of the A share capital of the Company. At the same time, GAIG, through Southbound Trading of Shanghai-Hong Kong Stock Connect and Guangzhou Auto Group (Hong Kong) Limited (a wholly-owned subsidiary) held 293,008,000 H shares of the Company in total, representing approximately 9.46% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 5,499,940,069 shares, representing approximately 53.03% of the total share capital of the Company.

Changes in Shares and Information on Shareholders

IX. 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.

X. 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 of H shares under the Listing Rules.

Chapter 10

BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of bond	Abbreviation	Code	Date of issue	Interest accrual date	Due date	Balances	Interest rate (%)	Method of repayment of principal and interest	Trading place
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (10 years)	12GAC02	122243	2013-03-20	2013-03-20	2023-03-20	3,000,000,000	5.09	Simple interest per annum	SSE

INTEREST PAYMENT OF BONDS DURING THE REPORTING PERIOD

Name of bond	Description of interest payment
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (10 years)	During the reporting period, the interest on "12GAC02" was timely paid in accordance with the terms set out in the prospectus. The coupon rate is 5.09%, one board lot of "12GAC02" with par value of RMB1,000 was entitled to interest of RMB50.90 (tax inclusive).

INTERMEDIARIES PROVIDING SERVICES FOR ISSUANCE OF BONDS AND BUSINESS DURING ITS DURATION

Name of intermediary	Office address	Name of signatory accountant	Contact number
China International Capital Corporation Limited	27th Floor and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing	Cheng Daming	010-6505 1166

BONDS

II. USE OF FUNDS RAISED AS AT END OF REPORTING PERIOD

Unit: Yuan Currency: RMB

Name of bond	Gross funds raised	Amount used	Amount unused	Operation (if any) of the special account for funds raised	Rectification (if any) of violations for using funds raised	Is there consistency with the purpose, using plan and other commitments promised in the prospectus
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (10 years)	3,000,000,000	3,000,000,000	0	-	-	Yes

PROGRESS AND OPERATING EFFICIENCY OF RAISED FUNDS USED FOR CONSTRUCTION PROJECTS

The proceeds were fully utilised to supplement cash flow of the Company in accordance with the use of proceeds as set out in the prospectus.

DESCRIPTION ON CHANGES OF USE OF FUNDS RAISED FROM THE ABOVE BONDS DURING THE REPORTING PERIOD

Applicable N/A

III. ADJUSTMENTS TO CREDIT RATING RESULTS

Applicable N/A

IV. IMPLEMENTATION AND CHANGES ON GUARANTEE, DEBT REPAYMENT PLANS AND OTHER DEBT REPAYMENT PROTECTIVE MEASURES DURING THE REPORTING PERIOD AND THEIR IMPACTS

Applicable N/A

V. OTHER INFORMATION OF CORPORATE BONDS

Applicable N/A

BONDS

VI. 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	8,129
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 (%)
Northwest Investment Management (Hong Kong) Limited – Northwest Feilong Fund Limited (西北飛龍基金有限公司)	150,000,000	6.33
Agricultural Bank of China Limited – Penghua Security Investment Fund of Convertible Bonds	63,510,000	2.68
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	58,299,000	2.46
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	56,461,000	2.38
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Agricultural Bank of China)	53,892,000	2.27
Shanghai Ningquan Asset Management Co., Ltd. – Ningquan Zhiyuan No. 58 private equity investment fund	48,638,000	2.05
China Guangfa Bank Co., Ltd. – Guotai Anbao Wensheng 6-Month Hold Time Hybrid Securities Investment Fund	45,155,000	1.90
China International Capital Corporation Limited	41,610,000	1.75
Huatai Securities Co., Ltd.	40,000,000	1.69
National Social Insurance Fund 214 Package	37,975,000	1.60

BONDS

(III) CONVERSION OF CONVERTIBLE BONDS DURING THE REPORTING PERIOD

Unit: Yuan Currency: RMB

Name of convertible corporate bonds	Before the change	Increase and decrease in the change			After the change
		Conversion	Redemption	Repurchase	
2016 convertible corporate bonds of Guangzhou Automobile Group Co., Ltd.	2,549,095,000	177,707,000	-	-	2,371,387,000

AGGREGATE CONVERSION OF CONVERTIBLE BONDS DURING THE REPORTING PERIOD

Name of convertible corporate bonds	2016 convertible corporate bonds of Guangzhou Automobile Group Co., Ltd.
Amount of shares converted during the reporting period (RMB)	177,707,000
Number of shares converted during the reporting period (A share)	12,765,743
Aggregate number of shares converted (A share)	84,842,425
Aggregate number of shares converted to the total number of issued shares of the Company before conversion (%)	1.32
Amount of unconverted bonds (RMB)	2,371,387,000
Number of unconverted bonds to the total number of convertible bonds issued (%)	57.76

Note: The convertible bond expired on 21 January 2022 and has been repaid in accordance with the provisions.

BONDS

(IV) PREVIOUS ADJUSTMENTS TO CONVERSION PRICE

Unit: Yuan Currency: RMB

Date of adjustment of conversion price	Adjusted conversion price	Date 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 A share to RMB21.43 per A 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 A share to RMB21.27 per A share accordingly.
21 December 2017	21.24	20 December 2017	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	As the first exercise period of the first A share option incentive scheme of the Company began during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
12 June 2018	14.86	5 June 2018	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the profit distribution for the year of 2017, pursuant to which cash dividend of RMB4.3 per 10 shares (tax inclusive) was distributed and at the same time 4 shares were issued for every 10 shares to all shareholders by way of conversion of capital reserve, the conversion price was adjusted accordingly.
17 September 2018	14.76	6 September 2018	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 2018, the conversion price was adjusted from RMB14.86 per A share to RMB14.76 per A share accordingly.
7 November 2018	14.74	5 November 2018	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to exercise of A share options under the share option incentive scheme of the Company 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.
25 June 2019	14.46	17 June 2019	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the profit distribution for the year of 2018, pursuant to which cash dividend of RMB2.8 per 10 shares (tax inclusive) was distributed, the conversion price was adjusted accordingly.
24 September 2019	14.41	17 September 2019	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.5 (tax inclusive) for every 10 shares for the interim period of 2019, the conversion price was adjusted from RMB14.46 per A share to RMB14.41 per A share accordingly.
22 June 2020	14.26	15 June 2020	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the final profit distribution plan of 2019 of RMB1.5 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB14.41 per A share to RMB14.26 per A share accordingly.
22 September 2020	14.23	11 September 2020	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.3 (tax inclusive) for every 10 shares for the interim period of 2020, the conversion price was adjusted from RMB14.26 per A share to RMB14.23 per A share accordingly.
10 February 2021	14.12	9 February 2021	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	As of 31 January 2021, the exercise of share options by the participants during the first exercise period for the reserved share options of the second A share option incentive scheme of the Company resulted in the increase in the Company's share capital of 10,961,082 shares, the conversion price was adjusted from RMB14.23 per A share to RMB14.12 per A share.
8 June 2021	13.97	1 June 2021	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the final profit distribution plan of 2020 of RMB1.5 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB14.12 per A share to RMB13.97 per A share accordingly.
22 September 2021	13.92	14 September 2021	Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.5 (tax inclusive) for every 10 shares for the interim period of 2021, the conversion price was adjusted from RMB13.97 per A share to RMB13.92 per A share.
Latest conversion price as at the end of the reporting period				13.92

BONDS

(V) 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 2021, the total asset was RMB154,250,588,400 and the asset-liability ratio was 39.94%. During the reporting period, the credit rating of the Company was AAA without changes. The Company's main sources of cash for debt repayment in the future are operating cash flow and external investment income of the Company.

(VI) OTHER INFORMATION OF CONVERTIBLE BONDS

Applicable N/A

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"), which are set out on pages 165 to 329, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 significant accounting policies, and other explanatory information.

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 2021, 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.

INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

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 2021, the warranty provisions of the Group amounted to approximately RMB908,058,000 (Note 27).

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 Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") (collectively "Major Joint Ventures") and its subsidiaries, GAC Motor Co., Ltd. ("GAC Motor") and GAC AION New Energy Automobile Co., Ltd. ("GAC AION").

The Group's joint ventures were accounted for using the equity method. The warranty provisions relating to the Major Joint Ventures were considered significant to the Company's consolidated financial statements.

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

Procedures performed on warranty provisions of Major Joint Ventures, GAC Motor and GAC AION, included:

- We understood and evaluated management's process and controls over recording provisions for product warranties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.
- We evaluated management's warranty provision 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

Warranty provisions (continued)

Provisions for warranties granted by the Group's Major Joint Ventures, GAC Motor and GAC AION 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 focused on auditing the warranty provisions because the estimation of costs in respect of future warranty claims is subject to high degree of estimation uncertainty. The inherent risk in relation to warranty provisions is considered significant due to subjectivity of significant assumptions used in determining the costs.

- In respect of the provisions 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 provisions for warranties previously made by the management. We discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to year end that would significantly affect the estimates of the year-end warranty provisions.
- We also considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias.

We found that management judgements and estimates associated with GAC Motor's and GAC AION's warranty provisions were supported by available evidence.

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment 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 2021, 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 RMB12,237,408,000. An impairment charge of approximately RMB546,682,000 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 2021.

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 auditing the impairment assessment of capitalised development costs because management's 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. The estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of capitalised development costs is considered significant due to subjectivity of significant assumptions used by management and significant judgements involved in selecting data.

We understood and evaluated management's process and controls to identify the impairment indicators for capitalised development costs in use and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.

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 the 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, and 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 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 also considered whether the judgements made in selecting the significant assumptions and data would give rise to indicators of possible management bias.

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment on the goodwill included in investment in a joint venture (the "Goodwill Impairment Assessment")

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 2021, the Group has goodwill of approximately RMB2,895,293,000 in relation to its investment in a joint venture, GAC Mitsubishi.

Management assessed the recoverable amount of the investment in GAC Mitsubishi with the assistance of an independent external valuer (the "External Valuer") and 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 judgements with respect to the discount rate and the underlying cash flows, in particular future revenue growth.

We focused on auditing the Goodwill Impairment Assessment because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the Goodwill Impairment Assessment is considered significant due to subjectivity of significant assumptions used by management and significant judgements involved in selecting data.

We assessed the competency, capabilities and objectivity of the External Valuer.

We obtained an understanding of the management's internal controls and assessment process of the Goodwill Impairment Assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.

We evaluated the outcome of prior period assessment of the Goodwill Impairment Assessment to assess the effectiveness of management's estimation process.

We evaluated and tested the key controls over the Goodwill Impairment Assessment.

We obtained and understood the Goodwill 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 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 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 also considered whether the judgements made in selecting the significant assumptions and data would give rise to indicators of possible management bias.

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.



INDEPENDENT AUDITOR'S REPORT

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.

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.

INDEPENDENT AUDITOR'S REPORT

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 judgment 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.
- 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.



INDEPENDENT AUDITOR'S REPORT

- 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, actions taken to eliminate threats or safeguards applied.

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 Lam, Wai Nang.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
		RMB'000	RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	7	19,475,570	20,073,210
Right-of-use assets	8	6,817,666	6,909,008
Investment properties	9	1,871,624	1,387,545
Intangible assets	10	13,581,219	12,258,613
Investments in joint ventures and associates	11	36,926,987	33,403,563
Deferred income tax assets	13	2,833,925	2,123,604
Financial assets at fair value through other comprehensive income	14	1,597,702	630,703
Financial assets at fair value through profit or loss	15	1,945,627	4,375,256
Prepayments and other long-term receivables	16	8,008,623	5,056,277
		93,058,943	86,217,779
Current assets			
Inventories	17	8,110,960	6,621,580
Trade and other receivables	18	25,110,073	19,615,555
Financial assets at fair value through other comprehensive income	14	709,064	310,690
Financial assets at fair value through profit or loss	15	3,225,636	1,595,011
Time deposits	19	5,176,560	10,624,362
Restricted cash	20	1,624,390	2,084,314
Cash and cash equivalents	21	17,234,963	15,791,397
		61,191,646	56,642,909
Total assets		154,250,589	142,860,688
LIABILITIES			
Non-current liabilities			
Trade and other payables	25	773,048	530,786
Borrowings	26	7,526,724	8,473,173
Lease liabilities	8	1,270,196	1,303,479
Deferred income tax liabilities	13	144,418	138,032
Provisions	27	559,341	602,579
Government grants	28	2,195,521	2,555,825
		12,469,248	13,603,874

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
Current liabilities			
Trade and other payables	25	35,863,483	33,971,538
Contract liabilities	6(a)	2,626,902	1,492,859
Current income tax liabilities		202,040	103,049
Borrowings	26	9,888,738	6,504,211
Lease liabilities	8	193,531	209,062
Provisions	27	357,862	262,467
		49,132,556	42,543,186
Total liabilities		61,601,804	56,147,060
Net assets		92,648,785	86,713,628
EQUITY			
Share capital	22	10,370,593	10,349,697
Reserves	24	29,345,460	28,928,263
Retained earnings	24	50,597,258	45,097,071
Capital and reserves attributable to owners of the Company		90,313,311	84,375,031
Non-controlling interests		2,335,474	2,338,597
Total equity		92,648,785	86,713,628

The notes on pages 173 to 329 are an integral part of these financial statements.

The financial statements on pages 165 to 172 were approved by the Board of Directors on 30 March 2022 and were signed on its behalf:

Zeng Qinghong
Director

Feng Xingya
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	6	75,675,765	63,156,985
Cost of sales	29	(71,776,845)	(60,860,992)
Gross profit		3,898,920	2,295,993
Selling and distribution costs	29	(4,339,756)	(3,641,480)
Administrative expenses	29	(4,556,045)	(3,850,327)
Net impairment losses on financial assets	3.1.2	(143,468)	(55,110)
Interest income	32	257,438	304,233
Other gains – net	31	1,257,349	1,379,690
Operating loss		(3,625,562)	(3,567,001)
Interest income	32	58,558	127,551
Finance costs	33	(425,316)	(439,567)
Share of net profit of joint ventures and associates accounted for using the equity method	11	11,403,900	9,570,978
Profit before income tax		7,411,580	5,691,961
Income tax credit	34	154,117	355,990
Profit for the year		7,565,697	6,047,951
Profit is attributable to:			
Owners of the Company		7,511,030	5,964,055
Non-controlling interests		54,667	83,896
		7,565,697	6,047,951

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translation of foreign operations	24,35	(3,296)	(5,128)
– changes in the fair value of debt instruments at fair value through other comprehensive income	35	3,129	–
– impairment loss on debt instruments at fair value through other comprehensive income	35	718	–
– share of other comprehensive income of joint ventures and associates accounted for using the equity method	24,35	112	335
Items that will not be reclassified subsequently to profit or loss			
– changes in the fair value of equity investments at fair value through other comprehensive (loss)/income	35	(234,356)	133,153
– share of other comprehensive loss of joint ventures and associates accounted for using the equity method	24,35	(64,742)	–
– remeasurement of post-employment benefit obligations		(4,240)	–
Other comprehensive (loss)/income for the year, net of tax		(302,675)	128,360
Total comprehensive income for the year		7,263,022	6,176,311
Total comprehensive income attributable to:			
Owners of the Company		7,206,568	6,092,415
Non-controlling interests		56,454	83,896
		7,263,022	6,176,311
Earnings per share for profit attributable to ordinary equity holders of the Company (expressed in RMB per share)			
– basic earnings per share	36	0.73	0.58
– diluted earnings per share	36	0.73	0.58

The notes on pages 173 to 329 are an integral part of these 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	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance as at 1 January 2020	10,237,708	28,144,766	41,805,637	80,188,111	2,320,135	82,508,246
Comprehensive income						
Profit for the year	-	-	5,964,055	5,964,055	83,896	6,047,951
Other comprehensive income, net of tax	-	128,360	-	128,360	-	128,360
Total comprehensive income	-	128,360	5,964,055	6,092,415	83,896	6,176,311
Transactions with owners in their capacity as owners						
Appropriation to statutory surplus reserve fund	-	757,660	(757,660)	-	-	-
Appropriation to general reserve fund	-	72,167	(72,167)	-	-	-
Dividend declared by the Company and subsidiaries	-	-	(1,842,794)	(1,842,794)	(67,788)	(1,910,582)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	17,670	17,670
Transactions with non-controlling interests(Note 40)	-	(4,441)	-	(4,441)	(15,134)	(19,575)
Employee share-based awards scheme (Note 23)						
- Value of employee services	-	(195,528)	-	(195,528)	-	(195,528)
- Proceeds from shares issued	111,766	(14,148)	-	97,618	-	97,618
Convertible bonds (Note 26(h))						
- Conversion of convertible bonds	223	2,957	-	3,180	-	3,180
Others	-	36,470	-	36,470	(182)	36,288
Total transactions with owners in their capacity as owners	111,989	655,137	(2,672,621)	(1,905,495)	(65,434)	(1,970,929)
Balance as at 31 December 2020	10,349,697	28,928,263	45,097,071	84,375,031	2,338,597	86,713,628

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	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance as at 1 January 2021	10,349,697	28,928,263	45,097,071	84,375,031	2,338,597	86,713,628
Comprehensive income						
Profit for the year	-	-	7,511,030	7,511,030	54,667	7,565,697
Other comprehensive (loss)/income, net of tax	-	(304,462)	-	(304,462)	1,787	(302,675)
Total comprehensive (loss)/income	-	(304,462)	7,511,030	7,206,568	56,454	7,263,022
Transfer of gains on disposal of financial instruments to retained earnings (Note 24(iii))	-	(59,770)	59,770	-	-	-
Transactions with owners in their capacity as owners						
Dividend declared by the Company and subsidiaries	-	-	(2,070,613)	(2,070,613)	(57,623)	(2,128,236)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	71,742	71,742
Transactions with non-controlling interests (Note 40)	-	22,746	-	22,746	(73,714)	(50,968)
Employee share-based awards scheme (Note 23)						
- Value of employee services	-	508,465	-	508,465	-	508,465
- Proceeds from shares issued	8,130	73,031	-	81,161	-	81,161
Convertible bonds (Note 26(h))						
- Conversion of convertible bonds	12,766	168,916	-	181,682	-	181,682
Others	-	8,271	-	8,271	18	8,289
Total transactions with owners in their capacity as owners	20,896	781,429	(2,070,613)	(1,268,288)	(59,577)	(1,327,865)
Balance as at 31 December 2021	10,370,593	29,345,460	50,597,258	90,313,311	2,335,474	92,648,785

The notes on pages 173 to 329 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations	38(a)	(5,817,201)	(3,188,165)
Interest received		349,895	441,744
Interest paid		(703,849)	(635,841)
Income tax paid		(320,284)	(288,480)
Net cash used in operating activities		(6,491,439)	(3,670,742)
Cash flows from investing activities			
Purchases of property, plant and equipment, right-of-use assets, investment properties and intangible assets		(6,242,944)	(6,585,557)
Proceeds from sales of property, plant and equipment and intangible assets		124,964	102,865
Additional capital injection in joint ventures		(2,339,317)	(932,126)
Additional capital injection in associates		(1,054,624)	(406,493)
Set-up of joint ventures		(278,562)	(173,530)
Set-up of associates		(16,250)	(107,410)
Disposals or capital reduction of joint ventures and associates		175,437	93,340
Acquisition of investment in financial assets at fair value through profit or loss, other comprehensive income and at amortised cost		(6,016,696)	(4,952,216)
Disposal of investment in financial assets at fair value through profit or loss, other comprehensive income and at amortised cost		5,620,869	4,149,298
Proceeds from investment income from financial instruments		174,444	171,296
Granting of entrusted loans		(514,500)	(1,029,961)
Proceeds from repayment of entrusted loans		781,536	506,546
Receipt of government grants related to assets		209,418	245,133
Dividends received		11,189,729	9,730,316
Decrease/(increase) in time deposits		5,421,155	(3,698,816)
Payment for investment deposits		-	(50,969)
Net cash generated from/(used in) investing activities		7,234,659	(2,938,284)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares under employee share-based awards scheme		82,211	97,618
Proceeds from issuance of restricted shares under employee incentive scheme		–	509,486
Contribution from non-controlling shareholders of subsidiaries		31,500	17,670
Dividend paid to shareholders of the Company		(2,070,613)	(1,842,794)
Dividend paid to non-controlling interests in subsidiaries		(64,795)	(73,578)
Proceeds from bank borrowings (excluding securitization debts)	38(c)	10,426,845	8,926,433
Proceeds from securitization debts	38(c)	2,087,721	–
Repayments of borrowings (excluding securitization debts)	38(c)	(9,490,792)	(8,428,429)
Repayments of securitization debts	38(c)	(449,300)	–
Disposal/(acquisition) of repurchasing financial assets	38(c)	426,884	(150,143)
Transactions with non-controlling interests	40	–	(19,575)
Principal element of lease payments	38(c)	(210,068)	(238,952)
Other proceeds from financing activities	38(c)	7,094	24,259
Net cash generated from/(used in) financing activities		776,687	(1,178,005)
Net increase/(decrease) in cash and cash equivalents		1,519,907	(7,787,031)
Cash and cash equivalents at beginning of the year		15,791,397	23,604,986
Exchange losses on cash and cash equivalents		(76,341)	(26,558)
Cash and cash equivalents at end of the year		17,234,963	15,791,397

The notes on pages 173 to 329 are an integral part of these 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 sale of automobiles, engines and other automotive parts and rendering of financial services. The Company’s holding company is Guangzhou Automobile Industry Group Co., Ltd. (“GAIG”), a state-owned enterprise incorporated in 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 company with limited liability under the Company Law of the PRC. The Company’s shares have been listed on Hong Kong Stock Exchange (the “HKSE”) and Shanghai Stock Exchange (“SSE”) since 30 August 2010 and 29 March 2012, respectively.

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

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 disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Accounting policy and disclosures

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments to existing standards and interpretation for the first time for their annual reporting period commencing 1 January 2021:

Standards/Amendments	Subject of Standards/Amendments
HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform-Phase 2
HKFRS 16 (Amendments) (i)	Covid-19-Related Rent Concessions

(i) Any rent concession related to Covid-19 affects only payments due on or before 30 June 2022.

The standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Accounting policy and disclosures (Continued)

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

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards/Amendments/ Interpretations	Subject of standards / amendments/interpretations	Effective for accounting periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS standards 2018-2020	Amendments to HKFRS1, HKFRS9, HKFRS16 and HKAS41	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies “HKAS 1 (Amendments)”
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of change in equity, consolidated balance sheet, respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.2.4), after initially being recognised at cost.

2.2.3 Joint ventures

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

Interests in joint ventures are accounted for using the equity method (Note 2.2.4), after initially being recognised at cost in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.2.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.5 Changes in ownership interests (Continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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 or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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 consolidated balance sheet presented are translated at the closing rate at the date of that consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) *Group companies (Continued)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 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.

Depreciation is calculated using the straight-line method to allocate their costs to their residual amounts, net of 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%

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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.

2.9 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets

(a) *Goodwill*

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (“CGUs”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Each unit or group of units are identified at the lowest level at which the goodwill is monitored for internal management purposes, being the operating segment.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets (Continued)

(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 for 5 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.

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets

2.12.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.12.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

2.12.3 Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains – net", together with foreign exchange gains and losses. Impairment losses are presented in the statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains – net" and impairment expenses are presented in the statement of comprehensive income gains and losses. Impairment losses are presented in the statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains – net" in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

2.12.3 Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains – net" in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.12.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 for further details.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.12.4 for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 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.

2.19 Trade and other payables

These amounts represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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.

2.21 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Installment credit and nonrecourse securitization debt

The Group securitises various financial lease receivables, which generally results in the sale of these assets to special purpose entities, which issue debt securities to third party investors. The rights and interests of securitized financial assets are embodied in the form of senior tranche or subordinated tranche. Subordinated asset backed securities and notes shall not be transferred.

When the asset securitization transaction leads to the derecognition or partial derecognition of financial assets, gains or losses on asset securitization transactions depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on asset-backed securities are recorded in profit or loss.

In applying its policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on assets transferred and the degree of control exercised by the Group over the financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;
- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and
- when the Group neither transfers nor retains substantially all the risk and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it continues to recognise the financial assets to the extent of its continuing involvement in the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 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 consolidated 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Current and deferred income tax (Continued)

(c) *Offsetting*

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

2.24 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) *Post-employment obligations*

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension obligations

The liability or asset recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits (Continued)

(b) *Post-employment obligations (Continued)*

Pension obligations (Continued)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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.

Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits (Continued)

(c) 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.

2.25 Share-based payments

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 (share options and restricted shares, collectively, "Share-based Awards") of the Group. The fair value of the employee services received in exchange for the grant of the Share-based Awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the Share-based Awards 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

At the end of each reporting period, the Group revises its estimates of the number of Share-based Awards 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.

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).

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.

Provision for off-balance sheet related activities of a subsidiary providing financing services are recognised based on expected credit loss assessed based on a forward looking basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Revenue recognition

The Group manufactures and sells a range of passenger vehicles, commercial vehicles, engines and automotive parts to its customers. Sales revenue are recognised when control of the goods has transferred to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Sales revenue are recorded based on the price stated in the sales contracts, net of the sales rebates and discounts.

Revenue from provision of services, primarily comprising transportation services, repair and maintenance services and optional warranty, etc., is recognised in the accounting period in which the services are rendered as the customers simultaneously receive and consume the benefits provided by the Group's performance when the Group performs.

In multiple element arrangements, the transaction price is allocated to the different performance obligations of the contract on the basis of relative standalone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

A contract asset is the Group's right to consideration in exchange for goods or services that the entity has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised as other gains in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.29 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Insurance services

(a) *Insurance contracts*

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is mainly dependent on the magnitude of its potential effect.

(b) *Significant insurance risk testing*

For the insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(c) *Revenue from gross premium*

Premium income and reinsurance premium income is recognised when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

(d) *Revenue from reinsurance*

The Group undertakes inward and outward reinsurance in the normal course of operations. Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Insurance services (Continued)

(d) Revenue from reinsurance (Continued)

(i) Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing premium income from insurance contracts, the Group calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognise them through profit or loss according to reinsurance contracts. When calculating unearned premium reserves and claim reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognises reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, the Group calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognises the amount through profit or loss. When there is an early termination of an insurance contract, the Group calculates to determine the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognises the amount through profit or loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

(ii) Inward reinsurance business

During the period of recognising reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognises the expenses through profit or loss.

Upon receipt of the statement of the reinsurance business, the Group adjusts the reinsurance premium income and reinsurance expenses, and then recognises the adjusted amounts through profit or loss according to the ceding company statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Lease

(a) *Operating lease*

(i) **The Group as a lessee under operating lease**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Lease(Continued)

(a) Operating lease (Continued)

(i) The Group as a lessee under operating lease (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term, country, currency and security
- If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Lease(Continued)

(a) Operating lease (Continued)

(i) The Group as a lessee under operating lease (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

(ii) The Group as a lessor under operating lease

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 9(c)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Lease(Continued)

(b) Finance lease

The Group as a lessor under finance lease

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as finance lease receivables, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income. The net amount of finance lease receivables less unearned finance income is divided into long-term receivable and the portion of long-term receivable due within one year for presentation.

Lease income from finance lease is recognised using the effective interest method (Note 18(e)).

2.32 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.

2.33 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.34 Interest income

Interest income from financial assets at FVPL is included in 'other gains – net'.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of operating income.

Interest income is presented as a part of non-operating income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in operating income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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 and fair value interest rate risk and price 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market risk

(a) 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 2021 and 2020, the Group is not exposed to significant foreign exchange risk.

(b) 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 are within 12 months so that there would not be significant interest rate risk for these financial assets.

The Group's interest rate risk arises from 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 2021, 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 RMB67,142,000 (2020: RMB40,592,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(c) Price risk

The Group's exposure to price risk arises from equity investment held by the Group and classified in the consolidated balance sheet either as at FVOCI (Note 14) or FVPL (Note 15). The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated statement of comprehensive income. If the price of the Group's FVOCI had been 1% higher/lower, other comprehensive income (net of tax) for the year ended 31 December 2021 would increase/decrease by RMB5,415,000 (2020: RMB4,730,000). If the price of the Group's FVPL had been 1% higher/lower, post-tax profit for the year ended 31 December 2021 would increase/decrease by RMB27,781,000 (2020: RMB24,219,000).

3.1.2 Credit risk

Credit risk arises from deposit with banks, contractual cash flows of debt instruments carried at amortised cost, at fair value through comprehensive income and at fair value through profit or loss, and trade and other receivables (excluding prepayment and value-added tax recoverable).

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- debt investments at amortised cost and FVOCI; and
- other financial assets at amortised cost.

While deposit with banks, including time deposits, restricted cash, cash and cash equivalents, are also subject to the impairment requirements of HKFRS 9, identified impairment loss was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(a) Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

As at 31 December 2021, the Group assessed that the expected loss rate for trade receivables due from related parties (excluding loans relating to financing services and finance lease receivables) was immaterial considering their good finance position and credit history. Thus no loss allowance provision for other receivables from related parties was recognised in 2021 (31 December 2020: Nil).

As at 31 December 2021, the Group assessed the expected loss rate for trade receivables from governments in relation to the subsidy of new energy vehicles sold to end users and made an allowance amounted to RMB5,949,000 accordingly (31 December 2020: RMB5,952,000).

As at 31 December 2021 and 2020, the expected loss rate for certain third-party customers who were in bankruptcy or liquidation are assessed specifically by the directors as follows:

	As at 31 December 2021	As at 31 December 2020
Expected loss rate	100.00%	100.00%
Gross carrying amount (RMB'000)	107,852	93,787
Loss allowance provision (RMB'000)	107,852	93,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(a) Trade receivables (Continued)

As at 31 December 2021 and 2020, the loss allowance provision for the trade receivables due from third parties was determined as follows. The expected credit losses below also incorporated forward looking information.

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Trade receivables (excluding trade receivables due from related parties, trade receivables due from government and trade receivables subject to specific expected loss rate)							
At 31 December 2021							
Gross carrying amount (RMB'000)	1,995,064	258,300	13,348	472	164	144,903	2,412,251
Expected loss rate	0.33%	8.56%	38.49%	57.70%	100.00%	100.00%	
Loss allowance provision (RMB'000)	6,547	22,114	5,138	272	164	144,903	179,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(a) Trade receivables (Continued)

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Trade receivables (excluding trade receivables due from related parties, trade receivables due from government and trade receivables subject to specific expected loss rate)							
At 31 December 2020							
Gross carrying amount (RMB'000)	1,124,517	27,295	2,661	690	5,289	149,523	1,309,975
Expected loss rate	0.64%	11.33%	44.61%	62.17%	89.62%	100%	
Loss allowance provision (RMB'000)	7,186	3,092	1,187	429	4,740	149,523	166,157

(b) Debt investments at amortised cost and FVOCI

All of the Group's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(b) Debt investments at amortised cost and FVOCI (Continued)

The Group expects that there is no significant credit risk associated with debt investments at amortised cost and FVOCI since the Group furnishes investment mandates to commercial banks, trust companies and asset management companies. These mandates require them to invest in such debt investments with high market credit rating, liquidity and stable return. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(c) Debt investments at FVPL

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure as at 31 December 2021 is the carrying amount of these investments, amounting to RMB1,523,434,000 (31 December 2020: RMB2,741,094,000).

(d) Other financial assets at amortised cost

The Group applies the general approach to provide for expected credit loss of other financial assets measured at amortised cost including notes receivable, entrusted loans, finance lease receivables, loans relating to financing services, dividend receivable and other receivables under HKFRS 9.

Except for certain long aging receivables for which the debtors failed to make demanded repayment and the Group has made specific provision on a case-by-case basis, the expected credit loss provision for the financial assets included in the above balances is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data, including real GDP, current account balance, nominal retail sales growth rate and exchange rate. As at 31 December 2021 and 2020, except for certain default receivables, management considers that the expected credit loss is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(d) Other financial assets at amortised cost (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(d) Other financial assets at amortised cost (Continued)

- (i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 180 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are over 365 days past due and there is no reasonable expectation of recovery.	Asset is written off

As at 31 December 2021, the Group has assessed that the expected loss rate for other receivables from related parties (excluding loans relating to financing services and finance lease receivables) was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognised in 2021 (31 December 2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

- (e) As at 31 December 2020 and 2021, the loss allowance provision for trade receivables, current and long-term other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables (current) RMB'000	Other long-term receivables RMB'000	Total RMB'000
At 1 January 2020	254,327	353,040	59,347	666,714
Provision for loss allowance recognised in profit or loss	11,569	38,438	5,103	55,110
At 31 December 2020	265,896	391,478	64,450	721,824
Provision for loss allowance recognised in profit or loss	27,044	44,930	71,494	143,468
At 31 December 2021	292,940	436,408	135,944	865,292

3.1.3 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, the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk (Continued)

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated 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	Total RMB'000
As at 31 December 2021					
Borrowings	10,367,692	6,485,540	1,441,212	2,768	18,297,212
Trade and other payables (excluding employee benefits payable, other taxes and government grants)	31,597,042	688,989	-	-	32,286,031
Lease liabilities	210,129	199,202	546,655	773,930	1,729,916
As at 31 December 2020					
Borrowings	6,859,443	4,899,340	4,125,517	4,583	15,888,883
Trade and other payables (excluding employee benefits payable, other taxes and government grants)	30,526,443	446,946	-	-	30,973,389
Lease liabilities	275,863	234,360	532,972	828,975	1,872,170

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 net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities (including current and non-current as shown in the consolidated balance sheet) less time deposits, restricted cash and cash and cash equivalents. Total capital is calculated as total equity plus net debt.

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total borrowings (Note 26)	17,415,462	14,977,384
Total lease liabilities (Note 8)	1,463,727	1,512,541
Less: time deposits (Note 19)	(5,176,560)	(10,624,362)
restricted cash (Note 20)	(1,624,390)	(2,084,314)
cash and cash equivalents (Note 21)	(17,234,963)	(15,791,397)
Net credit	(5,156,724)	(12,010,148)
Total equity	92,648,785	86,713,628
Total capital	87,492,061	74,703,480
Gearing ratio	Not applicable ("N/A")	N/A

As at 31 December 2021 and 2020, the Group's total borrowings and lease liabilities are less than the total of time deposits, restricted cash and cash and cash equivalents and therefore the Group is subject to a net credit position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

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

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

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

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

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 2021.

	Level 1 RMB'000 Note (a)	Level 2 RMB'000 Note (b)	Level 3 RMB'000 Note (c)	Total RMB'000
Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss				
– Bond investments	1,192,714	–	–	1,192,714
– Fund investments	27,558	1,810,100	–	1,837,658
– Financial products	–	–	1,156,634	1,156,634
– Stocks	912,752	–	–	912,752
– Other equity investments	–	–	942,552	942,552
– Others	–	676,846	758,873	1,435,719
	2,133,024	2,486,946	2,858,059	7,478,029

The following table presents the Group's assets that are measured at fair value at 31 December 2020.

	Level 1 RMB'000 Note (a)	Level 2 RMB'000 Note (b)	Level 3 RMB'000 Note (c)	Total RMB'000
Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss				
– Bond investments	717,399	–	–	717,399
– Fund investments	51,432	1,792,416	–	1,843,848
– Financial products	–	–	1,081,005	1,081,005
– Stocks	825,711	–	–	825,711
– Other equity investments	–	–	591,639	591,639
– Others	–	598,678	1,253,380	1,852,058
	1,594,542	2,391,094	2,926,024	6,911,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) *Financial instruments in level 1*

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

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

(b) *Financial instruments in level 2*

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

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

Specific valuation techniques used to value financial instruments include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2020 and 2021.

	Other equity investments RMB'000	Financial products RMB'000	Others RMB'000	Total RMB'000
Opening balance as at 1 January 2020	543,952	785,539	882,487	2,211,978
Acquisitions	35,121	3,094,006	3,219,402	6,348,529
Gains for the period recognised in profit or loss	24,451	60,799	116,078	201,328
Disposal	(11,885)	(2,859,339)	(2,964,587)	(5,835,811)
Closing balance as at 31 December 2020	591,639	1,081,005	1,253,380	2,926,024
Transfer to level 1 (Note (i))	-	-	(739,866)	(739,866)
Acquisitions	291,364	981,770	4,028,110	5,301,244
Gains/(losses) for the period recognised in profit or loss	96,222	33,154	(109,016)	20,360
Disposal	(36,673)	(939,295)	(3,673,735)	(4,649,703)
Closing balance as at 31 December 2021	942,552	1,156,634	758,873	2,858,059

Includes unrealised gains or (losses)
recognised in profit or loss attributable to
balances held at the end of the reporting
period

2021	86,355	(2,563)	(107,852)	(24,060)
2020	12,566	18,621	123,022	154,209

- (i) During the year ended 31 December 2021, an entity in which the Group held unlisted preferred shares investment completed an initial public offering, upon which the unlisted preferred shares were converted into listed ordinary shares. As such, the Group can determine the fair value of this investment using quoted prices or observable market data, it has been reclassified from level 3 into level 1. Other than this transfer of investment from level 3 to level 1, there was no transfer between the levels of the fair value hierarchy in the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

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

	Fair value at 31 December 2021 RMB'000	Valuation technique(s)	Unobservable input	Range (weighted average)
– Financial products	257,000	Discounted cash flow	Discount rate	2.05%
	899,634	Summation Method	Value of each asset/liability	N/A
– Other equity investments (Note (i))	942,552	Summation Method	Value of each asset/liability	N/A
– Trust products	49,809	Discounted cash flow	Discount rate	4.60%
– Unlisted notes receivable	709,064	Discounted cash flow	Discount rate	1.70%-3.19%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

	Fair value at 31 December 2020 RMB'000	Valuation technique(s)	Unobservable input	Range (weighted average)
– Financial products	615,262	Discounted cash flow	Discount rate	2.40%-5.30%
	465,743	Summation Method	Value of each asset/ liability	N/A
– Preference shares	848,526	Guideline Public Company Method	Applicable P/S ratio	10.18
– Other equity investments (Note (i))	591,639	Summation Method	Value of each asset/ liability	N/A
– Trust products	94,164	Discounted cash flow	Discount rate	4.55%-5.00%
– Unlisted notes receivable	310,690	Discounted cash flow	Discount rate	2.50%-3.30%

(i) Other equity investments in level 3 represent the Group's investment in interest of non-listed company.

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 in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Impairment of property, plant and equipment, intangible assets and right-of-use assets

Property, plant and equipment, intangible assets and right-of-use assets 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 amortisation, 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; (iii) details of further development of the CGU or segment, such as business plan and contracts with new customers in the coming year and their impact on the revenue and margins; and (iv) 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 2.10. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

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 12.2% 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 2.0%. These calculations require the use of estimates.

If the budgeted revenue used by the management in the fair value less cost of disposal calculation for this joint venture had been decreased by 1.72%, the Group would not recognise any impairment of investment. A 7.79% increase in the estimated post-tax discount rate for the joint venture would not result in an impairment against investment. If the estimated gross profit margins estimated by the management for the joint venture had been decreased by 1.8%, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Impairment of trade and other receivables

The Group makes allowances on trade and other receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1 above.

(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 2.15. 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.

(h) Estimation of the fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(i) Classification of financial assets

The judgments in determining the classification of financial assets include the analysis of business models and the characteristics of contractual cash flows. An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows are arising from collecting contractual cash flows, selling financial assets or both.

The business model of managing financial assets is not determined by a single factor or activity. Instead, the entity should consider all relevant evidence available when making the assessment. Relevant evidence mainly includes, but not limited to, how the cash flow of the Group of assets is collected, how the performance of the Group of assets is reported to key management personnel, and how the risk of Group of assets is being assessed and managed. The contractual cash flows characteristics of financial assets refer to the cash flow attributes of the financial assets reflecting the economic characteristics of the relevant financial assets (i.e. whether the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest). The principal amount refers to the fair value of the financial asset at initial recognition. The principal amount may change throughout the lifetime of the financial assets due to prepayment or other reasons. The interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, other basic lending credit risks, and the consideration of costs and profits.

(j) Estimation of the value of defined benefits obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

Details of key assumptions and impact of possible changes in key assumptions are disclosed in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2021, 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						
GAC Motor Co., Ltd. ("GAC Motor") 廣汽乘用車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobiles	RMB15,966,735,703	100%	-
Guangzhou Automobile Group Component Co., Ltd. ("GAC Component") 廣汽零部件有限公司	Mainland China	Limited liability company	Manufacture and sale of automotive parts	RMB1,478,910,000	51%	49%
Guangzhou Automobile Group Business Co., Ltd. ("GAC Business") 廣汽商貿有限公司	Mainland China	Limited liability company	Trading of automobiles, automotive parts and steel	RMB3,528,512,000	100%	-
GAC Motor (Hangzhou) Co., Ltd. ("GAC Motor Hangzhou") 廣汽乘用車(杭州)有限公司	Mainland China	Limited liability company	Manufacture and sale of automobile	RMB4,231,280,000	-	100%
Urtrust Insurance Co., Ltd. 眾誠汽車保險有限公司	Mainland China	Joint stock company with limited liabilities	Provision of automobile insurance services	RMB2,268,750,000	27.11%	26.44%
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%
GAC Aion New Energy Automobile Co., Ltd. ("GAC AION") 廣汽埃安新能源汽車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobiles	RMB6,000,000,000	84.39%	15.61%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As at 31 December 2021, particulars of principal subsidiaries, joint ventures and associates are as follows (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 and sale of automobile and automotive parts	USD541,000,000	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	USD1,176,806,100	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	RMB2,220,000,000	50%	-
GAC-SOFINCO Automobile Finance Co., Ltd ("GAC SOFINCO") 廣汽匯理汽車金融有限公司	Mainland China	Provision of automotive financing services	RMB3,000,000,000	50%	-
GAC Fiat Chrysler Automobiles Co., Ltd. ("GAC FCA") 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	RMB10,000,000,000	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	USD49,000,000	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%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As at 31 December 2021, particulars of principal subsidiaries, joint ventures and associates are as follows (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	USD670,940,000	30%	-
Shanghai Hino Engine Co., Ltd. 上海日野發動機有限公司	Mainland China	Manufacture and sale of automotive parts	USD29,980,000	30%	-
Guangzhou TS Automotive Interior Systems Co., Ltd. 廣州提愛思汽車內飾系統有限公司	Mainland China	Manufacture and sale of automotive parts	USD3,860,000	-	48%
Guangzhou Intex Automotive Interior Parts Co., Ltd. 廣州樓泰汽車飾件有限公司	Mainland China	Manufacture and sale of automotive parts	USD22,500,000	-	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	USD44,700,000	-	30%
Guangzhou Denso Co., Ltd. 廣州電裝有限公司	Mainland China	Manufacture and sale of automotive parts	USD23,022,409	-	40%

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 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 financing 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 2021, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2021 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	73,698,922	2,452,102	(475,259)	-	75,675,765
Inter-segment revenue	(220,700)	(254,559)	475,259	-	-
Revenue (from external customers)	73,478,222	2,197,543	-	-	75,675,765
Segment results	(3,476,467)	409,824	12,324	-	(3,054,319)
Unallocated income – Interest income of headquarters	-	-	-	116,205	116,205
Unallocated costs – Expenditure of headquarters	-	-	-	(687,448)	(687,448)
Operating loss					(3,625,562)
Finance costs	(271,200)	(2,894)	-	(151,222)	(425,316)
Interest income	23,199	5,615	-	29,744	58,558
Share of net profit of joint ventures and associates accounted for using the equity method	10,810,930	592,970	-	-	11,403,900
Profit before income tax					7,411,580
Income tax credit/(expense)	334,978	(152,594)	-	(28,267)	154,117
Profit for the year					7,565,697
Other segment information					
Depreciation and amortisation	5,616,648	44,756	-	57,180	5,718,584
Net impairment losses on financial assets	98,129	45,339	-	-	143,468
Impairment charges of inventories	104,643	-	-	-	104,643
Impairment charges of property, plant and equipment	28,279	-	-	-	28,279
Impairment charges of intangible assets	556,182	-	-	-	556,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment assets and liabilities as at 31 December 2021 and additions to non-current assets (other than deferred tax assets, FVPL and FVOCI) 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	119,244,879	37,943,997	(41,986,049)	39,047,762	154,250,589
Total assets include:					
Investments in joint ventures and associates	32,634,891	4,292,096	-	-	36,926,987
Total liabilities	63,958,745	27,820,500	(40,615,907)	10,438,466	61,601,804
Additions to non-current assets (other than deferred tax assets, FVPL and FVOCI)	5,289,478	2,303,995	-	-	7,593,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2020 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	60,805,956	2,754,533	(403,504)	-	63,156,985
Inter-segment revenue	(157,474)	(246,030)	403,504	-	-
Revenue (from external customers)	60,648,482	2,508,503	-	-	63,156,985
Segment results	(3,219,775)	(116,208)	(256,338)	-	(3,592,321)
Unallocated income – Interest income of headquarters	-	-	-	110,738	110,738
Unallocated costs – Expenditure of headquarters	-	-	-	(85,418)	(85,418)
Operating loss					(3,567,001)
Finance costs	(399,752)	(6,780)	-	(33,035)	(439,567)
Interest income	70,431	8,616	-	48,504	127,551
Share of net profit of joint ventures and associates accounted for using the equity method	9,061,941	509,037	-	-	9,570,978
Profit before income tax					5,691,961
Income tax credit/(expense)	498,472	(141,293)	-	(1,189)	355,990
Profit for the year					6,047,951
Other segment information					
Depreciation and amortisation	5,009,332	56,489	-	44,573	5,110,394
Net impairment losses on financial assets	44,194	10,916	-	-	55,110
Impairment charges of inventories	47,938	-	-	-	47,938
Impairment charges of property, plant and equipment	5,609	-	-	-	5,609
Impairment charges of intangible assets	662,164	-	-	-	662,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment assets and liabilities as at 31 December 2020 and additions to non-current assets (other than deferred tax assets, FVPL and FVOCI) 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	106,340,940	38,893,282	(41,611,147)	39,237,613	142,860,688
Total assets include:					
Investments in joint ventures and associates	29,419,235	3,984,328	-	-	33,403,563
Total liabilities	58,667,700	28,884,062	(40,313,754)	8,909,052	56,147,060
Additions to/(decrease in) non-current assets (other than deferred tax assets, FVPL and FVOCI)	6,100,235	(1,544,067)	-	-	4,556,168

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	73,788,301	62,097,147
Overseas	1,887,464	1,059,838
	75,675,765	63,156,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

Non-current assets (other than deferred tax assets, FVPL and FVOCI) located by geographical location are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Mainland China	86,532,440	78,950,702
Overseas	149,249	137,514
	86,681,689	79,088,216

Analysis of revenue by category:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Recognised at a point in time		
Sales of vehicles and related products	67,621,601	56,832,098
Recognised over time		
Maintenance, transportation and other services	4,399,378	3,091,150
Revenue under HKFRS 15	72,020,979	59,923,248
Revenue from other sources (Note (i))	3,654,786	3,233,737
	75,675,765	63,156,985

(i) Revenue from other sources includes insurance services, financing services and lease income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

(a) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities		
– Related parties	273,540	58,605
– Third parties	2,353,362	1,434,254
	2,626,902	1,492,859

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided or the vehicles and related products are yet to be delivered. The increase in contract liabilities was mainly due to increase in advance payments from customers.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– Related parties	58,605	66,158
– Third parties	1,434,254	1,462,599
	1,492,859	1,528,757

(iii) Unsatisfied performance obligations

For the services the Group rendered, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. 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 2020								
Opening net book amount	8,081,031	6,849,802	1,117,636	1,052,774	375,509	265,937	1,653,118	19,395,807
Additions	312,010	98,428	217,114	65,954	371,105	81,823	2,018,043	3,164,477
Transfer from investment properties(Note 9)	10,851	-	-	-	-	-	-	10,851
Disposals	(319)	(68,744)	(94,095)	(2,587)	(4,249)	-	-	(169,994)
Transfer to investment properties (Note 9)	(77,703)	-	-	-	-	-	-	(77,703)
Transfers	1,057,669	881,657	78,761	179,937	21,461	-	(2,219,485)	-
Depreciation charge (Note 29)	(473,150)	(919,028)	(281,554)	(331,121)	(151,327)	(88,439)	-	(2,244,619)
Impairment charge (Note 29)	-	(932)	(4,654)	(14)	(9)	-	-	(5,609)
Closing net book amount	8,910,389	6,841,183	1,033,208	964,943	612,490	259,321	1,451,676	20,073,210
As at 31 December 2020								
Cost	11,239,238	11,230,979	1,751,296	3,004,963	1,120,278	875,372	1,452,699	30,674,825
Accumulated depreciation and impairment	(2,328,849)	(4,389,796)	(718,088)	(2,040,020)	(507,788)	(616,051)	(1,023)	(10,601,615)
Net book amount	8,910,389	6,841,183	1,033,208	964,943	612,490	259,321	1,451,676	20,073,210
Year ended 31 December 2021								
Opening net book amount	8,910,389	6,841,183	1,033,208	964,943	612,490	259,321	1,451,676	20,073,210
Additions	38,523	255,142	319,087	258,470	162,473	71,372	1,466,499	2,571,566
Transfer from investment properties(Note 9)	8,714	-	-	-	-	-	-	8,714
Disposals	(1,546)	(29,147)	(228,936)	(66,863)	(43,231)	-	-	(369,723)
Transfer to investment properties (Note 9)	(372,075)	-	-	-	-	-	-	(372,075)
Transfers	827,175	(77,220)	10,910	346,408	80,545	-	(1,187,818)	-
Depreciation charge (Note 29)	(595,084)	(799,058)	(350,765)	(361,876)	(206,059)	(95,001)	-	(2,407,843)
Impairment charge (Note 29)	-	(3,602)	(7,918)	(16,493)	(266)	-	-	(28,279)
Closing net book amount	8,816,096	6,187,298	775,586	1,124,589	605,952	235,692	1,730,357	19,475,570
As at 31 December 2021								
Cost	11,642,733	11,001,455	1,679,290	3,431,751	1,279,452	946,501	1,731,380	31,712,562
Accumulated depreciation and impairment	(2,826,637)	(4,814,157)	(903,704)	(2,307,162)	(673,500)	(710,809)	(1,023)	(12,236,992)
Net book amount	8,816,096	6,187,298	775,586	1,124,589	605,952	235,692	1,730,357	19,475,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales	2,000,895	1,850,320
Selling and distribution costs	115,338	123,907
Administrative expenses	291,610	270,392
	2,407,843	2,244,619

- (b) As at 31 December 2021, certain bank borrowings (Note 26(a)) were secured by the Group's property, plant and equipment with the carrying value of approximately RMB26,751,000 (2020: RMB216,000).
- (c) As at 31 December 2021, the Group is in the process of applying for the title certificates of certain of its property with an aggregate carrying value of approximately RMB1,543,824,000 (2020: RMB2,105,777,000). 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 approximately RMB25,664,000 (2020: RMB16,196,000) on qualifying assets (construction in progress). Borrowing costs were capitalised at rate of its general borrowings of 3.92%-5.19% (2020: 3.18%-5.19%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Land-use rights (Notes(i), (ii), (iii) and (iv))	5,424,687	5,478,957
Properties	1,379,562	1,392,279
Vehicles	10,202	20,859
Others	3,215	16,913
	6,817,666	6,909,008
Lease liabilities		
Current	193,531	209,062
Non-current	1,270,196	1,303,479
	1,463,727	1,512,541

Additions to the right-of-use assets during the 2021 financial year were RMB600,076,000 (2020: RMB557,215,000). Non-cash transaction of acquisition and disposal of right-of-use assets during the 2021 financial year were RMB358,379,000 and RMB125,977,000, respectively (2020: RMB343,047,000 and RMB7,712,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. LEASES (Continued)

(a) Amounts recognised in the consolidated balance sheet (Continued)

- (i) The Group has land lease arrangement with mainland China government.

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	
	2021 RMB'000	2020 RMB'000
Beginning of the year		
Cost	6,084,640	5,953,729
Accumulated depreciation and impairment	(605,683)	(491,369)
Net book amount	5,478,957	5,462,360
For the year ended		
Opening net book amount	5,478,957	5,462,360
Additions	238,104	210,547
Transferred from investment properties (Note 9)	3,593	3,621
Transferred to investment properties (Note 9)	(170,067)	(71,568)
Depreciation charge	(125,900)	(126,003)
Closing net book amount	5,424,687	5,478,957
End of the year		
Cost	6,115,214	6,084,640
Accumulated depreciation and impairment	(690,527)	(605,683)
Net book amount	5,424,687	5,478,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. LEASES (Continued)

(a) Amounts recognised in the consolidated balance sheet (Continued)

- (ii) The amount of depreciation of the Group was primarily charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.
- (iii) As at 31 December 2021 and 2020, there is no bank borrowing secured by the Group's land use rights.
- (iv) As at 31 December 2020, 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 RMB688,459,000. All these title certificates have been obtained subsequently. As at 31 December 2021, there is no title certificate in application.

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets			
Land-use rights		125,900	126,003
Properties		252,023	266,842
Vehicles		10,968	15,918
Others		5,917	6,535
	29	394,808	415,298
Interest expense (included in finance cost)	33	66,282	76,154
Expense relating to short-term leases (included in cost of sales, selling and distribution costs and administrative expenses)	29	35,050	16,369
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	29	221	337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. LEASES (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income (Continued)

The total cash outflow for leases in 2021 was approximately RMB311,621,000 (2020: RMB331,812,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various properties, vehicles, office and other equipment. Rental contracts are typically made for fixed periods of 6 months to 20 years, but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year		
Cost	1,788,356	1,636,186
Accumulated depreciation	(400,811)	(301,699)
Net book amount	1,387,545	1,334,487
For the year ended		
Opening net book amount	1,387,545	1,334,487
Additions	30,045	2,135
Transfer from land use rights (Note 8)	170,067	71,568
Transfer from property, plant and equipment (Note 7)	372,075	77,703
Transfer to land use rights (Note 8)	(3,593)	(3,621)
Transfer to property, plant and equipment (Note 7)	(8,714)	(10,851)
Depreciation charge (Note 29)	(75,801)	(83,876)
Closing net book amount	1,871,624	1,387,545
End of the year		
Cost	2,486,541	1,788,356
Accumulated depreciation and impairment	(614,917)	(400,811)
Net book amount	1,871,624	1,387,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES (Continued)

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	1,857,824	1,373,602
Hong Kong	13,800	13,943
	1,871,624	1,387,545

- (b) As at 31 December 2021, 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 RMB40,341,000 (2020: RMB52,157,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

- (c) Rental income from operating lease recognised in profit or loss for investment properties in 2021 was approximately RMB125,356,000 (2020: RMB110,957,000).

(d) **Leasing arrangements**

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease income from operating leases where the Group is a lessor is recognised in income on a straightline basis over the lease term. There are no variable lease payments that depend on an index or rate.

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 2020					
Opening net book amount	404,616	481,549	127,099	9,796,480	10,809,744
Additions	71,446	263,076	–	4,153,847	4,488,369
Amortisation charge (Note 29)	(51,709)	(128,023)	–	(2,186,869)	(2,366,601)
Impairment charge (Note 29)	–	–	–	(662,164)	(662,164)
Disposals	(6,834)	(3,901)	–	–	(10,735)
Closing net book amount	417,519	612,701	127,099	11,101,294	12,258,613
As at 31 December 2020					
Cost	1,382,746	1,051,466	127,099	22,144,429	24,705,740
Accumulated amortisation and impairment	(965,227)	(438,765)	–	(11,043,135)	(12,447,127)
Net book amount	417,519	612,701	127,099	11,101,294	12,258,613
Year ended 31 December 2021					
Opening net book amount	417,519	612,701	127,099	11,101,294	12,258,613
Additions	47,550	390,861	–	4,280,668	4,719,079
Amortisation charge (Note 29)	(64,823)	(177,437)	–	(2,597,872)	(2,840,132)
Impairment charge (Note 29)	(9,500)	–	–	(546,682)	(556,182)
Disposals	(159)	–	–	–	(159)
Closing net book amount	390,587	826,125	127,099	12,237,408	13,581,219
As at 31 December 2021					
Cost	1,430,137	1,442,327	127,099	26,425,097	29,424,660
Accumulated amortisation and impairment	(1,039,550)	(616,202)	–	(14,187,689)	(15,843,441)
Net book amount	390,587	826,125	127,099	12,237,408	13,581,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS (Continued)

- (a) Amortisation of the Group's intangible assets mainly charged to cost of sales.
- (b) Goodwill arose from acquisition of businesses:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Denway	90,299	90,299
Others	36,800	36,800
	127,099	127,099

- (i) Goodwill is allocated to the vehicles and related operations 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.
- (c) During the year ended 31 December 2021, the Group capitalised borrowing costs amounting to approximately RMB91,577,000 (2020: RMB60,950,000) on qualifying assets (development costs). Borrowing costs were capitalised at rate of its general borrowings of 5.19% (2020: 5.19%).

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	
	2021	2020
	RMB'000	RMB'000
Investments in joint ventures	26,904,507	24,654,320
Investments in associates	10,022,480	8,749,243
	36,926,987	33,403,563

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Share of profit of joint ventures (Note (i))	10,011,061	8,332,088
Share of profit of associates (Note (i))	1,392,839	1,238,890
	11,403,900	9,570,978

(i) Unrealised profits or losses resulting from upstream and downstream transactions are eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

11.1 Investments In Joint Ventures

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investment in unlisted shares	26,904,507	24,654,320

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	24,654,320	23,867,207
Additions (Note (i))	2,617,879	1,274,421
Disposals	(19,589)	(11,489)
Capital reduction	(40,323)	(21,768)
Share of profits	10,090,492	8,460,468
Share of other reserves	(7,824)	25,235
Dividends declared	(10,390,448)	(8,939,754)
End of the year	26,904,507	24,654,320

- (i) The additions in 2021 mainly represent the Group's additional capital contribution of RMB786,813,000 and RMB1,500,000,000 to GAC Toyota and GAC FCA in proportion to its interest held, respectively. In addition, the Group contributed capital of RMB275,862,000 to several newly set-up joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

11.1 Investments In Joint Ventures (Continued)

(b) *Set out below are the joint ventures of the Group as at 31 December 2021, 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	Note 1	Equity
GAC Toyota	Mainland China	50	Note 1	Equity
GAC FCA	Mainland China	50	Note 1	Equity
GAC Mitsubishi	Mainland China	50	Note 1	Equity
GAC Hino	Mainland China	50	Note 1	Equity
GAC SOFINCO	Mainland China	50	Note 1	Equity
Wuyang-Honda	Mainland China	50	Note 1	Equity

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

(c) *Summarised financial information for joint ventures*

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

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	
	2021	2020
	RMB'000	RMB'000
Assets		
Non-current assets	86,276,133	80,634,952
Current assets		
– Cash and cash equivalents	62,573,891	53,784,557
– Other current assets	47,247,676	53,230,040
	109,821,567	107,014,597
Total assets	196,097,700	187,649,549
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	20,315,422	18,639,156
– Other non-current liabilities (including trade and other payables)	6,813,910	5,597,716
	27,129,332	24,236,872
Current liabilities		
– Financial liabilities (excluding trade and other payables)	24,800,831	30,914,068
– Other current liabilities (including trade and other payables)	94,837,688	88,441,087
	119,638,519	119,355,155
Total liabilities	146,767,851	143,592,027
Net assets	49,329,849	44,057,522
Less: Non-controlling interests	(22,875)	(18,882)
	49,306,974	44,038,640

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	
	2021	2020
	RMB'000	RMB'000
Revenue	276,046,696	261,646,209
Cost of sales	(233,472,212)	(222,890,622)
Other expenditures	(22,146,463)	(22,078,956)
Profit after tax	20,428,021	16,676,631
Less: profit attributable to non-controlling interests	(3,993)	(1,676)
	20,424,028	16,674,955
Other comprehensive loss	(26,825)	(45)
Total comprehensive income	20,397,203	16,674,910

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)

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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
GAC Honda	52,528,011	49,364,408	42,207,569	39,121,552	114,810,245	118,427,184	3,710,000	3,570,027
GAC Toyota	61,986,704	51,126,057	38,778,792	33,022,394	129,464,532	110,758,496	5,700,624	4,802,616
GAC FCA	8,681,112	11,670,376	8,678,715	12,001,765	3,861,340	6,329,037	-	-
GAC Mitsubishi	9,461,560	10,544,439	7,458,539	7,688,141	8,271,681	9,708,132	-	-
GAC Hino	1,693,865	1,915,405	1,299,523	1,396,631	711,506	1,120,090	-	-
GAC SOFINCO	47,679,127	48,937,545	40,825,947	42,506,893	4,347,106	3,998,039	200,000	200,000
Wuyang-Honda	3,330,478	2,980,875	1,768,611	1,575,993	5,953,649	4,780,814	91,010	44,055
Total	185,360,857	176,539,105	141,017,696	137,313,369	267,420,059	255,121,792	9,701,634	8,616,698

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	
	2021	2020
	RMB'000	RMB'000
Assets	185,360,857	176,539,105
Less: Liabilities	(141,017,696)	(137,313,369)
Non-controlling interests	(22,875)	(18,882)
Net assets excluding non-controlling interests	44,320,286	39,206,854
Percentage of ownership interest	50%	50%
Interests in material joint ventures	22,160,143	19,603,427
Goodwill	2,916,552	2,916,552
– GAC Mitsubishi	2,895,293	2,895,293
– Wuyang-Honda	21,259	21,259
Unrealised profits or losses resulting from downstream transactions	(5,102)	(2,594)
Accumulated unrecognised share of losses of a joint venture	–	165,694
Carrying amount of investments in material joint ventures	25,071,593	22,683,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

11.2 Investments In Associates

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Unlisted companies	10,022,480	8,749,243

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	8,749,243	8,137,579
Additions (Note (i))	1,134,289	350,037
Capital reduction	(133,586)	(52,680)
Share of profits	1,402,959	1,244,104
Dilution gains (Note 31)	177,862	–
Share of other reserves	(51,943)	2,470
Dividends declared	(1,256,344)	(932,267)
End of the year	10,022,480	8,749,243

- (i) The additions in 2021 mainly represent the Group's additional capital contribution of RMB482,466,000 to HYCAN Automotive Technology Co., Ltd. and RMB490,000,000 to Amperex GAC Power Battery Co., Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

11.2 Investments In Associates (Continued)

(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	
	2021	2020
	RMB'000	RMB'000
Associates		
Profit	1,392,839	1,238,890
Other comprehensive loss	(51,218)	–
Total comprehensive income	1,341,621	1,238,890

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets at amortised cost		
– Prepayments and long-term receivables (excluding prepayments) (Note 16)	7,597,573	4,342,527
– Trade and other receivables (excluding prepayments and value added tax recoverable) (Note 18)	23,094,029	17,418,048
– Time deposits (Note 19)	5,176,560	10,624,362
– Restricted cash (Note 20)	1,624,390	2,084,314
– Cash and cash equivalents (Note 21)	17,234,963	15,791,397
Financial assets at fair value through other comprehensive income (Note 14)	2,306,766	941,393
Financial assets at fair value through profit or loss (Note 15)	5,171,263	5,970,267
	62,205,544	57,172,308
Financial liabilities at amortised cost		
– Trade and other payables (excluding employee benefits payable, other taxes and government grants) (Note 25)	32,629,496	31,171,021
– Borrowings (Note 26)	17,415,462	14,977,384
Lease liabilities (Note 8)	1,463,727	1,512,541
Total	51,508,685	47,660,946

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	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets:	2,957,680	2,236,774
Set-off of deferred tax liabilities	(123,755)	(113,170)
Deferred tax assets – net	2,833,925	2,123,604
Deferred tax liabilities:	(268,173)	(251,202)
Set-off of deferred tax assets	123,755	113,170
Deferred tax liabilities – net	(144,418)	(138,032)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
As at 1 January	1,985,572	1,522,177
Tax recognised in profit or loss (Note 34)	573,392	463,395
Tax recognised in other comprehensive income	130,543	–
End of the year	2,689,507	1,985,572

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	Accrued expenses and others RMB'000	Provisions RMB'000	Intangible asset amortisation RMB'000	Tax losses RMB'000	Fair value changes of FVOCI RMB'000	Total RMB'000
Year ended 31 December 2020							
Opening book amount	199,816	551,924	231,968	123,734	597,871	-	1,705,313
Recognised in profit or loss	85,530	301,640	(47,866)	78,641	113,516	-	531,461
Closing book amount	285,346	853,564	184,102	202,375	711,387	-	2,236,774
Year ended 31 December 2021							
Opening book amount	285,346	853,564	184,102	202,375	711,387	-	2,236,774
Recognised in profit or loss	128,185	206,975	(35,384)	133,674	156,913	-	590,363
Recognised in other comprehensive income	-	-	-	-	-	130,543	130,543
Closing book amount	413,531	1,060,539	148,718	336,049	868,300	130,543	2,957,680

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	Accelerated taxation depreciation RMB'000	Revaluation of financial assets RMB'000	Fair value gains arising from business combination RMB'000	Share of profit of associates RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2020						
Opening book amount	(105,045)	(14,053)	(19,646)	(44,361)	(31)	(183,136)
Recognised in profit or loss	(10,812)	(44,883)	(1,098)	(9,600)	(1,673)	(68,066)
Closing book amount	(115,857)	(58,936)	(20,744)	(53,961)	(1,704)	(251,202)
Year ended 31 December 2021						
Opening book amount	(115,857)	(58,936)	(20,744)	(53,961)	(1,704)	(251,202)
Recognised in profit or loss	(7,999)	30,987	610	(35,822)	(4,747)	(16,971)
Closing book amount	(123,856)	(27,949)	(20,134)	(89,783)	(6,451)	(268,173)

- (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 2021, the Group did not recognise deferred tax assets in respect of losses amounting to RMB8,168,400,000 (2020: RMB8,676,573,000), as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. These tax losses will expire between 2022 and 2026.

Expire year	Unused tax losses for which no deferred tax asset was recognised RMB'000
2022	2,167,278
2023	504,047
2024	1,950,988
2025	2,743,581
2026	802,506
	8,168,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Listed stocks	721,979	630,703
Listed bond investments	875,723	–
	1,597,702	630,703
Current assets		
Unlisted notes receivable	709,064	310,690
	2,306,766	941,393

- (i) FVOCI of the Group comprise equity instruments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.
- (ii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains or losses were recognised:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
(Losses)/gains recognised in other comprehensive (loss)/income		
– Related to equity investments (Note 35)	(230,509)	133,153
Dividends from equity investments held at FVOCI recognised in other gains in profit or loss		
– Related to investments held at the end of the reporting period	10,388	18,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Debt instruments		
Listed bond investments	294,198	590,403
Unlisted financial products	–	419,613
Unlisted preference shares	–	848,526
	294,198	1,858,542
Equity instruments		
Unlisted other equity investments	942,552	591,639
Listed preference shares	676,846	598,678
Listed stocks	32,031	195,008
Unlisted fund investments	–	1,021,473
Listed fund investments	–	109,916
	1,651,429	2,516,714
Current assets		
Debt instruments		
Unlisted financial products	1,156,634	661,392
Unlisted trust products	49,809	94,164
Listed bond investments	22,793	126,996
	1,229,236	882,552
Equity instruments		
Unlisted fund investments	1,686,357	712,459
Listed stocks	158,742	–
Listed fund investments	151,301	–
	1,996,400	712,459
	5,171,263	5,970,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

(i) The Group classifies the following FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

(ii) Amounts recognised in profit or loss

During the year, the following gains or losses were recognised in profit or loss:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value gains on equity investments at FVPL recognised in other gains-net (Note 31)	95,765	58,832
Fair value (losses)/gains on debt instruments at FVPL recognised in other gains-net (Note 31)	(118,072)	233,860
	(22,307)	292,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PREPAYMENTS AND OTHER LONG-TERM RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments	411,050	713,750
Finance lease receivables (Note (a))	5,613,226	1,969,136
Other loans and receivables	970,291	965,376
Loans receivable (Note 18(c))	1,150,000	1,472,465
	7,733,517	4,406,977
Less: provision for other long-term receivables	(135,944)	(64,450)
	8,008,623	5,056,277

(a) As at 31 December 2021, certain bank borrowings (Note 26(a)) were secured by the Group's short-term and long-term finance lease receivables with the carrying value of approximately RMB126,413,000 (2020: RMB200,045,000) and RMB2,135,660,000 (2020: RMB1,417,266,000).

As at 31 December 2021, certain securitization debt (Note 26(l)) were secured by the Group's short-term and long-term finance lease receivables with the carrying value of approximately RMB667,187,000 (2020: Nil) and RMB986,687,000 (2020: Nil), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Raw materials and consumables	3,910,313	2,703,001
Work-in-progress	213,265	129,221
Finished goods and merchandise	4,191,105	3,956,033
	8,314,683	6,788,255
Less: provision for impairment	(203,723)	(166,675)
	8,110,960	6,621,580

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB50,488,019,000 (2020: RMB43,168,390,000).

As at 31 December 2021, certain bank borrowings (Note 26(a)) and notes payable (Note 25(d)) were secured by the Group's inventories with the carrying value of approximately RMB717,801,000 (2020: RMB362,361,000) and RMB509,579,000 (2020: RMB604,913,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables (Notes (a) and (b))	7,515,188	4,583,098
Less: provision for impairment	(292,940)	(265,896)
Trade receivables – net	7,222,248	4,317,202
Loans receivable (Note (c))	5,154,788	3,118,804
Dividends receivable (Note 41(b))	4,209,208	3,752,145
Finance lease receivables (Note (e)) (Note 16(a))	3,107,315	2,283,633
Notes receivable	1,771,431	1,884,928
Value added tax recoverable	1,256,079	1,039,179
Prepayments	759,965	1,158,328
Entrusted loans (Note (d))	261,612	596,916
Other receivables	1,367,427	1,464,420
	25,110,073	19,615,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. TRADE AND OTHER RECEIVABLES (Continued)

- (a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 0 to 365 days. As at 31 December 2021 and 2020, 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	
	2021	2020
	RMB'000	RMB'000
Within 1 year	6,415,447	3,374,378
Between 1 and 2 years	341,919	845,760
Between 2 and 3 years	457,165	117,223
Between 3 and 4 years	63,382	76,087
Between 4 and 5 years	75,561	5,289
Over 5 years	161,714	164,361
	7,515,188	4,583,098

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2021, a provision of RMB292,940,000 was made against the gross amounts of trade receivables (2020: RMB265,896,000).

- (b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. TRADE AND OTHER RECEIVABLES (Continued)

- (c) The balance represents loans to related parties and third parties in relation to provision of financing services by a subsidiary of the Group. The effective interest rate as at 31 December 2021 is 4.09% (2020: 3.95%).

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Gross loan balance	6,403,157	4,654,687
Less: provision for impairment	(128,627)	(82,010)
	6,274,530	4,572,677
Less: current portion	(5,154,788)	(3,118,804)
Non-current portion	1,119,742	1,453,873

Movements of impairment allowances are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	82,010	59,705
Provision for impairment loss	46,617	22,305
At 31 December	128,627	82,010

- (d) The entrusted loans are mainly provided to related parties through financial institutions, which will be due in 2022. The effective interest rate as at 31 December 2021 is 3.85% (2020: 4.00%).
- (e) Finance income on the net investment in the lease amounted to RMB637,745,000 in 2021 (2020: RMB331,428,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. TRADE AND OTHER RECEIVABLES (Continued)

- (f) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	24,831,180	19,511,111
USD	206,936	5,679
HKD	71,957	98,765
	25,110,073	19,615,555

19. TIME DEPOSITS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Denominated in:		
– RMB	5,044,357	10,070,487
– USD	132,203	553,875
	5,176,560	10,624,362

The initial term of time deposits was over three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RESTRICTED CASH

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deposits for letters of credit and bank notes	326,562	585,257
Security and other deposits	24,305	175,857
Mandatory reserve deposits with the People's Bank of China ("PBOC") (Note (a))	1,273,523	1,323,200
	1,624,390	2,084,314

- (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 is denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	1,620,765	2,083,648
HKD	3,625	–
USD	–	666
	1,624,390	2,084,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Denominated in:		
– RMB	17,035,182	15,546,190
– USD	173,198	210,835
– HKD	23,318	30,145
– JPY	3,187	4,217
– Others	78	10
	17,234,963	15,791,397

As at 31 December 2021 and 2020, 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.

- (a) As at 31 December 2021 and 2020, 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 Services Co., Ltd. are set out as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
AAA	23,456,509	28,264,213
AA+	380,387	183,192
Others and cash on hand	199,017	52,668
	24,035,913	28,500,073
Representing		
– Time deposits	5,176,560	10,624,362
– Restricted cash	1,624,390	2,084,314
– Cash and cash equivalents	17,234,963	15,791,397
	24,035,913	28,500,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE CAPITAL

	RMB ordinary shares of		Foreign ordinary shares listed		Total	
	RMB1 each		outside mainland China of			
	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 2019	7,139,088	7,139,088	3,098,620	3,098,620	10,237,708	10,237,708
Employee share-based awards scheme						
– Proceeds from share issued (Note 23)	111,766	111,766	–	–	111,766	111,766
Conversion of convertible bonds (Note 26 (h))	223	223	–	–	223	223
As at 31 December 2020	7,251,077	7,251,077	3,098,620	3,098,620	10,349,697	10,349,697
As at 31 December 2020	7,251,077	7,251,077	3,098,620	3,098,620	10,349,697	10,349,697
Employee share-based awards scheme						
– Proceeds from share issued (Note 23)	8,130	8,130	–	–	8,130	8,130
Conversion of convertible bonds (Note 26 (h))	12,766	12,766	–	–	12,766	12,766
As at 31 December 2021	7,271,973	7,271,973	3,098,620	3,098,620	10,370,593	10,370,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS

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

On 18 December 2017, according to the resolution of the extraordinary shareholders' meeting, total 403,335,400 A Share Options ("SO-II Phase I") were granted to 2,358 individuals, including directors, senior management and selected key employees (the "SO-II Phase I Recipients"). Each share option represents the right granted to the recipients to acquire one share of the Company at pre-determined exercise price and conditions in the validity period as set out in the Second A Share Options Scheme. The grant date is 18 December 2017 (the "Grant Date II"). The weighted average fair value of SO-II Phase I, as estimated on the Grant Date II, was RMB3.85 per share option. This was calculated using the Black-Scholes share option pricing model.

On 18 May 2018, pursuant to a resolution of the Company's general meeting of shareholders, 4 shares were issued for every 10 shares by way of conversion of share premium by the Company. Upon completion of the conversion, the Company's outstanding share options were increased by 161,334,160 units.

On 17 December 2018, according to the resolution of the extraordinary shareholders' meeting, an addition of total 62,336,900 A Share Options ("SO-II Phase II") was granted to 457 employees (the "SO-II Phase II Recipients") under the Second A Share Options Scheme. Each share option represents the right granted to the SO-II Phase II Recipients 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 17 December 2018 (the "Grant Date III"). The weighted average fair value SO-II Phase II, as estimated on the Grant Date III, was RMB2.11 per share option. This was calculated using the Black-Scholes share option pricing model.

The exercise price of SO-II Phase I & II 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 SO-II Phase I Recipients and SO-II Phase II Recipients will become exercisable once per year in three years starting two years from 18 December 2017 and 17 December 2018, respectively, 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 respective grant date. The Company has no legal or constructive obligation to purchase or settle the granted share options in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS (Continued)

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

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

	2021		2020	
	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	19.37	172,647	19.55	514,545
Forfeited – Batch I of SO-II Phase I (Note (i))	-	-	19.37	(169,258)
Forfeited – Batch II of SO-II Phase I (Note (ii))	-	-	19.37	(172,640)
Forfeited – Batch III of SO-II Phase I (Note (iii))	19.17	(172,647)	-	-
At 31 December	N/A	-	19.37	172,647

(i) On 18 December 2019, the first one third of SO-II Phase I (“Batch I SO-II Phase I”) became exercisable. As at 31 December 2020, no units of Batch I SO-II Phase I were exercised by the SO-II Recipients. Total 169,257,814 units of Batch I SO-II Phase I to 2,092 individuals were forfeited due to no exercise within exercisable period.

(ii) On 4 December 2020, pursuant to a resolution of the Company’s meeting of directors, as certain performance conditions were not achieved, 172,640,244 units of the second one third of SO-II Phase I (“Batch II SO-II Phase I”) were forfeited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS (Continued)

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

- (iii) On 14 December 2021, pursuant to a resolution of the Company's meeting of directors, as certain performance conditions were not achieved, 172,646,852 units of the third one third of SO-II Phase I ("Batch III SO-II Phase I") were forfeited.

Movements in the number of SO-II Phase II outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	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	10.10	44,018	10.28	62,337
Exercised – Batch I of SO-II Phase II (Note (iv))	9.98	(8,130)	10.10	(9,665)
Forfeited – Batch I of SO-II Phase II (Note (v))	9.90	(54)	10.10	(2,930)
Forfeited – Batch II of SO-II Phase II (Note (vi))	9.90	(17,917)	10.10	(2,862)
Forfeited – Batch III of SO-II Phase II (Note (vii))	9.90	(17,917)	10.10	(2,862)
At 31 December	N/A	–	10.10	44,018

- (iv) On 17 December 2020, the first one third of SO-II Phase II ("Batch I SO-II Phase II") became exercisable. As at 31 December 2020, 9,665,087 units of Batch I SO-II Phase II were exercised by the SO-II Recipients. Accordingly, share capital and share premium of the Company increased by RMB9,665,000 and RMB87,953,000, respectively. At the same time, the Company derecognised the accumulative employee share option scheme reserve relating to exercised share options of RMB20,393,000 and transferred this amount to share premium.

During the year ended 31 December 2021, 8,130,265 units of Batch I SO-II Phase II were exercised by the SO-II Recipients. Accordingly, share capital and share premium of the Company increased by RMB8,130,000 and RMB90,186,000, respectively. At the same time, the Company derecognised the accumulative employee share option scheme reserve relating to exercised share options of RMB17,155,000 and transferred this amount to share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS (Continued)

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

- (v) On 4 December 2020, pursuant to a resolution of the Company's meeting of directors, 2,929,963 units of Batch I SO-II Phase II were forfeited due to resignation or retirement of recipients.

On 22 December 2021, pursuant to a resolution of the Company's meeting of directors, 53,498 units of Batch I SO-II Phase II were forfeited due to no exercise of the options within exercisable period.

- (vi) On 4 December 2020, pursuant to a resolution of the Company's meeting of directors, 2,861,823 units of the second one third of SO-II Phase II ("Batch II SO-II Phase II") were forfeited due to resignation or retirement of recipients.

On 14 December 2021, pursuant to a resolution of the Company's meeting of directors, as certain performance conditions were not achieved, 17,916,990 units of Batch II SO-II Phase II were forfeited.

- (vii) On 4 December 2020, pursuant to a resolution of the Company's meeting of directors, 2,861,854 units of the third one third of SO-II Phase II ("Batch III SO-II Phase II") were forfeited due to resignation or retirement of recipients.

On 14 December 2021, pursuant to a resolution of the Company's meeting of directors, as certain performance conditions were not achieved, 17,917,420 units of Batch III SO-II Phase II were forfeited.

(b) Equity-settled share-based payment – the Third A Share Options Scheme and Restricted Share Incentive Scheme

According to the resolution of the extraordinary shareholders' meeting held on 4 December 2020, total 102,101,330 A Share Options ("SO-III") were granted to 2,872 individuals, including directors, senior management and selected key employees (the "SO-III Recipients"). The grant date is 4 December 2020 (the "Grant Date IV").

According to the resolution of the extraordinary shareholders' meeting held on 4 December 2020, total 102,101,330 Restricted Shares ("RS") were granted to 2,872 individuals, including directors, senior management and selected key employees (the "RS Recipients"). The grant date is 4 December 2020 (the "Grant Date IV").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS (Continued)**(b) Equity-settled share-based payment – the Third A Share Options Scheme and Restricted Share Incentive Scheme (Continued)****(i) The Third A Share Options Scheme**

Each share option represents the right granted to the SO-III Recipients to acquire one share of the Company at pre-determined exercise price of RMB9.98 and conditions in the validity period as set out in the Third A Share Options Scheme (“SO-III Scheme”). The weighted average fair value of SO-III, as estimated at the Grant Date IV, was RMB4.98 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 IV	RMB9.98
Expected option life (years)	3.4 years
Share price at Grant Date IV	RMB13.29
Estimated volatility of the share price	27.3308%
Estimated dividend yields	0%
Annual risk-free interest rate during the option life	3.0629%

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

40%, 30% and 30% of the SO-III granted to the SO-III Recipients will become exercisable once per year in three years starting two years from the Grant Date IV, subject to the Group achieving the performance conditions as set out in the SO-III Scheme. The option has a contractual option term of 5 years starting from the grant date. The Company has no legal or constructive obligation to purchase or settle the granted share options in cash. During the year ended 31 December 2021, the exercised price was adjusted from RMB9.98 to RMB9.78.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS (Continued)

(b) Equity-settled share-based payment – the Third A Share Options Scheme and Restricted Share Incentive Scheme (Continued)

(ii) *Restricted Share Incentive Scheme*

All restricted shares granted are subject to a lock-up period of 24 months commencing from the grant date, followed by an unlocking period of 1 to 3 years (three batches in proportion of 40%, 30% and 30% for each 12 months). During the lock-up period, the RS Recipients shall not possess the right of disposal, such that the shares shall not be transferred, used as collateral or used for debt repayment. After the lock-up period, RS Recipients will be entitled to the related shares provided that all of the required performance conditions are met and the RS Recipients are still in employment with the Group.

On 4 December 2020, the Company issued 102,101,330 restricted shares at a price of RMB4.99 per share and received an amount of RMB509,486,000 in cash from participants, which was included in other payables as equity incentive repurchase obligation of the Company. The weighted average fair value of restricted shares, as estimated at the Grant Date IV, was RMB8.30 per share. On 4 December 2020, as a result of the issuance of restricted shares, the Company's share capital (Note 22) and share premium (Note 24) increased by RMB102,101,000 and RMB407,385,000, respectively. Accordingly, the Company's treasury shares (Note 24) increased by RMB509,486,000. In addition, share-based compensation reserve increased by RMB26,483,000 due to the costs and expenses recognised during the vesting period of the current year. During the year ended 31 December 2021, the repurchased price was adjusted from RMB4.99 to RMB4.79.

- (c) Total expenses recognised in profit or loss for SO-III and RS in 2021 were RMB190,675,000 and RMB317,790,000, respectively. No expenses was recognised or reversed in profit or loss for SO-II Phase I and Phase II in 2021.

Total expenses reversed in profit or loss for SO-II Phase I and Phase II in 2020 were RMB237,900,000 and total expenses recognised in profit or loss for SO-III and RS in 2020 were RMB15,889,000 and RMB26,483,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. RESERVES

	Share premium	Treasury stock	Capital reserve	Special reserve	General reserve	FVOCI reserve	Foreign currency translation	Share-based compensation reserve	Convertible bonds reserve	Statutory surplus reserve fund	Total reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	30,785,592	-	(9,015,442)	32,101	341,631	277,584	278	741,339	240,942	4,740,741	28,144,766	41,805,637	69,950,403
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	5,964,055	5,964,055
Appropriation to statutory surplus reserve fund (Note (i))	-	-	-	-	-	-	-	-	-	757,660	757,660	(757,660)	-
Appropriation to general reserve fund (Note (ii))	-	-	-	-	72,167	-	-	-	-	-	72,167	(72,167)	-
Dividend declared by the Company	-	-	-	-	-	-	-	-	-	-	-	(1,842,794)	(1,842,794)
Revaluation	-	-	-	-	-	133,153	-	-	-	-	133,153	-	133,153
Other currency translation differences	-	-	-	-	-	-	(5,128)	-	-	-	(5,128)	-	(5,128)
Employee share-based awards scheme (Note 23)	-	-	-	-	-	-	-	(195,528)	-	-	(195,528)	-	(195,528)
- Value of employee services	-	-	-	-	-	-	-	(195,528)	-	-	(195,528)	-	(195,528)
- Proceeds from shares issued	515,731	(509,486)	-	-	-	-	-	(20,383)	-	-	(14,148)	-	(14,148)
Transactions with non-controlling interests (Note 40)	(4,441)	-	-	-	-	-	-	-	-	-	(4,441)	-	(4,441)
Convertible bonds (Note 26(h))	3,257	-	-	-	-	-	-	-	(300)	-	2,957	-	2,957
- Conversion of convertible bonds	-	-	-	-	-	(22)	357	-	-	-	36,805	-	36,805
Others	-	-	26,974	9,496	-	(22)	-	-	-	-	-	-	-
As at 31 December 2020	31,300,139	(509,486)	(8,988,468)	41,597	413,798	410,715	(4,493)	525,418	240,642	5,498,401	28,928,263	45,097,071	74,025,334

24. RESERVES (Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Share premium		Treasury stock	Capital reserve		Special reserve	General reserve	FVOCI reserve	Investments in joint ventures and associates		Foreign currency translation	Share-based compensation reserve	Convertible bonds reserve	Statutory surplus reserve fund	Remeasurement of post-employment benefit obligations		Total reserves	Retained earnings	Total
	RMB'000	RMB'000		RMB'000	RMB'000				RMB'000	RMB'000					RMB'000	RMB'000			
As at 1 January 2021	31,300,139	(509,486)	(6,988,168)	41,597	413,798	410,715	-	-	(4,493)	525,418	240,642	5,488,401	-	28,928,263	45,997,071	74,025,334			
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,511,030	7,511,030			
Transfer of gains on disposal of financial instruments to retained earnings (Note(i))	-	-	-	-	-	(69,770)	-	-	-	-	-	-	-	(69,770)	69,770	-			
Dividend declared by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,070,613)	(2,070,613)			
Revaluation-gross	-	-	-	-	-	(383,223)	-	-	-	-	-	-	-	(383,223)	-	(383,223)			
Deferred tax	-	-	-	-	-	130,543	-	-	-	-	-	-	-	130,543	-	130,543			
Impairment of debt instruments at FVOCI	-	-	-	-	-	384	-	-	-	-	-	-	-	384	-	384			
Share of other changes in net assets of joint ventures and associates	-	-	4,863	-	-	-	(64,630)	-	-	-	-	-	-	-	-	(59,767)			(59,767)
Other currency translation differences	-	-	-	-	-	-	-	-	(3,296)	-	-	-	-	-	(3,296)	-			(3,296)
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	(4,240)	-	(4,240)	-			(4,240)
Employee share-based awards scheme (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
- Value of employee services	-	-	-	-	-	-	-	-	-	508,465	-	-	-	-	508,465	-			508,465
- Proceeds from shares issued	90,186	-	-	-	-	-	-	-	-	(17,155)	-	-	-	73,031	-	73,031			73,031
Transactions with non-controlling interests (Note 4)	22,746	-	-	-	-	-	-	-	-	-	-	-	-	22,746	-	22,746			22,746
Convertible bonds (Note 28(h))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
- Conversion of convertible bonds	185,692	-	-	-	-	-	-	-	-	-	-	-	(16,776)	-	168,916	-			168,916
Others	-	-	-	3,408	-	-	-	-	-	-	-	-	-	-	3,408	-			3,408
As at 31 December 2021	31,598,763	(509,486)	(6,983,015)	45,005	413,798	118,649	(64,630)	(64,630)	(7,789)	1,016,728	223,866	5,488,401	(4,240)	29,345,460	50,897,258	79,942,718			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. RESERVES (Continued)

- (i) In accordance with the relevant rules and regulations in the PRC, except for Sino-foreign equity joint ventures, 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.
- (ii) Pursuant to Caijin [2012] No. 20 *Measures on General Provision for Financial Institutions*, a subsidiary of the Group that is a financial institution sets up the general reserve fund to cover the potential loss related to risk assets.
- (iii) The Group has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated with FVOCI reserve with equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

25. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables (Note (a))	15,079,090	11,802,325
Customer deposits (Note (c))	4,936,488	7,770,011
Employee benefits payable	2,964,698	2,496,891
Development cost payables	1,630,633	1,249,696
Unearned premium reserve	1,510,620	1,026,241
Payable for mould expenses	1,390,003	1,102,770
Sales rebate	1,258,132	1,912,505
Notes payable (Note (d))	866,553	1,077,554
Other taxes (Note (b))	716,040	675,776
Advertising expense payables	707,381	299,275
Assets sold under agreements to repurchase	528,976	102,092
Construction cost payables	516,006	466,383
Treasury stock payable (Notes 23 and 24)	509,486	509,486
Government grants	326,297	158,636
Deposit payables	316,986	232,876
Other payables	3,379,142	3,619,807
	36,636,531	34,502,324
Less: non-current portion of trade and other payables	(773,048)	(530,786)
Current portion	35,863,483	33,971,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. TRADE AND OTHER PAYABLES (Continued)

- (a) As at 31 December 2021 and 2020, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December 2021 RMB'000	2020 RMB'000
Within 1 year	14,670,857	11,377,420
Between 1 and 2 years	282,607	351,351
Between 2 and 3 years	52,624	32,536
Over 3 years	73,002	41,018
	15,079,090	11,802,325

- (b) Balances of other taxes include value-added tax payables, consumption tax payables and other taxes payables.
- (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 2021 is adjusted to the prevailing savings interest rate published by the PBOC.
- (d) As at 31 December 2021, certain notes payable were secured by the Group's inventories.
- (e) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December 2021 RMB'000	2020 RMB'000
RMB	36,543,423	34,460,213
USD	90,480	3,191
HKD	2,628	38,920
	36,636,531	34,502,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Borrowings from banks and other financial institutions		
– secured (Note (a))	126,019	578,106
– unsecured	2,576,103	2,300,777
	2,702,122	2,878,883
Corporate bonds – guaranteed (Note (i))	2,995,121	2,991,309
Borrowings related to automotive lease-back (Note (m))	853,447	–
Securitization debts (Note (l))	739,746	–
Recourse financing (Note (n))	236,288	–
Convertible bonds (Note (h))	–	2,602,981
Total non-current borrowings	7,526,724	8,473,173
Current		
Borrowings from banks and other financial institutions		
– secured (Note (a))	810,112	1,869,373
– unsecured	4,856,714	3,713,302
	5,666,826	5,582,675
Convertible bonds (Note (h))	2,374,442	–
Securitization debts (Note (l))	898,675	–
Borrowings related to automotive lease-back (Note (m))	432,877	–
Interest payables	256,359	151,709
Recourse financing (Note (n))	159,559	–
Entrusted loans from related parties – unsecured	100,000	70,000
Short-term debentures – unsecured (Note (k))	–	399,980
Debentures-unsecured (Note (j))	–	299,847
Total current borrowings	9,888,738	6,504,211
Total borrowings	17,415,462	14,977,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. BORROWINGS (Continued)

- (a) As at 31 December 2021, the Group's borrowings were secured by the Group's certain property, plant and equipment, restricted cash, inventories, trade receivables and long-term receivables.
- (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 2021 RMB'000	2020 RMB'000
Within 1 year	11,954,738	11,559,762
Between 1 and 5 years	5,460,724	3,417,622
	17,415,462	14,977,384

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

	As at 31 December 2021		As at 31 December 2020	
	Bank borrowings RMB'000	Others RMB'000	Bank borrowings RMB'000	Others RMB'000
Within 1 year	5,666,826	4,221,912	5,582,675	921,536
Between 1 and 2 years	2,021,705	4,129,429	1,941,979	2,602,981
Between 2 and 5 years	677,753	695,173	932,454	2,991,309
Over 5 years	2,664	-	4,450	-
	8,368,948	9,046,514	8,461,558	6,515,826

- (d) The carrying amounts of the Group's borrowings are all denominated in RMB.

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 2021	2020
Borrowings from banks and other financial institutions	3.99%	4.35%
Corporate bonds	5.23%	5.23%
Convertible bonds	2.98%	2.98%
Entrusted loans from related parties	2.25%	2.25%
Borrowings related to automotive lease-back	4.82%	–
Securitization debts	3.43%	–
Recourse financing	4.82%	–
Debentures	–	4.56%
Short-term debentures	–	2.16%

- (f) As at 31 December 2021, the carrying amount of the Group's borrowings was approximate to their fair value.
- (g) The Group has complied with the financial covenants of its borrowing facilities during the years ended 31 December 2021 and 2020.
- (h) 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 2021, the conversion price has been adjusted to RMB13.92 per share (2020: RMB14.23 per share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. BORROWINGS (Continued)

(h) Convertible bonds (Continued)

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

	RMB'000
Liability component at 1 January 2020	2,550,677
Conversion of convertible bonds	(3,180)
Interest expense	93,733
Interest payables	(38,249)
Liability component at 31 December 2020	2,602,981
Liability component at 1 January 2021	2,602,981
Conversion of convertible bonds	(181,682)
Interest expense	89,434
Interest payables	(136,291)
Liability component at 31 December 2021	2,374,442

In 2021, certain convertible bond holders partially converted the convertible bonds in the principal amount of RMB181,682,000 into shares of the Company. The Company allotted and issued a total of 12,765,743 shares to such convertible bond holders at a conversion price of RMB14.23 or RMB13.92 per share. Upon the conversion, the Company derecognised the liability component of RMB181,682,000 and transferred this amount with equity component (convertible bonds reserve) of RMB16,766,000 into share capital and share premium.

- (i) In March 2013, the Company issued ten-year period corporate bonds with par value of RMB3,000,000,000 at the weighted average effective interest rate of 5.23% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in March 2023, and are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG.
- (j) In November 2018, the Company issued debentures with principals of RMB300,000,000 at the weighted average effective interest rate of 4.56%. The related interest is payable on an annual basis. These debentures were fully redeemed at par on 23 November 2021. The net proceeds of these debentures, after deducting the transaction costs, amounted to RMB299,508,000.
- (k) In May 2020, GAC Business issued 270-days period debentures with principals of RMB400,000,000 at the weighted average effective interest rate of 2.16% per annum. These debentures were fully redeemed at par on 19 February 2021. The net proceeds of these short-term debentures, after deducting the transaction costs, amounted to RMB399,910,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. BORROWINGS (Continued)

- (l) The Group has securitized certain finance lease receivables and issued RMB1,000,000,000 asset-backed securities (“ABS”) in 2021. During the year ended 31 December 2021, the Group issued ABS of RMB1,000,000,000, out of which RMB950,000,000 represented senior tranche and RMB50,000,000 represented subordinate tranche, which was fully acquired by the Group. These ABS bore interest from 26 November 2021 at 2.8%-6.5% per annum in 2021.

The Group has securitized certain finance lease receivables and issued RMB1,253,621,000 asset-backed notes (“ABN”) in 2021. During the year ended 31 December 2021, the Group issued ABN of RMB1,253,621,000, out of which RMB1,137,714,000 represented senior tranche and RMB115,900,000 represented subordinate tranche, which was fully acquired by the Group. These ABN bore interest from 16 July 2021 at 3.6%-4.98% per annum in 2021. The Group has already repaid RMB449,300,000 by the end of 31 December 2021.

As the Group retains substantially all the risks and rewards of ownership of the financial lease receivables, the Group continues to recognise the finance lease receivables. The securities are repaid as collections on the underlying collateralized assets occur and the amounts are included in borrowings.

- (m) As at 31 December 2021, a subsidiary of the Group has entered into several automotive lease-back agreements with several financial institutions. Those lease-back borrowings are with recourse to finance lease receivables.
- (n) As at 31 December 2021, a subsidiary of the Group has entered into several factoring agreements. Those factoring borrowings were recourse to the finance lease receivables.

27. PROVISIONS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Warranty provisions (Note (i))	550,196	595,514
Other provisions	9,145	7,065
Total non-current provisions	559,341	602,579
Current		
Warranty provisions (Note (i))	357,862	262,467
Total provisions	917,203	865,046

- (i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. GOVERNMENT GRANTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	2,555,825	2,795,975
Increase in grant	209,418	245,133
Amount recognised in profit or loss (Note 29)	(369,722)	(485,283)
Other decrease in grant (Note(i))	(200,000)	–
End of the year	2,195,521	2,555,825

- (i) The amount represents government grants that should be refunded to the government as the attached performance conditions were not fulfilled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Raw materials and consumables used	50,290,992	42,138,654
Changes in inventories of finished goods, merchandise and work-in-progress	197,027	1,029,736
Depreciation and amortisation (Notes 7, 8, 9 and 10)	5,718,584	5,110,394
Impairment charges of property, plant and equipment (Note 7)	28,279	5,609
Impairment charges of intangible assets (Note 10)	556,182	662,164
Impairment charges of inventories	104,643	47,938
Taxes and levies	1,823,821	1,363,862
Transportation and traveling expenses	1,994,807	1,830,886
Advertising costs	2,386,568	1,867,465
Warranty expenses	658,953	517,614
Amortisation of government grants (Note 28)	(369,722)	(485,283)
Operating lease expenses (Note 8(b))	35,271	16,706
Auditors' remuneration		
– Audit service	12,607	12,436
– Non-audit service	8,030	7,407

For the Year ended 31 December 2021, the Group recognised research and development expenditure of RMB3,424,656,000 (2020: RMB3,074,504,000) as cost of sales and administrative expenses in the profit or loss, including current year expensed research costs of RMB826,783,000 (2020: RMB887,635,000) and amortisation of capitalised development costs of RMB2,597,872,000 (2020: RMB2,186,869,000) (Note 10).

For the information of employee benefit expenses, please refer to Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages and salaries	7,737,818	6,674,332
Defined benefits and other social security costs (Note (a))	1,063,971	744,115
Reversal of share-based compensation expenses for SO-II (Notes 23)	–	(237,900)
Share-based compensation recognised for the Third A Share Options Scheme and Restricted Shares Incentive Scheme (Notes 23)	508,465	42,372
Housing benefits (Note (b))	560,810	521,697
Welfare, medical and other expenses	553,397	536,111
	10,424,461	8,280,727

- (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.

During the year ended 31 December 2020 and 2021, there were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used to offset existing contributions under the defined contribution pension schemes.

The Group operates defined benefit pension plan and post-employment medical plans for certain employees. Expenses are recognised when employees have rendered services entitling them to the contribution.

The amount of defined benefit pension plan and post-employment medical plans represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees as at the end of the reporting period. The Group's obligations were estimated using projected unit credit method by qualified staff (member of China Association of Actuaries and member of society of Actuaries in America) of an external independent actuary Willis Towers Watson Public Limited Company.

During the year ended 31 December 2021, a provision of RMB82,090,000 was recognised related to defined benefit pension plan and post-employment medical plans. For the year ended 31 December 2021, remeasurement losses arising from changes in actuarial assumptions of RMB4,240,000 (2020: Nil) are recognised in other comprehensive income. There were no plan assets related to the defined benefit pension plan and post-employment medical plans of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. EMPLOYEE BENEFIT EXPENSES (Continued)

- (a) The significant actuarial assumptions for the defined benefit pension plan and post-employment medical plans were as follows:

	2021	2020
Discount rate	2.75%	3.25%
Annual increase rate of supplemental medical insurance	2.00%	2.00%
Annual increase rate of physical examination benefits	2.00%	2.00%
Death rate	China life Insurance life expectancy (2010-2013)	China life Insurance life expectancy (2010-2013)

As at 31 December 2021, if the discount rate had been 25 basis points higher/lower respectively, the present value of the established benefit plan obligation would have been RMB2,190,000 lower or RMB2,290,000 higher. The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit liability recognised in the consolidated balance sheet.

- (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 2021 include 2 directors and supervisors (2020: 2 directors and supervisors) whose emoluments are reflected in the analysis presented in Note 43. The emoluments to the remaining 3 (2020: 3) individuals during the year ended 31 December 2021 are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Basic salaries, housing fund and other allowances	2,996	3,327
Employer's contributions to a retirement benefit scheme	653	226
Discretionary Bonuses	4,500	2,521
	8,149	6,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. EMPLOYEE BENEFIT EXPENSES (Continued)

- (c) The number of non-directors/non-supervisors, highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	Year ended 31 December 2021	2020
RMB2,000,001 – 2,500,000	–	3
RMB2,500,001 – 3,000,000	3	–
	3	3

31. OTHER GAINS – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Foreign exchange losses	(33,964)	(14,037)
Gains/(losses) on disposal of property, plant and equipment and intangible assets	29,869	(48,176)
Donations	(5,524)	(29,579)
Gains on disposals of joint ventures and associates	12	7,403
Government grants	683,317	796,041
Net investment income related to investment in financial assets	381,625	319,380
Net fair value (losses)/gains on financial assets at FVPL	(22,307)	292,692
Dilution gains (Note (i))	177,862	–
Others	46,459	55,966
	1,257,349	1,379,690

- (i) During the year ended 31 December 2021, a joint venture issued additional shares to the Group and other investors. Upon the completion of this offering, the Group's shareholding in this joint venture had been diluted from 45% to 25%. The difference of share of net assets by the Group due to such deemed disposal of interests is recognised as gains for approximately RMB93,080,000.

During the year ended 31 December 2021, an associate issued additional shares to the Group and other investors. Upon the completion of this offering, the Group's shareholding in this associate had been diluted from 48.79% to 43.62%. The difference of share of net assets by the Group due to such deemed disposal of interests is recognised as gain for approximately RMB84,782,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. INTEREST INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest income from time deposits	228,778	291,210
Interest income from cash and cash equivalents and restricted cash	58,558	127,551
Interest income from entrusted loans	28,660	13,023
	315,996	431,784

33. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense	476,275	440,559
Interest expense on lease liabilities	66,282	76,154
Interest capitalised in qualifying assets	(117,241)	(77,146)
	425,316	439,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. INCOME TAX CREDIT

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax	419,275	107,405
Deferred tax (Note 13)	(573,392)	(463,395)
	(154,117)	(355,990)

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	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	7,411,580	5,691,961
Notional tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Note(i))	2,203,145	1,512,261
Share of profit of joint ventures and associates	(2,787,473)	(2,383,145)
Fair value losses/(gains) on financial assets at fair value through profit or loss	7,623	(32,757)
Expenses not deductible for corporate income tax	65,048	66,061
Utilisation of previously unrecognised tax losses	(222,621)	(21,899)
Unused tax losses and deductible temporary differences for which no deferred tax asset was recognised	521,123	585,871
Super deduction of research and development expenses	(71,406)	(82,382)
The impact of change in tax rate applicable to a major subsidiary	173,998	–
Dilution gains not subject to taxation	(43,554)	–
Income tax credit	(154,117)	(355,990)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. INCOME TAX CREDIT (Continued)

- (i) The tax rates applicable to the Company and its major subsidiaries for the year ended 31 December 2021 are 15% or 25% (2020: 15% or 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year ended 31 December 2021.

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.

35. OTHER COMPREHENSIVE INCOME, NET OF TAX

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Change in fair value of FVOCI	(231,227)	133,153
Impairment loss on debt instruments at FVOCI	718	–
Exchange difference on translation of foreign operations	(3,296)	(5,128)
Share of other comprehensive (loss)/income of joint ventures and associates accounted for using the equity method	(64,630)	335
Remeasurement of post-employment benefit obligations	(4,240)	–
	(302,675)	128,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 less restricted shares during the year.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit attributable to owners of the Company	7,511,030	5,964,055
Weighted average number of ordinary shares in issue less restricted shares (thousands)	10,252,339	10,238,230
Basic earnings per share (RMB per share)	0.73	0.58

(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 different categories of dilutive potential ordinary shares: convertible bonds, share option and restricted shares (collectively, "Share-based Awards").

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-based Awards, 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 2021) based on the monetary value of the subscription rights attached to outstanding share options and the restricted shares. The number of shares calculated as above is compared with the number of shares that would have been outstanding assuming the exercise of the share options and the vesting of the restricted shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit attributable to owners of the Company	7,511,030	5,964,055
Add: Interest expense on convertible bonds	96,666	93,733
Profit used to determine diluted earnings per share	7,607,696	6,057,788
Weighted average number of ordinary shares in issue less restricted shares (thousands)	10,252,339	10,238,230
Add: weighted average number of ordinary shares assuming conversion of all Share-based Awards (thousands)	21,582	2,084
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	182,196	179,238
Weighted average number of ordinary shares for diluted earnings per share (thousands)	10,456,117	10,419,552
Diluted earnings per share (RMB per share)	0.73	0.58

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interim dividend paid of RMB0.05 (2020: RMB0.03) per ordinary share	517,817	307,138
Proposed final dividend of RMB0.17 (2020: RMB0.15) per ordinary share	1,778,873	1,552,796
	2,296,690	1,859,934

Dividends paid in 2021 and 2020 were RMB2,070,613,000 and RMB1,842,794,000, respectively. A final dividend in respect of the year ended 31 December 2021 of RMB0.17 per ordinary share, amounting to a total dividend of approximately RMB1,778,873,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. CASH FLOWS INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit for the year	7,565,697	6,047,951
Adjustments for:		
– Income tax credit (Note 34)	(154,117)	(355,990)
– Depreciation (Notes 7, 8 and 9)	2,878,452	2,743,793
– Amortisation (Notes 10)	2,840,132	2,366,601
– Amortisation of government grants related to assets (Note 28)	(369,722)	(485,283)
– Impairment provision	833,140	770,821
– (Gains)/losses on disposal of property, plant and equipment and intangible assets (Note 31)	(29,869)	48,176
– Interest income (Note 32)	(315,996)	(431,784)
– Finance costs (Note 33)	425,316	439,567
– Gains on disposals of joint ventures and associates (Note 31)	(12)	(7,403)
– Foreign exchange losses on cash and cash equivalents	76,341	26,558
– Share of profit of joint ventures and associates (Note 11)	(11,403,899)	(9,570,978)
– Net investment income relating to financial assets (Note 31)	(381,625)	(319,380)
– Fair value losses/(gains) on financial assets at fair value through profit or loss (Note 31)	22,307	(292,692)
– Share-based payment (Note 23)	508,465	(195,528)
– Dilution gains (Note 31)	(177,862)	–
Changes in working capital (excluding the effects of exchange differences on consolidation):		
– Inventories	(1,567,758)	255,076
– Trade and other receivables	(8,743,908)	(3,054,820)
– Restricted cash	458,239	(406,297)
– Trade and other payables	886,853	(250,174)
– Contract liabilities	1,134,043	(35,898)
– Provisions	52,157	(149,730)
– Financial assets at fair value through profit or loss	44,799	(27,010)
– Financial assets at fair value through other comprehensive income	(398,374)	(303,741)
Cash used in operations	(5,817,201)	(3,188,165)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. CASH FLOWS INFORMATION (Continued)

(b) Non-cash transaction

Non-cash transaction of acquisition and disposal of right-of-use assets is disclosed in Note 8.

(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	Trade and other payables- assets sold under agreements to repurchase RMB'000	Trade and other payables- other payables RMB'000	Leases liabilities RMB'000	
As at 1 January 2021	(6,504,211)	(8,473,173)	(102,092)	(129,018)	(1,512,541)	(16,721,035)
Financing cash flows	3,886,395	(6,460,869)	(426,884)	(7,094)	210,068	(2,798,384)
Reclassification	(7,338,086)	7,338,086	-	-	-	-
Other changes:						
- Interest charge	(363,825)	(112,450)	-	-	(66,282)	(542,557)
- Interest payments (presented as operating cash flows)	637,567	-	-	-	66,282	703,849
- Conversion of convertible bonds	-	181,682	-	-	-	181,682
- Acquisition of right-of-use assets	-	-	-	-	(358,379)	(358,379)
- Disposals of right-of-use assets	-	-	-	-	197,125	197,125
- Others	(206,578)	-	-	-	-	(206,578)
As at 31 December 2021	(9,888,738)	(7,526,724)	(528,976)	(136,112)	(1,463,727)	(19,544,277)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. CASH FLOWS INFORMATION (Continued)

(c) Reconciliation of liabilities (Continued)

	Borrowings		Liabilities from financing activities		Leases liabilities	Total
	due within 1 year	Borrowings due after 1 year	Trade and other payables- assets sold under agreements to repurchase	Trade and other payables- other payables		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	(6,168,929)	(7,691,622)	(252,235)	(104,759)	(1,408,643)	(15,626,188)
Financing cash flows	2,627,205	(3,125,209)	150,143	(24,259)	238,952	(133,168)
Reclassification	(2,400,089)	2,400,089	-	-	-	-
Other changes:						
- Interest charge	(380,948)	(59,611)	-	-	(76,154)	(516,713)
- Interest payments (presented as operating cash flows)	559,687	-	-	-	76,154	635,841
- Conversion of convertible bonds	-	3,180	-	-	-	3,180
- Acquisition of right-of-use assets	-	-	-	-	(343,047)	(343,047)
- Disposals of right-of-use assets	-	-	-	-	197	197
- Others	(741,137)	-	-	-	-	(741,137)
As at 31 December 2020	(6,504,211)	(8,473,173)	(102,092)	(129,018)	(1,512,541)	(16,721,035)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. COMMITMENTS

(a) Capital commitments

The capital commitments as at the end of the reporting period are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	1,969,734	1,872,340
– Authorised but not contracted for	637,213	660,650
	2,606,947	2,532,990
Intangible assets		
– Contracted but not provided for	32,355	10,313
– Authorised but not contracted for	2,384,669	2,219,433
	2,417,024	2,229,746
Investments		
– Authorised but not provided for (Notes (i) and (ii))	446,338	1,107,075
	5,470,309	5,869,811

(i) In 2019, the Board of Directors of the Company approved an additional capital contribution to GAC Toyota with an amount of USD37,855,000 (equivalent to RMB260,890,000) and USD20,330,000 (equivalent to RMB140,110,000), respectively, according to the proportion of shares. Up to 31 December 2021, none of the amount has been paid.

(ii) In 2021, the Board of Directors of the Company approved an additional capital contribution of RMB482,000,000 to HYCAN Automotive Technology Co., Ltd., according to the proportion of shares. Up to 31 December 2021, amount of approximately RMB45,338,000 has not been paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. COMMITMENTS (Continued)**(b) Non-cancellable operating leases**

The investment properties and certain property, plant and equipment are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements of investment properties, refer to Note 9.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Minimum lease payments receivable on leases of investment properties and certain property, plant and equipment are as follows:		
Within 1 year	141,207	267,907
Between 1 and 2 years	92,184	224,473
Between 2 and 3 years	60,904	196,717
Between 3 and 4 years	50,634	178,594
Between 4 and 5 years	49,770	3,684
Later than 5 years	392,811	1,365
	787,510	872,740

The Group leases various properties, vehicles, offices and other equipment under non-cancellable operating leases expiring within 6 months to 20 years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 6 and Note 8 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. COMMITMENTS (Continued)

(b) Non-cancellable operating leases (Continued)

As at 31 December 2021, the Group's future aggregate minimum lease payments of leases not yet commenced to which the Group is committed are listed as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	2,659	1,143
Between 1 and 5 years	4,530	5,174
Over 5 years	–	463
	7,189	6,780

40. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the year ended 31 December 2021, the Group acquired additional equity interests of a non-wholly owned subsidiary, Dasheng Technology Co., Ltd. ("Dasheng"), from a third party investor at a consideration of RMB50,968,000. Immediately after the equity acquisition, the Group's equity interests in Dasheng increased from 60% to 74.3%. Taking into account the effect of the transaction, the Group recognised an increase of RMB22,746,000 in share premium and a decrease of RMB73,714,000 in non-controlling interests.

During the year ended 31 December 2020, the Group acquired additional equity interests of a non-wholly owned subsidiary, Chengdu Changyuan Automotive Selling Corporation ("Chengdu Changyuan"), from a third party investor at a consideration of RMB19,575,000. Immediately after the equity acquisition, the Group's equity interests in Chengdu Changyuan increased from 55% to 100%. Taking into account the effect of the transaction, the Group recognised a decrease of RMB4,441,000 in share premium and a decrease of RMB15,134,000 in non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. 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 ended 31 December 2021.

The balances of trade and other receivables, prepayments, trade and other payables, contract liabilities and lease liabilities rose in the ordinary and usual course of business and were unsecured, interest free and receivable/repayable according to the mutual agreed credit terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Sales of goods		
Sales of automotive parts and steels		
– Joint ventures	3,632,060	2,867,907
– Associates	129,802	118,338
– Subsidiaries of GAIG	–	303
	3,761,862	2,986,548
Sales of passenger vehicles		
– Joint ventures	153,961	283,318
– Associates	584,407	11,594
	738,368	294,912
Sales of production facility		
– Joint ventures	37,042	–
	4,537,272	3,281,460
Loan interest from related parties		
– Joint ventures	181,139	158,935
– Associates	1,201	1,684
	182,340	160,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rendering of labour and insurance services		
– Joint ventures	1,018,623	1,022,758
– Associates	763,807	670,638
– GAIG	–	90
– Subsidiaries of GAIG	468	365
	1,782,898	1,693,851
Income of trustee management of equity assets		
– GAIG (Note (i))	21,382	23,809
Purchases of goods		
Purchases of automotive parts and materials		
– Joint ventures	1,225,921	754,712
– Associates	3,295,358	974,269
	4,521,279	1,728,981
Purchases of passenger vehicles		
– Joint ventures	8,203,562	10,538,066
– Associates	2,286	3,605
	8,205,848	10,541,671
	12,727,127	12,270,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest on customer deposits		
– Joint ventures	71,700	106,481
– Associates	16,275	16,226
	87,975	122,707
Purchases of labour services and settlement of insurance claims		
– Joint ventures	134,874	43,572
– Associates	24,026	41,628
– Subsidiaries of GAIG	30,977	47,359
	189,877	132,559
Provision of entrusted loans to related parties		
– Joint ventures	490,000	1,008,294
– Associates	24,500	7,350
	514,500	1,015,644
Rental from related parties		
– Joint ventures	153,992	257,509
– Associates	15,323	807
– Subsidiaries of GAIG	10,754	12,095
	180,069	270,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Interest charges for lease liabilities to related parties		
– Joint ventures	958	614
– Associates	12	–
– GAIG	615	843
– Subsidiaries of GAIG	–	510
	1,585	1,967
Rental of right-of-use assets to related parties		
– Joint ventures	21,409	21,276
– Associates	336	–
– GAIG	21,033	31,786
– Subsidiaries of GAIG	2,779	13,738
	45,557	66,800
Repayment of entrusted loans from related parties		
– Joint ventures	739,634	500,000
– An associate	8,294	–
	747,928	500,000
Entrusted loan interest from related parties		
– Joint ventures	33,584	12,339
– An associate	24	–
	33,608	12,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Entrusted loans from a related party		
– A joint venture	100,000	70,000
Repayment of entrusted loans to a related party		
– A joint venture	70,000	–
– An associate	–	70,000
	70,000	70,000
Entrusted loan interest to a related party		
– A joint venture	1,466	1,457
Borrowings from a related party		
– A joint venture	2,132,726	2,128,363
Repayment of borrowings to a related party		
– A joint venture	2,190,519	2,090,901
Borrowing interest to a related party		
– A joint venture	26,249	9,654
Loans to related parties		
– Joint ventures	3,839,325	4,637,462
– Associates	928	38,500
	3,840,253	4,675,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Repayment of loans from related parties		
– Joint ventures	3,791,664	3,408,225
– Associates	30,858	26,631
	3,822,522	3,434,856
Guarantee fees to a related party		
– GAIG	3,000	3,000
Sales of intangible assets		
– Joint ventures	68,979	189,389
– Associates	22,892	–
	91,871	189,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
– Joint ventures	994,919	937,224
– Associates	368,601	138,993
– GAIG	94	–
– Subsidiaries of GAIG	4	–
	1,363,618	1,076,217
Interest receivable		
– Joint ventures	5,123	21,456
– Associates	30	43
	5,153	21,499
Other receivables and prepayments		
– Joint ventures	398,204	569,688
– Associates	5,044	2,919
– GAIG	19,968	26,824
– Subsidiaries of GAIG	842	1,300
	424,058	600,731
Dividend receivable		
– Joint ventures	4,209,208	3,752,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties (Continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Notes receivable		
– Joint ventures	55,540	50,080
Entrusted loans due from (Note (ii))		
– Joint ventures	240,277	582,599
– An associate	5,673	–
	245,950	582,599
Loans to related parties – current (Note (iii))		
– Joint ventures	1,520,079	2,931,961
– Associates	6,262	30,930
	1,526,341	2,962,891
Loans to related parties – non-current (Note (iii))		
– Joint ventures	1,119,742	831,617
– Associates	–	5,264
	1,119,742	836,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties (Continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Long-term receivables		
– Joint ventures	155,494	–
– Associates	–	72,115
	155,494	72,115
Trade payables		
– Joint ventures	525,832	139,216
– Associates	1,576,741	395,264
– Subsidiaries of GAIG	–	8
	2,102,573	534,488
Other payables		
– Joint ventures	152,230	28,021
– Associates	214,506	11,786
– GAIG	505,199	504,731
– Subsidiaries of GAIG	3,770	3,444
	875,705	547,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties (Continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities		
– Joint ventures	260,262	45,817
– Associates	13,275	12,788
– Subsidiaries of GAIG	3	–
	273,540	58,605
Notes payable		
– Joint ventures	419,529	880,231
Customer deposits		
– Joint ventures	4,001,104	6,149,280
– Associates	739,711	1,466,974
	4,740,815	7,616,254
Short-term borrowings (Note (iv))		
– A joint venture	281,432	342,698
Long-term borrowings (Note (iv))		
– A joint venture	–	974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties (Continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Entrusted loans due to (Note (v))		
– A joint venture	100,000	70,000
Interest payable		
– Joint ventures	11,152	7,353
– Associates	10,677	6,146
	21,829	13,499
Lease liabilities		
– Joint ventures	17,327	11,169
– Associates	100	15
– GAIG	12,657	15,652
– Subsidiaries of GAIG	8,458	10,265
	38,542	37,101

- (i) On 5 January 2021, 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) The balances of entrusted loans due from related parties were with interest rate ranging from 3.85% to 4.35%, unsecured and receivable in accordance with normal commercial terms.
- (iii) The balances of loans relating to financing services to related parties were with interest rate ranging from 3.58% to 5.63% and receivable in accordance with normal commercial terms. Majority of loans to related parties were unsecured and certain loans to related parties were secured by certain inventories.

As at 31 December 2021, the Group recorded provision of RMB81,269,000 for joint ventures and RMB137,000 for associates for impairment of loans relating to financing services to related parties (2020: RMB64,164,000 and RMB535,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties (Continued)

- (iv) Borrowings from a joint venture, which is a financial institution, are interest bearing and repayable in accordance with normal commercial terms. As at 31 December 2021, borrowings from a joint venture were secured by the Group's inventories with carrying value of approximately RMB175,583,000 (2020: RMB219,059,000).
- (v) The balances of entrusted loans due to a joint venture were with interest rate of 2.25%, unsecured and repayable in accordance with normal commercial terms.

(c) Commitments for related parties

As at 31 December 2021, the bill acceptance provided by the Group to related parties amounted to approximately RMB154,638,000 (2020: RMB50,603,000).

(d) Key management compensation

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries and other short-term employee benefits	32,511	23,668

In addition, net expense recognised in the consolidated statement of comprehensive income for share options and restricted shares granted to the key management for the year ended 31 December 2021 is RMB11,155,000.

Net expense reversed in the consolidated statement of comprehensive income for share options and restricted shares granted to the key management for the year ended 31 December 2020 was RMB3,876,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(e) 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 ended 31 December 2021, 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.

(i) Balances with state-owned financial institutions

As at 31 December 2021 and 2020, 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 2021 and 2020, information of borrowings guaranteed by GAIG is presented in Note 26(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (Continued)

(f) Guarantees to an associate

As at 31 December 2021, the Group provided financial guarantees of approximately RMB16,600,000 (2020: Nil) to an associate.

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

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD

In January 2022, a wholly-owned subsidiary of the Company, completed the launch of ABN amounting to RMB1,414,000,000 by issuing senior debt securities to investors.

On 20 December 2021, the Group entered into an agreement with HYCAN Automotive Technology Co., Ltd. to dispose of 49% equity interest in a wholly-owned subsidiary, GAC Motor Hangzhou, for a cash consideration of approximately RMB1,238,808,000. The transaction was subsequently completed in January 2022.

On 17 March 2022, the Board of Directors of the Company approved GAC AION, the Company's wholly-owned subsidiary, to implement an employee equity incentive scheme targeting certain key employees and R&D personnel of GAC Research and Development Centre and introduce certain strategic investors. Upon completion of the additional capital issuance, GAC AION received an amount of cash consideration of RMB2.57 billion and its registered capital increased from RMB6 billion to approximately RMB6.42 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,281,456	3,203,419
Right-of-use assets	426,019	442,941
Investment properties	617,854	466,216
Intangible assets	5,040,568	6,877,153
Investments in subsidiaries	39,629,338	31,013,643
Investments in joint ventures and associates	27,979,421	24,976,451
Financial assets at fair value through profit or loss	1,075,173	997,006
Prepayments and long-term receivables	290,346	262,457
	78,340,175	68,239,286
Current assets		
Inventories	31,092	29,420
Trade and other receivables	6,478,613	5,677,014
Time deposits	3,945,557	765,000
Cash and cash equivalents	7,010,437	10,713,994
	17,465,699	17,185,428
Total assets	95,805,874	85,424,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

Balance sheet of the Company (Continued)

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		2,995,121	5,594,290
Lease liabilities		1,038	2,873
Government grants		269,814	484,674
		3,265,973	6,081,837
Current liabilities			
Trade and other payables		6,526,604	6,303,645
Contract liabilities		17,696	28,889
Borrowings		2,628,607	156,111
Lease liabilities		2,133	1,823
		9,175,040	6,490,468
Total liabilities		12,441,013	12,572,305
Net assets		83,364,861	72,852,409
EQUITY			
Share capital		10,370,593	10,349,697
Reserves	(a)	37,661,843	36,939,144
Retained earnings	(a)	35,332,425	25,563,568
Total equity		83,364,861	72,852,409

The balance sheet of the Company was approved by the Board of Directors on 30 March 2022 and was signed on its behalf:

Zeng Qinghong
Director

Feng Xingya
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Treasury stock RMB'000	Capital reserve RMB'000	FVOCI reserve RMB'000	Statutory surplus reserve fund RMB'000	Share-based compensation reserve RMB'000	Convertible bonds reserve RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2020	30,646,952	-	18,262	(10)	4,740,741	741,339	240,942	36,388,226	20,587,427	56,975,653
Profit for the year	-	-	-	-	-	-	-	-	7,576,595	7,576,595
Appropriation to statutory surplus reserve fund	-	-	-	-	757,660	-	-	757,660	(757,660)	-
Dividend declared by the Company	-	-	-	-	-	-	-	-	(1,842,794)	(1,842,794)
Employee share-based awards scheme (Note 23)										
- Value of employee services	-	-	-	-	-	(195,528)	-	(195,528)	-	(195,528)
- Proceeds from shares issued	515,731	(509,486)	-	-	-	(20,393)	-	(14,148)	-	(14,148)
Convertible bonds (Note 26(h))										
- Conversion of convertible bonds	3,257	-	-	-	-	-	(300)	2,957	-	2,957
Others	-	-	-	(23)	-	-	-	(23)	-	(23)
As at 31 December 2020	31,165,940	(509,486)	18,262	(33)	5,498,401	525,418	240,642	36,939,144	25,563,568	62,502,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movements of the Company (Continued)

	Investments										Total	
	Share premium	Treasury stock	Capital reserve	FVOCI reserve	Investments in joint ventures and associates reserve	Statutory surplus reserve fund	Share-based compensation reserve	Convertible bonds reserve	Remeasurement of post-employment benefit obligations	Total reserves		Retained earnings
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	31,165,940	(509,486)	18,282	(33)	-	5,498,401	525,418	240,842	-	36,939,144	25,563,568	62,502,712
Profit for the year	-	-	-	-	-	-	-	-	-	-	11,839,470	11,839,470
Dividend declared by the Company	-	-	-	-	-	-	-	-	-	-	(2,070,613)	(2,070,613)
Share of other changes in net assets of joint ventures and associates	-	-	-	-	(24,953)	-	-	-	-	(24,953)	-	(24,953)
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	(2,760)	(2,760)	-	(2,760)
Employee share-based awards scheme (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-
- Value of employee services	-	-	-	-	-	-	508,465	-	-	508,465	-	508,465
- Proceeds from shares issued	90,186	-	-	-	-	-	(17,155)	-	-	73,031	-	73,031
Convertible bonds (Note 26(h))	-	-	-	-	-	-	-	-	-	-	-	-
- Conversion of convertible bonds	165,692	-	-	-	-	-	-	(16,776)	-	168,916	-	168,916
As at 31 December 2021	31,441,818	(509,486)	18,282	(33)	(24,953)	5,498,401	1,016,728	223,866	(2,760)	37,661,843	35,332,425	72,994,268

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 2021 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	-	623	122	449	-	1,194
Feng Xingya	-	1,054	241	1,871	-	3,166
Zhao Fuquan	-	150	-	-	-	150
Xiao Shengfang	-	150	-	-	-	150
Wong Hakkun	-	150	-	-	-	150
Song Tiebo	-	150	-	-	-	150
Chen Xiaomu	-	616	129	404	-	1,149
Chen Maoshan	-	998	219	1,500	-	2,717
Ding Hongxiang	-	-	-	-	-	-
Guan Dayuan(Note(ii))	-	-	-	-	-	-
Liu Zhijun(Note(ii))	-	-	-	-	-	-
Chen Jun(Note(iii))	-	-	-	-	-	-
Han Ying(Note(iii))	-	-	-	-	-	-
Name of supervisor						
Chen Tian	-	-	-	-	-	-
Cao Xiandong(Note(ii))	-	-	-	-	-	-
Huang Cheng(Note(ii))	-	-	-	-	-	-
Shi Lei	-	621	119	163	-	903
Wang Lu	-	578	117	145	-	840
Huang Zhuo	-	501	105	130	-	736
Long Yong(Note(iii))	-	-	-	-	-	-
Wang Junyang(Note(iii))	-	-	-	-	-	-
Jiang Xiuyun(Note(iii))	-	-	-	-	-	-

The above emoluments do not include the fair value of share options granted under SO-II Phase I in 2017, SO-II Phase II in 2018 and SO-III and RS in 2020.

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 2020 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	-	684	75	290	-	1,049
Feng Xingya	-	1,155	75	1,163	-	2,393
Zhao Fuquan	-	88	-	-	-	88
Xiao Shengfang	-	88	-	-	-	88
Wong Hakkun	-	88	-	-	-	88
Song Tiebo	-	88	-	-	-	88
Fu Yuwu	-	63	-	-	-	63
Lan Hailin	-	63	-	-	-	63
Leung Lincheong	-	63	-	-	-	63
Wang Susheng	-	63	-	-	-	63
Chen Xiaomu	-	606	63	217	-	886
Chen Maoshan	-	1,081	75	847	-	2,003
Chen Jun	-	-	-	-	-	-
Ding Hongxiang	-	-	-	-	-	-
Han Ying	-	-	-	-	-	-
Yan Zhuangji	-	-	-	-	-	-
Name of supervisor						
Ji Li	-	-	-	-	-	-
Chen Tian	-	-	-	-	-	-
Long Yong	-	-	-	-	-	-
Wang Junyang	-	-	-	-	-	-
Jiang Xiuyun	-	715	75	195	-	985
He Jinpei	-	518	56	153	-	727
Shi Lei	-	220	26	60	-	306
Wang Lu	-	563	75	133	-	771

The above emoluments do not include the fair value of share options granted under SO-II Phase I in 2017, SO-II Phase II in 2018 and SO-III and RS in 2020.

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 2021 and 2020 is set out as below:

Name	Year ended 31 December		Net expense recognised for the share options and restricted shares granted RMB'000	2020		Net expense reversed for the share options and restricted shares granted RMB'000
	2021	2020		Number of share options	Number of restricted shares	
	Number of share options	Number of restricted shares				
Name of director						
Zeng Qinghong	-	-	-	373,336	-	(547)
Feng Xingya	290,000	290,000	1,444	644,668	290,000	(400)
Chen Xiaomu	-	-	-	261,336	-	(383)
Chen Maoshan	245,000	245,000	1,220	581,000	245,000	(390)

- (i) The amount represented emoluments throughout their terms of directors or supervisors in 2021 and 2020.
- (ii) In October 2021, Mr. Guan Dayuan and Mr. Liu Zhijun were appointed as directors. Mr. Cao Xiandong and Mr. Huang Cheng were appointed as supervisors.
- (iii) In February 2021, Ms. Jiang Xiuyun resigned from supervisor. In October 2021, Mr. Chen Jun and Mr. Han Ying resigned from directors. Mr. Long Yong and Mr. Wang Junyang resigned from supervisors.
- (iv) In 2021 and 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits for the year ended 31 December 2021 (2020: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2021 (2020: Nil).

(d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2021, the Group did not pay consideration to any third parties for making available directors' services (2020: 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 2021, there are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors (2020: 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 (2020: Nil).

DIFFERENCE IN ACCOUNTING DATA UNDER DIFFERENT ACCOUNTING STANDARDS

The differences between the net profits and net assets attributable to the shareholders of the listed company in the financial report disclosed in accordance with overseas Accounting Standards and PRC Accounting Standards

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	733,492	596,583	9,025,929	8,432,101
Adjusted items and amounts under overseas financial reporting standards:				
(1) Amortisation of equity investment difference	0	0	4,501	4,501
(2) Difference in accounting treatment for the reversal of provision for 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	-175	-177	0	0
(4) Dilution impact on investments accounted for using the equity method	17,786	0	0	0
In accordance with overseas financial reporting standards	751,103	596,406	9,031,331	8,437,503

Financial statements of the Group for the year 2021 prepared in accordance with the Hong Kong Financial Reporting Standards have been audited by PricewaterhouseCoopers.

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				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	75,675,765	63,156,985	59,704,322	72,379,779	71,574,939
Cost of sales	(71,776,845)	(60,860,992)	(57,181,363)	(60,835,699)	(58,716,478)
Gross profit	3,898,920	2,295,993	2,522,959	11,544,080	12,858,461
Selling and distribution costs	(4,339,756)	(3,641,480)	(4,553,402)	(5,073,033)	(5,250,070)
Administrative expenses	(4,556,045)	(3,850,327)	(3,589,516)	(4,519,380)	(4,021,804)
Net impairment losses on financial assets	(143,468)	(55,110)	(53,831)	(7,257)	–
Interest income	257,438	304,233	290,694	453,389	342,643
Other gains – net	1,257,349	1,379,690	2,620,340	1,067,991	562,459
Operating (loss)/profit	(3,625,562)	(3,567,001)	(2,762,756)	3,465,790	4,491,689
Interest income	58,558	127,551	171,565	103,021	52,676
Finance costs	(425,316)	(439,567)	(516,481)	(458,858)	(646,477)
Share of profit of joint ventures and associates	11,403,900	9,570,978	9,399,343	8,753,300	8,296,387
Profit before income tax	7,411,580	5,691,961	6,291,671	11,863,253	12,194,275
Income tax credit/(expense)	154,117	355,990	417,186	(920,808)	(1,154,259)
Profit for the year	7,565,697	6,047,951	6,708,857	10,942,445	11,040,016
Profit is attributable to:					
Owners of the Company	7,511,030	5,964,055	6,616,265	10,899,603	11,004,671
Non-controlling interests	54,667	83,896	92,592	42,842	35,345
	7,565,697	6,047,951	6,708,857	10,942,445	11,040,016

	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Assets, liabilities and non-controlling interests					
Total assets	154,250,589	142,860,688	137,463,551	132,173,759	119,656,441
Total liabilities	61,601,804	56,147,060	54,955,305	54,199,052	49,188,448
Non-controlling interests	2,335,474	2,338,597	2,320,135	1,370,853	1,043,725

AWARDS AND HONOURS

Subject	Honours won by the Group and its major investees	Organiser/theme
The Company	<p>Model Enterprise in Management Benchmark Establishment of State-owned Assets Supervision and Administration Commission of the State Council</p> <p>2021 Top 10 Cases of Social Value Bluebook (Ecological Civilization Protection) for State-owned Enterprises in Guangdong-Hong Kong-Macao Greater Bay Area</p> <p>"Excellent Enterprise of Sustainable Brand Dissemination" in the selection of 2021 Global Outstanding Enterprise of Sustainable Competitiveness</p> <p>Gold Cup in the "Guangdong Kapok Cup for Poverty Relief"</p>	<p>State-owned Assets Supervision and Administration Commission of the State Council/ Management Benchmark Establishment</p> <p>Science and Technology Innovation and Social Responsibility Bureau of State-owned Assets Supervision and Administration Commission of the State Council, Guangdong Provincial State-owned Assets Supervision and Administration Commission</p> <p>Chinese Institute of Business Administration, Social Responsibility and Sustainable Development Commission</p> <p>Guangdong Provincial Leading Group for Rural Work under Communist Party of China</p>
GAEI	<p>GAC AION AION LX and GAC concept vehicle ENO.146 won the iF Design Award 2021 of Germany</p> <p>GAC AION AION Y won the 2021 CMF Design Award</p> <p>The title of "Chinese Heart" 2021 Ten Best Engines</p>	<p>Hannover Industrial Design Forum</p> <p>International CMF Design Award Organisation Committee</p> <p>Autosports</p>
GAMC	<p>Intelligent Manufacturing Ecological Partner of Guangdong Province</p> <p>Energy-Saving Vehicle Application Engineering Technology Research Center of Guangdong Province</p> <p>No. 2 among domestic brands for 2021 Automobile After-sales Customer Satisfaction Research (CAACS)</p> <p>Second place among self-owned brands in J.D. Power 2021 China Automobile Customer Service Index (CSI) Study</p> <p>Third-class prize of 2021 Chinese Automotive Industry Science and Technology Advancement Award</p>	<p>Department of Industry and Information Technology of Guangdong Province</p> <p>Department of Science and Technology of Guangdong Province</p> <p>Chinese Association of Automobile Manufacturers</p> <p>J.D.POWER</p> <p>China Society of Automotive Engineers</p>
GAC AION	<p>2021 Annual Potential Automobile Enterprise</p> <p>Technology Innovation Award for Charging Facilities Industry</p> <p>Enterprise with Most Investment Value in 2021</p> <p>2020 Progressive Smart Car Enterprise</p> <p>Annual Innovative Brand</p> <p>Annual Intelligent Factory</p> <p>"Gold Engine" 2021 China's Best New Energy Vehicles Company</p>	<p>36Kr</p> <p>Guangdong Charging Facilities Association</p> <p>National Business Daily</p> <p>Chinese Association of Automobile Manufacturers</p> <p>Guangzhou Daily, China New Mainstream Media Automotive Union</p> <p>Sohu Auto, Sohu Technology</p> <p>21st Century Business Herald</p>
GAC Honda	<p>Guangdong Environmental Education Base- Zengcheng factory</p> <p>Bronze Cup of the 2020 Guangdong Kapok Cup for Poverty Relief</p> <p>Title of "Outstanding Enterprise in Pollution and Carbon Reduction" and A-level Enterprise for VOCs Hierarchical Control of Guangdong Province</p> <p>No. 1 in Sales Satisfaction Index (SSI) Study, No. 1 among mass market brands in Customer Service Index (CSI) Study, No. 1 among mass market brands in the Initial Quality Study (IQS) and No. 1 among mass market brands in Dealer Satisfaction Survey (DAS)</p> <p>5A Enterprise in the Green Development Index (GDI) of Automotive Industry in 2021</p> <p>2021 Model Smart Enterprise of Chinese Automobile Industry</p> <p>National Exemplary Enterprise for Safety Culture Construction</p>	<p>Department of Ecology and Environment of Guangdong Province</p> <p>Guangdong Provincial Leading Group for Rural Work under Communist Party of China</p> <p>Department of Ecology and Environment of Guangdong Province</p> <p>J.D. Power</p> <p>Energy-saving and Green-development Assessment Centre for Automotive Industry</p> <p>China Association of Plant Engineering, Automotive Intelligent Manufacturing Technology Center</p> <p>China Association of Work Safety</p>

AWARDS AND HONOURS

Subject	Honours won by the Group and its major investees	Organiser/theme
GAC Toyota	<p>Outstanding Enterprise in Pollution and Carbon Reduction</p> <p>100+ Global Typical Cases for Biodiversity</p> <p>Advanced Manufacturing Engineering Technology Research Center for Passenger Vehicle of Guangdong Province</p> <p>2021 First Prize in Excellent Quality Management Team Activity Achievement of National Machinery Industry</p> <p>No. 1 for sales and after-sales service satisfaction in 2021 China Automobile Customer Satisfaction Index (CACSI)</p>	<p>Department of Ecology and Environment of Guangdong Province</p> <p>China Environmental Protection Foundation</p> <p>Department of Science and Technology of Guangdong Province</p> <p>China Machine Building Quality Management Association</p> <p>China Association for Quality</p>
GAC-SOFINCO	<p>2021 Best Automobile Finance Company of "Gold Engine" Award</p>	<p>21st Century Business Herald, China Automobile Finance</p>
GAC Component	<p>Ranked 56th among 2021 Global Top 100 Auto Parts Companies, and 7th among Top 100 Auto Parts Companies in China</p> <p>2020 Top 30 Auto Parts Companies in China Automobile Industry</p> <p>2021 China Machinery Top 500</p> <p>New Type Research and Development Institution in Guangdong Province</p>	<p>China Automotive News</p> <p>China Association of Automobile Manufacturers</p> <p>China Machinery Enterprise Management Association</p> <p>Department of Science and Technology of Guangdong Province</p>
GAC Business	<p>Ranked 19th among 2021 Top 100 Automobile Dealer Groups in China</p>	<p>China Automobile Dealers Association</p>
GAC Capital	<p>2020-2021 China Green Investment Institution with Most Growth Potential</p>	<p>Chinese Venture</p>

AWARDS AND HONOURS

VEHICLE MODELS AND OTHER AWARDS

Vehicle Models	Name of Honour	Awarded by
GAC Trumpchi GS3 SUVs	2020 Guangdong Famous High-tech Product	Guangdong Hi-tech Enterprise Association
GAC Trumpchi M8 MPVs	2020 Guangdong Famous High-tech Product	Guangdong Hi-tech Enterprise Association
GAC Trumpchi second-generation GS4 SUVs	2020 Guangdong Famous High-tech Product	Guangdong Hi-tech Enterprise Association
GAC Trumpchi EMPOW	China's Vehicle of the Year	Auto Business Review
GAC AION AION V	Annual Vehicle for Energy Saving and Environmental Protection	China New Mainstream Media Automotive Alliance
GAC AION AION V Plus	Gold Award of Automatic Parking, Gold Award of Traffic Jam Assistant in the Intelligence Network Contest for Automobile	Organisation Committee of China Intelligence Network Contest for Automobile
GAC AION AION V Plus	Top Ten Models of the Year	Tsinghua Automotive Engineering Development Institute for Automotive Observation
GAC AION AION Y	Annual trend-setting technological SUV	NetEase Automobile
GAC AION AION Y	Annual Best-selling Intelligent Pure Electric SUV	Cheshi Hongdian
GAC AION AION S	2021 Global Top Ten Select New Energy Automobiles	huanqiu.com
GAC Honda Accord	Best-selling Car of the Year	China Media Group
GAC Honda Accord	2021 Global Top Ten Select Sedans	huanqiu.com
GAC Honda Fit	Small-sized Vehicle of the Year	auto.ifeng.com
GAC Honda Odyssey	2021 Global Top Ten Select MPV	huanqiu.com
GAC Honda Breeze	2021 Comfortable Travel-Best Hybrid Model	National Business Daily
GAC Honda Breeze	Annual SUV Award for Joint Venture Brand	Global Auto Media
GAC Honda Integra	New Style Sports Mid-size Sedan	China New Mainstream Media Automotive Alliance
GAC Toyota Sienna	Annual MPV Award	Sohu Auto
GAC Toyota Sienna	Annual Popular MPV with Most Consumer Focus	Auto Business Review
GAC Toyota New Fourth-Generation Highlander	Medium-and-Large-sized SUV of the Year	Huanqiuauto.com
GAC Toyota Wildlander	Award for Best Brand Influence	Tencent Auto
GAC Toyota New Camry	China Automobile Industry Overall Standings for the Year 2021-Annual Best-selling Car	Xiaoxiang Morning Herald
GAC FAC Jeep Commander	7-seater SUV of the Year	China Mainstream Automobile TVs (Omnimedia Alliance)
GAC Mitsubishi Airtrek	Annual New Energy SUV	China Mainstream Automobile TVs Alliance
GAC Mitsubishi Airtrek	Annual Most Anticipated New Energy Model	Shandong TV Station
GAC Mitsubishi Outlander Dynamic Version	2021 Annual Sporty SUV	Youth Daily

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
“associate(s)”, “associated company(ies)” or “associated enterprise(s)”	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”	the Company Law of the People’s Republic of China
“CSRC”	China Securities Regulatory Commission
“Da Sheng Technology”	Da Sheng Technology Co., Ltd. (大聖科技股份有限公司), a subsidiary of the Company established in June 2016 under PRC law, in which the Company and Urtrust Insurance hold approximately 74.30% equity interests in total
“GAC AION”	GAC AION New Energy Automobile Co., Ltd. (廣汽埃安新能源汽車有限公司) (formerly known as 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 Aisin”	GAC Aisin Automatic Gearbox Co., Ltd. (廣汽愛信自動變速器有限公司), an associated company jointly funded and established by GAMC, AISIN AW Co., Ltd. and Aida (China) Investment Co., Ltd. in December 2018 under PRC law, in which the Company indirectly holds 40% equity interests
“GAC Business”	GAC Business Co., Ltd. (廣汽商貿有限公司) (formerly known as Guangzhou Automobile Group Business Co., Ltd. (廣州汽車集團商貿有限公司)), a wholly-owned subsidiary of the Company incorporated in March 2000 under PRC law

DEFINITIONS

“GAC BYD”	Guangzhou GAC BYD New Energy Passenger Vehicle Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), a jointly controlled entity incorporated in August 2014 under PRC law by the Company and BYD Company Limited, and the Company holds 49% of its equity interests
“GAC Capital”	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary of the Company incorporated in April 2013 under PRC Law
“GAC Changfeng”	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車有限公司) (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 holds 100% equity interests
“GAC Component”	GAC Component Co., Ltd. (廣汽零部件有限公司) (formerly known as Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司)), a wholly-owned subsidiary incorporated in August 2000 under PRC law by the Company 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 jointly controlled entity incorporated in March 2010 under PRC law by the Company and Fiat Chrysler Automobiles (Fiat Chrysler Automobiles merged with the former Groupe PSA to form Stellantis Group in January 2021)
“GAC Finance”	Guangzhou Automobile Group Finance Co., Ltd. (廣州汽車集團財務有限公司), a wholly-owned subsidiary incorporated in January 2017 under PRC law by the Company
“GAC Hino”	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a jointly controlled entity incorporated in November 2007 under PRC law by the Company and Hino Motors, Ltd.
“GAC Honda”	GAC Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co., Ltd. (廣州本田汽車有限公司)), a jointly controlled entity incorporated in May 1998 under PRC law by the Company, Honda Motor Co., Ltd. and Honda Motor (China) Investment Co., Ltd.

DEFINITIONS

“GAC Mitsubishi”	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a jointly controlled entity incorporated in September 2012 under PRC law by the Company, Mitsubishi Motors Corporation and Mitsubishi Corporation
“GAC Bus”	Guangzhou Automobile Group Autobus Co., Ltd (廣州汽車集團客車有限公司) (formerly known as Guangzhou Denway Bus Co., Ltd (廣州駿威客車有限公司)), a wholly-owned subsidiary incorporated by the Company and its subsidiaries on January 1993 under PRC law
“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated in May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
“GAC Toyota”	GAC Toyota Motor Co., Ltd. (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co., Ltd. (廣州豐田汽車有限公司)), a jointly controlled entity incorporated in September 2004 under PRC law by the Company, Toyota Motor Company and Toyota Motor (China) Investment Co., Ltd.
“GAC Toyota Engine”	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated in February 2004 under PRC law by the Company and Toyota Motor Company, and the Company holds 30% of its equity interests
“GAEI”	Guangzhou Automobile Group Company Automotive Engineering Institute, a branch company of the Company established in 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), a state-owned enterprise incorporated in October 2000 under PRC law and the controlling shareholder of the Company
“GAMC”	GAC Motor Co., Ltd. (廣汽乘用車有限公司) (formerly known as Guangzhou Automobile Group Motor Co., Ltd. (廣州汽車集團乘用車有限公司)), a wholly-owned subsidiary of the Company incorporated in July 2008 under PRC law

DEFINITIONS

“GAMC (Hangzhou)”	its predecessor was GAC Gonow Automobile Co., Ltd. (廣汽吉奧汽車有限公司), a subsidiary incorporated in December 2010 under PRC Law by the Company and Gonow Auto Co., Ltd., in which the Company holds 51% equity interests. In March 2016, GAMC, a wholly-owned subsidiary of the Company acquired the remaining 49% equity interests and renamed the entity as Guangzhou Automobile Group Motor (Hangzhou) Co., Ltd. (廣州汽車集團乘用車(杭州)有限公司) in May 2016 which was renamed as GAMC (Hangzhou) Co., Ltd. (廣汽乘用車(杭州)有限公司) in June 2019
“Group” or “GAC Group”	the Company and its subsidiaries
“HYCAN Automobile”	HYCAN Automobile Technology Co., Ltd. (合創汽車科技有限公司) (formerly known as GAC Nio New Energy Automobile Technology Co., Ltd. (廣汽蔚來新能源汽車科技有限公司)), a company jointly funded and established by the Company and Nio, Inc. in April 2018 under PRC law, in which 25% of its equity interests are jointly held by the Company and its subsidiaries after the completion of capital injection in January 2021
“independent director”	has the same meaning as that of independent executive director
“joint venture(s)” or “jointly controlled entity(ies)”	joint venture companies under direct or indirect joint control, and no participating party has unilateral control power over the economic activities of such jointly controlled entity as a result of such direct or indirect joint control
“Juwan Technology Research”	Guangzhou Juwan Technology Research Co., Ltd., an associated company incorporated in September 2020 under PRC law and jointly funded and established by the Company, GAC Capital, Guangzhou Juwan Investment Partnership (Limited Partnership) and other natural person shareholders, in which the Company and GAC Capital jointly hold 39% equity interests
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“MPV”	multi-purpose passenger vehicle

DEFINITIONS

“ON TIME”	a mobile mobility platform established in April 2019 and launched by the Company through Chenqi Technology Limited (including its subsidiaries) established by China Lounge Investments and Tencent, and its controlling company, and is indirectly held 35% by the Group
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Hino”	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated in October 2003 under PRC law by the Company and Hino Motors, Ltd., in which the Company holds 30% equity interests
“SSE”	the Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Shares on the SSE, as amended from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	The supervisory committee of the Company
“SUV”	sports utility vehicle
“Times GAC”	Times GAC Energy Battery System Co., Ltd. (時代廣汽動力電池有限公司), an associated company jointly funded and established by the Company, GAC AION and Contemporary Amperex Technology Co., Ltd. in December 2018 under PRC law, in which the Company and GAC AION hold 49% equity interests in total
“Tong Fang Logistics”	Tong Fang Global (Tianjin) Logistics Co., Limited (同方環球(天津)物流有限公司), an associated company established by the Company, China First Automobile Works Group and Toyota Motor Company in July 2007, in which the Company holds 25% equity interests



DEFINITIONS

“Urtrust Insurance”	Urtrust Insurance Co., Ltd. (眾誠汽車保險股份有限公司), a subsidiary incorporated in June 2011 under PRC law by the Company, and in which the Company directly and indirectly holds a total of 53.55% equity interests
“Wuyang-Honda”	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊—本田摩托(廣州)有限公司), a jointly controlled entity incorporated in July 1992 under PRC law by the Company, Honda Motor Co., Ltd. and Honda Motor (China) Investment Co., Ltd.

